

## Wholesale Retail Code Change Proposal – Ref CPW139a

<b>Modification proposal</b>	Wholesale Retail Code Change Proposal – Ref CPW139a – Bilateral Hub (Phase 7)
<b>Decision</b>	The Authority has decided to approve this Change Proposal
<b>Publication date</b>	17 May 2023
<b>Implementation date</b>	20 June 2023

### We are approving this Change Proposal.

CPW139a will prioritise the integration of the H1 (Application for an allowance and/or Volumetric Adjustment) and H2 (Application for a Contribution Offer in respect of installing a meter at an Unmeasured or Assessed Service Component) processes into the Bilateral Hub, as part of the Bilateral Transactions Programme. This prioritisation is justified due to how frequently Trading Parties have used the H1 process in the past and the importance of customers being quickly and efficiently compensated for volumes lost outside of their control. The H2 process has not been used frequently by Trading Parties in the past, but still requires integration into the Bilateral Hub as it could have significant impact on customers.

Its merging with the B1 and B7 processes that already function within the Bilateral Hub will allow it to be integrated in a simple and cost-efficient way. CPW139a also proposes changes to the H1 process which will benefit customers and Trading Parties, including improvements to Service Level Agreements (SLAs) which will support the delivery of improved outcomes for customers, providing greater transparency to an area of the market currently lacking visibility.

## Background

[CPW070/CPM043](#) (an Authority timetabled change proposal) created the programme governance under which work to address issues that had been identified relating to bilateral transactions (i.e., transactions between Wholesalers and Retailers). The first phases of the Bilateral Transactions programme, integrating a number of processes into the Bilateral Hub, were delivered under this change proposal and concluded in

November 2022. [MOSL's 2023-26 Business Plan](#) includes a subsequent programme of work which aims to continue to standardise, combine, streamline, or retire residual processes set out in the Operational Terms before bringing them into the Bilateral Hub which is aimed at improving the efficiency of interactions between Wholesalers and Retailers for the benefit of customers.

CPW139 and CPM051 aim to establish this programme of work, which represents Phase seven of the Bilateral Transactions Programme. CPW139 and CPM051 will be delivered through a series of implementations in the same way that previous Bilateral-related change proposals were implemented under the Ofwat-led programme via CPW070 (a, b, c, etc.), of which CPW139a is the first. CPW139a consists of the H1 (Application for an allowance and/or Volumetric Adjustment) and H2 (Application for a Contribution Offer in respect of installing a meter at an Unmeasured or Assessed Service Component) processes.

## The issue

### The H1 (Application for an allowance and/or Volumetric Adjustment) process

Wholesalers may provide for allowances and/or Volumetric Adjustments in certain scenarios, such as to reflect bursts or leaks, water used for firefighting purposes, or to reflect the outcome of meter accuracy investigations. The Operational Terms currently provides a process for Retailers to claim an allowance and/or Volumetric Adjustment from the Wholesaler (H1 Part A), and a process for Wholesalers to notify Retailers where it intends to review and/or change any allowance to be applied (H1 Part B).

Part A involves the Retailer submitting a form to the Wholesaler, which the Wholesaler must respond to within 20 Business Days. Wholesaler performance against meeting this timeframe is reported as an Operational Performance Standard (OPS). The Wholesaler must also notify MOSL of any allowance granted. Part B involves the Wholesaler notifying the Retailer that it either intends to review the existing allowances (requiring information from the Retailer and/or a site visit) or change them. The Retailer may challenge the notice, and the Wholesaler must respond to this challenge.

Trading Parties have used the H1 process extensively in the past; over 8,000 H1 requests were completed across the market in 2020-21. Given the extent of its use, and its relative impact on customers, it is considered that the H1 process merits its adoption as a standalone Bilateral Hub process and as such has been prioritised over other remaining operational processes as it is essential Trading Parties can efficiently and effectively compensate customers for volumes lost outside of their control. It is notable that H1 is associated with an OPS to incentivise performance. To date, 89% of OPS processes by historic volumes have been incorporated into the Bilateral Hub. The implementation of H1 into the Bilateral Hub would see this percentage increase to 97%,

which may build on the transparency and accountability of benefits already delivered in previous phases of the Bilateral Transactions Programme.

## **The H2 (Application for a Contribution Offer in respect of installing a meter at an Unmeasured or Assessed Service Component) process**

Retailers may request a meter installation at an Eligible Premises that a Wholesaler considers impractical. The Operational Terms set out a process for Retailers to request a Contribution Offer<sup>1</sup> to assist with any works required to make the installation of the meter, previously deemed impractical, practical. The Retailer submits a form to the Wholesaler, which the Wholesaler must respond to. If the Retailer accepts a Contribution Offer, they arrange and complete the work at the premises to make the subsequent meter installation practical. If the Retailer rejects a Contribution Offer, the Wholesaler may choose to reassess the Service Components and/or consumption at the Supply Point and notify the Retailer. The Retailer may challenge this assessment decision with evidence, but the Wholesaler will decide any new or amended values to provide to MOSL.

Trading Parties have not used H2 processes frequently in the past, and they reported no instances of H2 requests being progressed in 2020–21. Therefore, H2 processes are not used extensively enough to warrant adoption as a standalone Bilateral Hub process. However, H2 may significantly impact customers, and retiring the process completely would effectively mean that no meter installation initially deemed impractical could be installed via a standardised and accountable Contribution Offer route. Therefore, it is considered by the Proposer that there may be a case to incorporate the process into the Bilateral Hub in a cost-effective, simple way.

## **The Change Proposal<sup>2</sup>**

This change was proposed by MOSL. CPW139a proposes to integrate the H1 and H2 processes into the Bilateral Hub, and proposes changes to how they currently function under the Operational Terms.

The main changes to the H1 process are listed below.

- **Merging H1 Part A and H1 Part B:** This change would streamline the H1 process and remove unnecessary duplication in both technical requirements and code

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<sup>1</sup> A Contribution Offer is an offer from the Wholesaler to assist with any works required to make the installation of a meter at the Eligible Premises practical (consistent with its Wholesale Tariff Document)

<sup>2</sup> The proposal and accompanying documentation is available on the MOSL website at <https://www.mosl.co.uk/market-codes/change#scroll-track-a-change>

drafting. The technical process itself utilises the Common Processes already delivered as per Operational Subsidiary Document (OSD) 0701 (Bilateral Hub Common Processes). In effect, two Data Transactions (T601.R/W.M and T602.W/M) and one reportable Service Level Agreement (SLA) H1- 1 are being created.

- **Service Level Agreement improvements:** Under the Operational Terms, there is an OPS loophole whereby the SLA might restart on a continual basis if the Wholesaler repeatedly specifies a site visit or further information was required to complete the request. The redesigned process adopts the standard 25 Business Day OPS SLA consistent with other processes already implemented into the Bilateral Hub, which tracks Requests from submission to completion. Additionally, the end trigger is represented by an actual outcome of the request being completed in the hub. The Wholesaler may use Deferrals to manage SLAs to some degree where appropriate, but the distinct and transparent Deferral reasons that currently exist in the Bilateral Hub mean that the process cannot be exploited at the expense of customer benefit.
- **Greater clarification on when to raise H1 requests in the Bilateral Hub:** This change would include an additional "catch all" option for providing Volumetric Adjustment so no scenario is inadvertently missed. It will also make a distinction for Trade Effluent and Deregistration Requests, setting out that such Requests should not be processed through H1 to ensure standardisation in adoption across the market. Additionally, the redesigned process will set out that a Wholesaler shall only raise a H1 request where the need to complete a Volumetric Adjustment has been identified outside the course of progressing an existing Request. If the Wholesaler identifies the need for an adjustment under an existing operational process in the Bilateral Hub, the Wholesaler should proceed to carry out that adjustment under that process.
- **New Allowance and/or Volumetric Adjustment Customer Application Form:** The redesigned process recommends the submission of a new customer application form alongside H1 requests where available, ensuring all information is available to the Wholesaler.
- **New "Propose Outcome" process step:** Feedback from advisory groups has suggested that the current H1 process is frequently associated with escalations and complaints at the completion stage, which in turn require rework, and ultimately lead to outcome delays and poor customer experience. This change would allow the "Propose Outcome" component of OSD 0701 (Bilateral Common Processes), which is already in place across several other processes in the Bilateral Hub (such as C1 and C5), to be used by the Wholesaler to effectively seek agreement of proposed changes to a requested allowance. A new Retailer SLA has been added to ensure the Retailer responds to the proposed outcome in an appropriate timeframe, with no response being deemed as acceptance.

The H2 process would be changed so that it is merged alongside the B1 and B7 processes that already function within the Bilateral Hub, making use of existing functionality in a proportionate and cost-effective way.

CPW139a proposes that the H1 and H2 process will be removed from the Operational Terms and added into a new, standalone OSD 0709 (Bilateral Processes for Part H: Allowances, Volumetric Adjustments, assessment requests and applications), whilst the H2 requirements will be merged into the B1 and B7 process flows/steps within OSD 0703 (Bilateral Processes for Part B: Metering). Various other OSDs and Code Subsidiary Documents (CSDs) will be changed to reflect the redesigned process.

The proposed implementation date set out in the [Code Change Committee's Final Recommendation Report](#) is 20 June 2023.

## Industry engagement and assessment

The recommendation reports presented as part of CPW139 and CPM051 do not feature a traditional consultation. Instead, the Operational Advisory Group (OAG) and Code Advisory Group (CAG) were directly involved in the assessment of CPW139a, each consisting of subject matter experts from Retailers, Wholesalers, MOSL, and where appropriate, third-party integrators. Key themes and feedback which emerged from these groups included:

- The potential impact of Wholesalers having to raise H1 requests for business-as-usual volumetric adjustments, where the need for such is identified whilst facilitating a different ongoing request (for example, a bespoke project). A solution was agreed where such volumetric adjustments should be dealt with as part of the original request.
- "Bursts" should be replaced with "leaks" to cover a wider range of scenarios and reflect industry terminology.
- Service components should be removed from the H1 process as it unnecessarily duplicates the C5 (deregistration) process.
- There should be a new functionality to allow the Wholesaler to go straight to "Complete" (Step 7), should the Wholesaler agree with the suggested allowance as originally proposed by the Retailer. This behaviour will be monitored.
- One Trading Party requested that the T226.W (Propose Outcome) Data Transaction be made more bespoke to the H1 process, however the OAG felt that the existing Data Transaction was sufficient for purpose in the context of cost and benefit.
- The OAG confirmed the content and importance of the new Allowance and/or Volumetric Adjustment Customer Application Form, notably that it should always be provided to accompany a Request when available.

## Views of the Customer Representative

The Consumer Council for Water provided the following view on the change:

“We support the proposal to implement the H1 & H2 processes into the Bilateral Hub. Volumetric adjustments are an important issue for customers, and account for some of the most complex and protracted complaints that escalate to CCW. Any changes that result in the process becoming more efficient for customers are therefore welcome.

Concerning volumetric adjustments, a key driver of complaints from business customers is the time it takes for decisions to be made on allowance applications. While it is reasonable for sufficient time to be given to trading parties to assess these applications, customers can become frustrated if waiting for a lengthy period of time. Removing the ‘loophole’ that allows the SLA to restart if the wholesaler needs to carry out a site visit is therefore welcome. Changing the process so that all investigative work has to be completed, including an outcome proposed to the retailer, within one SLA, should reduce unnecessary delays for customers.

We agree with the feedback from advisory groups that complaints can occur at the completion stage of the current process. Customers do not always understand or agree with an allowance decision, so will therefore benefit from an assessment period being built into the process. The ‘Propose Outcome’ step should provide both customers and Retailers with the opportunity to seek any clarification needed, or challenge a wholesaler’s decision if appropriate. Such a step may help prevent disputes escalating into complaints.

Another important step is ensuring that the quality of volumetric adjustment applications is high, which can then avoid causing problems and delays further on in the process. The introduction of the customer application form is therefore welcome, particularly as it is based on the best practice guidance developed by the RWG. We expect its use to be encouraged by trading parties to help ensure that all required information is being provided as part of a volumetric adjustment application.

While all sizes of business customers are impacted by volumetric adjustment complaints, there is a disproportionate impact on small businesses due to the financial implications and the effort needed in trying to resolve them. We will continue to support proposals such as this to help reduce this impact, and we are prepared to keep working with trading parties and stakeholders to do even more in this space on behalf of customers.”

## Code Change Committee (CCC) discussion and recommendation

The CCC considered this Change Proposal at its meeting on 12 April 2023. It recommended, by unanimous decision, that the Authority approve this proposal. This recommendation has been made on the basis of its contribution to the following principles and objectives:

- **Primary Principle:** CPW139a will protect and promote the interests of existing and future Non-Household Customers in the context of allowances and volumetric adjustments (by setting more stretching SLAs for parties), and contribution offers (by reducing the risk of the ultimate customer outcome facing problems within and between multiple operational processes).
- **Seamless Non-Household Customer experience:** CPW139a standardises processes under one central system to support Retailers in providing a seamless Non-Household Customer experience across Wholesale areas.
- **Simple, cost effective and secure:** CPW139a incorporates more processes into the Bilateral Hub, meaning that Trading Parties can continue to reduce reliance on multiple systems.
- **Transparency and clarity:** The "propose outcome" step for H1 should provide transparency in an area of historical conflict and inefficiency; the incorporation of H1 and H2 would be accompanied by clear code drafting; and the Bilateral Hub will enable previously self-reported H1 OPS performance to be monitored and reported independently in a more robust, objective, transparent, and consistent way.
- **Efficiency:** CPW139a continues the work of the Bilateral Transaction Programme which will increase efficiency by streamlining processes into one platform and will utilise links to other central systems.
- **Non-discrimination:** The Bilateral Hub is intended to be universally beneficial to Trading Parties. Standardising relatively well-used processes such as H1 in the Bilateral Hub may also remove barriers to Retailers operating across multiple Wholesaler areas by only having to use one system for Requests.
- **Operational Terms Objectives:** CPW139a will facilitate the performance of Trading Parties by standardising and improving the efficiency of the H1 and H2 process.

## Our decision and reasons for our decision

We have considered the issues raised by the Change Proposal and the supporting documentation provided in the CCC [Final Recommendation Report \(FRR\)](#) and have decided to approve the proposal. We have concluded that the implementation of CPW139a will better facilitate the principles and objectives of the Wholesale Retail Code detailed in Schedule 1 Part 1 Objectives, Principles and Definitions, and is consistent with our statutory duties.



CPW139a will ensure the H1 process, which has been widely used by Trading Parties in the past, is implemented into the Bilateral Hub as a matter of priority. We agree that this prioritisation is justified on the basis that it will benefit customers by ensuring Trading Parties can efficiently and effectively compensate them for volumes lost outside of their control. Although the H2 process is not frequently used, it could have a significant impact on customers, as it is important there is a way a meter installation initially deemed impractical could be installed via a standardised and accountable Contribution Offer route. Its merging with the B1 and B7 processes that already function within the Bilateral Hub will allow it to be integrated in a simple and cost-efficient way. Additionally, more meters will help improve data quality in the market. This is important as we have identified poor quality data is a key source of friction in the market and can undermine customer experience.

We think this proposal will further the **Primary Principle** as it will improve current and future customers' experience through reducing the risk that customers will face unsatisfactory outcomes as a result of multiple and varied operational processes. We also think the revised SLA will better incentivise swift actioning of customer driven requests by preventing the SLA process restarting indefinitely. As set out in previous Bilateral Hub decisions, we support the use of the standardised OPS SLAs for relevant processes. This will reduce potential confusion arising from having different OPS across similar processes and improve consistency in customer experience. Increased reporting capability in the Bilateral Hub will also allow for further monitoring of deferrals and their reasons, which we support as a means of identifying and addressing any performance issues that may arise.

We agree with the CCC that this proposal will support a **Seamless Non-Household Customer experience** by standardising the H1 and H2 processes under a central system (the Bilateral Hub), as well as streamlining the H1 and H2 processes, which supports the **Efficiency** principle. The proposal is **Simple, cost-effective, and secure** by incorporating multiple processes into the Bilateral Hub, reducing reliance on multiple systems, and merging the H2 process with already existing functionality within the Bilateral Hub. We also agree with the CCC that the proposal supports **Transparency and clarity** as the new "Propose Outcome" process step will ensure transparency of any proposals and pushbacks, an area of the market of which previously there was no visibility.

The proposal supports the principal of **Non-discrimination** as all Trading Parties will benefit from the integration of the H1 and H2 processes into the Bilateral Hub. The proposal will further the **Operational Terms Objectives** as it will support the performance of Trading Parties by standardising and improving the efficiency of the H1 and H2 processes.



## **Decision notice**

In accordance with paragraph 6.3.7 of the Market Arrangements Code, the Authority approves this Change Proposal.

**Dan Mason**

**Director, Business Retail Market**