

## Wholesale Retail Code Change Proposal – Ref CPW143

<b>Modification proposal</b>	Wholesale Retail Code Change Proposal – Ref CPW143 – Wholesaler Maintenance of Yearly Volume Estimates for Non-Market Meters
<b>Decision</b>	The Authority has decided to approve this Change Proposal
<b>Publication date</b>	8 November 2023
<b>Implementation date</b>	10 May 2024

### We are approving this Change Proposal.

CPW143 will enable Wholesalers to add or edit the Yearly Volume Estimates (YVEs) for Non-Market Meters in CMOS. Currently, in the case of unread Non-Market Sub-Meters, YVEs and Industry Level Estimates (ILEs) are used to estimate usage when a SPID is established. These estimates are often inaccurate, but it is not possible in CMOS to edit a pre-existing YVE/ILE to a more accurate YVE. This change will allow such amendments, which should improve data quality and directly reduce the risk of inaccurate bills and bill-shock for at least 112 customers.

We have consistently noted that poor data quality is a key market friction, and are therefore supportive of efforts to improve data quality in the market. We expect this Change Proposal will financially benefit customers by reducing the risk of inaccurate billing and bill-shock. In approving this Change Proposal, we continue to note the importance of billing based on actual reads and intend this change to be used only where this is not possible.

## Background

Premises within the Non-Household (**NHH**) market use Market Meters, which are meters associated with a Supply Point Identifier (**SPID**). Premises within the Domestic Market use Non-Market Meters, which are not associated with a SPID. In mixed use premises where usage is shared between the NHH market and Domestic market, there is a need to differentiate between NHH and Domestic usage so they can be billed separately. These premises therefore may use a metered network, where one meter is treated as the "main meter", and another one further down the network is treated as

the "Sub-Meter". The consumption recorded on the Sub-Meter is deducted from the consumption recorded on the main meter to determine the consumption at the first premises on the network.

If there is no Non-Market Sub-Meter read at a mixed-use premises, it is necessary to estimate Domestic usage to determine NHH usage. To estimate Domestic usage, the Yearly Volume Estimates (**YVEs**) are used, or if unavailable the Industry Level Estimates (**ILEs**) are used. 1131 Non-Market Sub-Meters are Long Unread Meters (meters which have not been read in a year or more) or Legacy Long Unread Meters (meters which have not been read since Market Opening), meaning that settlement of 13.2% of Non-Market Meters depends on YVEs or ILEs.

Wholesalers are responsible for entering YVEs for Non-Market Sub-Meters in CMOS, but this is an optional field. Currently, 23% of Non-Market Meters in the market have no YVE.

## The issue

In CMOS, once a SPID is established, Wholesalers are unable to add or amend YVEs for Non-Market Sub-Meters. This means that if Wholesalers become aware that a YVE is outdated, they have no option to adjust it to reflect a more accurate YVE in CMOS. If no YVE is available, and an ILE is used, there is no option to transition to a more accurate YVE later. The Code Change Committee's (CCC's) [Final Recommendation Report](#) (FRR) on CPW143 indicates that both YVEs and ILEs overestimate domestic usage by 70%.<sup>1</sup> This can lead to potentially significant bill shocks for NHH customers when a corrective meter read is finally taken.

An [addendum](#) to the FRR asserted that in July 2022, 112 Sub-Meters did not have a meter read history that could be used to estimate volumes - 40 were using a YVE instead and 72 were using an ILE. Therefore, 112 sub-meters are directly affected by the issue as a YVE cannot be entered or updated to produce a more accurate estimate. Around 8% of the 8,972 Non-Market Meters with Market Sub-Meters in Wholesaler billing systems may have a meter reading history that can be extrapolated to estimate volumes but are still affected. This is because if a YVE has been provided then estimated volume after the last meter read is capped at three times the YVE. Inability to change the YVE could lead to under-estimated volumes after the last meter read. Therefore, 112 is a conservative estimate of affected meters.

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<sup>1</sup> As of 19 May 2023

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

CPW143 was proposed by Castle Water. It proposes to add a new transaction to CMOS, T146.W, which would allow Wholesalers to edit or add YVEs for Non-Market Meters which can be backdated up to two months. If there is already a YVE, this transaction will overwrite it, and if there is not, it will add one. The relevant Retailer will be notified of any changes to YVE. The addition of a corrective transaction, TCORR146.W, is also being proposed as part of CPW143 which will allow unrestricted backdating of edits or additions of YVEs for Non-Market Meters. TCORR146.W will also include an 'Authorisation Code' field to provide an audit trail that parties can use to monitor the use of the transaction.

The estimated cost to deliver CPW143 has been assessed to be £75,792, broken down into £8,724 for MOSL assessment, and £67,068 for CMOS implementation. If implemented, there will be minimal ongoing costs to support the new transactions. The Addendum to the FRR calculates that the change would have a benefit of £53.35 per affected SPID per month. This would take the 112 directly affected meters about one year to pay back the implementation cost of this change.

MOSL would conduct a Post-Implementation Review one year following implementation. The review would consider (1) the use of the new transactions by Wholesalers, and (2) a pre and post implementation comparison of the discrepancy between estimated consumption volume and actual consumption volume.

The proposed implementation date set out in the FRR is 10 May 2024.

## Industry engagement and assessment

The [consultation](#) for this change was undertaken between 3 and 14 July 2023. 12 Wholesalers, three Retailers, and CCW responded to the consultation.

Full details of the consultation responses can be found [here](#). Respondents were asked if they agreed that this solution "would improve the experiences of customers and Trading Parties in dealing with mixed use premises". All Retailers agreed, but one noted that an ideal solution would be for all Non-Market Meters to be read on a frequent basis or, if this was not possible, for a smart meter to be installed. CCW agreed but noted that this change should not be at the expense of billing customers based on actual

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<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>

consumption. Eight Wholesalers agreed, two disagreed, and one did not comment. One Wholesaler agreed only if a sufficient data read was available to establish a YVE.

Reasons for disagreement included:

- The change brings about a small improvement but does not generate a more accurate set of estimated readings unless it is a new meter; and
- It may be simpler to allow Wholesalers to submit estimated readings for these meters which either should be in line with the reads billed to the HH customer, or reflective of the premises occupancy status (vacant).

All respondents agreed that the solution would enable more accurate billing, and all Wholesaler respondents said they would use the proposed transaction.

## **Views of the Customer Representative**

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

“We agree that allowing Wholesalers to update the YVEs for non-market meters may improve the accuracy of estimated charges, where the meter cannot be read, and therefore may lead to an improvement in billing accuracy for customers in mixed use premises. As YVEs are intended to reflect current usage as accurately as possible, using these as a basis for estimation is preferable to an ILE, so it is important that the current barrier to Wholesalers updating the former is removed.

While we agree that this change may improve the accuracy of estimation, this should not be at the expense of billing customers based on actual consumption. As well as ensuring YVEs are up to date, Wholesalers should continue to collaborate with Retailers and customers to access mixed use premises and obtain regular meter reads. Ultimately, more bills based on actual meter reads will improve billing accuracy, rather than improving the basis of estimation. We are aware that the number of non-market meters being read can differ significantly across Wholesalers, so we urge the industry to continue to explore how to improve the overall experience of customers in this area.”

## **Code Change Committee (CCC) discussion and recommendation**

The CCC considered this Change Proposal at its meeting on 9 August 2023. It voted (five votes in favour and three abstentions) to recommend the change is approved by the Authority. One member who supported the change noted the current inability to provide or correct a data item should be addressed to be consistent with improving market data quality. Those who abstained were not satisfied that the benefits of this change sufficiently outweighed the costs. However, it should be noted that at the time of the vote, members were under the impression that the benefit per affected SPID was

£2.24 per month. Since the vote, this has been recalculated as £53.35 per affected SPID per month. This is set out in the addendum to the FRR. There were also concerns that if a Wholesaler was not reading Non-Market Meters regularly, it would be unable to enter an accurate YVE. Conversely if it was reading the meters regularly the value of an accurate YVE would be diminished. The CCC agreed with the proposed plan for a Post-Implementation Review.

The CCC's recommendation has been made on the basis that CPW143 furthers the **Primary Principle, Continued development and sustainment of an effective market,** and **Efficiency.**

## **Our decision and reasons for our decision**

We have considered the issues raised by the Change Proposal and the supporting documentation provided in the FRR and have decided to approve the proposal. We have concluded that the implementation of CPW143 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.

We have consistently identified, including in our [2021/22 State of the Market Report](#), that poor quality data is a key market friction which inhibits the effective functioning of the market and hinders positive outcomes for customers. Ofwat sees improving data quality as a key and urgent priority for the market. CPW143 is a necessary change to support this effort, alongside providing a direct benefit to customers through improving the accuracy of bills and limiting the risk of bill-shock.

We think that this proposal will further the **Primary Principle** as it will improve current and future customers' experience through an improvement in the quality of market data, which should lead to more accurate billing and a decreased risk of bill-shock for affected customers. We agree with the FRR that this change will further the principle of **continued development and sustainment of an effective market** and **Efficiency** by improving the quality of market data.

We stress that approving this change does not lessen our view on the importance of customers being billed based on actual meter reads. However, we recognise that this is not always possible and consider that CPW143 is a reasonable adaptation in light of this.

We note the concern of some CCC members at the cost of this change. However, further to the addendum to the FRR, we are satisfied that the benefits for customers sufficiently outweigh the costs. We also note the suggestion in the consultation responses that it may be simpler for Wholesalers to submit reads that are estimates in line with the reads billed to the domestic customer, or reflective of the premises occupancy status (vacant). However, we share the view of the FRR that there is a risk

that if Wholesalers submit estimated readings as if they were actual reads, it may provide a false sense of certainty and undermine the credibility of genuine meter readings.

## **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**