

Wholesale Retail Code Change Proposal – Ref CPW148

Modification proposal	Wholesale Retail Code Change Proposal – Ref CPW148 – Transfer Read Notifications for Outgoing Retailers
Decision	The Authority has decided to approve this Change Proposal
Publication date	24 May 2024
Implementation date	6 December 2024

We are approving this Change Proposal.

We consider that an Outgoing Retailer should be informed of any updates to Transfer Reads at the earliest opportunity, so that any inaccuracy in customer billing can be rectified promptly and reduce the risk of overpayment. It is important to ensure that customers are billed accurately in a timely way, and this change will facilitate this. In addition, this change will facilitate a more efficient switching process, in turn leading to an improved customer experience.

Ideally Transfer Reads should be right first time and not require updating. However, we recognise that there may sometimes be circumstances around a transfer which means that this is unavoidable. We suggest that the Metering Committee may wish to investigate further why so many Transfer Reads currently need to be replaced and identify ways to improve the efficiency and timeliness of the Transfer Read processes.

Background

Transfer Reads record the final volume of consumption before the customer switches from one Retailer to another. This enables the old ("Outgoing") Retailer to calculate an accurate final bill, and the new ("Incoming") Retailer to have an accurate baseline from which future bills can be generated. In most cases, it is the Incoming Retailer who supplies this Transfer Read. When this happens, the Outgoing Retailer is notified and can bill the customer accordingly.

The issue

If a Transfer Read is found to be inaccurate and is subsequently removed or updated, the Outgoing Retailer is not currently automatically informed. Consequently, a final bill sent by the Outgoing Retailer to the customer will not reflect the new, updated Transfer Read, as the Outgoing Retailer will be unaware of it. The Outgoing Retailer may remain unaware of this change until the settlement report for that invoice period is run, which could be up to eight months later, depending on when the new Transfer Read was submitted in relation to the settlement run schedule.

In a scenario where the original Transfer Read was over-estimated, not notifying the Outgoing Retailer could lead to the customer being unfairly billed for the same consumption by both the Outgoing and Incoming Retailers. To rectify this, the Outgoing Retailer would need to issue a refund to the customer. Where the Transfer Read was under-estimated, not notifying the Outgoing Retailer could cause a delay in providing an accurate final bill.

The Change Proposal¹

This Change Proposal was raised by the Market Operator (MOSL) on 29 November 2023 following discussion of the issue with the Operations and Release Working Group²(ORWG) in June 2023. The ORWG agreed that the lack of automated notification to the Outgoing Retailer for amended or removed Transfer Reads was an anomaly and that this should be rectified.

The proposed solution is to modify two transactions in the Central Market Operating System (CMOS) – namely (i) T105.M (Notify Meter read); and (ii)TCORR172.M (Notify Inserted Meter read) – to ensure that when any Transfer Read is updated in CMOS, notifications are automatically sent to the Outgoing Retailer to inform them of the update. To implement CPW148, an update will be required to CSD 0301 to reflect the modifications to the relevant transactions within CMOS.

The proposed implementation date for this change is 6 December 2024.

¹ The proposal and accompanying documentation is available on the MOSL website at <https://www.mosl.co.uk/market-codes/change#scroll-track-a-change>

² The Operations and Release Working Group (ORWG) is a group comprising MOSL and Trading Party representatives which discusses technical information and changes related to CMOS functionality.

Industry consultation and assessment

To support this change, MOSL carried out analysis of key data and gathered a range of evidence.

From an analysis of Transfer Read replacements, MOSL found that in most cases where a Transfer Read had been replaced, a customer was likely to have been initially overcharged by the Outgoing Retailer. MOSL also calculated that the net total change across all meters whose Transfer Reads were replaced is equivalent to £36m in inaccurate customer bills since market opening. This is an ongoing issue, with over 3,000 Transfer Reads replaced in 2023.

There is currently no requirement for Transfer Read updates made within 8 months of the date of transfer to be notified to the Outgoing Retailer. Analysis of Transfer Read updates over the past 7 years has shown that over 31,000 were submitted by Incoming Retailers within eight months of the transfer. These may not have been communicated to the Outgoing Retailer, resulting in inaccurate bills and poor customer experience, leading to complaints. In addition, although there is a requirement for Incoming Retailers to notify Outgoing Retailers of a Transfer Read update made after eight months, consultation feedback indicates that this may not have happened in all cases.

MOSL also looked at whether consumption values had increased or decreased following a Transfer Read update and found that the mean changes due to Transfer Read updates had fluctuated over time. Where there was a negative mean change, the Outgoing Retailers are likely to have overcharged the customer whereas in the case of a positive mean change, the Outgoing Retailers are likely to have undercharged. In both cases the Outgoing Retailer will have had to revise its final bill and refund or recover the discrepancy.

MOSL consulted on this change in January 2024. There were 13 respondents: four Wholesalers, eight retailers and the Consumer Council for Water (CCW). All stakeholders expressed support for CPW148, although some had minor concerns or suggestions for improvement. Several respondents to the consultation expressed concerns about the processes for obtaining and updating Transfer Reads, rather than issues with this Change Proposal or the proposed solution. Concern was also expressed that this change could lead to a potential increase in the number of disputes between Retailers.

Views of the Customer Representative

The Consumer Representative (CCW) expressed support for CPW148, highlighting its importance in addressing market and CMOS issues that contribute to poor service for customers. CCW emphasised the significance of resolving billing issues to enhance

customer experience and engagement. CCW acknowledged the potential benefits of CPW148 in expediting amended bill issuance and minimising billing discrepancies. However, they raised concerns about the persistent delay between a customer's service switch and receiving a final bill from the Outgoing Retailer. Despite recognising CPW148's potential to address issues related to Transfer Read notifications, CCW noted that it does not directly tackle the timeframes involved in obtaining initial Transfer Reads and generating final bills. This suggests a nuanced perspective on the proposed change, highlighting both its potential benefits and limitations in addressing broader industry challenges.

In its response to the consultation, CCW commented " We are supportive of this change proposal as it seeks to resolve a clear issue with the market and CMOS that is resulting in poor service for customers. As the consultation document makes clear, many of the complaints that CCW receives are related to billing issues and it is important that any issues that are driving these complaints are identified and addressed to improve customers' experience and help to drive further engagement. It is clearly not acceptable for an incomplete process to result in either overcharging or delayed accurate billing for customers. This change should result in customers receiving amended bills more quickly where they have been overcharged. It should also help to minimise bill shocks where the customer has underpaid since it will limit the length of time that the bill has been allowed to accrue."

Views of the Proposer

In the Final Recommendation Report (FRR), the Proposer acknowledged the concerns raised by stakeholders regarding CPW148. They recognised the need for timely updating of Transfer Reads so as to track them accurately, reduce customer dissatisfaction, and avoid confusion. However, the Proposer noted that issues relating to how Retailers maintain their own data were outside of MOSL's remit. The Proposer emphasised the importance of transparency and system alignment to provide Retailers with a clear view of submissions, enhance efficiency, and improve customer satisfaction. They also acknowledged concerns about disputes between Incoming and Outgoing Retailers regarding Transfer Read updates and proposed monitoring them and reviewing the outcome as part of a Post Implementation Review (PIR) of this change. The Proposer suggested potential solutions to some of the related issues and impacts identified by stakeholders could be explored in future workshops or through further Change Proposals.

Code Change Committee (CCC) discussion and recommendation

The CCC considered this Change Proposal at its meeting on 12 March 2024 and recommended, by unanimous decision, that the Authority approve this proposal for

implementation on 6 December 2024. This recommendation was made on the basis that this change supports the Primary Principle and other supporting principles of the WRC, by helping to ensure that final customer bills issued by outgoing Retailers are accurate, ensuring that outgoing Retailers are notified of changes to reads more quickly and efficiently, and enabling a smooth transfer of customers between Retailers. The CCC noted the potential for an improved customer experience because of this change.

The CCC also agreed that a PIR should be carried out one-year after implementation. The goals of this PIR would be to review the following:

- The use of the notification functionality by Outgoing Retailers.
- A pre and post implementation comparison of the impacts of the change on the retailers and customers.

One member noted the impact of revised Transfer Reads in 2019, highlighted in the analysis conducted, which showed that there were unusually high numbers of revised Transfer Reads that year with average revisions being negative. Other years had lower, but still material, numbers of revised Transfer Reads.

Another CCC member noted how confusing it could be for customers to experience changes to their bills after they had been transferred. The CCC noted that the change should have a positive impact if Outgoing Retailers used notifications of revised Transfer Reads in a timely way. It should therefore drive a reduction in customer complaints.

One CCC member suggested that the underlying issue was Trading Party behaviour, namely providing incorrect or poorly estimated Transfer Reads which then had to be revised. CPW148 seeks to mitigate the impact of revised Transfer Reads rather than address the underlying behaviour. The Proposer agreed that the change was not designed to address behaviours but sought to improve communication and transparency of revised Transfer Reads to Retailers and customers. The CCC member also noted that pre-Covid19 approximately 50% of Transfer Reads had been based on visual reads whereas post-Covid19 most Transfer Reads were estimated. This indicated a clear change in Trading Party behaviour. While they supported CPW148 they believed that focus on customer and Trading Party behaviour was also important. MOSL noted that the reformed Market Performance Framework was expected to place greater emphasis on Transfer Reads. Consultation feedback from CPW148 could be used to inform that work.

Decision not to consult

Under Sections 66DB and 117G of the Water Industry Act 2017, if Ofwat is minded to approve a change to the WRC, it is required to issue a statutory consultation on the change unless it is assessed as being unnecessary to consult. In this case, we have determined that statutory consultation was unnecessary because:

- This change does not impose a financial burden on Trading Parties and does not substantially alter the burden of responsibilities between Trading Parties – it simply amends the functionality in CMOS to allow a notification to be sent to the Outgoing Retailer and does not place any obligations on them to do anything on receipt of the information (although they may choose to do so); and
- The change is not contentious – the evidence available shows that there is strong support across Trading Parties and wider stakeholders for this Change Proposal. The CCC also unanimously agreed to the change.

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's FRR and have decided to approve the proposal. We have concluded that the implementation of CPW148 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. It will help to "protect the interests of consumers, wherever appropriate by promoting effective competition", by ensuring transparency of data and enabling accurate customer billing in a more timely way.

We consider that the change supports the **Primary Principle** and the supporting principles of **Transparency and Clarity** and **Efficiency** and facilitates a **Seamless Non-household Customer experience**. It will also facilitate the Market Terms Objectives of the WRC "to enable the registration of NHH Customer data relevant to the provision of competitive services and enable the transfer of NHH Customers from one Retailer to another." It will deliver benefits for customers and the wider market and will help to address current market issues and frictions.

We consider that CPW148 will further the **Primary Principle** by delivering the opportunity and potential to improve customer experience. It will improve the accuracy and availability of market data to support accurate customer billing and timely resolution of issues and therefore enable a smoother switching process. We note that CCW strongly supports this change, making the point that many customer complaints relate to billing issues, and that is not acceptable for an incomplete process to result in either overcharging or delayed accurate billing for customers.

In addition, automatically notifying an Outgoing Retailer of updates to Transfer Reads supports the principle of **transparency and clarity** by making relevant information available and visible without delay. We also think that CPW148 will contribute to a **seamless NHH customer experience** by enabling improved accuracy and timeliness of customer billing. It will improve **efficiency** by ensuring that updates to Transfer Reads are notified more quickly, thus reducing the likelihood of disputes and re-billing.

In addition, we note that this change aligns with the Strategic Panel's 'Get the Basics Right' priority by improving baseline service provision and ensuring consumption data is available and accessible. It also supports the Panel's 'Get the Money Right' priority by ensuring the customer is paying and Retailers receiving the correct amounts.

Some respondents to the industry consultation carried out on this Change Proposal expressed wider concern about the efficacy of processes for obtaining, submitting and updating Transfer Reads in a timely manner. The ideal outcome for customers is that a Transfer Read is obtained without delay following a change of Retailer, and that this Transfer Read is accurate and will not require later amendment. We are concerned that the evidence gathered in support of this Change Proposal shows that so many Transfer Reads are being updated, and that in the majority of cases customers are likely to have been overcharged by an Outgoing Retailer. We also note the view expressed by one CCC member that the underlying issue was Trading Party behaviour, namely providing incorrect or poorly estimated Transfer Reads which then had to be revised.

We agree with the Proposer that there is opportunity for further work to be done to improve the accuracy of Transfer Read data and the efficiency of the Transfer Read processes. We suggest that MOSL and the Metering Committee continue to monitor the number of updates to Transfer Reads and review the processes surrounding these, with a view to raising further change proposals if needed to make improvements and address any issues found.

We note the concern expressed by another respondent to the consultation that the change could potentially lead to increased interaction between Retailers and possibly more disputes. However, we consider that having access to updated information more quickly should mean that any errors can in turn be addressed more quickly. We agree that information on the number of disputes should form part of the PIR for this change.

Decision notice

In accordance with S.66DC(1)(a) and S.117H (1)(a) of the Water Industry Act 1991, the Authority approves this Change Proposal.

Dan Mason
Director, Business Retail Market