Acceptance and Prioritisation

CPW161 Third Party requests to wholesalers

Summary of the change

CPW161 seeks to address the issue of a lack of communication by wholesalers towards customer appointed agents such as data logger companies (third parties to the market codes) on operational processes.

Purpose

The Code Change Committee is invited to:

- **AGREE** CPW161 meets the Acceptance & Prioritisation Criteria
- **AGREE** the scope to be considered in the assessment
- **AGREE** the engagement plan
- **COMMENT** on the proposed PIR rationale

Impacts

Impacts on:

- Customers
- Wholesalers
- WRC Schedule 1 Part 3

Proposer

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Any Questions?

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Contents

This paper informs the Code Change Committee (CCC) decision whether CPW161 passes the Acceptance and Prioritisation Criteria and if so, how it should be progressed.

This document has one attachment:

- Attachment A contains the change proposal form

The Code Change Committee will consider this change at its meeting on 8 April 2025. It will determine whether to accept the change into the change process or recommend rejecting it. If accepted the committee will decide whether to accept the proposed plan for progressing it.

For further information, please see the Change Proposal Log on the MOSL website or contact the Code Change Secretariat at: codechange@mosl.co.uk

1 Executive Summary

The estimated reading time for this paper is around 15 minutes.

1.1 Ask of the CCC

The Code Change Committee (CCC) is invited to decide if CPW161 has met the Acceptance and Prioritisation Criteria. If so, it is invited to approve the assessment plan set out in section 6.

1.2 Recommendation on Acceptance and Prioritisation Criteria

MOSL recommends CPW161 passes the Acceptance and Prioritisation Criteria as detailed in section 3.

1.3 Scope for Assessment

The areas of assessment for CPW161 are:

1. Quantification of impact on customers and customer appointed agents
2. Understanding if this issue affects other parties besides the proposer where appropriate and possible, noting that third parties may not want to jeopardise their existing relationships with wholesalers.
3. Understanding the reason for wholesaler inaction
4. Understanding the impact of the proposed solution on the market
5. Benefits versus costs of implementing this change.

1.4 Assessment Plan

The engagement aims of "solution refinement", "impacts on other stakeholders", "impacts on customers" are proposed. Consequently, the engagement types of **interviews** and **formal consultation** are recommended. For more information see section 6.2

The CCC is asked to approve the above approach to assessing CPW161.

1.5 Post implementation review

There should be a PIR because this change will change market processes and behaviour (see section 9 below). The scope of the PIR will be confirmed in the Draft Recommendation Report.

1.6 Recommendation

The Code Change Committee is invited to:

- **AGREE** CPW161 meets the Acceptance & Prioritisation Criteria;
- **AGREE** the scope to be considered in the assessment;
- **AGREE** the engagement plan; and
- **COMMENT** on the proposed PIR rationale.

2 Problem Statement

2.1 Background

The non-household market was set up with the aim to help deliver lower bills, improve services, help business customers use less water and promote innovation. However, the proposer who has been appointed by customers as their agent, is unable to achieve the purported aims because it is not recognised in the market codes. The proposer is seeking a solution that will make wholesalers recognise its role in the market and ensure wholesalers communicate with such customer appointed agents to achieve a flourishing market.

This change supports conditions IA8, DA1 and EMP5 in the Strategic Panel's Roadmap to a Flourishing Market:

- **IA8 Market Condition for Customer engagement and choice**: third party intermediaries provide tools that inform customer decisions
- **DA1 Market Condition for Accurate and accessible data**: innovation in services is supported by accurate data
- **EMP5 Market Condition for Accurate and accessible data**: trading party processes and behaviours support effective market functioning

This change will also address the following risk in the Market Risks and Issues:

- **WEC004**: wholesalers are not incentivised to promote water efficiency in NHH market and therefore do not facilitate customers' water efficiency decision making

2.2 The issue

Wholesalers and retailers state that the market codes do not recognise third parties appointed by customers to install data loggers and are using this reason to avoid working with third parties on operational matters set out in the WRC Operational Terms. This disrupts customers' meter read data from data loggers, or cause customers to lose assets where the loggers are removed by wholesalers without notice.

Six wholesalers have clear, published, and transparent processes. Five wholesalers used to have a process but no longer follow it. One wholesaler often fails to respond substantively until complaints are made. Three wholesalers have no process in place at all.

Data loggers are paid for by customers to fit onto meters (compatible with both traditional and smart meters). Customers choose to do so when they want to receive 'live' data from the loggers to monitor and implement water efficiency measures, rather than wait for bills from retailers or smart meter reads from wholesalers. Typically, these are large consumption customers.

In some cases, customers are led by wholesalers to believe that they must pay for meter changes to receive data through the logger. Had the third party been engaged in the conversation, alternative cheaper arrangements could have been made. Examples have been provided in the change proposal form.

2.3 Impacted parties

2.3.1 Wholesalers

Wholesalers' lack of communication with third parties is the cause of the issue in this change proposal. They do not inform third parties when they make changes to the equipment on site that can result in loss of connection between the meter and the customer's data logger and remove customers' loggers without notice.

2.3.2 Retailers

Retailers have a tangential role in this change proposal. In some cases, a wholesaler will not respond directly to the third party when asked about the loss of connection but will inform the retailer that a meter change is necessary for the data logger to be used. As the retailer had not been engaged by the customer to provide the data logger, they can misunderstand and misrepresent the situation to the customer.

2.3.3 Customers

Typically, data loggers are bought by larger water consumers from data logging companies (third parties to the codes) as part of a supply-and-maintain contract. The customers use the data loggers to monitor water usage for water efficiency purposes. When wholesalers make changes to equipment on site without notifying the customer, it causes a break in data connection between the meter and the data logger. In some cases, the wholesaler removed the data logger

without prior notification to the customer or their data logger company (identifiable from the logger), which poses a cost on the customer.

When there is a break in data connection, the data logger companies will first send out field teams to establish what has happened on site. If it is discovered that the data logger had been unplugged or the meter had been changed, the third party will act on the customer's behalf to resolve the situation with the wholesaler. If the wholesaler does not communicate with the third party, it results in the customer losing time, money and data.

2.3.4 Market Operator

2.4 Evidence of the issue

The proposer provided a cost template to illustrate the cost to them and their customers of the current arrangements. Costs to third parties may vary across the market but are several thousand pounds per annum for the proposer's portfolio. One-off costs to customers affected by the issue can range from around £100 for a site visit to a few thousands if the wholesaler removes the equipment. The cost to chase wholesalers for responses comes up to nearly £30,000 as delays are on average 97 days long. Further work would be required to assess how frequently these costs are incurred across the market.

2.5 Impact of not addressing the issue

If this issue is not addressed, customers will be disincentivised to use data loggers as one of the ways to reduce water usage. While smart meters are gradually being rolled out by wholesalers, the smart meter infrastructure is not universally ready and so hourly reads are not always available. Smart data infrastructure also generally provides data in batches rather than as a live feed. This means that for customers who want to take a proactive approach in managing their water usage, data loggers remain a viable option.

Furthermore, poor customer service extended by wholesalers to the customer's appointed agent will contribute to customer dissatisfaction with wholesalers.

2.6 Project risks

When the market was established, there was 'retailer hub' principle that retailers should own the relationship with customers. Therefore, wholesalers

would not communicate directly with customers or third parties representing them.

This change challenges the current arrangement because it makes the communication process inefficient. It may also make it easier for unlicensed parties to compete with retailers to provide services to customers.

3 Assessment against the Initial Acceptance Criteria

The Market Operator considers that CPW161 passes the Initial Acceptance Criteria and is ready for presentation to the Code Change Committee.

Initial Acceptance Criteria	CPW161	Rationale
The problem statement is incomplete or insufficiently clear on any of the following: Issue; Root cause of the issue; Actors involved in the environment of the problem; How the problem impacts the proposer customers and wider market; How the problem inhibits the delivery of MAC and WRC objectives and principles.	Pass	Problem is articulated and relevant examples were given. Proposer (as a third party acting on behalf of the customer) is not recognised by the MAC and WRC. Consequently, the end customer is getting a worse service now than pre-market opening.
The problem that is seeking to be addressed is not materially different from an active problem statement that has not yet been decided upon by the CCC.	Pass	This problem is not part of any active problem statement.
The problem statement concerns matters that are outside the scope of the MAC and/or WRC.	Pass	There is no obligation in the WRC for wholesalers to deal with customers' appointed agent (the proposer in this case).
The problem is being separately considered within the scope of an existing or scheduled improvement programme by the Market Operator.	Pass	This problem is not part of any improvement programme by the Market Operator.

Initial Acceptance Criteria	CPW161	Rationale
The problem is being separately considered within the scope of an existing or scheduled policy review by the Authority.	Pass	This problem is not part of any policy review by the Authority.

4 Assessment against the Acceptance and Prioritisation Criteria

The Market Operator has provided the following draft assessment of CPW161 against the Acceptance and Prioritisation Criteria:

Criteria	CPW161	Rationale
Evidence based problem	Pass	Evidence provided of the frequency and cost of the proposer's organisation. However, further information is needed about the extent of issue in the wider market.
Legislative or regulatory imperative	Pass	This change will facilitate wholesalers to meet Ofwat's PR24 performance commitment for Business demand. Ofwat expects wholesalers to demonstrate they have explored options to deliver water efficiency in collaboration with third parties.
Case for change	Pass	Customers are affected in their receipt of data logger services due to wholesalers inaction and lack of communication with third parties.
High level drivers	Pass	This change proposal supports the conditions for flourishing market in the SP roadmap (IA8, DA1, EMP5). See section 2.1.
End state	Pass	Code only change so expect the benefits to outweigh the implementation costs.

4.1 Evidence Based Problem

See evidence in section 2.2 and 2.4.

4.2 Legislative or regulatory imperative

Customers have limited options on water-savings devices, and not all retailers offer water-efficiency solutions like Demeter. If the problem is not addressed, fewer customers would be able to monitor water efficiency and this would adversely affect wholesalers' ability to reach Ofwat's PR24 target for wholesalers to reduce non-household consumption by 0.5% by 2029-30.

4.3 Case for Change

If wholesalers communicate with third parties appointed as the customers' agents, customers would benefit directly. Customers' data would not be abruptly disrupted by the wholesaler's operational activities, and they would not be asked to pay for unnecessary meter changes because the data logger company was not looped into the conversation.

4.4 High Level Drivers

For relevance to the Strategic Panel's Roadmap to a Flourishing Market and Market Risks and Issues, see section 2.1.

4.5 End State

This is a code only change. Therefore, the cost of assessing, developing and implementing the solution is relatively low.

5 Desired Outcome

CPW161 seeks to achieve the following outcome:

- Wholesalers will communicate with data logger companies on any operational matters and requests that involve the connection between the data logger and meter and that such communication will be in a timely manner.

5.1 Draft Solution

The solution would recognise customers' appointed third parties in the market codes. The WRC code would include:

1) Allowing a customer appointed agent (or authorised third party, definition to be worked out) the right to raise a Bilateral Request through the Wholesaler i.e., not directly accessing the Bilateral Hub.

2) Wholesalers keeping customer appointed agents informed of the progress of their requests.

3) Prior notification from the Wholesaler of works that impact the customer's equipment.

This would apply to operational processes: B1, B2 (when live), B3, B5, B7, C1, C3, C4, C5, C7, F4, F5, M1 (B11, F6, F7), H1, H3, I1, I3.

This would also mean that current SLAs associated with these bilateral processes are applied to responses to customer appointed agents.

Explore an escalation process if there is a problem between the customer appointed agent and the wholesaler.

5.2 Expected benefits and impact

Stakeholders	Current Experience	Post-Implementation Experience
Non-Household Customers	Customers who engage third parties for their specialist service are having a poorer service to that which they had prior to the NHH Market. Customers are seeing delays in service due to wholesalers delaying responses and sometimes completely refusing to engage. Some customers are having to approach the wholesaler on the third parties' behalf because the wholesaler refuses to engage with the third party. Wholesalers charging customers for unnecessary work.	Wholesalers will be obligated to action requests by third parties and held to account on the same SLAs as they would to retailers. Customers would see improved service and not be asked to pay for unnecessary work. Improve customer service and increased demand reduction services.

Stakeholders	Current Experience	Post-Implementation Experience
Wholesalers	No clear understanding of how to treat or interact with third parties. Inconsistent practice between wholesalers.	Wholesalers will have a set process on how to deal with third parties, reducing confusion.
Market	Inconsistent service across the market provided by wholesalers.	Improved opportunity for smart innovation offerings by third parties.

5.3 Estimated Cost

The change is expected to incur approximately £8,000 assessment costs. Implementation costs are expected to be minimal as a code-only change. There could be a low amount of on-going costs incurred by wholesalers to start communicating with third parties but this may be offset by less need for communication through retailers or directly with customers.

6 Assessment Plan

6.1 Proposed Assessment Plan

The area to consider in assessing this change are:

1. Quantification of impact on customers and customers' appointed agents.
2. Understanding if this issue affects other parties besides the proposer where appropriate and possible. Note that third parties may not want to engage if it could jeopardise existing relationships with wholesalers.
3. Understanding the reason for wholesaler inaction through a consultation and possibly one-on-one meetings.
4. Understanding the impact of the proposed solution on the market through consultation.
5. Benefits versus costs of implementing this change.

6.2 Proposed Engagement Plan

CPW161 is a functional change, because it will involve creating new processes that affect wholesalers only.

To thoroughly assess CPW161, the engagement aims of "solution refinement", "impacts on other stakeholders", "impacts on customers" are proposed.

Consequently, the engagement types of **formal consultation** and **interviews** are recommended to seek trading party and stakeholder contributions to the solution development. For more information see the Guidelines for Engagement on Code Change (GECC).

Change Type	Engagement Aim					
	Raise Awareness	Impacts on Industry	Impacts on Customers	Solution Creation	Solution Refinement	Solution Confirmation
Structural change	Webinar	Formal Consultation	Direct Engagement (CCW, Other customer groups)	Workshops	Workshops/ Formal Consultation	Workshops/ Formal Consultation
Functional change	Present at Forum/ Inform	Formal Consultation /Survey	Direct Engagement (CCW, Other customer groups)	Workshops **/Interviews**	**Formal Consultation**	Workshops/ **Formal Consultation**/ Objection Windows
Housekeeping change	Inform	N/A	N/A	N/A	N/A	Objection Window
Non-substantive Change	Inform	N/A	N/A	N/A	N/A	Objection Window

6.3 Assessment Cost

The MOSL cost for assessing this change is estimated to be £8,000.

7 Proposed Timetable

Change Proposal Timetable	Date
CCC Accept and Prioritise	8 April 2025
Design	9 April – September 2025
Consultation	9 – 23 June 2025
CCC Recommendation	14 October 2025
Provisional Ofwat decision	February 2026
Provisional implementation date	March 2026

8 Provisional Implementation date

Subject to development of this change the forecast implementation would be:

- March 2026, if Ofwat's approval is received by February 2026.

9 Post Implementation Review

9.1 Proposed rationale

A PIR is recommended as this is a material change to the behaviour of wholesalers. Depending on the baseline information gathered in the assessment, a PIR scope may be included in the recommendation report.

10 Market Operator Recommendation

The Market Operator recommends the CCC accept CPW161 as it passes the Acceptance and Prioritisation Criteria as outlined in section 4 and accept the engagement plan as outlined in section 6.2.

11 Impact on overall portfolio of changes

There is currently resource available to lead on this change and does not require prioritisation of other changes.

12 Recommendation

The Code Change Committee is invited to:

- **AGREE** CPW161 meets the Acceptance & Prioritisation Criteria;

- **AGREE** the scope to be considered in the assessment;
- **AGREE** the engagement plan;
- **COMMENT** on the proposed PIR rationale.