














User Forum

21 February 2019

Agenda

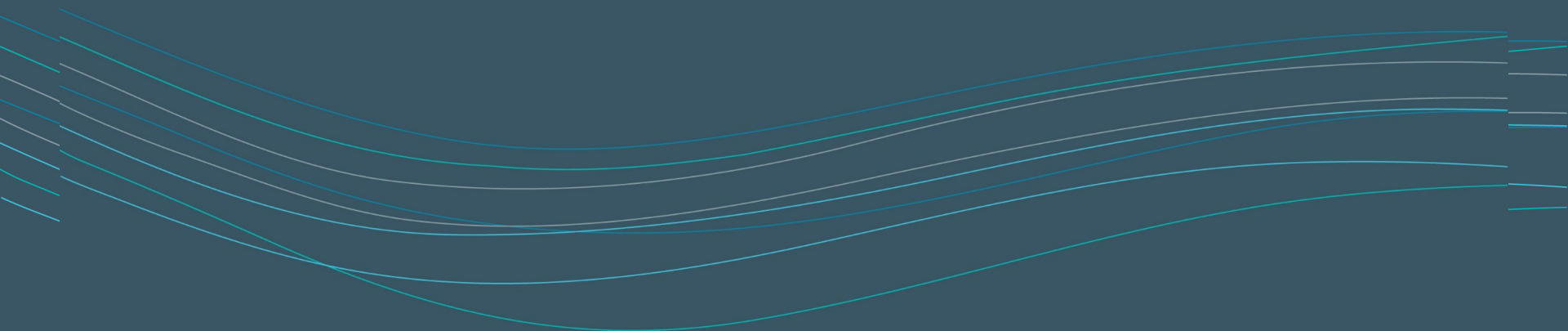
Item	Description	Who	Time
	Live video streaming starts*		10:00
1	 Welcome	Steve Arthur	10:00 - 10:10
	 Housekeeping  Highlights and next steps following the January User Forum workshops	Steve Arthur	10:10 – 10:30
2	 Data Improvement Activities	Mark Crowley	10:30 – 11:00
3	 RF Settlement run	Miles Robinson / Emma Taylor	11:00 – 11:30
	 Break		11:30 – 11:45
4	 Beast from the East Lessons Learned	Jon Hill	11:45 – 12:15
5	 Discussion to remove Developer Service permanently from the Codes	David Seymour	12:15 – 12:45
6	 Update on OPS Reporting Guidance	Jesse Wright / Katie Trehella	12:45 – 13:15
	 Lunch		13:15 – 14:00
7	 Insight on Vacancies	MOSL	14:00 – 14:30
8	 Draft Change proposal around the SPID Deregistration process.	Castle Water	14:30 – 15:00
9	 AOB wrap up and close *Live Streaming ends*	Steve Arthur	15:00 – 15:15

Welcome

Steve Arthur

Market Improvement Planning

February 2019

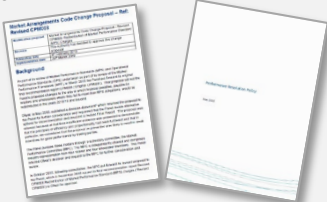


Transitioning from 2018/19 to 2019/20

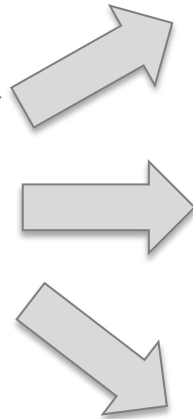
2018/19

Current MPOP

Additional market improvement initiatives



Newly identified market issues, risks and opportunities



2019/20 +

2019/20 Market Improvement Programme (MPOP)

Additional market improvement projects
(e.g. bi-laterals, credit, code change process etc)

Business as usual activity
(e.g. performance monitoring and rectification; monthly reporting and PfM engagement; committee and industry group support)

No further specific interventions planned
(e.g. risk / issue / opportunity closed or to be kept as watching brief)

Market improvement approach

1

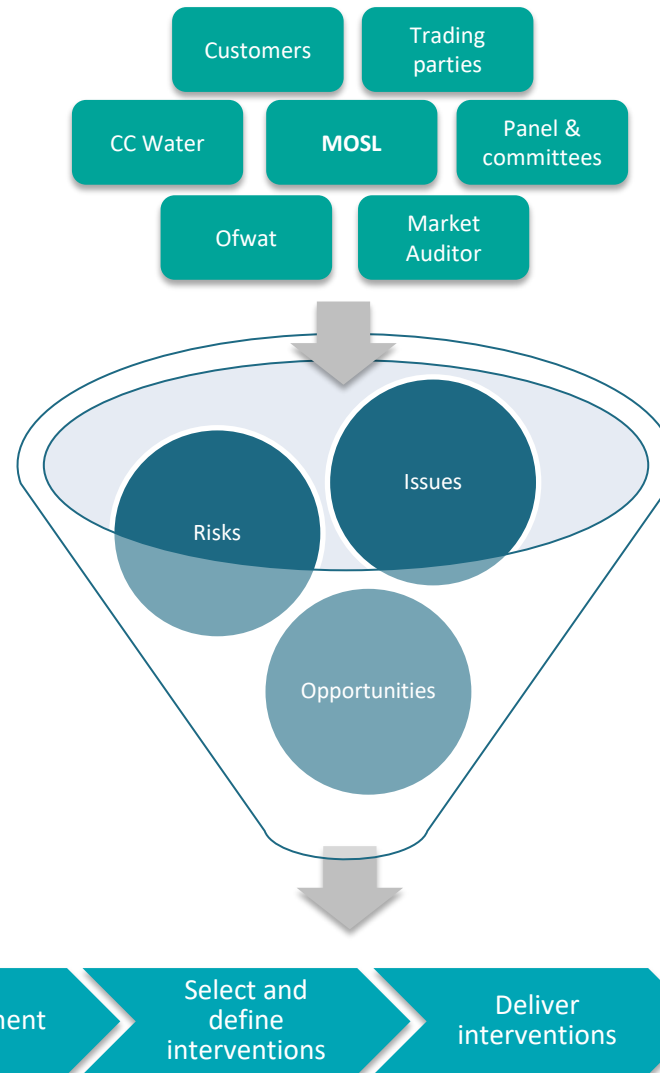
Engage internally and externally to understand key risks, issues and opportunities for market improvement

2

Identify themes and complete initial **triage** against strategic improvement objectives to determine key focus areas to be prioritised

3

Progress prioritised areas through a **staged approach** to deliver tangible, measurable market improvements



Building the 2019/20 plan – transition of existing activities

Market outcome	Market issue	Nature of issue	Impact
Enabling efficient settlement	Unpaired supply points	MP & DQ	4
	Completeness and accuracy of meter reads including long unread meters	MP & DQ	4
	Yearly volume estimates	MP & DQ	4
	Meter master data	DQ	4
	Charging for vacant sites	DQ	3
	Meter read validation	DQ & MA	3
Ensuring an equitable and effective market for retailers	Operational Performance Standards and Charging	MP & MA	4
	Regional variances in Wholesaler performance	MP	4
	Credit rules	MA	3
	Lack of Wholesaler incentives to fix data	MP & MA	3
	Treatment of defaulting Trading Parties	MA	3
Enabling efficient switching	Unpaired supply points	MP & DQ	4
	Transfer reads	MP	4
Improving Trading Party Experiences	Trade effluent processes	MA	4
	Bilaterals complexity	MA	3

2019/20 Market Improvement Programme / MPOP

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DRAFT

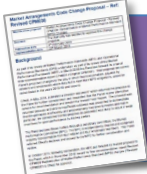
Building the 2019/20 plan – transition of existing activities

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2019/20 Market Improvement Programme / MPOP

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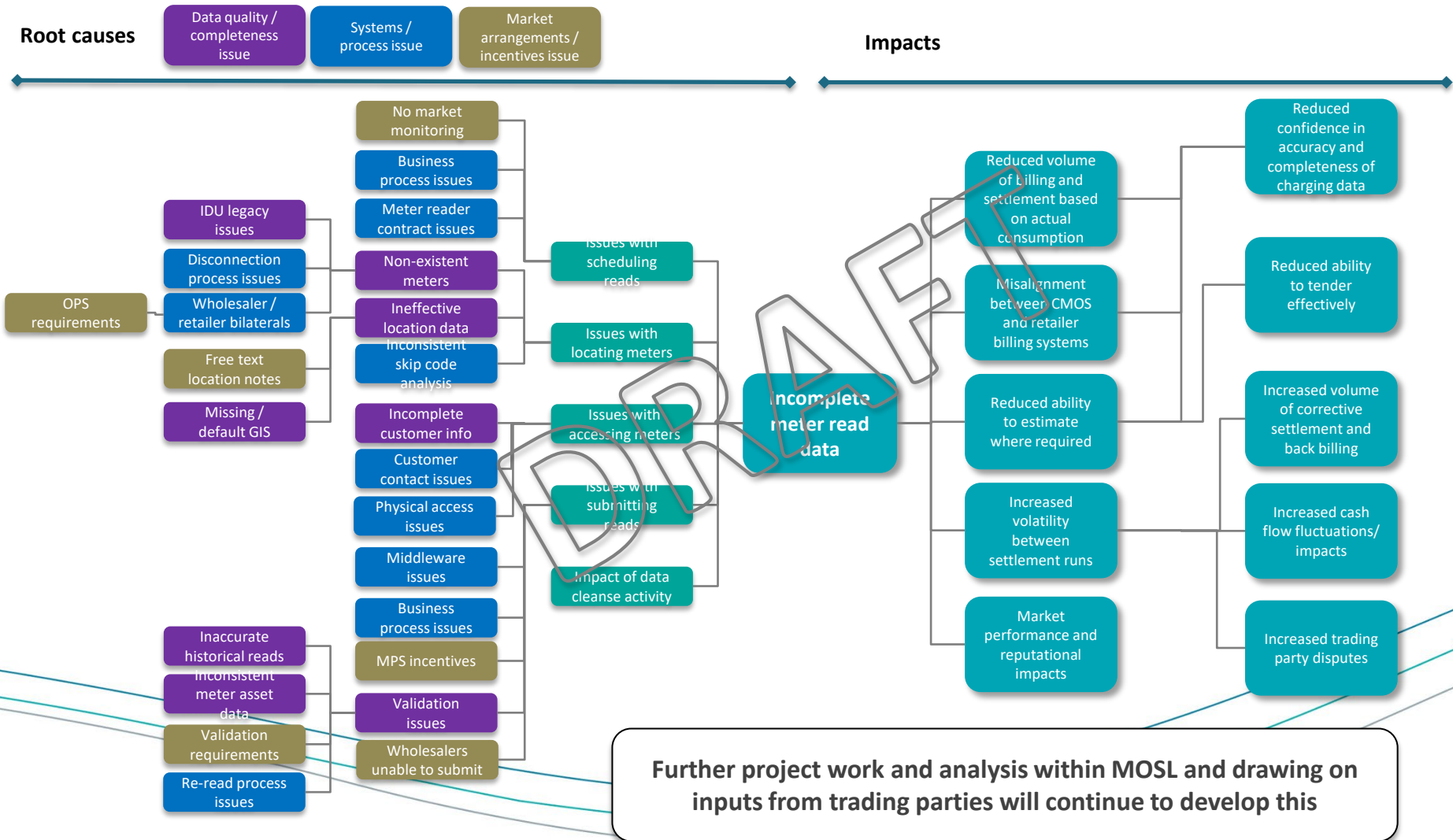
CPM008 – MPS redistribution

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Building the 2019/20 plan – emerging programmes of work



Accurate consumption – understanding of root cause and impacts from work completed to date on long unread meters



Building the 2019/20 plan

B. Accurate consumption programme

Context:

- ~15% of meters at occupied premises across the market have not had a valid read submitted in more than 12 months
- ~5% of meters at occupied premises have not had a read submitted in more than 24 months
- Retailers regularly incur (uncapped) market performance charges of £1m+ per month, primarily driven by failure to meet metering standards
- Estimation accuracy analysis shows potential £10-15m monthly variance compared to actual consumption

Objectives:

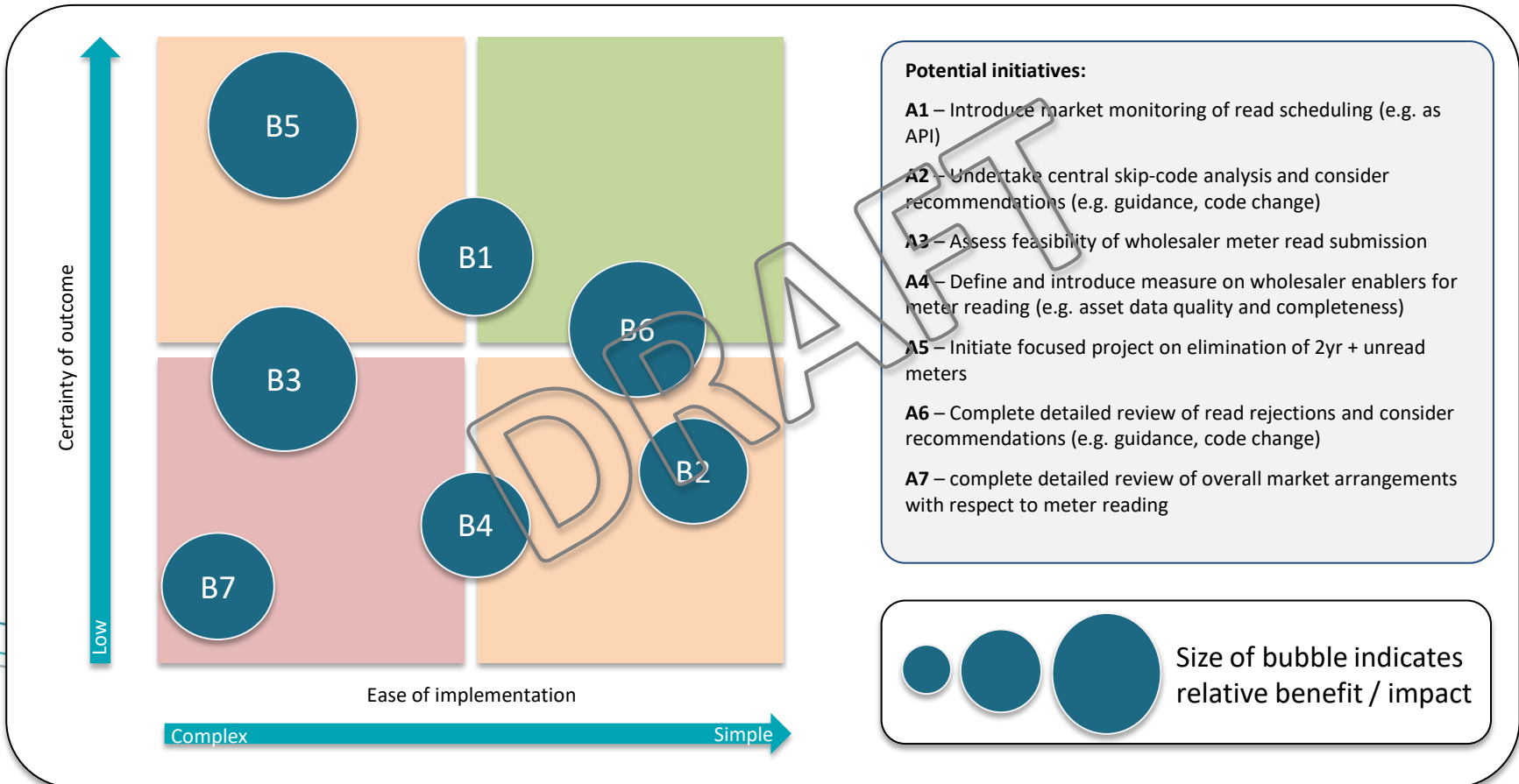
- Increase the number of customers receiving bills in line with the Ofwat CPCoP requirements for meter reading
- Reduce revenue and cash flow risk / fluctuations end-to-end from customer to retailer to wholesaler
- Build confidence in the completeness and accuracy of consumption information across the market

Candidate projects:

- B1** – Introduce market monitoring of read scheduling (e.g. as API)
- B2** – Undertake central skip-code analysis and consider recommendations (e.g. guidance, code change)
- B3** – Assess feasibility of wholesaler meter read submission
- B4** – Define and introduce measure on wholesaler enablers for meter reading (e.g. asset data quality and completeness)
- B5** – Initiate focused project on elimination of 2yr + unread meters
- B6** – Complete detailed review of read rejections and consider recommendations (e.g. guidance, code change)
- B7** – Complete detailed review of overall market arrangements with respect to meter reading

Building the 2019/20 plan

Indicative assessment below – as we define candidate projects and assess potential benefits, ease of implementation and certainty of outcome we will be seeking input from trading parties, including the setup of specific working groups where appropriate



Key dates

Meeting / milestone	Date
User Forum	21-Feb
Panel / MPC sub group working session 1	22-Feb
Review session with market auditor	22-Feb
Consultation document issued	w/c 25-Feb
MEUC survey issued	w/c 25-Feb
Panel / MPC meetings	26-Feb / 27-Feb
Consultation deadline	w/c 11-Mar
User Forum	21-Mar
Panel / MPC sub group working session 2	22-Mar
Panel / MPC meetings	26-Mar / 27-Mar
Publish MPOP	April

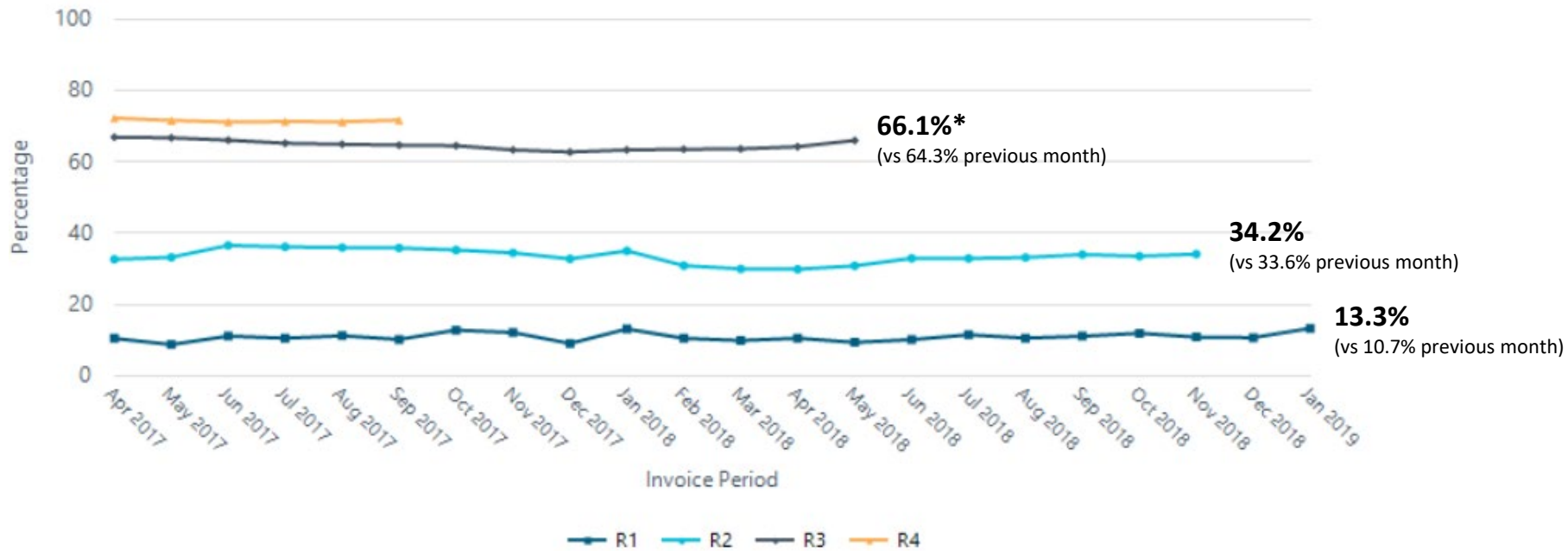
Data Improvement Activities

Mark Crowley

Overview

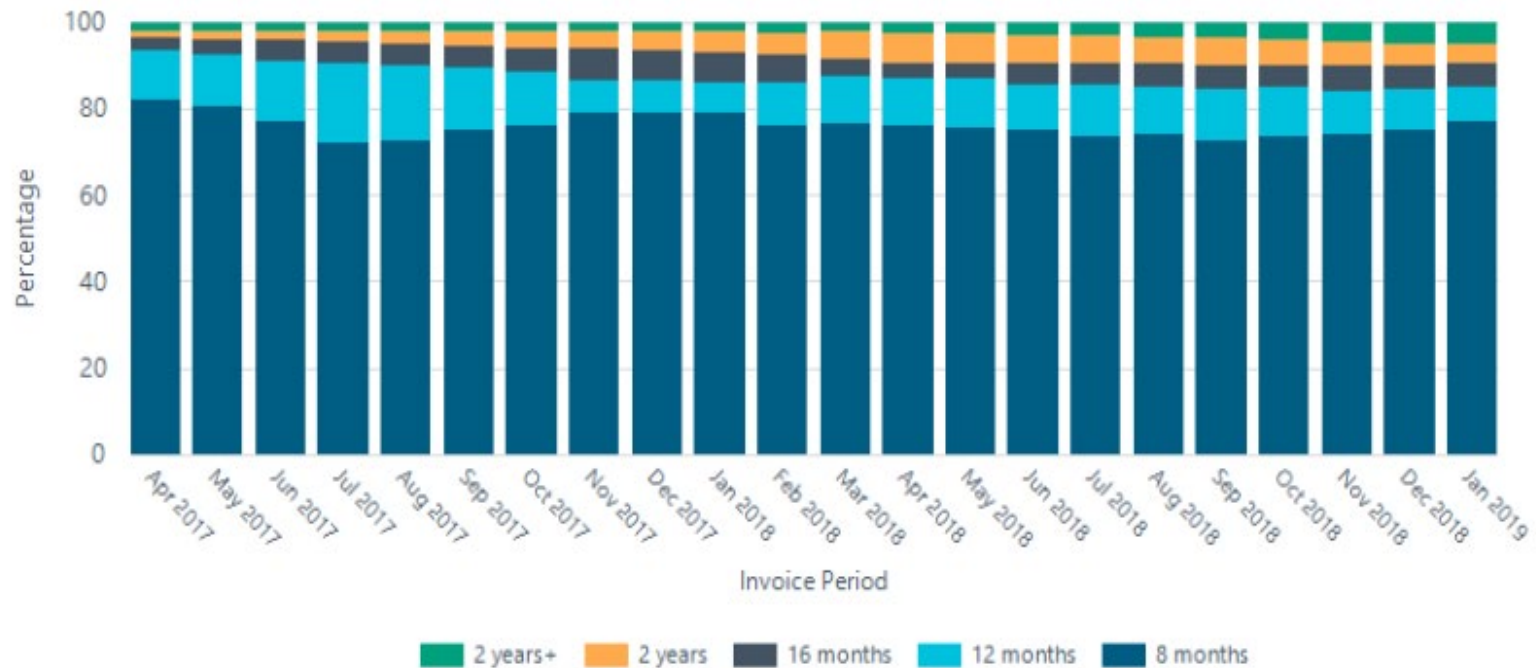
- 💧 Market level view – key dashboard charts
- 💧 Market level view – key data improvement plan metrics
- 💧 Focus – long unread meters
- 💧 New charts – read submissions and rejections

Key dashboard charts:% of meters settling on actual meter reads



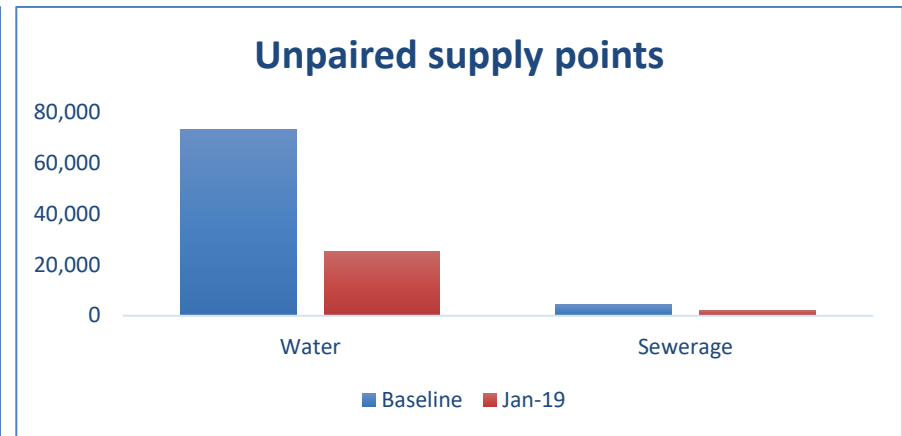
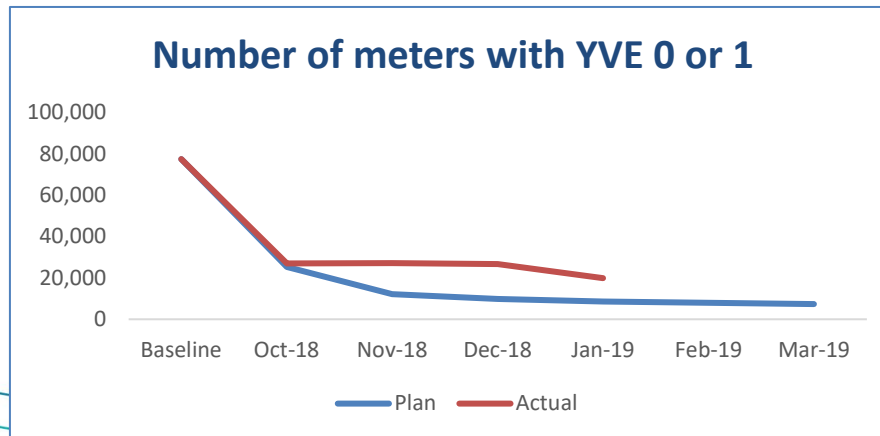
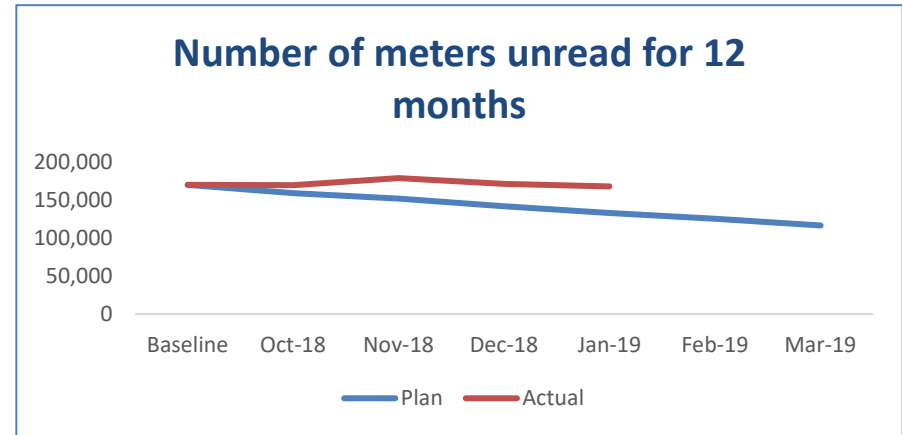
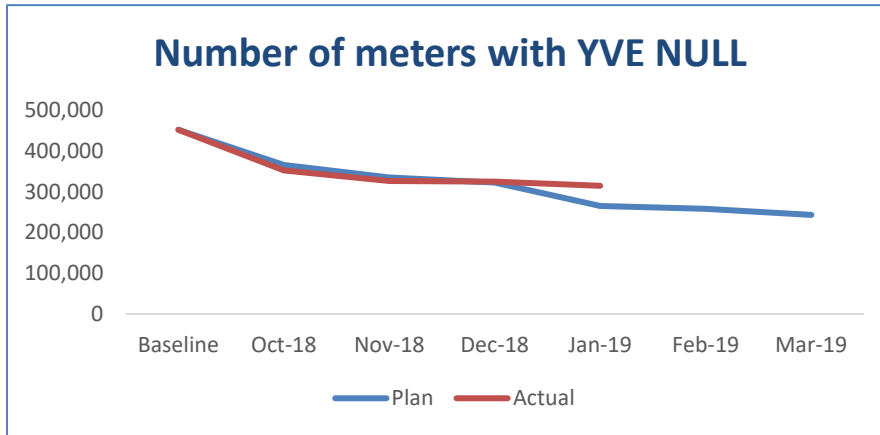
* of the remaining meters settling on estimates, 87.1% settled on historic read, 4.4% on YVE, 5.3% on YVE cap, 3.1% on ILE and 0.1% on ILE Cap

Key dashboard charts: Age of last meter read

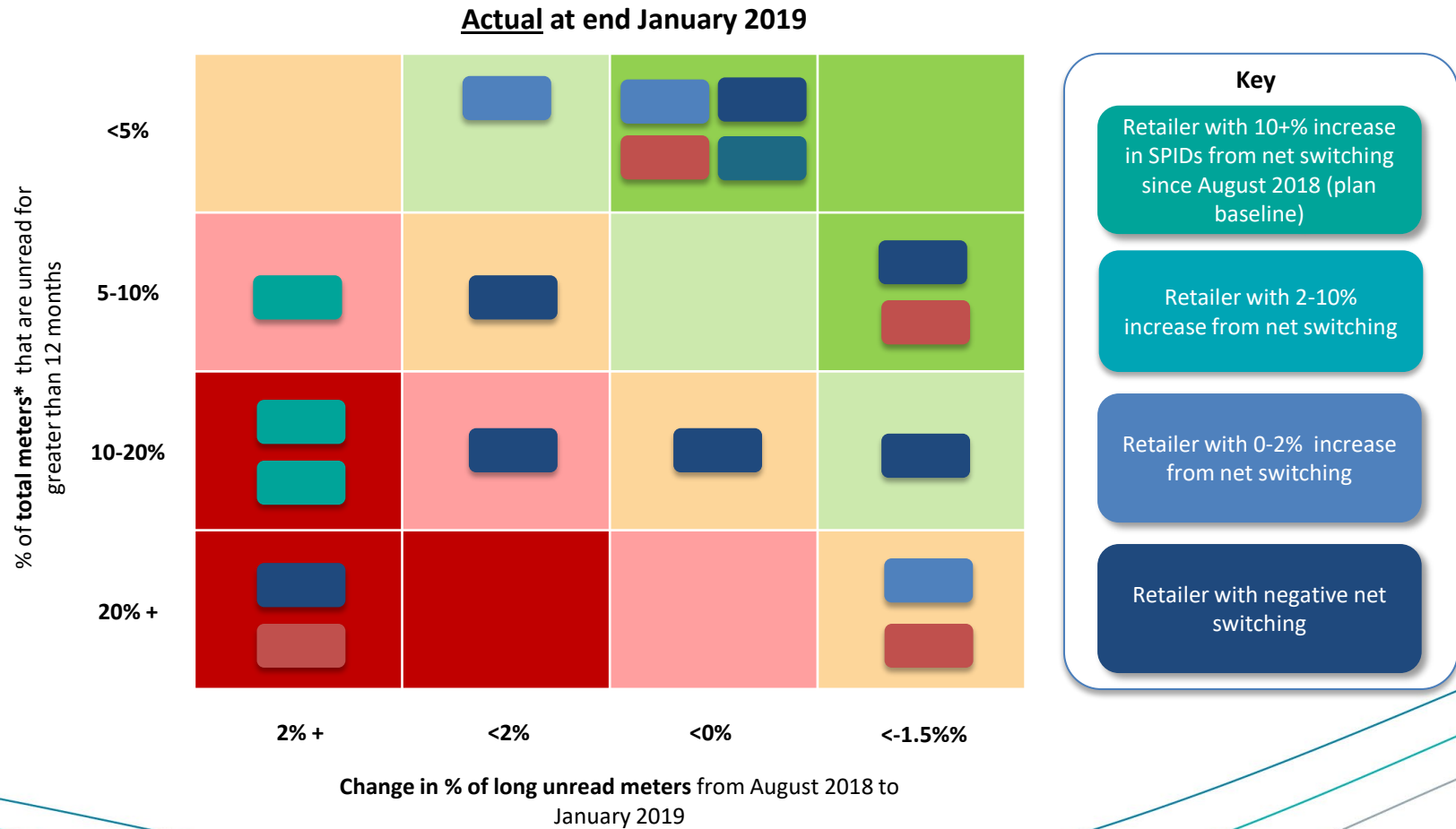


< 12 months: 85.1% (vs 84.7% previous month) **12 – 24 months: 10.1%** (vs 10.2% previous month) **24 months+ 4.9%** (vs 5.0% previous month)

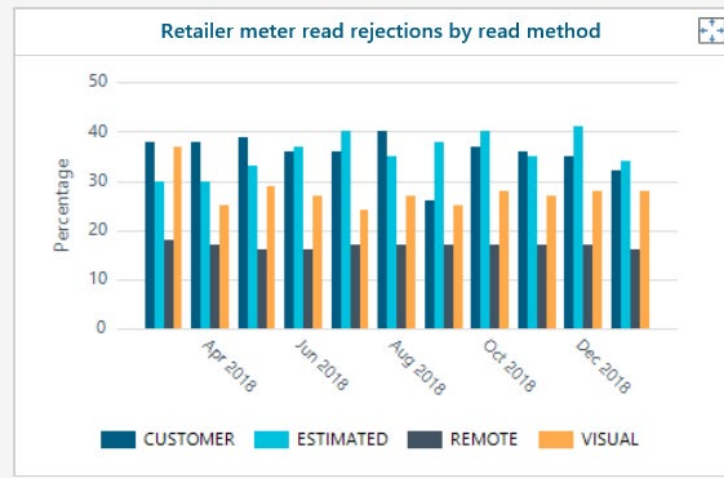
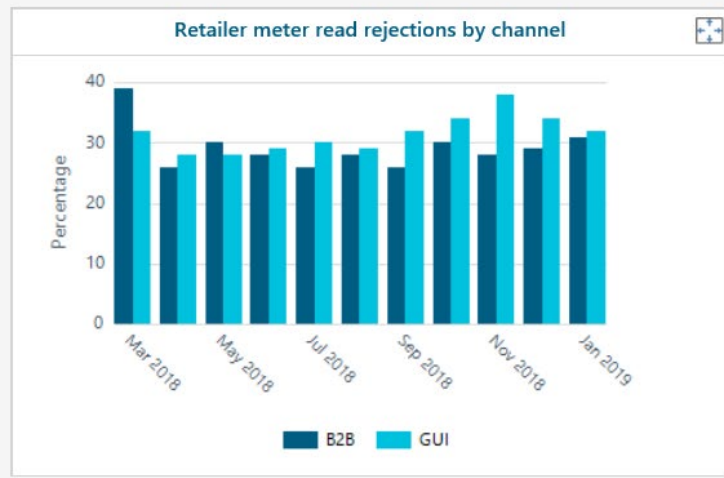
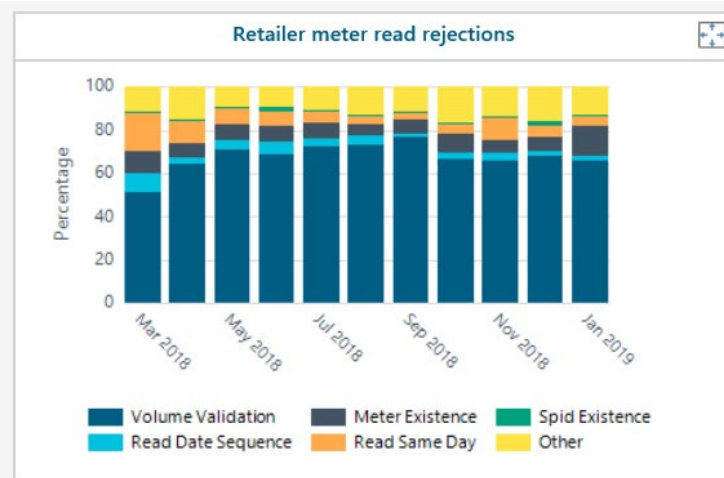
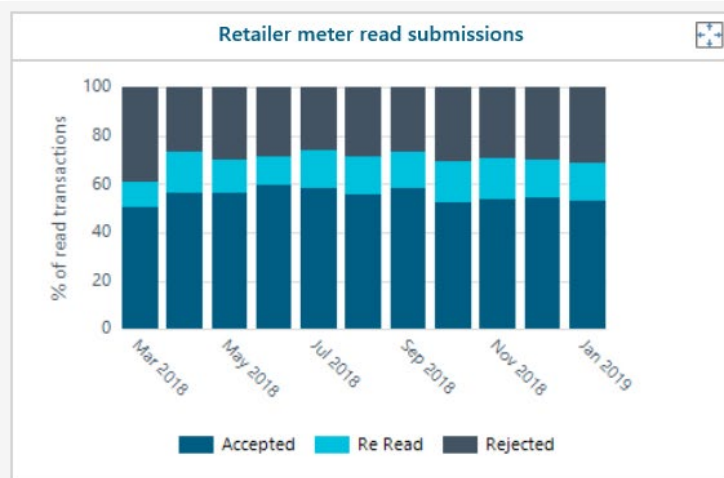
Data improvement plans: Key metrics actual versus forecast / baseline



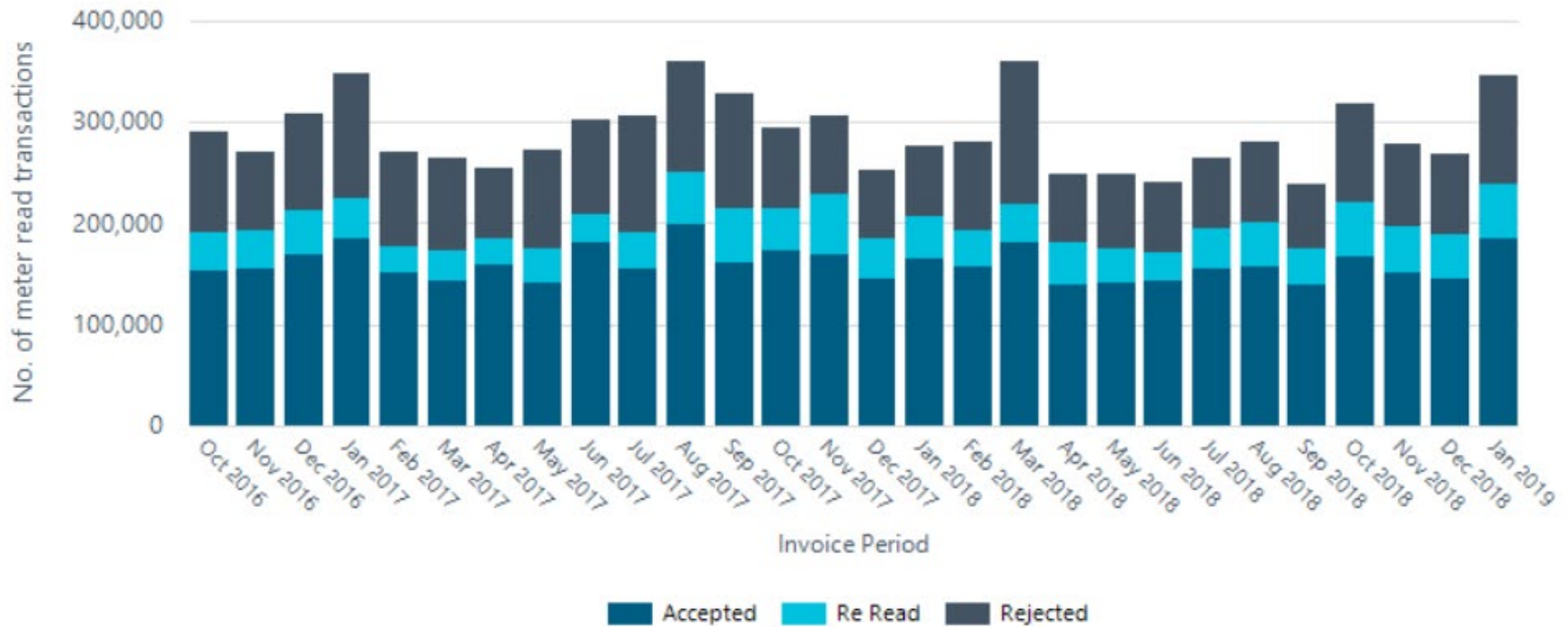
Focus – long unread meters: Relative retailer positions



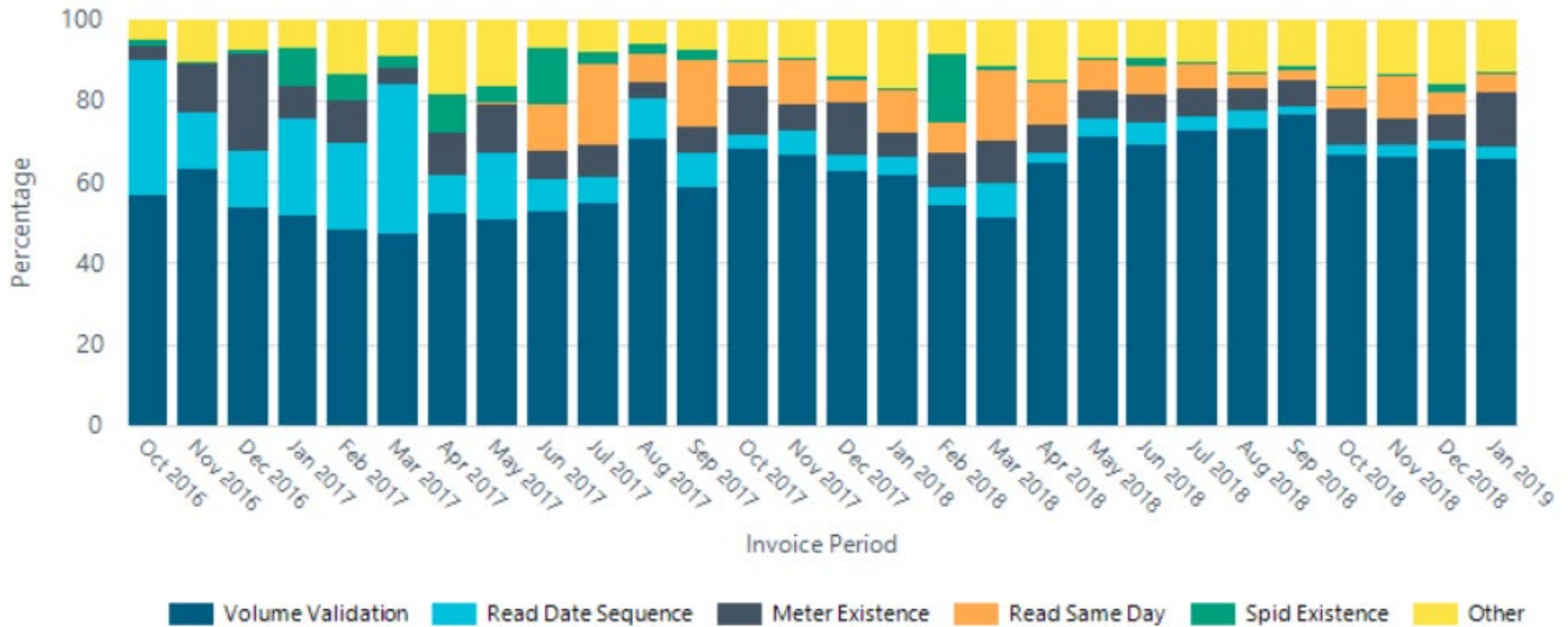
New charts: reads submissions and rejections



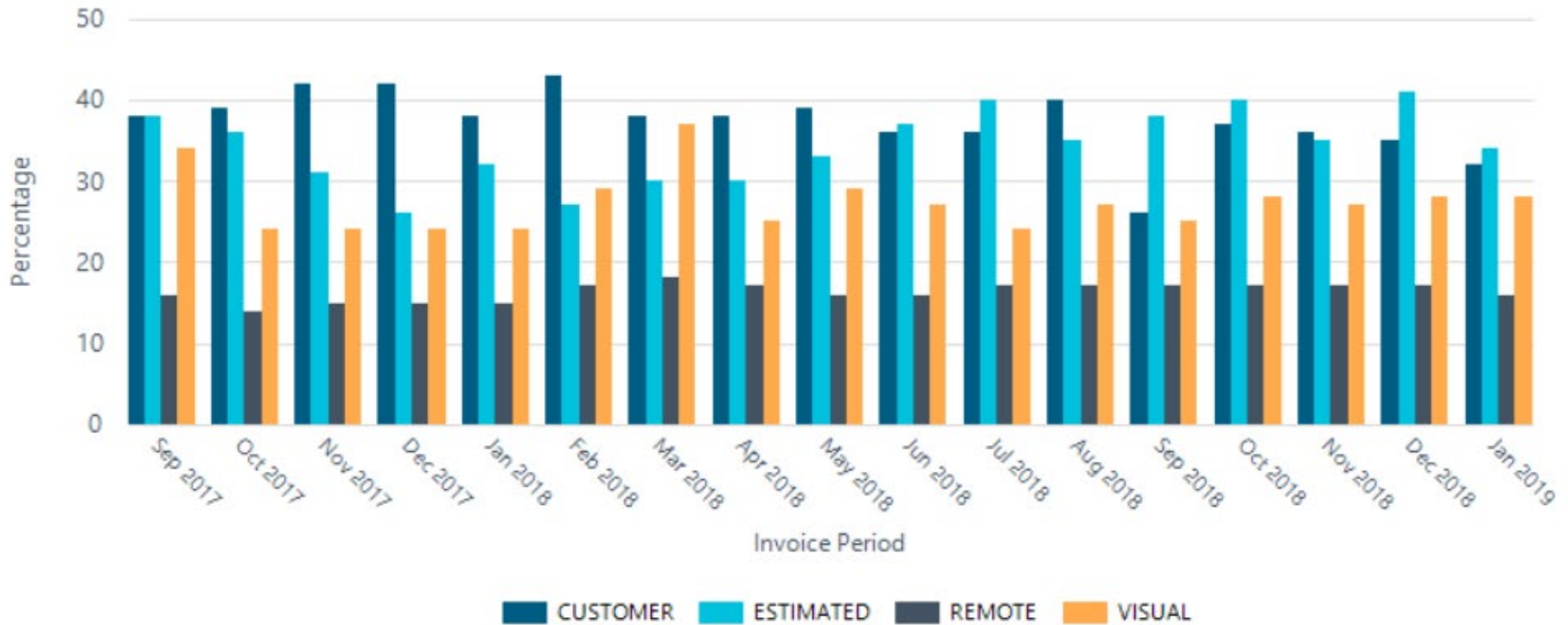
Read submissions – typically over 30% of meter read transactions are rejected



Rejection reasons – volume validation accounts for a significant proportion of read rejections



Rejections by read method – the most common read type (visual) has a typical rejection rate of 25-30%



RF Settlement run

Miles Robinson/Emma Taylor

Final settlement runs

- ◆ Following Ofwat's instruction to restart final settlement runs (RF settlement) in March 2019, MOSL created a 'catch-up' timetable for RF runs
- ◆ The timetable was presented to Panel in November 2018 and an adaption made to provide a longer review period for the April 2017 invoice period
- ◆ The adapted timetable was published to the industry in December 2018 for any significant concerns to be raised
- ◆ Feedback presented to Panel in January 2019 and timetable subsequently approved

Final settlement runs

- ◆ RF settlement for March 2017 invoice period run in February
- ◆ Approximately 109,000 G reads generated; published 11 February
- ◆ Governance around G-read removal being implemented on 22 February
- ◆ Re-run of March 2017 invoice period to be carried out on 27 February for publication on 28 February

RF timetable

Invoice period	Month RF run originally due to be run in	Month RF run to be run in	Proposed G read execution date	Proposed RF execution date	Proposed RF publication date
Apr-17	September 2018	March 2019	02-03-19	03-03-19	06-03-19
May-17	October 2018	April 2019	02-04-19	03-04-19	04-04-19
Jun-17	November 2018	April 2019	15-04-19	16-04-19	18-04-19
Jul-17	December 2018	May 2019	02-05-19	03-05-19	07-05-19
Aug-17	January 2019	May 2019	15-05-19	19-05-19	21-05-19
Sep-17	February 2019	June 2019	02-06-19	03-06-19	06-06-19
Oct-17	March 2019	June 2019	17-06-19	18-06-19	20-06-19
Nov-17	April 2019	July 2019	02-07-19	03-07-19	04-07-19
Dec-17	May 2019	July 2019	15-07-19	16-07-19	18-07-19
Jan-18	June 2019	August 2019	02-08-19	03-08-19	06-08-19
Feb-18	July 2019	August 2019	17-08-19	18-08-19	20-08-19
Mar-18	August 2019	September 2019	02-09-19	03-09-19	05-09-19
Apr-18	September 2019	September 2019	16-09-19	17-09-19	19-9-18
May-18	October 2019	October 2019	02-10-19	03-10-19	04-10-19

Break

11:30 – 11:45

Lessons of 'Beast from the East'

Jon Hill

Attendees

20 retailers and 15 wholesalers invited

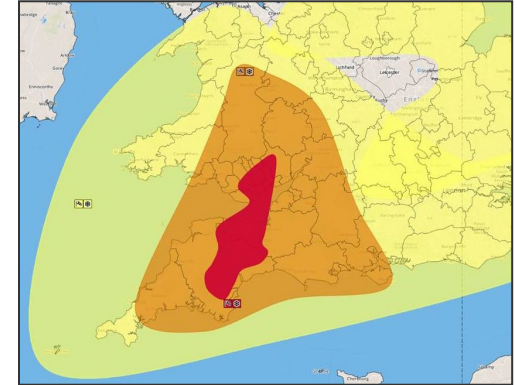
38 attendees from:

- ◆ 6 retailers
- ◆ 9 wholesalers
- ◆ 2 from MOSL
- ◆ 1 from Consumer Council for Water
- ◆ SWW wholesale and operational team members



Purpose of the event

- ◆ To share the industry's experience of the 'Beast from the East'
 - ◆ 1 in 60 year event
 - ◆ Lowest temperature for nearly 60 years
 - ◆ Fastest thaw since records began in 1960
- ◆ To understand what worked well and what we might like to do differently in future
- ◆ Four core topics were discussed:
 1. Preparation
 2. Communication
 3. Sensitive customers
 4. What could be done differently.



General observations and summary feedback

What worked well?

- 💧 Wholesalers and retailers working together to support customers
- 💧 Proactive weather watching
- 💧 Customer communication across different media; in person, social, digital, SMS & telephone
- 💧 Customers informed to check meters & report leaks
- 💧 Sensitive customers contacted and offered support
- 💧 Turning off water at empty properties
- 💧 Timely retailer briefings by phone and email
- 💧 Event progress and close-off

Potential opportunities for improvement?

- 💧 Further data cleansing by wholesalers and retailers
- 💧 Agree process to collect and share emergency contact details
- 💧 Increased focus on sensitive customers
- 💧 Potential for a central portal with event information to self-serve
- 💧 Wholesalers providing updates by SPID, with consistent messaging
- 💧 Retailers providing value-add services
- 💧 Customer education
- 💧 System enhancements for more granular sensitive customer data (CMOS or bi-lateral)



What were the challenges?

- 💧 Fake news!
- 💧 Rapid thaw
- 💧 Sharing contact details
- 💧 Managing customer expectations

Core topic - preparation

How did retailers and wholesalers prepare?

- ◆ Attention to weather warnings
- ◆ Informing customers
- ◆ Turning off water at vacant properties with customer-side leakage
- ◆ Fitting data loggers.

What else could have been done?

- ◆ Greater focus on sensitive customers
- ◆ Information sharing and event reviews/workshops
- ◆ Understanding of wholesaler obligations (e.g. alternative water supplies for non-household).

What worked really well?

- ◆ Wholesalers providing clear updates; retailers sharing with customers
- ◆ Organisations working well together
- ◆ Conference calls and timely updates.

What were the challenges?

- ◆ Obtaining and sharing emergency contact information from customers
- ◆ Managing expectation of customers with back-up storage
- ◆ Customers not seeing water as a priority.



Core topic – communication

How did retailers and wholesalers communicate externally?

- Communicating to customers on their responsibilities
- Website and social media updates
- Direct calls and emails to retailers
- Retailer outbound calls to customer to check supply for leakage and provide meter readings.

What else could have been done?

- Information on how to prevent leaks
- More push notifications by SPID
- Central hub with information allowing retailers to fetch the data
- Consistent communication across wholesalers
- Different policies can be confusing
- Potential for market-wide portal
- Retailers could provide value-add services, e.g. pipework insurance.

What worked really well?

- Progress reports and close-off from wholesalers
- Wholesalers proactively fixing some leaks
- Timely, appropriate briefings and holding statements.

What were the challenges?

- Impact and speed of thaw
- Customers lack of understanding – their responsibility (frozen supply pipe), the non-household water market
- Fake news (e.g. TV), having to counteract
- Retailers with small teams, out of hours support sometimes lacking
- Precautionary uptake of alternative supplies (bowsers, community bottle stations).

Dear Retailer,

We have also updated: <https://www.southwestwater.co.uk/interruptions/>

Please find below list of postcodes currently affected:

Key:
 Red - unresolved
 Amber – resolved/believe resolved but awaiting confirmation before updating Water Live
 Green – resolved, Water Live will be updated shortly

EX1 Mount Pleasant	Resolved
EX4 Whitestone (additional Exminster)	Under investigation (reported 05/03/18), alternative water supplies being provided
EX4 1 Exwick	Resolved
EX4 2 Redhills	Resolved
EX5 Bradnich, Silverton	Some customers in this area may now experience discoloured water. We ask that customers do not run this water off whilst our network returns to normal. Supplies will begin to clear as the pressure builds throughout the day)

Core topic – sensitive customers

What preparation, communications and support did they receive?

- Google or create lists manually
- On the ground support
- Retailer communications key account team made proactive calls to customers
- Retailers speaking to customers to see if need water sooner, at a cost
- Communication from wholesalers in the field or via outbound telephone call.

What would make this better?

- Data quality and maintaining data – wholesaler and retailer
- Agree bilateral non-mandatory sharing of emergency customer contact details
- Wholesalers providing data by SPID
- Retailers and wholesalers to work together on data cleanse and align best practice, identify gaps
- Use agencies to identify and share
- Post event surveys and communications
- Align with Water UK categories
- Enhance CMOS or use bi-laterals to give greater detail on sensitive category.

Type	Description/guidance	Examples
NHH 1	High dependency and/or high occupancy vulnerable residential population i.e. those establishments where relocation would be highly problematic.	<ul style="list-style-type: none"> • Hospitals • Prisons
NHH 2	Vulnerable residential population.	<ul style="list-style-type: none"> • Residential care homes • Hospices • Nursing homes • Sheltered housing
NHH 3	Non-residential but unacceptable societal impact.	<ul style="list-style-type: none"> • Schools • Nurseries • Education establishments • NHS walk-in centres • Day care facilities • Doctors surgery • Dentists

Type	Description/guidance	Examples
NHH 4	Animal use.	<ul style="list-style-type: none"> • Farms with livestock • Zoos • Vets • Kennels/catteries
NHH 5	Critical national or local infrastructure i.e. establishments that may have an immediate detrimental effect, or effect a wider incident response.	<ul style="list-style-type: none"> • Airports • Train or bus stations • Motorway services • Emergency services • Essential food industries

Core topic – what could be done differently by wholesalers?

What could wholesalers offer?

- ◆ Improve data consistency and governance, particularly legacy data
- ◆ Water efficiency advice, co-branding with retailers, sales e.g. ‘Hippo’.
- ◆ Wholesalers to come together to standardise site specific arrangement templates
- ◆ Review of market code and role play now retailers familiar with ‘E’ processes
- ◆ Formal written policies to manage an event between wholesalers and retailers
- ◆ Adopt a common sense approach - one end customer for retailer and wholesaler
- ◆ Greater access to data and meter readings, allow access to data loggers, AMRs
- ◆ More wholesalers offering a meter reading service
- ◆ Leak repair, if not free, offer a chargeable service.



Core topic – what could be done differently by retailers?

What could retailers do to support a large-scale event?

- ◆ Provide emergency customer contact telephone numbers to wholesalers
- ◆ Ensure customers know who their Wholesaler is, their responsibility and how to contact them
- ◆ Highlight wholesaler self-serve, e.g. online event updates
- ◆ Use key account knowledge to guide customers in impacted area on water use
- ◆ Offer value-added services, e.g. leak detection, water efficiency advice
- ◆ Give access to customers to self-monitor usage and look for spikes
- ◆ Offer valuable customer insight from key account relationships
- ◆ Share messages and updates sent by wholesalers, passing on targeted event updates
- ◆ Promote grey water or rainwater harvesting to reduce network demand
- ◆ Consider customising messaging, e.g. SMS for SME, emails for larger customers
- ◆ Gather sensitive customer information as part of SPID onboarding.



What shouldn't retailers do?

- ◆ Be expected to make proactive individual customer updates or bulk outbound, but they can support passive messaging, e.g. social media
- ◆ Make commitments for, or offer technical advice on behalf of wholesalers
- ◆ Offer value-add AWS services (vulnerable sites may already have storage or back up supplies). Not enough competition/vendors in the market.

Conclusion

- ◆ Wholesalers and retailers worked well together to handle communications and customer updates during a challenging period
- ◆ Further opportunities around sensitive customers and data cleansing
- ◆ Continued customer education
- ◆ Opportunity for operational roles and responsibilities to be further ingrained as familiarisation with the market improves.



Discussion to remove Developer Service from the codes

David Seymour

- ◆ Part A of the Operational Terms: sets out the processes for new connections in the competitive market.
- ◆ This change seeks to permanently remove the twice suspended parts A1-A5 and associated parts of the Codes
- ◆ Interim Code Panel (ICP) suspended following processes before the market opened:
 - A1 – Pre-application enquiries in relation to new connection or connections
 - A2 – New connection to the Wholesaler’s water supply system for domestic purposes
 - A3 – New connection to the Wholesaler’s water supply system for non-domestic purposes
 - A4 – New connection to the Wholesaler’s sewerage system
 - A5 – Pre-application technical assistance provided by the Wholesaler at the Retailer’s request
- ◆ Code Panel extended this suspension until April 2020
- ◆ Process A6 – Application to be registered as the retailer to a newly connected supply point (and associated form A/05) remains in place

Background

- ◆ CPW031 extended the suspension period up to April 2020
 - Change submitted by Ofwat at December 2017 Panel meeting, implemented in the Code on 3 March 2018
 - Need to lead a **holistic review** to assess the opportunity to reinstate or not the suspended provisions
 - Ofwat-led working group made up of representatives from Defra, CCWater and the Panel
 - Wider engagement with industry forums such as Water UK Developer group and Company Developer days.
- ◆ Conclusions: Suspended new connections arrangements should be permanently removed from the Code:
 - **Risk of unintended consequences for the wider developer sector** (level playing field between Retailers and other potential providers of connection services eg. self-lay providers and property consultants...)
 - **Lack of evidence** that the absence of these terms in the competitive market is a **barrier to Retailers** providing value-adding services to Developers.
 - **Resources required to get these terms fit for purpose appears disproportionate**, while Trading Parties' resources should be focused on priority market issues.

Code Change Proposal

- ◆ TWUL volunteered to submit a Code change proposal:
- ◆ RFI open from Friday 22 February to Wednesday 6 March (DCP026)
 - Main questions:
 1. Do you agree that any reference to competition regarding new connections should be removed from the Code?
 2. What would be the impact of the arrangements currently suspended being effectively implemented?
 3. Do you agree with the proposed solution? The red lining?
 4. Please outline the extent to which existing systems and business processes developed by your organisation may need to be amended following the implementation of this change.
 5. Do you believe that the benefits of this change outweigh the implementation and operational costs to your organisation?

Code Change Proposal

- ◆ Submission at Panel meeting on March 26 2019
- ◆ Targeted implementation date scheduled for 30 September 2019
- ◆ An early decision, signalling the date of formal Code update, would help to avoid any potential costs for retailers and wholesalers from programmes focused on having to meet A1-A5 requirements by April 2020
- ◆ Parts of the code impacted:
 - Part 1 Objectives, Principles and Definitions
 - Part 2 Business Terms (Introduction, Payment to Retailers)
 - Operational Terms (Mainly Part A)
 - Annex A Process diagrams (A1 to A5)
 - Forms (A/01 to A/04)
 - CSD 0002 Market performance framework (OPS A1a to A4a)

New OPS Reporting Requirements - Update

Jesse Wright

Background

- ◆ Autumn 2017: Responses to MPC's MPF review consultation show strong support for introduction of OPS charging from Retailers, and for greater standardisation across all industry groups
- ◆ May 2018: Operational Performance Standards Working Group ("OPSWG") formed with the objective to deliver a proposal for OPS charging and standardisation – with an implementation of April 2019 at the latest
- ◆ Nov 2018: OPSWG puts proposal forward for industry consultation – 23 responses and majority support for all proposed changes
- ◆ Dec 2018: Panel approves code change proposals
- ◆ Feb 2018: MOSL publishes OPS Reporting Guidance to support understanding of code changes and required standard of Wholesaler reporting

Objectives of OPS Review

- Greater parity in treatment with Market Performance Standards
- Increase confidence in reporting and peer comparison
- Addition of Trade Effluent Operational Performance Standards
- Increase efficiency for Retailers in reviewing OPS performance across multiple Wholesalers
- Provide a robust evidential basis to inform future reviews and direction of the OPS Framework, and wider Market Performance Framework.

Summary of Change Proposal (CPW049/CPM012)

- ◆ Provide greater clarity on general reporting requirements for OPS
 - ◆ Business Days and day count
 - ◆ Treatment of Deferred Tasks
 - ◆ Treatment of Outstanding Tasks
- ◆ Increase transparency/standardisation in reporting via additional data metrics
 - ◆ Number of new started tasks
 - ◆ Number of tasks completed with a permitted deferral
 - ◆ Number of rejected tasks
 - ◆ Number of 'extremely' late tasks (completed and outstanding)
- ◆ Define objective start and end dates for OPS tasks
 - ◆ Table 2 in CSD0002 updated
- ◆ Enable charging for late tasks, at point of completion
 - ◆ Decision on the redistribution of surplus OPS charges deferred
 - ◆ Publication of OPS Peer Performance, and issuing of invoices, to align with MPS

OPS Reporting Guidance

A guidance document, to provide additional clarification on the code requirements, was published earlier this month. Key features of this documents are;

- ◆ Recommended standardised deferral/rejection reason codes
 - ◆ Wholesalers are now required to record deferral/rejection reasons at a transactional level
 - ◆ Whilst these reasons do not form part of the monthly OPS Data Submission to the Market Operator, the MPC/Panel/Market Auditor has the right to request these for review
- ◆ Description on reporting requirements for each requested data metric
- ◆ Treatment of requests falling outside the scope of the WRC
- ◆ Worked Examples
- ◆ New OPS Data Submission Template

Key areas of note

- ◆ £40 charge to be introduced for all OPS on point of late completion, bar G4a and G4b
- ◆ Wholesalers will be expected to have a clear accounting of all OPS tasks from month to month
- ◆ Rejection and Deferral reasons must be recorded at transactional level, and can be requested by the Panel/MPC
- ◆ No tasks falling outside the scope of the WRC (CSD0002 requirements) should be reported on the OPS Data Submission
- ◆ This review of OPS is by no means the end – the framework will remain under review by MPC/MOSL and Trading Parties are welcome to contact MOSL with any issues or suggestions they have

Ofwat Timelines and Implications

- ◆ Timing of decision on code change from Ofwat is still unknown
- ◆ Ofwat have been made aware of the potential systems impact arising from the change
- ◆ Implementation date is ultimately Ofwat's domain, but any views in the room from Wholesaler and Retailers on impact and reasonable solutions?

MOSL policies and next steps

MOSL will publish three policies to support this code change, alongside an OPS Upload Technical specification.

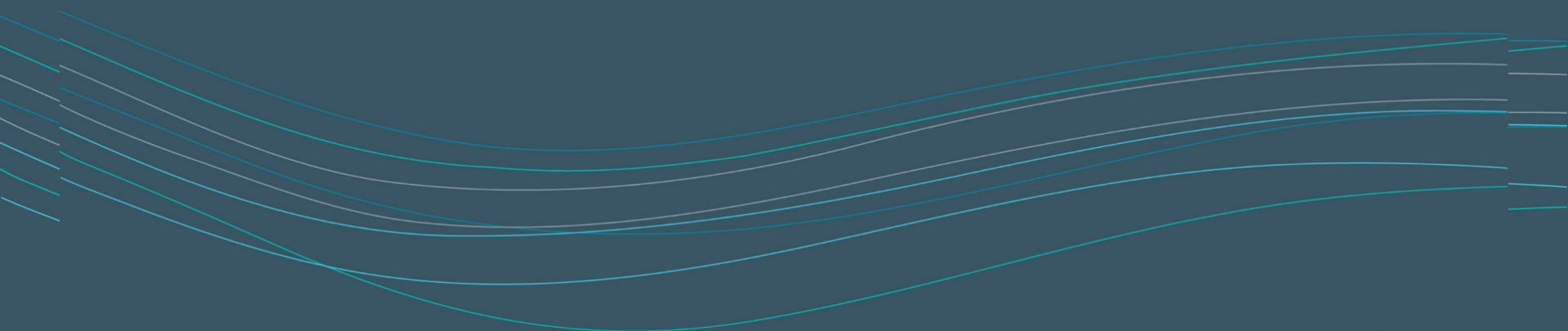
- ◆ OPS charging disputes
 - ◆ To be added to the current MPS disputes policy
- ◆ Retrospective amendment of OPS data and charges
 - ◆ Likely to involve several iterations between MOSL/OPSWG/MPC
 - ◆ To be published to industry before 1 April 2019
- ◆ OPS Performance Resolution policy
 - ◆ Draft policy to be published to industry before 1 April 2019
 - ◆ Comments from Trading Parties, particularly Retailers, welcomed during drafting process
 - ◆ Final policy to be published no later than three months following introduction of new reporting requirements

Lunch

13:15 – 14:00

Insight on vacancies

February 2019

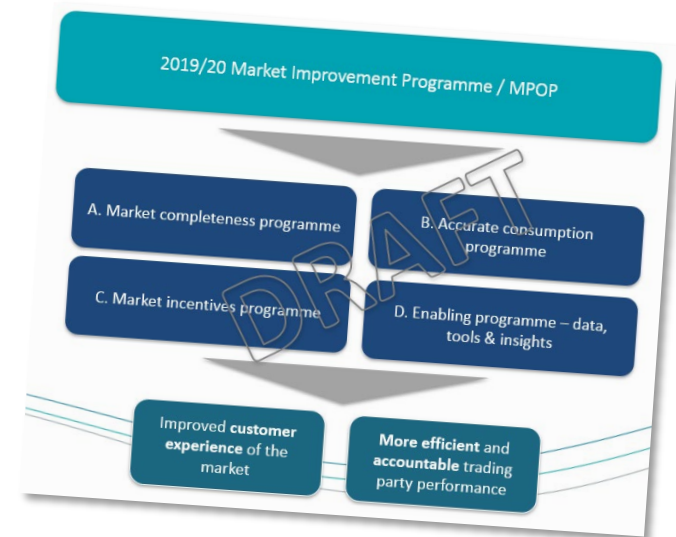


Vacant premises as a market issue – context

Signposted by MOSL as a focus area for Q4 2018/19 within the current MPOP...

... and being assessed for inclusion as a key focus area in our 2019/20 market improvement programme

Market outcome	Market issue	Nature of issue	Impact
Enabling efficient settlement	Unpaired supply points	MP & DQ	4
	Completeness and accuracy of meter reads including long unread meters	MP & DQ	4
	Yearly volume estimates	MP & DQ	4
	Meter master data	DQ	4
	Charging for vacant sites	DQ	3
	Meter read validation	DQ & MA	3

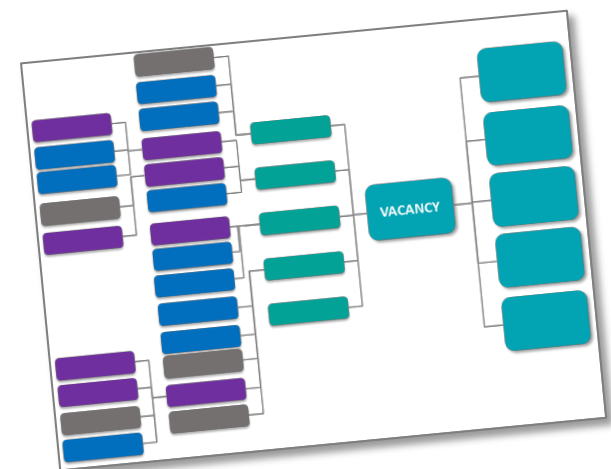


We are also aware of – and want to coordinate with – individual trading party and working group (e.g. RWG) initiatives to address vacancy issues

Vacancy – what is the issue we are trying to address?

Vacancy has been raised consistently by trading parties as a significant market issue and we know that there is already a lot of insight regarding root causes and impacts

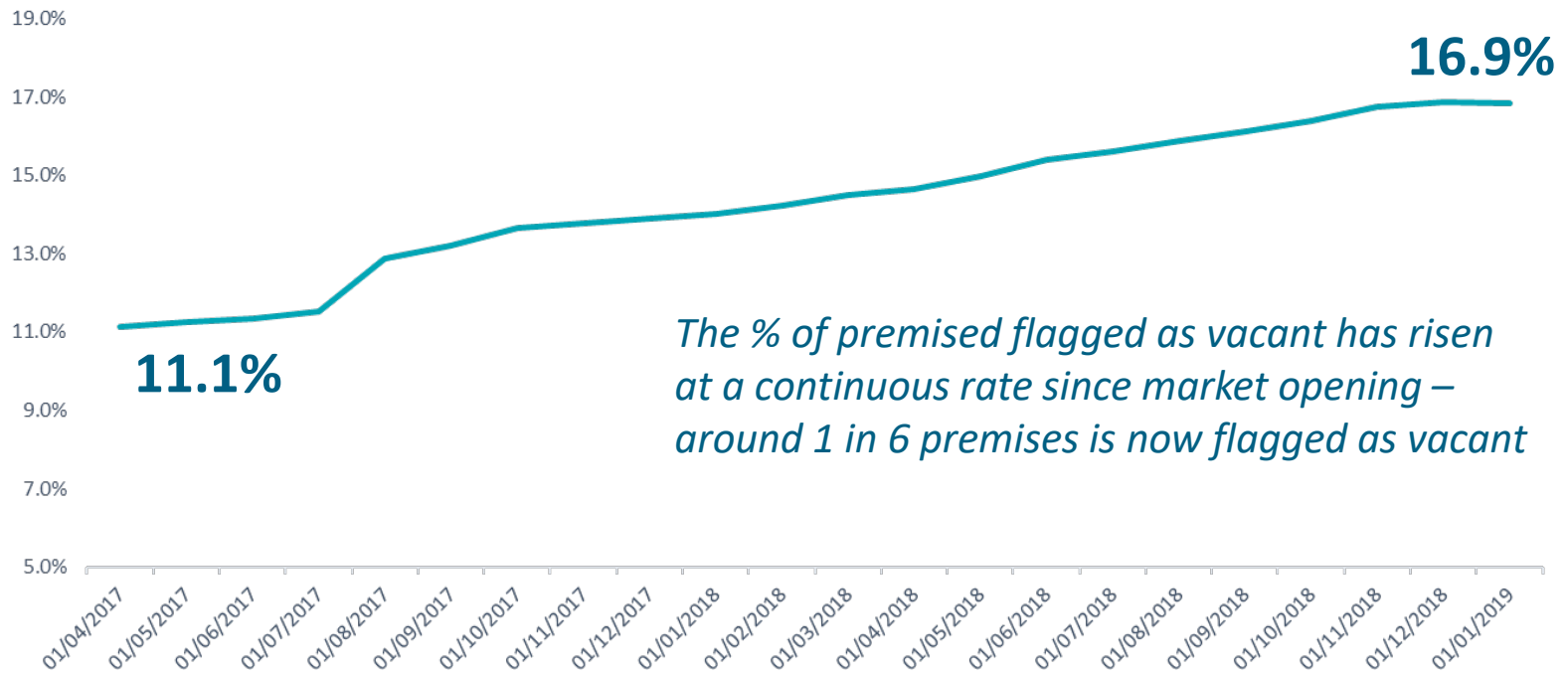
A key focus of our market improvement planning is to ensure that root causes and impacts are fully understood, to enable targeted projects to be established to address these



The purpose of today is to share some of the areas we are currently looking at to understand the nature and scale of the issue in advance of a more detailed discussion at the March meeting

Vacant premises – headline messages

Vacancy Rate - Market View



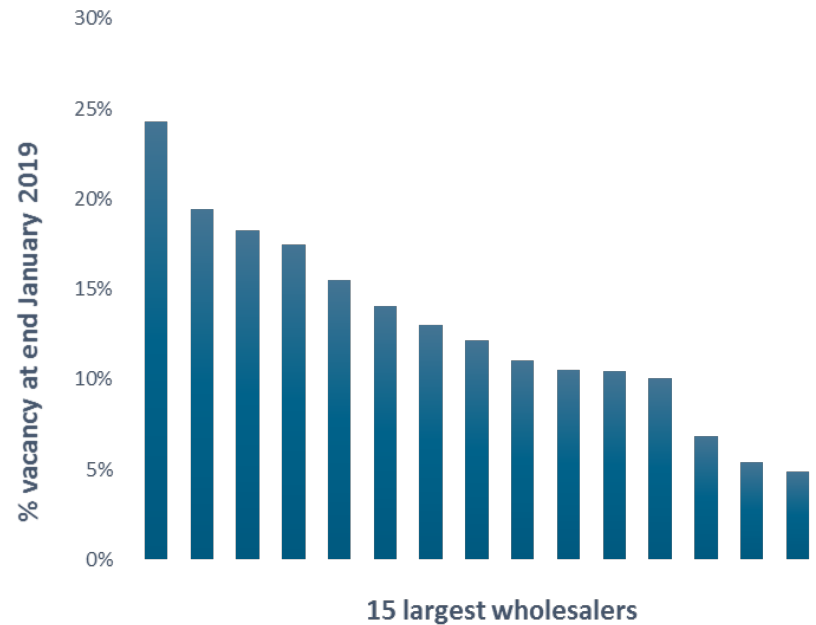
Data Source: CMOS Data as at 1st of each period; Tradeable Spidcores with connection status 'REC'

Vacant premises – headline messages

% Vacancy - Retailers with 1,000+ Supply Points

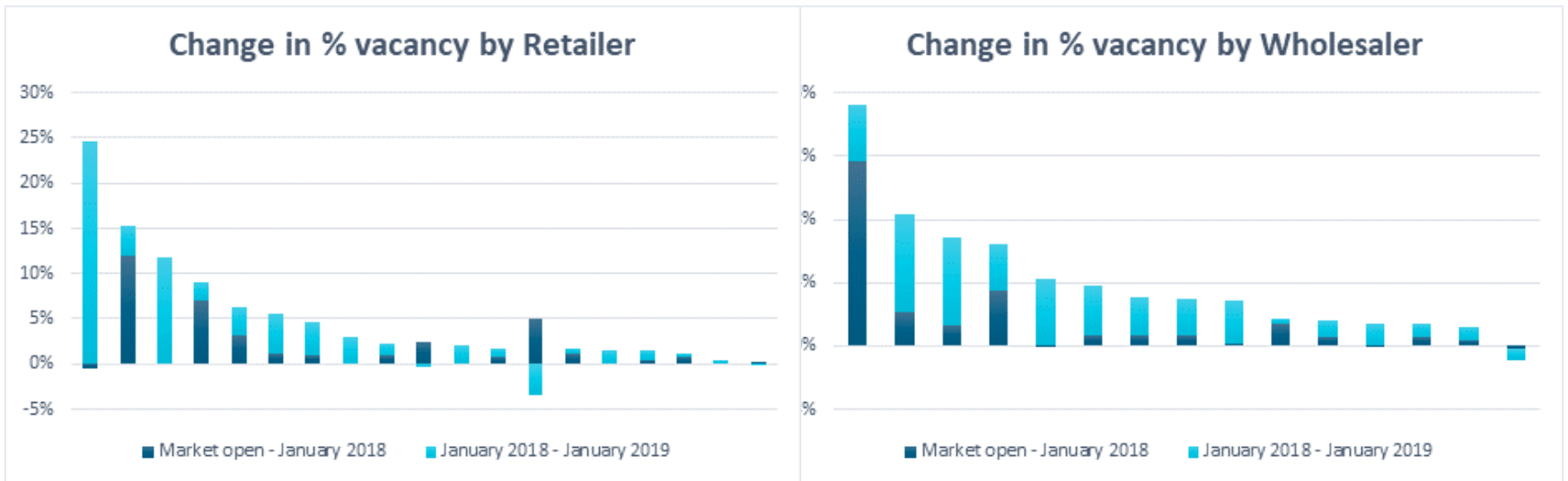


% Vacancy – 15 largest wholesalers



Levels of vacancy vary across retailers and wholesaler regions – associated retailers typically have higher rates, however there is no evident link between ‘high switchers’ and levels of vacancy

Vacant premises – headline messages



Levels of vacancy have increased for all retailers and in (almost) all wholesale regions since market opening, however the timing of the increases has varied

Vacant premises – headline messages



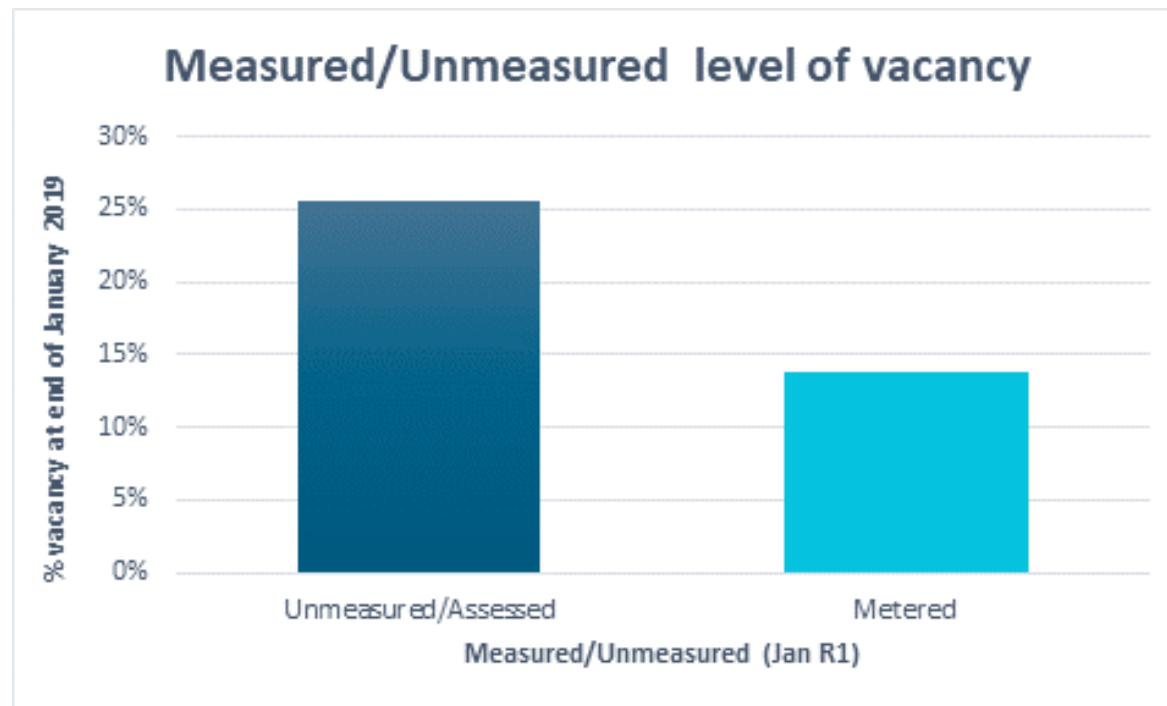
Mapping current position versus rate of change shows that the highest rates of vacancy today have typically been driven by changes since market opening, as opposed to 'high' starting positions

Vacant premises – headline messages

Retailer	WHOLESALE A	WHOLESALE B	WHOLESALE C	WHOLESALE D	WHOLESALE E	WHOLESALE F	WHOLESALE F	WHOLESA
RETAILER A	36%	83%	55%	61%	64%	4%	2%	51%
RETAILER B								
RETAILER C	7%	2%		20%		7%	5%	6%
RETAILER D	8%	52%	32%	33%	13%	2%	11%	47%
RETAILER E	3%	4%	0%	2%	2%	18%	3%	2%
RETAILER E								
RETAILER F	15%	4%				2%	8%	
RETAILER G	13%	11%		15%		8%	14%	
RETAILER H	4%	11%	4%	10%	8%	2%	3%	12%
RETAILER I	1%	2%		1%	3%	1%	2%	3%
RETAILER J	3%	11%	8%	12%	9%	10%	5%	8%
RETAILER K		3%		2%	4%	1%	0%	11%
RETAILER L								
RETAILER M								
RETAILER N	2%	2%	5%	2%		1%		1%

Analysis of wholesaler-retailer pairings highlights both regional differences and a potential variance in approach by retailers to flagging vacant premises

Vacant premises – headline messages



Across the market, rates of vacancy are typically higher on unmeasured and assessed premises than on metered premises

Next steps

- ◆ Ongoing work on the core analysis to build understanding of vacancy across the market in terms of root causes and areas of impact:
 - ◆ Wholesale-Retailer Pairings
 - ◆ New and Partial SPIDs
 - ◆ Gap sites
 - ◆ Duration of vacancy
 - ◆ Vacancy to occupancy
 - ◆ Age of meter reads at vacant premises
- ◆ Further sessions planned at March User Forum to explore vacancy, including trading party and working group presentations
- ◆ Identification and assessment of candidate projects to be taken forward as part of the 2019/20 market improvement plan.

Draft change proposal around the SPID Deregistration process

Jordanna Lo

Objective

- ◆ To highlight two issues with the deregistration process
- ◆ To consider the impact of these issues on customers and retailers
- ◆ To discuss the urgency of addressing these issues
- ◆ To discuss options for best addressing them as industry
- ◆ To get your support for effecting the necessary change.

Issue 1

- ◆ Inconsistency between water and waste in the deregistration process for ineligible customers:
- ◆ Potential mismatch in the effective date of deregistration and type applied by water and waste wholesaler – e.g. cross border scenarios, where there are two wholesalers for a site
- ◆ Customers are unnecessarily impacted by this lack of alignment
- ◆ Impacted customers may receive a refund of charges for two different time periods
- ◆ Results in confusion/inconvenience/unhappiness for customers
- ◆ Generates increased customer service contact
- ◆ Presents challenges for retailers – e.g. queries, complaints, dissatisfied customers, additional costs etc.
- ◆ Undermines confidence in the market
- ◆ No clause in the codes specifically addresses
- ◆ Processes C5 and C6 of the Operational Terms are providing the inadequate to eliminate mismatches, allowing Wholesalers to process deregistration's inconsistently and leading to the problems listed above.

- Post RF Settlement, in the case of a SPERR, retailer is at risk of non-recovery of wholesale charges, as there is no current mechanism for a refund of Wholesale charges for periods prior to the RF:
- For deregistrations pre RF settlement, associated wholesale charges will eventually wash-out
- For deregistrations post RF Settlement, charges are locked in
- Materiality threshold will almost certainly rule out unplanned settlement runs
- Retailers will be left holding the associated wholesale charges, which they will be unable to recover
- Wholesaler may be unjustifiably enriched, at the expense of the retailer

Potential Solution – Issue 1

- ◆ Alignment needs to be addressed:
- ◆ Within the Operational Terms, we need to amend the drafting to make clear which of the water and waste wholesalers is ultimately responsible for determining the effective date and type, so as to align the data on both SPIDs to the site.
- ◆ In the interim, guidance should be issued to define and state when to use the different types of deregistration to create consistency amongst all wholesalers.
 - for example, different types of deregistration that are most commonly processed
 - i.e. SPERR, EXIT, and NOSP
- ◆ The guidance should also state the responsibility to correct any misaligned data; this will mitigate the financial risk to customers and retailers.

Potential Solution – Issue 2 (Part A)

- ◆ Requirement is for an additional mechanism to refund the wholesale charges
- ◆ Suggestion is to change the Code to make the necessary provision for such cases to be automatically included in an unplanned Settlement run, where the RF has already occurred
- ◆ The costs of this unplanned Settlement run should be borne by the Wholesaler(s) responsible
- ◆ There would be no materiality threshold imposed
- ◆ However, one must also consider the effective date of deregistration post RF runs – see Part B.

Potential Solution – Issue 2 (Part B)

- ◆ When the period of the effective date of deregistration crosses the RF runs, two options for the effective date of deregistration are suggested:
 1. Deregister with an effective date for which no RF has yet been run; or
 2. Deregister with an effective date of Market Opening (or true effective date, if later).
- ◆ Option 1 has the benefit of not needing further amendment to manage refunds from the Wholesaler for periods between Market Opening and the deregistration date (*i.e. Issue 2 does not materialise*)
- ◆ *However*, whilst this may work for the market, for the customer it would remain liable for charges in the market where it shouldn't be liable – i.e. billing would be incorrect for periods from Market Opening to the deregistration date. This would likely rule out this option
- ◆ Option 2 ensures that the customer is correctly billed

User Forum is asked to discuss the merits of this solution (Part A and B), or to propose alternative options which would keep the customer and retailer whole

Scale of the issue

- ◆ To give an idea of the scale of the issue of Supply Points which need to be SPERR'd, from the population of SPIDS in the Trading Dispute TD0044 (YVE set to 1) which have been resolved to date (3300), 13.4% of these Supply points have been deregistered
- ◆ From our long unread analysis, our estimate is that 4,500 SPIDs may still need to be SPERR'd
- ◆ As a larger retailer, we have a sizeable number of cross border sites that we share with other retailers; therefore, we know that other retailers will be impacted.

Urgency

- ◆ Both issues with the deregistration process are a problem today and need addressing in the Code
- ◆ With the first RFs due in March 2019, Supply Points that should not be registered in the market will be included in the RF Settlement run in relation to an Invoice Period
- ◆ This is problematic, as once an RF run has been completed, the charges for these Supply Points effectively become locked in
- ◆ Customers are being impacted by deregistration's today
- ◆ Hence, the urgency.

Case for change

- 💧 We have discussed with Ofwat, which
 - 💧 Is concerned about the customer impact
 - 💧 Accepts the case for urgency, given the RFs are now imminent
 - 💧 Is supportive of Castle Water bringing forward a Change Proposal.

AOB Wrap Up & Close

Thank You!