

Central Data Cleanse – Benefits overview

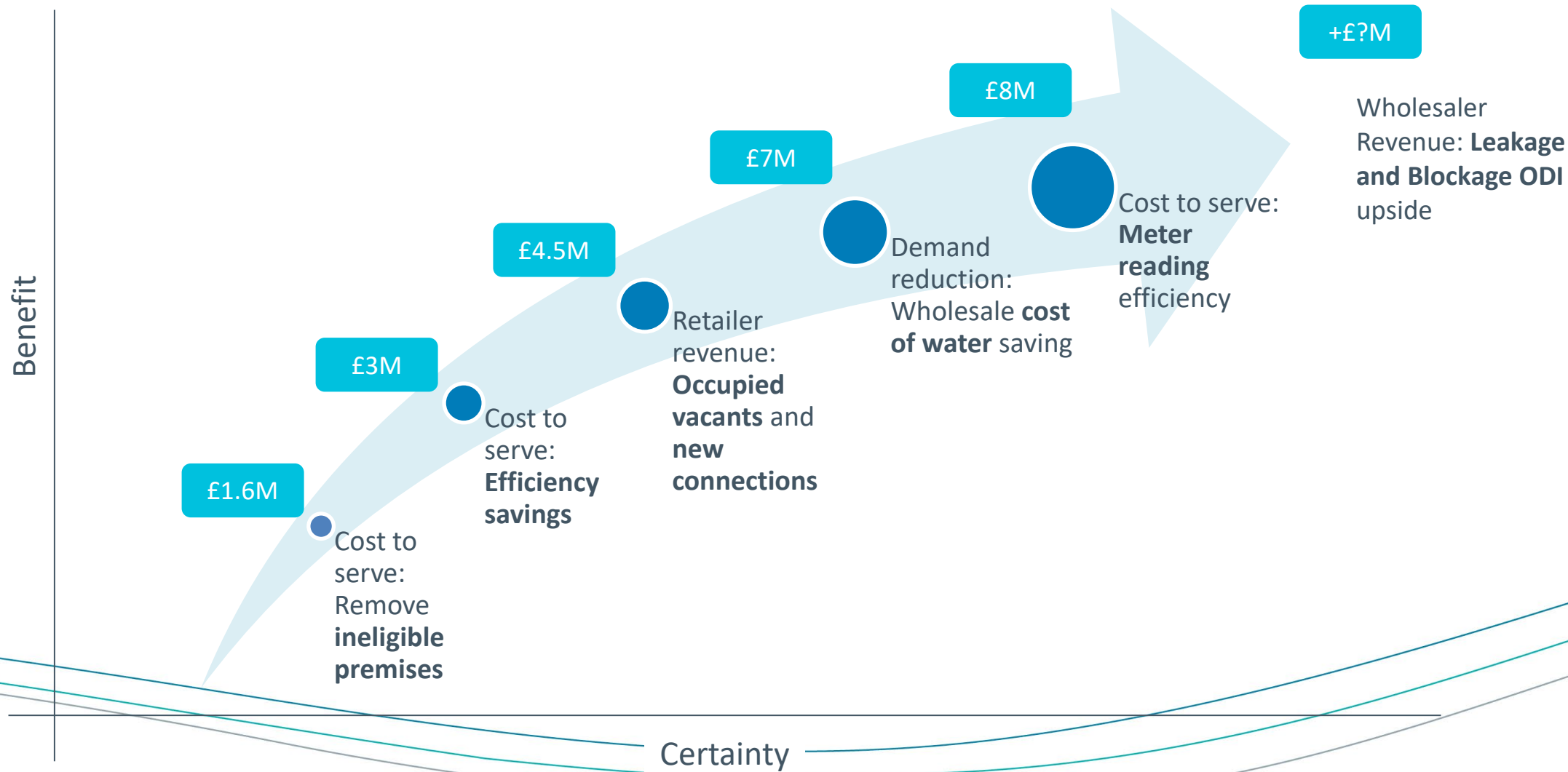
Benefits outline

The primary benefits of a Central Data Cleanse can be divided into three categories:

- 💧 **Reduced cost-to-serve:** Data quality improvement results in reduced administrative, resourcing or market costs, such as reduced meter reading costs, account administration or financial penalties
- 💧 **Improved revenue:** Data quality improvement results in identifying missing supply point identification or improved timings bringing supply points onto charge
- 💧 **Other:** Data quality improvement brings about numerous intangible benefits that may be difficult to measure such as water demand forecasting, improved customer experience and richer market insight.

Taking a conservative view of the potential impact, we have identified £8m of annual benefit to the market, but this excludes any Ofwat Outcome Delivery Incentive (ODI) upside for wholesalers. The benefit case will be refined during the scaled proof of concept in 2023/24.

Cumulative benefits summary



Benefits breakdown – Reduced cost to serve

Reduced **cost to serve** through:

- ◆ The removal of management costs for properties that shouldn't be in the market
- ◆ Reduced management costs through “right first time” activities (i.e. registration, premises churn, occupancy, billing, deregistration, market performance standards charges, call handling, complaints handling and disputes)
- ◆ Reduced data management resourcing and data services costs
- ◆ Reduced meter reading costs (through more accurate address data)
- ◆ More accurate forecasting and effective demand reduction to offset supply side investment for wholesalers.

There is also a significantly higher propensity for issues in SPIDs that have address data quality issues:

- ◆ 28 per cent more likely to have meter location issues
- ◆ 43 per cent more likely to be a Legacy Long Unread Meter (LLUM)
- ◆ 67 per cent more likely to be a long term vacant.

Benefits breakdown – Reduced cost to serve

£4.5M+ saving

Category	Levers/opportunity	Potential saving
Remove SPID/Customer management costs for properties that shouldn't be in the market	<ul style="list-style-type: none"> Over 100,000 SPIDs believed to be Demolished (35k), Household (50k) or Vacant (20k), with further volume in the unmatched premises These customers likely have higher cost to serve and higher bad debt exposure (wholesale charges already incurred) Associated reduction in Market Performance Standard (MPS) charges 	<ul style="list-style-type: none"> Assuming efficient cost to serve for retailers of £43.91 per SPID (derived from REC Review 2023), this equates to £4.3M per annum Assuming just 50 per cent of these indicators are correct (80 per cent from PoC) this equates to a cost to serve saving of £2M+ per annum Removing the associated metering costs alone for 50,000 premises (£9 per annum) equates to £0.45M
Reduced SPID/Customer management costs through "right first time" data-driven decisions (i.e. registration, premises churn, occupancy, billing, deregistration, call handling and complaints handling, disputes)	<ul style="list-style-type: none"> Over 40 per cent of addresses cannot be confidently matched to external sources. 415k did not match to any external datasets 870k SPIDs are missing a Unique Property Reference Number (UPRN) (a further 610k have issues) 1.34M SPIDs are missing a Valuation Office Agency (VOA) reference (a further 705k have issues) Customer name data issues on 1.268m (49 per cent) supply points 400k SPIDs are missing a Standard Industrial Classification (SIC) code. 1.76M SPIDs have an outdated SIC 209k vacant premises showing signs of active business occupancy Higher propensity for meter location issues, legacy long unread and long term vacant 	Large proportion of the market have higher cost to serve due to these issues. If you take the 40 per cent unmatched and assume a 5 per cent efficiency improvement across the 1.4M non-household Water SPIDs (assuming £43.91 cost to serve) this could yield an annual retailer saving of circa £1.2M
Reduced data management resourcing and data services costs	~£6M spent annually on resource to manage customer and address data	Just 10 per cent efficiency improvement would yield resource savings of £0.6M
Reduced meter reading costs (accurate address data)	<ul style="list-style-type: none"> Over £8.5M spent annually on meter reading 25 per cent of LLUMs relate to unmatched addresses 	Just 5 per cent efficiency improvement would yield resource savings of £0.43M

Benefits breakdown – revenue opportunity

Increased **revenue opportunity** through:

- ◆ Additional retailer core revenue through identification of all active non-household customers (and reduced bad debt)
- ◆ Improved additional services revenue
- ◆ Additional wholesaler benefit through identification of all active non-household customers and reduction in assumed leakage (ODI) impact. This is likely to dwarf the £8M quantified benefits.
- ◆ Providing a foundation for innovation, enabling retailers to provide tailored and targeted services.

Benefits - revenue

£2M+ opportunity

Category	Levers/opportunity	Potential benefit
<p>Additional retailer core revenue through identification of all active non-household customers (and reduced bad debt)</p>	<ul style="list-style-type: none"> ◆ 209k vacant premises showing signs of active business occupancy ◆ 2000+ new commercial properties identified in last quarter (from New Properties Database) that are not in CMOS ◆ 25 per cent of unmatched SPIDs were either vacant or long unread ◆ Improved occupancy/vacancy management ◆ Full UPRN coverage will support further gap site identification/maintenance ◆ Improved bad debt performance ◆ Improved revenue generation and collection through "right first time" data decisions (e.g. registration, premises churn, occupancy, billing, deregistration, switching, etc.) 	<ul style="list-style-type: none"> ◆ For the 209k vacant premises in CMOS, assuming average retailer revenue of £82 per SPID, recovering just 5 per cent of this revenue yields an opportunity of £0.85M ◆ Alternatively presents an opportunity to reduce bad debt exposure through correcting occupancy earlier. Assuming just 1 per cent reduced risk and conservative average of £400 bill per SPID, yields £0.85M
<p>Additional wholesaler core revenue through identification of all active non-household customers and reduction in assumed leakage</p>	<ul style="list-style-type: none"> ◆ 209k vacant premises showing signs of active business occupancy ◆ 2000+ new commercial properties identified in last quarter (from New Properties Database) that are not in CMOS ◆ Full UPRN coverage will support further gap site identification/maintenance 	<p>Assuming average consumption of "970" l/d (this excludes >13,700 banding and negative consumption), and applying to just 25,000 of the vacant sites this equates to 25 ML/d currently deemed as leakage in water balance calculation, equating to multi-million pound exposure in ODIs</p>
<p>Additional services revenue</p>	<p>Full UPRN and VOA coverage affords the opportunity to develop the market's understanding of non-household customers and their water usage (in combination with consumption data), creating opportunities for targeted/tailored additional services and enabling innovation</p>	<p>Poor data quality has led, in some instances, to customers paying for additional services simply to receive an accurate bill (e.g. bill validation services). This not only results in additional charges for customers, but also erodes overall market value. There is an opportunity to reduce this.</p>

Benefits breakdown – other

Other benefits of improving market data quality include:

- ◆ The ability to monitor and incentivise trading party data quality performance as part of an effective market performance framework
- ◆ Non-household demand reduction through enhanced targeted water efficiency intervention
- ◆ Improved non-household demand forecasting and planning
- ◆ Improved communications to customers during emergencies or unplanned outages
- ◆ In the event of a retailer failure, assisting the Interim Supply Allocation (ISA) process by ensuring customers receive a smooth transition
- ◆ Cross-utility (or cross-sector) data matching to provide more up to date occupancy information
- ◆ Fairer charging for customers (customers not subsidising gap site usage).

Benefits - other

£2.5M+ saving



Category	Levers/opportunity	Potential saving / benefit
Non-household demand reduction through more targeted water efficiency intervention	<ul style="list-style-type: none"> ◆ Opportunity to better understand non-household customer segmentation and provide targeted/tailored water efficiency interventions <ul style="list-style-type: none"> ◆ Customer name data issues on 1.268m (49 per cent) supply points ◆ 400k SPIDs are missing an SIC. 1.76M SPIDs have an outdated SIC ◆ Thames Water have reported 25 per cent continuous flow for non-household Smart Meters, but have seen limited uptake of wholesaler led water efficiency interventions (tariffs, targeted audits, continuous flow alarms, etc.) 	<ul style="list-style-type: none"> ◆ Assuming blended wholesale cost of water of £0.69 per m³ (Artesia report) ◆ Just a 1 per cent reduction in non-household demand (excluding the >13,700 l/d SPIDs) through improved customer understanding and targeted intervention based on benchmarking and outliers, this would yield savings of circa £2.5M
Improved demand forecasting and planning for non-household	<ul style="list-style-type: none"> ◆ Target to reduce non-household demand in AMP8 by 9 per cent with no detailed planning in place to achieve this (Water Resource Management Plans (WRMPs) assume that consumption levels will stay as is) ◆ Opportunity to better understand non-household customer segmentation and identify opportunities for targeted water efficiency intervention 	<ul style="list-style-type: none"> ◆ Targeted water efficiency intervention will yield greater savings and/or lower cost to achieve 9 per cent target ◆ Currently as few as 1 in 10 non-household customers respond to wholesaler led water efficiency interventions
Managing unplanned outages , including Supplier of Last Resort (SOLR)	<ul style="list-style-type: none"> ◆ Customer name data issues on 1.268m (49 per cent) supply points ◆ 400k SPIDs are missing an SIC. 1.76M SPIDs have an outdated SIC 	Not quantifiable in £, but material impact on ability to communicate quickly and efficiently with customers in event of emergency and to manage the transfer of customers in an SOLR situation
Cross utility (or cross sector) data matching to provide more up to date occupancy information	<ul style="list-style-type: none"> ◆ Complete UPRN and VOA (including formal identification of non-addressable properties) enable effective matching and enrichment across utilities and beyond, supporting improved data quality and up to date occupancy information ◆ Ability to link water consumption and energy consumption and hence water efficiency and energy efficiency (e.g. hot water use) 	Not quantifiable in £, but potential to drive material change in customer behaviour and reduce non-household demand (in support of 2030 and 2050 targets)
Evidence-driven Market Performance Management	<ul style="list-style-type: none"> ◆ Quantifiable measure of data accuracy (address, customer, occupancy, segmentation, eligibility, etc.) ◆ Currently only able to report on completeness and basic validity 	Target incentives / improvement that best drives customer / environmental outcomes