

Gap Site Incentive Scheme

MOSL

Change History

Version Number	Date of Issue	Reason for Change	Change control reference	Sections affected	Target Review Date (min 12 months)
1.0	01/04/2020	n/a	CPW082	all	01/04/2021
2.0	14/08/2020	Addition of United Utilities to Register Specified email address for notifying the Market Operator	- -	Appendix 1 Appendix 2 Section 3	- -
3.0	02/09/2020	Addition of Anglian Water Services to Register	-	Appendix 1 Appendix 2	-
4.0	10/09/2020	Addition of Bristol Water PLC to Register	-	Appendix 1 Appendix 2	-
5.0	24/09/2020	Addition of Severn Trent Water Limited to Register	-	Appendix 1 Appendix 2	-
6.0	05/10/2020	Update Schedule of Rates for Thames Water Utilities Limited	-	Appendix 2	-

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1. About this document

This Gap Site Incentive Scheme sets out the arrangements which apply where a Wholesaler offers a financial incentive in relation to gap sites that are identified by the Retailer and that Retailer seeks to claim an incentive payment in respect of the successful registration of that gap site in the market.

2. Governance arrangements

The Codes Panel will provide change governance for this scheme in accordance with the obligations set out within the Market Codes. The Panel (or delegated group) may, from time to time, review and consider whether the guidance can be improved to promote market functioning.

3. Signing up to this scheme

Any Wholesaler wishing to sign up to this scheme shall do so by notifying MOSL by emailing change@mosl.co.uk and providing a populated copy of Appendix 1: “Register of Wholesalers signed up to this scheme” and Appendix 2: “Schedule of rates”.

Within ten (10) Business Days of receipt of this notification MOSL will:

- Update Appendix 1 and Appendix 2 of this guidance document
- Publish an updated version of this guidance document at the specified location on the MOSL website
- Send an email notification to all Retailers to inform them that a new Wholesaler has signed up to the scheme

4. Objective of this scheme

This scheme is intended to provide administrative simplicity and consistency to the application of gap site incentives across the market in order to best support the efficient delivery of the following customer outcomes:

Customer Outcome	Rationale
Affordability and fairness of charges	The more customers that are paying for the service they receive, the lower the bills will be for all customers.
Reducing leakage	All water consumption needs to be accounted for in order for leakage to be accurately measured and reported and thus for true leakage to be identified and rectified more effectively.

Providing customer choice	All eligible premises need to be registered in the market to ensure that Retailers can provide services to all customers and all customers have the ability to switch. Smooth customer switching relies on accurate and complete market data in particular in avoiding cost shocks at the point of transfer.
Ensuring operational / service security	All customers need to be visible within the market to ensure that they receive all necessary support and communication during planned and unplanned events and incidents.

5. Definitions

Any terms not defined within this scheme guidance document will have the meaning as defined in the Market Codes.

Cross-Company Premises: A premises where the Water Services Supply Point and the Sewerage Services Supply Point are registered to a separate Water Services Wholesaler and Sewerage Services Wholesaler respectively.

Date of Application: The date of submission of the C/02 form (Gap site supply point request and addition of service components) by the Retailer to the awarding Wholesaler under Step 1 of Operational Terms process C3 “Application in respect of Gap Sites proposed by the Retailer”.

Entry Change of Use: A premises which is identified as an eligible non-household premises but is currently registered as a domestic premises and billed as such by the relevant awarding Wholesaler.

Initial Payment: An incentive payment paid by the awarding Wholesaler to the Retailer and due once all Supply Points at that premises which are registered to the awarding Wholesaler have a status of Tradable in accordance with Code Subsidiary Document No. 0101: Registration: New Supply Point.

Year One: A period of 12 months starting on the date that the Initial Payment becomes due.

Year One Allowance: Allowance paid by the awarding Wholesaler to the Retailer on the expiry of Year One and once any other requirements as set out in this scheme have been satisfied.

6. Eligibility criteria

6.1. The Retailer

In order to qualify for a gap site incentive the Retailer must:

- Be entered into a "Wholesale Contract for Wholesale Services" with the awarding Wholesaler
- Be successfully registered as the Retailer in respect of the gap site under the Operational Terms process C3 "Application in respect of Gap Sites proposed by the Retailer".
- Not be a self-supply Retailer

6.2. The premises

The awarding Wholesaler will offer one of two types of incentive;

- Water services only – Incentive will be offered only where the premises is in receipt of water services and only in relation to those services

or

- Water and/or sewerage services, – Incentive will be offered where a premises is in receipt of Water Services and/or Sewerage Services and in relation to all services provided to the premises

Details of which type of incentive each awarding Wholesaler offers is detailed in Appendix 1.

The premises must also meet the following criteria in order to qualify for an incentive:

- Be an eligible premises in accordance with Ofwat guidance "Eligibility guidance on whether non-household customers in England and Wales are eligible to switch their retailer" or subsequent revisions of this guidance. Note that currently in Wales, only water customers who use over 50 megalitres of water per annum are eligible for the non household market.
- Neither a Water Services Supply Point nor a Sewerage Service Supply Points exists within the Central Market Operator System (CMOS) i.e. any premises provided with water services and/or sewerage services and already registered in the market for one of these services is not eligible. Please note that this differs from the definition of Gap Site in the market codes which includes premises with "insufficient supply points" – these are not eligible for incentive payments under this scheme.
- For newly connected premises the Date of Application must be greater than forty (40) Business Days after the date of meter installation
- For newly split premises the Date of Application must be at least (60) Business Days after the date that the Valuation Office Agency records are updated to reflect the changes

Premises identified as Entry Change of Use will not be eligible for a gap site incentive however, in accordance with Appendix 2 the awarding Wholesalers may choose to offer a one off Entry Change of Use payment for the identification and registration in the market of such premises. Where the awarding Wholesaler does offer an Entry Change of Use payment, the payment will only be due if the customer has been operating the premises in a non-household capacity for more than sixty (60) Business Days.

7. Incentive payment structure

The awarding Wholesaler may offer a single Initial Payment or both an Initial Payment and additional Year One Allowance. The incentive will be paid by the awarding Wholesaler to the Retailer as follows and in accordance with the terms of this scheme;

Initial Payment: A fixed rate payment paid following the initial registration of the gap site in CMOS in accordance with existing market timescales.

Year One Allowance: An allowance against the first year's primary wholesale charges for the service/s for which the awarding Wholesaler offers an incentive i.e.

- An awarding Wholesaler offering a water only incentive will calculate the year one allowance based on the primary water charges only
- An awarding Wholesaler offering a water &/or Sewerage incentive will calculate the Year One Allowance based on the sum of all primary charges

8. Process

8.1. Key principles

- The gap site incentive payments will be proactively triggered by the awarding Wholesaler where the premises meets the required gap site eligibility criteria within this scheme. There is no requirement for a separate gap site incentive application to be submitted by the Retailer.
- For an incentive payment to be made, the Retailer must provide all required mandatory information on Form C/02 (Gap site supply point request and addition of service components) or, where a piece of information does not exist or is deemed not applicable provide full justification as to why.
- For Cross-Company Premises the Retailer will submit separate C/02 forms for the Water Services Supply Point and Sewerage Services Supply Point to the Water Services Wholesaler and Sewerage Services Wholesaler respectively in accordance with Operational Terms Process C3.
- The Retailer does not have to undertake a site visit although this may prove beneficial in identifying and engaging the customer.

8.2. Process steps

Step 1

(Additional activity to be undertaken under Step 3 of Operational Terms Process C3)

The awarding Wholesaler will make an assessment as to whether any gap site incentive payments are due to the Retailer in accordance with the terms of this scheme.

Step 2

(Additional activity to be undertaken under Step 4 of Operational Terms Process C3)

The awarding Wholesaler will notify the Retailer as to:

- Whether or not a gap site incentive payment is due in relation to the premises; and
- The value of any incentive payment/s;
- If the application is a duplicate including the time and date that the earlier application was received / initiated (for Wholesaler initiated gap sites); and
- If and why the application is considered to be erroneous and whether an erroneous application charge will apply (See Section 8.4).

Step 3

The Retailer must submit the necessary market transactions to make the SPID/s tradable within the MPS level 2 performance timescales as set out in the codes (at the time of writing this document - fifteen (15) Business Days of the Market Operator sending a T107.M (Notify Connection Complete) to the Retailer. The awarding Wholesaler will monitor the status of the SPID/s and once the SPID/s reach a Tradable status will make the Initial Payment as required in accordance with the terms of this scheme.

If the SPID/s do not reach a Tradable status within this fifteen (15) Business Day period the Awarding Wholesaler may close the case, notifying the Retailer that the incentive case is closed and that no incentive payment will be made. The obligations on the parties to complete the SPID registration process in CMOS remain. This incentive application process ends.

Step 4

If the Retailer wishes to challenge the calculation or payment of the incentive payment, it must do so within ten (10) Business Days of its receipt of the notification under Step 2. Thereafter, the awarding Wholesaler shall have ten (10) Business Days to reply to the Retailer's challenge. If the awarding Wholesaler upholds the Retailer's challenge, the awarding Wholesaler shall calculate and make payment of the revised Initial Payment to the Retailer in accordance with the terms of this scheme. Otherwise, the original payment will stand.

Step 5

Following the expiry of Year One the awarding Wholesaler will make the Year One Allowance payment:

For unmeasured premises:

The awarding Wholesaler will make the Year One Allowance payment on the expiry of Year One in accordance with the terms of this scheme.

For measured premises:

Where the customer has not switched Retailer during Year One:

- An actual meter read is required in the market within 2 months prior to the expiry of Year One otherwise the Year One Allowance will be due following submission of the first actual read after the expiry of Year One.

Where customer has switched to another Retailer during Year One:

- If an actual read is not submitted to the market within 6 months of the expiry of Year One the awarding Wholesaler may take a check read and use that as the basis of calculating the Year One Allowance. Alternatively, the awarding Wholesaler can choose to calculate the Year One allowance based on market estimation.
- If, after 6 months of the expiry of Year One no access could be gained to a premises to enable a meter to be read then the Year One Allowance will be based on market estimation.

Step 6

If the Retailer wishes to challenge the calculation or payment of the Year One Allowance, it must do so within ten (10) Business Days of its receipt of the invoice relating to the payment triggered under Step 5. Thereafter, the awarding Wholesaler shall have ten (10) Business Days to reply to the Retailer's challenge. If the awarding Wholesaler upholds the Retailer's challenge, the awarding Wholesaler shall calculate and make payment of the revised Year One Allowance to the Retailer in accordance with the terms of this scheme. Otherwise, the original payment will stand.

Process ends.

8.3. Duplicate applications

Duplicate applications, whether from multiple Retailers or between Retailer and awarding Wholesaler will be dealt with on a first come, first served basis.

An application will be considered a duplicate where either another Retailer has already submitted an application in respect of the premises or the awarding Wholesaler has already sent a letter to the non-household customer under Step 1 of Operational Terms process C2 "Gap Sites identified by the Wholesaler".

In order to support the efficient operation of the scheme the awarding Wholesaler will publish details of all C2 gap site cases that it has initiated. If the awarding Wholesaler has not published details of a C2 case that it has initiated prior to the receipt of the gap site application from the Retailer then it cannot reject the application as a duplicate and must honour any incentive payment.

8.4. Erroneous applications

There is an expectation that the Retailer will only submit applications where they believe a premises is a genuine gap site and that they have done sufficient research in order to determine this.

The awarding Wholesaler may levy a charge to cover the reasonable administrative costs incurred in dealing with erroneous applications.

An erroneous application is deemed to be one whereby the premises can reasonably be identified as being registered within CMOS without the need for a site visit or has been provided to the applying Retailer by the awarding Wholesaler on a list of Non Household Premises not in CMOS (see section 8.5 below).

Duplicate applications received within two months of the date of registration of the SPID associated with the initial application (in accordance with Section 8.2, Step 3) will not be considered to be erroneous applications.

The erroneous application charge will cover desktop investigations only. If the awarding Wholesaler deems that a site visit is required to verify the premises / data then it is reasonable to assume that the data in CMOS could be ambiguous enough to have led the Retailer to suspect that the premises is a gap site.

8.5. Non-Household Premises not in CMOS

There are some non-household premises which are legitimately not registered in CMOS. These are premises which are assessed separately for the purposes of council tax and business rates – or would be if the property were not exempt – but are not registered in CMOS because of the specific nature of the supply arrangements. This includes where the Wholesaler supplies several properties through a single supply point – for example, because they are connected to a private network. From a market perspective these properties may be treated as a single set of premises and thus each individual property does not have its own SPID and is not considered a gap site.

The applying Retailer should properly consider the supply arrangements of a premises as part of their assessment of eligibility prior to submitting an application.

Whilst not registered in the market, some wholesalers may hold a record of these premises in their own corporate systems for other purposes. Where this is the case then they should endeavour to make as much of this information as is possible available to retailers to assist the retailer in identifying and thus avoid submitting applications for such premises. An erroneous application charge will not apply to applications for such premises where the wholesaler has not provided this information.

9. Calculation of incentives

9.1 Initial Payment

The Initial Payment will be the amount specified in Appendix 2.

For Cross-Company Premises please refer to section 9.3.

9.2 Year One Allowance

The Year One Allowance shall be the lesser of:

- The total primary wholesale charges (paid or due) during Year One (in relation to the service/s for which the awarding Wholesaler is paying the incentive) minus the value of the Initial Payment;
- or
- The awarding Wholesaler’s Year One Allowance cap as specified in Appendix 2.

Subject to the following conditions:

- No Year One Allowance will be paid if all SPIDs associated with premises are deregistered within Year One except in the event of a deregistration due to exit change of use in which case the Year One Allowance will be based on the primary charges incurred up to the date of deregistration.
- For measured premises the Year One Allowance payment will be subject to the presence of actual reads in CMOS in accordance with Section 8.2
- The awarding Wholesaler may deduct from the Year One Allowance payment the value of any vacant property incentive payments made during Year One in relation to the premises
- The awarding Wholesaler may recover from the Retailer part or all of the Year One Allowance if, and to the extent that, a Retailer data error is subsequently identified which, when corrected, reduces the primary charges for the Year One Period. This includes, but is not limited to erroneous meter reads and the backdating of occupancy status. The awarding Wholesaler will recalculate the Year One primary wholesale charges and recover the difference between the original Year One Allowance amount and the recalculated Year One Allowance amount.

For Cross-Company Premises please refer to section 9.3.

9.3 Incentive payments relating to Cross-Company Premises

For Cross-Company Premises the Water Services Wholesaler and Sewerage Service Wholesaler will liaise with one another in accordance with the requirements of Operational Terms process C3 in determining any incentive payments due.

Where the Wholesaler offers an incentive in relation to the services that they provide to the premises, they shall make payments to the Retailer in relation to that service in accordance with the rates as set out in Appendix 2 and the following table:

Payments due in relation to services provided to cross company premises:

Company and incentive type offered	Service provided to the cross company premises	
	Water	Sewerage

Water only company	Full incentive rates as published in Appendix 2	n/a
Water & Sewerage company offering water only incentive	Full incentive rates as published in Appendix 2	n/a
Water & Sewerage company offering water and/or sewerage incentive	50% of rates published in Appendix 2	50% of rates published in Appendix 2

Where a Year One Allowance is due, it shall be calculated based on the primary wholesale charges (paid or due) for the service that is provided by the awarding Wholesaler.

10. Payment Terms

Once a payment is deemed payable in accordance with Section 8 the awarding Wholesaler will issue an invoice and make payment in line with either their R1 invoicing timetable or their Non Primary Charges invoicing timetable and the associated payment terms as set out in the Market Codes.

If the customer chooses to switch Retailer within Year One both the Initial Payment and Year One Allowance remain payable to the Retailer who originally submitted the gap site application. The full year's wholesale charges will be taken into account when calculating the Year One Allowance.

11. Disputes

Any disputes between the Retailer and awarding Wholesaler arising from or in relation to this scheme or its application will be resolved in accordance with the Non-Trading Disputes provision within the market codes.

Appendix 1 – Register of Wholesalers signed up to this scheme

Wholesaler	Date of Adoption of Scheme	Type of Incentive Offered <i>“Water only” or “Water &/or sewerage”</i>
United Utilities	1 April 2020	Water &/or sewerage
Thames Water Utilities Limited	1 April 2020	Water &/or sewerage
Anglian Water Services	1 April 2020	Water only
Bristol Water PLC	1 April 2021	Water only
Severn Trent Water Limited	1 April 2020	Water only
Company name	Date	
Company name	Date	
Company name	Date	
...	...	
...	...	
...	...	

Appendix 2 – Schedule of rates

Wholesaler	Incentive Offered ("Water Only" / "Water &/or Sewerage")	Sites with meters up to and including 39mm and unmeasured sites (including unmeasured sewerage only gap sites where wholesaler offers incentives for sewerage)		Sites with meters at 40mm and above		Entry Change of Use payment	Erroneous application charge
		Initial Payment	Year One Allowance cap <i>(if Year One Allowance is not offered insert "n/a". If no cap insert "Uncapped")</i>	Initial Payment	Year One Allowance cap <i>(if Year One Allowance is not offered insert "n/a". If no cap insert "Uncapped")</i>		
United Utilities	Water &/or sewerage	£250	£1,250	£250	£2,750	£0	£28.88
Thames Water Utilities Limited	Water &/or sewerage	£75	Uncapped*	£75	Uncapped*	£0	£30
Anglian Water Services	Water Only	£350	£5,000*	£350	£5,000*	£1.50	£15
Bristol Water PLC	Water Only	£75	£500	£75	£500	£0	£15
Severn Trent Water Limited	Water Only	£210	n/a	£210	n/a	£0	£0
Company name		£	£	£	£	£	£
Company name		£	£	£	£	£	£
Company name		£	£	£	£	£	£
...	

Thames Water Utilities Limited - * This is only a summary schedule and for full details you should refer to the current Thames Water Wholesale Market Services Offering and the Thames Water Wholesale Tariff Document

Anglian Water Services - * This is only a summary schedule and for full details you should refer to the current Anglian Water Wholesale Charges Scheme and the Anglian Water Gap Site Incentive Policy Document.

Note, where the awarding Wholesaler publishes details of incentive rates within their charges scheme, payments will be made in accordance with those published rates and this schedule of rates will be considered to provide a summary, for information purposes, of that awarding Wholesaler's rates and charges.

