
Wholesale-retail Code Change Proposal – Ref CPW028

Modification proposal	Wholesale Retail Code Change Proposal CPW028 – Unpaired SPIDs
Decision	Ofwat has decided to accept this code modification
Publication date	Xx March 2018
Implementation date	28 September 2018

Background

Incorrectly paired supply points in the Central Market Operating System (CMOS) have been identified as a high priority data issue for market participants. CMOS holds the data of each supply point (SPID) and this is accessible to both Wholesalers and Retailers. Issues with the data in CMOS limits the effectiveness of the retail market.

Currently, there are approximately 450,000 SPIDs which are unpaired in England. This means that there are around 450,000 premises which could have only one water or sewerage provider. A certain number of eligible premises are expected to receive only one type of service. However, concerns have been raised that the number of eligible premises currently in the market with only one type of service appears unduly high. The majority of this is likely to be because of faults in the data, however, the data held within CMOS cannot be changed to reflect this.

The issue

Currently, it is difficult to understand which SPIDs are genuinely unpaired in the market dataset reports and the central system's portal. This limits the functionality of the market.

Unpaired supply points can cause a range of issues. Firstly, incorrectly identified SPIDs can lead to the wrong calculation for customer charges. Having correct charges is important for building customer trust and confidence in the water market and is something which should, as far as possible, be correct the first time.

Secondly, Retailers may fail to carry out a full switch. Unpaired SPIDs mean that a retailer can accidentally transfer only one supply service. Customers expecting a combined water and wastewater bill may, as a result, receive separate bills.

The CMOS platform does not promote the identification of genuinely unpaired supply points. Once a SPID has been uploaded it is not currently possible to attribute relevant data. This places an additional burden on those who need to identify the pairing status of a SPID.

The modification proposal¹

United Utilities, the proposer, believes that the existing functionality available in the Central Systems should be enhanced and new functionality should be introduced in order to support data improvements and sustainable management of SPID pairing activities. The Panel has considered three potential solutions.

The implementation cost for each of the three proposed amendments are:

- Option 1 - £234,250
- Option 2 - £176,761
- Option 3 - £155,653

Option 1, the recommended solution, includes updates to the data items, the recreation of a new transaction, updates to the reports, and updates to the CMOS portal. Option one also proposes an agreement option so that Wholesalers can share data.

The Option 1 modification will:

- Update the CMOS portal and Market Dataset reports so that four data items, D2009 (Pairing Reference), D2086 (Pairing Reference Reason Code), D2091 (Other SPID) and D4018 (Other Wholesaler ID), are always displayed on the portal and reports. This would make identification of incorrectly paired SPIDs easier.
- Update the Pairing Reference reason code by providing a greater number of reasons why a SPID may be unpaired. This will be achieved by updating the data items. Enhancing the data set will allow Trading Parties to more accurately record and report the pairing status of a supply point.

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

- Create a new Data Transaction which will allow for updates to D2009 (Pairing Reference), D2086 (Pairing Reference Reason Code) and D4018 (Other Wholesaler ID). This change will allow Wholesalers to maintain data which they are owners of and keep data consistent.
- Update the selection criteria for a supply point in the Outstanding Unpaired SPIDs Report to include the extended Pairing Reference Reason Code Data Items. The change will also remove a feature of the report which stops some supply points which should be paired, but are currently unpaired, being reported.
- Fully automate the process for the sharing of reports and SPID visibility on the CMOS portal. Option 1 will also create an agreement option in CMOS so that Wholesalers can agree to share Market Dataset reports with each other.

Option 2 contained the same initial changes as Option 1, however, it proposed the sharing of all Wholesaler data, not just when an agreement between parties had been reached.

Option 3 consisted of all of the data item and transactional updates of Options 1 and 2, however, it did not include a CMOS supported mechanism for Wholesalers to share reports or see each other's SPIDs on the portal.

Industry consultation and assessment

The three options have been discussed in detail by the industry and the Panel. Option 1 was initially presented at a user forum on 9 November 2017. MOSL issued a request for information in which 13 Wholesalers and 5 Retailers responded. All 18 were in support of Option 1.

In assessing other options, Trading Parties were invited to comment on an alternative solution in an industry consultation. This opened 1 February 2018 and closed 14 February 2018. This consultation specifically discussed option 2. The respondents consisted of 10 Wholesalers and 6 Retailers.

15 of the 16 parties which responded agreed with sharing wholesale data, however, Northumbrian Water Limited disagreed citing concern with data protection practices. Data protection and General Data Protection Regulation (GDPR) and increased workload for market dataset reports have also been identified as concerns by a number of trading parties.

Option 3 was developed by the Proposer and issued to the Panel prior to the Panel meeting on 27 February 2018.

Panel recommendation

At the Panel meeting on 27 February 2018, The Panel reviewed the three options available for CPW028 together with the industry feedback received on the proposed changes. The Panel determined, by unanimous decision, to recommend Option 1 of CPW028 to the Authority for implementation on 28 September 2018. The Panel believes that this code modification furthers the objectives of the Market Terms, and the principles of efficiency, proportionality, transparency, simplicity, cost-effectiveness and security and barriers to entry.

Our decision

We have carefully considered the issues raised by the modification proposal and the supporting documentation provided in the Panel's recommendation report. We have concluded that the implementation of CPW028 will better facilitate the principles and objectives of the WRC, detailed in Schedule 1 Part 1 Objectives, Principles and Definitions and is consistent with our statutory duties.

Reasons for our decision

Below, we set out our views on which of the applicable Code Principles are better facilitated by implementing this code modification.

Transparency

Improving the quality of data in the CMOS Portal and Market Dataset Reports will result in better data maintenance across the sector. Data will be corrected within the system. This will improve the accessibility for Retailers.

Efficiency

Currently, Wholesalers have to make bilateral agreements outside of the market to correct SPID data. Option 1 will provide the market with a fully automated central system. A company will no longer have to keep track of multiple agreements with other Retailers. Wholesalers will be able to perform their primary functions without having to rely on other Wholesalers.

By implementing this change, settlements and charges are more likely to be accurate. Customers will also have both services switched and sewerage charges are more likely to be consistent with use.

Proportionality

Ofwat agrees with the Panel that the solution is proportionate to the problem. Of the current data issues, incorrectly paired supply points are of high priority and a solution is needed.

Simplicity

Reducing bilateral agreements will contribute to a simpler market. Companies will no longer have to involve themselves with maintaining a number of agreements outside of the market.

If implemented, switches will be simpler and smoother. This will help to improve the customer experience.

Decision notice

In accordance with paragraph 7.2.8 of the Market Arrangements Code, Ofwat approves this change proposal.

Emma Kelso
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