

WHOLESALE-RETAIL CODE CHANGE PROPOSAL/ CHARGING CHANGE PROPOSAL

Change Proposal Reference <i>(To be completed by the Panel Secretary)</i>	CPW106	Version No	1.0
Type of Change Proposal: <i>(delete as appropriate)</i>	Change Proposal		
Submission Date	12 October 2020		
Title: of Change Proposal/Charging Change Proposal	Deregistration of long-term vacant premises		
Summary: of Change Proposal/Charging Change Proposal <i>(40 to 50 Words Maximum)</i>	To reduce the number of long-term vacant premises in the market by defining the criteria under which Supply Points for long term vacant premises should be deregistered and implementing a process for their deregistration and potential temporary or permanent disconnection.		
General Details of the Proposer			
Name of Proposer	Trevor Nelson – Business Stream		
Capacity (to submit Change Proposals and Charging Change Proposals – on behalf of a Party, as a Panel member, as the customer representative, or the Market Operator or on behalf of the Authority; or Charging Change Proposals – on behalf of a Wholesaler).	Retailer		
Contact Email	Trevor.Nelson@business-stream.co.uk		
Telephone Number			
The Proposer recommends that this Change Proposal/Charging Change Proposal should: <i>(delete as appropriate)</i>	Proceed to Assessment		
	Proceed to Consultation		
	Proceed to Recommendation		
Is the change Urgent (Yes/No)?	No		

If yes, please indicate which urgency principle(s) apply along with a rationale. Any supporting evidence should be included as an attachment to the Change Proposal form.		
Principle	Applies (Y/N)	Rationale
A significant impact on a party or parties, consumers or other stakeholder(s)	Y/N	
A significant impact on the safety and security of the Central Market Operating System	Y/N	
A material and immediate risk of causing a significant impact on the development and/or operation of the business retail market	Y/N	
The code modification is required to comply with implement any Law	Y/N	
If the change is Urgent please provide the proposed implementation date and the justification for this		
Proposed Implementation Date		
Justification		
Related Documents		
Reference of any associated Code Panel Change Proposal/ Charging Change Proposal		
Documents Accompanying Form	20200217_Vacancy_Insight_Report_final	
Change Proposal/ Charging Change Proposal Details		
Description of (i) the issue or defect which this Change Proposal seeks to address, or (ii) the modified or new charging method or charging structure required pursuant to this Charging Change Proposal, as required under the Market Arrangements Code Section 6.2.1(b).		
<p>Issue</p> <p>The high volume of vacant premises was identified as a high priority area to address during the scoping of the 2019/20 Market Performance Operating Plan (MPOP). Incorrect vacancy drives additional operational costs for trading parties and may inhibit the effective management of unplanned events for customers.</p>		

The presence of inactive premises within the market is a potential contributor to an inflated vacancy rate. Premises that have been genuinely vacant for an extended period are likely to fall into disrepair, be unsafe to occupy and eventually demolished. The duration of vacant premises in the market has therefore been considered to identify potential opportunities for deregistration and reduction of the vacancy count. In addition, Retailers are measured on the volume of vacant premises with consumption and these potentially inactive premises will be affecting their performance.

(Please see sections 2 and 5 of the attached Vacancy Insight Report published on 17 February 2020 for further details.)

As at 1 October 2020, there were 274,586 vacant premises in the market, constituting 18.1% of the premises in the market. Of these, 74,522 premises (27.1%) have been continuously vacant for 6 or more years with no identifiable consumption within the last 6 years.

The observation and recommendations from the PwC 'Precision Review - Vacancy FY19/20'; MOSL Vacancy Performance Recommendations / Vacancy Working Group are:
De-registrations are a low priority for trading parties. They naturally focus on vacant Supply Points with high consumption or volumetric charges given the revenue and cost impact, rather than focusing on Supply Points in the market which may need to be considered for deregistration. They recommended removing vacant Supply Points from the market which could be deregistered, after meeting a set of criteria. This would greatly reduce the number of vacant Supply Points in the market and save trading parties' resource and time. This needs to be considered in conjunction with the Wholesaler requirement to continue to monitor these properties as part of leakage detection measures. An alternative may be to review these properties by Wholesalers to determine whether their supply can be temporarily or permanently disconnected.

This is within scope for MPOP 2020/21 (workstream A 2.3 Facilitate the use of deregistration or disconnection of long-term vacant premises).

Description of the Change Proposal/ Charging Change Proposal, its nature and purpose and (for Change Proposals only) how it is consistent with the Principles and falls within the Objectives noted below, as required under the Market Arrangements Code Section 6.2.1(c).

Proposed solution

Define the criteria under which long term vacant Supply points should be deregistered from the market. Identify these Supply Points and determine and implement a process for their deregistration.

Proposed criteria for deregistration of vacant Supply Points ('Deregistration Criteria'):

- Supply Points that have been marked as vacant for 6 consecutive years or more with no identifiable consumption within the last 6 years.

We have set the long-term vacant period with reference to statute of limitations periods for civil claims such as contract, arbitration, tort and negligence which is 6 years under the Limitations Act 1980.

Proposed process:

This is designed to be an on-going process and not only limited to Supply Points vacant at market opening.

Step 1

MOSL produces a list ('Candidate List') of potential Supply Points by Retailer-Wholesaler pairing that meet the Deregistration Criteria and could therefore be deregistered.

For premises vacant with an effective date before 3 April 2017: The Candidate List is provided to Retailers primarily for information purposes and Retailers are not obliged to do anything at this stage. They may however, if they choose to do so, request MOSL to remove certain Supply Points from the Candidate List.

For premises vacant with an effect date on or after 3 April 2017: Within 3 months of receiving the Candidate List, the Retailer will review and confirm that they agree to the deregistration of these Supply Point(s). They should provide reasons for any that they believe should not be deregistered.

Any Supply Point that the Retailer does not want to be deregistered will be removed from the current Candidate List. The removed Supply Point(s) will be reviewed each 18 months. If they continue to meet the Deregistration Criteria, they will again appear on the Candidate List for the Retailer to review.

Step 2

MOSL provides the reviewed Candidate List to the relevant Wholesaler. The Wholesaler will then provide a timeframe for reviewing and undertaking the deregistration to MOSL. The timeframe should be no more than 12 months from receipt of the Candidate List.

Step 3

Wholesaler provides the timeframe for deregistration to MOSL. MOSL then shares the timeframe with the relevant Retailer.

Step 4

MOSL will monitor the total number of Supply Points that meet the Deregistration Criteria compared to the total number deregistered. MOSL will also use an Additional Performance Indicator (API) to monitor the percentage of Supply Points on the Candidate List against the total number of Supply Points registered to that Wholesaler. This API could be used as a basis for peer comparison and performance rectification (as appropriate).

Step 5

Wholesaler may undertake an investigation, for example a site visit, for each Supply Point to determine if it is vacant and suitable for deregistration. The Wholesaler may also proceed directly to deregistration if they consider the immediately available evidence to be sufficient.

The potential for permanent or temporary disconnection, at the Wholesaler's discretion, should also be considered.

Possible scenarios and outcomes of the Wholesalers visit, where they undertake one, include the following:

- Supply Point is no longer an eligible Supply Point: deregister Supply Point from CMOS.
- The building(s) at the Supply Point has been demolished or is derelict and uninhabitable: deregister or permanently disconnect Supply Point from CMOS.
- Supply Point is occupied by a household customer: deregister Supply Point from CMOS.
- Supply Point is vacant but is determined to be a household premises: deregister Supply Point from CMOS.

- The Supply Point is vacant but is determined to still be a non-household premises and is habitable: Supply point(s) remain in the market but the Wholesaler may consider, at their discretion, whether temporary disconnection is appropriate. The Wholesaler should provide the details to MOSL and the Retailer for premises to be removed from the Candidate List. The Wholesaler should also endeavour to validate the accuracy of the Supply Point and Meter Asset data, updating CMOS where appropriate, and submit a meter read.
- Supply Point is occupied by a non-household customer: premises remain in the market and Wholesaler to advise Retailer and MOSL of occupancy, with details and evidence of the occupier. The Wholesaler should endeavour to undertake a review of the Supply Point and Meter Asset, updating CMOS where appropriate, and submit a meter read.

Step 6

The Wholesaler should work in agreement with the Retailer before deregistration takes place on such issues as the number of deregistration transaction to be completed per day. The Wholesaler deregisters the Supply Points except where the Wholesaler has reasonable evidence that the premises is occupied.

Wholesalers and Retailers should attempt to work together bilaterally to reach agreement on the occupancy status. The Retailer will then have 3 months to investigate the Supply Point and either update the occupancy status to 'Occupied' or to provide evidence that the Supply Point remains vacant.

If the Wholesaler and Retailer fail to reach agreement, and the Wholesaler wishes to challenge the occupancy status of the Supply Point, they can raise a challenge to MOSL. MOSL will provide a facility ('Vacancy Challenge Process') for Wholesalers and Retailers to resolve disagreements regarding occupancy and vacancy status. MOSL will not deregister the SPID until the challenge process has been complete.

Note that the deregistration of long-term vacant Supply Points is outside of the Operational Terms Process C5 – Deregistration of a Supply Point (including as a result of an error in Registration or a change of circumstances) or removal of a Service Component at the request of a Wholesaler.

Step 7

MOSL assesses performance and reports on progress against the Wholesaler's plan and API.

Step 8

If the deregistration has not been completed in the timeframe specified in step 3 then MOSL undertakes the deregistration on behalf of the Wholesaler, with no charge to Trading Parties. The Wholesaler will be asked to explain why they were unable to meet the timeframe.

The Wholesaler is entitled to request that MOSL undertakes the deregistration on their behalf at an earlier stage. MOSL will agree with the Retailer the number of deregistration transactions to be completed per day before deregistration takes place.

Step 9

The review of Supply Points that could potentially be deregistered is repeated 18 months after the publication of the previous Candidate List. Any Supply Points that were rejected by the Retailer in an earlier review will be reviewed again at that 18-month period.

Principles and Objectives

Description of the principles and objectives affected by the Change Proposal on the items below (if applicable) as detailed in Part A of Schedule 1 Part 1: Objectives Principles and Definitions.

Principles	Affected (Y/N)	Description
Efficiency	Y	<p>The process will help to ensure that the NHH market is not overstated with inactive Supply Points.</p> <p>Retailers will have an accurate list of vacant Supply Points to trace.</p> <p>MOSL will provide the Candidate List to market participants for efficiency in investigation.</p>
Proportionality	N	
Transparency	N	
Simplicity, cost-effectiveness and security	Y	MOSL will provide the Candidate List by Retailer/Wholesaler pairing to encourage simple and effective resolution.
Barriers to entry	N	
Non-discrimination	N	
Customer participation	N	
Customer contact	N	
Seamless markets	N	
No limit on upstream competition	N	
Business Terms Objectives	N	
Operational Terms Objectives	N	
Market Terms Objectives	N	

Description of the impact of the Change Proposal/ Charging Change Proposal on the following items, as required under the Market Arrangements Code Sections 6.2.1 (f), (g) and (h).

Configured Item	Impacted (Y/N)	Description
Schedule 1: Terms and Conditions of a Wholesale Contract	N	
Wholesale-Retail Code, Schedule 1 Part 1 (Objectives, Definitions and Principles)	N	
Wholesale-Retail Code, Schedule 1 Part 2 (Business Terms)	N	
Wholesale-Retail Code, Schedule 1 Part 3 (Operational Terms)	N	
Wholesale-Retail Code, Schedule 1 Part 4 (Market Terms)	N	
Wholesale-Retail Code, Schedule 1 Part 5 (CSDs)	Y	CSD 0105 Section 4 (possibly CSD 0104 Section 11)
Wholesale-Retail Code, Schedule 1 Part 6 (Operational Forms)	N	
Appointment	N	
Licence	N	
Any other industry code, agreement or document (e.g. the Wholesale Contract or the MOSL Articles) (please specify)	N	
Central Market Operating System	N	
Trading Party systems which interface with Central Systems and other relevant Trading Party systems/ business processes.	N	
Scottish Core Industry Documents	N	

Further Information

Description of any discussions on the topic of the Change Proposal/ Charging Change Proposal at the User Forum (as relevant) or otherwise relevant discussions with parties, as required under the Market Arrangements Code Section 6.2.1(i).

Further Comments

Key

	To be completed by the Market Operator
	To be completed by the Proposer