

WHOLESALE-RETAIL CODE CHANGE PROPOSAL

Change Proposal Reference <i>(To be completed by the Panel Secretary)</i>	CPW066	Version No	2.0
Type of Change Proposal: <i>(delete as appropriate)</i>	Change Proposal		
	Charging Change Proposal		
Submission Date	12 July 2019		
Title: of Change Proposal/Charging Change Proposal	Estimation Review		
Summary: of Change Proposal/Charging Change Proposal <i>(40 to 50 Words Maximum)</i>	This change proposal seeks to make changes to the Industry Level Estimates to clarify their meaning and make them more reflective of median metered consumption observed in the market.		
General Details of the Proposer			
Name of Proposer	Abu Rashid		
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).	On behalf of Market Operator (MOSL)		
Contact Email	abu.rashid@mosl.co.uk		
Telephone Number	07948 466 745		
The Proposer recommends that this Change Proposal/Charging Change Proposal should initially: <i>(delete as appropriate)</i>	Proceed to Assessment		
	Proceed to Consultation		
	Proceed to Recommendation		
Is the change Urgent (Yes/No)? If yes, please provide reason for urgency (if applicable)	No		

Related Documents

Reference of any associated Code Panel Change Proposal/ Charging Change Proposal

Documents Accompanying Form

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).

The Industry Level Estimates (ILEs) are estimates, grouped by meter size, that are used in metered volume estimation for water meters. In settlement terms, the ILEs are designed as backstop estimates of volume consumption at meters where Yearly Volume Estimates (YVEs) have not been provided.

There are two main cases where the ILE is used:

1. as an estimate where there is no meter read history and there is no YVE; and
2. as a capped estimate to cap excessive estimates based on potentially erroneous meter read history.

The ILEs are situated in Code Subsidiary Document (CSD) 0207 and were reviewed in April 2019, following two years of market operation. This review included data from Market Dataset (MDS) reports and the latest settlement reports for periods between April 2017 and March 2019 inclusive; a total of 24 settlement reports. The review highlighted differences between the ILEs and the average metered consumption, grouped by meter size, observed in the market. Table 1 below, taken from the review, shows average consumption observed in the runs.

Size (mm)	Number of Observations ¹	Mean (m ³ per annum)	Median (m ³ per annum)	Median from CSD 0207 (m ³ per annum)	Observed median as a percentage of ILE
0 – 19	9,502,019	307	84	250	33.6%
20 – 24	2,096,922	591	189	500	37.8%
25 – 29	993,917	1,520	616	1,000	61.6%
30 – 39	49,724	4,146	1,262	2,500	50.48%
40 – 49	454,462	3,362	1,756	3,500	50.2%
50 – 79	253,764	10,378	2,529	7,500	33.7%
80 – 99	88,554	19,361	6,245	20,000	31.2%
100 – 149	34,798	38,638	12,536	35,000	35.8%
150 – 199	9,657	111,506	26,274	150,000	17.5%

¹ An 'observation' is where a meter appeared with actual volume in an invoice period. A meter could have appeared in all 24 invoice periods and contributed 24 observations, or only in one period and contributed one observation.

200 – 249	943	533,021	173,233	350,000	49.5%
250 – 299	303	809,805	541,963	1,200,000	45.2%
300 – 449	366	1,422,381	482,643	2,000,000	24.1%
450+	1,138	339,222	137	3,500,000	0.0%

Table 1 – average metered consumption calculated using settlement reports

As is noticeable by inspecting the right-most column in table 1, the majority of observed medians are between a third and two thirds of their respective ILEs.

The review also delved into the primary charges calculated using the ILEs in different settlement runs:

- In R4 runs, approximately 0.75% (£1.5 million) of aggregated settlement charges are based on ILEs. Reducing the ILEs to a third of their current values would cause a rough difference of £1m in charge across the market.
- In RF runs, approximately 0.3% (£0.6 million) of aggregated settlement charges are based on ILEs. Reducing the ILEs to a third of their current values would cause a rough difference of £400,000

Whilst the materiality of the issue is small, this proposal seeks to clarify the definition of the ILEs and amend them to figures more reflective of median averages observed in the industry, as this is proposed to increase accuracy and confidence in the settlement charges calculated by CMOS.

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).

The proposed solution is twofold:

- 1) A change to the definition of the ILEs within F.1.1 of CSD 0207:
'The Market Operator shall set the **initial** values for the Industry Level Estimate Table (ILET) as follows. The values in the table represent **rounded median** estimates of the expected flows through meters of the given Water Chargeable Meter Size for Occupied Premises.'
- 2) A reduction of the ILEs in CSD 0207. Table 2 outlines the proposed figures for each band:

Size (mm)	Current ILE (m ³ per annum)	Proposed ILE (m ³ per annum)	Reduction
0 – 19	250	80	64%
20 – 24	500	190	62%
25 – 29	1,000	620	38%
30 – 39	2,500	1,260	49.6%
40 – 49	3,500	1,760	49.7%
50 – 79	7,500	2,530	66.3%
80 – 99	20,000	6,250	68.8%
100 – 149	35,000	12,540	64.2%
150 – 199	150,000	26,270	82.5%
200 – 249	350,000	173,230	50.5%
250 – 299	1,200,000	541,960	54.8%

300 – 449	2,000,000	740,000	63%
450+	3,500,000	1,295,000	63%

Table 2 – proposed ILEs

The proposed figures for the bands up until the 200 – 299 mm class are the median estimates from table 1, rounded to the nearest ten.

The proposed figures for the bands 300 – 499 mm and 450+ mm have been calculated by applying a 63% reduction, which is the average decrease in the four classes between 100 mm and 249 mm. The corresponding estimates for these meter classes in table 1 have not been chosen as proposed ILEs, as they show a decrease in consumption from meters of smaller size, i.e. the median volume for the 250 – 299 mm class (541,963) is higher than the median volumes in these two classes (482,643 and 137 respectively).

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	N	
Proportionality	Y	The simple solution being proposed is proportional to the issue at hand, considering its materiality on settlement charges.
Transparency	N	
Simplicity, cost-effectiveness and security	Y	Internal discussions have indicated that amending ILEs in CMOS via a scripted approach will be relatively simple and cheaper than alternative solutions.
Barriers to entry	N	
Non-discrimination	Y	This proposal is non-discriminatory, as ILEs are used in metered volume estimation for all meters in the market.
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	Y	This proposal will better enable the calculation of primary charges and thus furthers the objectives of the Market Terms.
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)	Y	CSD 0207: Charge Calculation, Allocation and Aggregation
Wholesale-Retail Code, Schedule 1 Part 5 (CSDs)	N	
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	Y	ILEs in CMOS will be changed. This will affect the settlement engine's calculations.
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).

This change proposal was presented to the ILE Panel sub-group in May, June and July 2019.

Further Comments

Key

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