

MARKET CODE / OPERATIONAL CODE CHANGE PROPOSAL

Form
version 2.1

Change Proposal reference
(To be completed by the TP Sec.)

MCCP192

Version No.

D.1

PART A — SUBMISSION

A.1. GENERAL DETAILS

A.1.a. TITLE Effective date of Provider of Last Resort process

A.1.b. COMPANY Scottish Water

Change Proposals must be authorised by the person designated by the signatory to the Market Code Framework / Accession Agreement

A.1.c. AUTHORISED SIGNATURE NAME Belinda Oldfield

A.1.d. CONTACT NAME Richard Lavery CONTACT EMAIL; TEL./MOB. richard.lavery@scottishwater.co.uk
07875 114313

A.1.e. ASSOCIATED MCCP / OCCP

A.1.f. ASSOCIATED DOCS.

A.1.g. PROPOSED URGENCY NON-URGENT

A.1.h. REASONS FOR URGENCY

The CMA CEO will review this information and make a decision as to whether to take this MCCP / OCCP forward as urgent as defined under Market Code Part 8.9.1

A.2. M CCP / OCCP DETAILS

A.2.a. ISSUE OR DEFECT WHICH THIS M CCP / OCCP SEEKS TO ADDRESS
Required under Market Code Parts 8.7.1 (ii) (b) and 8.8.1 (ii) (b)

The Market Code and the Wholesale Services Agreement (WSA) set out the process which follows non-payment of primary charges by a Licensed Provider, leading ultimately to the Licensed Provider's exit from the market and the reallocation of their Supply Points via the Provider of Last Resort (POLR) process. The detailed process is set out in Annex 1 along with references to the relevant sections of the Market Code and the WSA.

The duration of this process affects the level of credit risk to which Scottish Water may be exposed in the event of Licensed Provider default due to non-payment.

The POLR process can be triggered by Scottish Water issuing a WSA termination notice to the non-paying Licensed Provider, copying the CMA. The CMA must then convene its board and seek approval to issue a Market Code termination notice to the LP. Following issue of the Market Code termination notice the CMA run the POLR process which is backdated to the date of issue of the Market Code termination notice.

There is currently no defined timescale in the Market Code for the CMA to initiate the POLR process following receipt of a WSA termination notice from Scottish Water. The CMA have advised that the time elapsed between receiving a WSA termination notice from Scottish Water and issuing a Market Code termination notice (the latter being the effective date of the POLR process) could be up to 7 days (CMA enquiry E1636).

This means that the effective date of the POLR process may be after the start of the month to which the unpaid provisional charges relate.

A.2.b. DESCRIPTION OF THE NATURE AND PURPOSE OF THE M CCP / OCCP AND HOW IT MEETS THE MARKET CODE / OPERATIONAL CODE OBJECTIVES AND PRINCIPLES FOR THE MARKET DOCUMENTS
Required under Market Code Parts 8.7.1 (ii) (c) and 8.8.1 (ii) (c)

General Description

This proposal is for the effective date of the reallocation of Supply Points via the POLR process to be changed to the date of receipt of a WSA termination notice by the CMA from Scottish Water.

This will minimise the risk of Scottish Water being exposed to unpaid provisional charges in the event of Licensed Provider default due to non-payment.

Corresponding amendments to CSD002 and CSD0202 are also proposed to ensure that this change does not reduce the time available to the incoming LP to submit Transfer reads given the potential impact on Performance Standard Charges.

Principles and Objectives affected

PRINCIPLE	AFFECTED (Y/N)	DESCRIPTION
Proportionality	Y	This procedural change will minimise the credit risk to Scottish Water in the event of Licensed Provider Default

Transparency	N	
Simplicity, Cost-effectiveness, and Security	Y	This procedural change will minimise the credit risk to Scottish Water in the event of Licensed Provider Default
Non-exclusivity	N	
Barriers to Entry	N	
Customer Contact	N	
Non-discrimination	N	
Non-detrimental to SW Core Functions	Y	This procedural change will minimise the credit risk to Scottish Water in the event of Licensed Provider Default
MC / OC OBJECTIVES		

A.2.c. IMPACT Required under Market Code Parts 8.7.1 (ii) (d), (f) and (g), and 8.8.1 (ii) (d) and (f)		
CONFIGURED ITEM	IMPACTED (Y/N)	DESCRIPTION
MC / OC	Y	Changes to section 5.3.6 of the Market Code
CSDs	N	
Wholesale Services Agreements	N	
Licenses	N	
CMA Central Systems	<u>Y</u>	An impact assessment on the Central Systems is proposed
CMA business processes	Y	Some changes to business process may be required to reflect the use of a different effective date for the POLR process
Trading Party systems	N	
Trading party business processes	N	

Market Code

5.3.6

(ii) the CMA shall Register the POLR Supply Points so allocated to the relevant Incoming Licensed Provider(s) in accordance with CSD 0003 (Provider of Last Resort) with the Designated Time being:

(a) in the event of termination under section 10.7.1 (viii), the date of issue of the ~~Termination Notice~~ of termination specified in the termination notice issued by Scottish Water to the Licensed Provider pursuant to Clause 20.2 (Termination for Licensee Default) of the Wholesale Services Agreement agreed between the Licensed Provider and Scottish Water, or;

(b) in all other circumstances, the date of issue of the Termination Notice.

...

(v) Once the CMA has allocated a POLR Supply Point to a Licensed Provider in accordance with Section 5.3.6(i)(c) above, the Licensed Provider must write to that new customer within 5 Business Days of receiving notification of allocation from the CMA in accordance with Step b of Section 3.1 of CSD 0003 (Provider of Last Resort).

CSD002 – Performance Standards

5. Table 1 – Performance Standards

R9D Late Meter Reads – Success Criteria

In respect of T and S reads, ~~the~~ T005.1 (Meter Read) is received by the CMA within 5 BDs of the latest Registration Start Date submitted via a T003.1 transaction for the associated Supply Point or, where the transfer has resulted from the allocation of POLR Supply Points by the CMA, within 5 BDs of receiving notification of Registration from the CMA via a T008.1 transaction in accordance with Step d of Section 3.1 of CSD 0003 (Provider of Last Resort), ~~in respect of T and S reads.~~

CSD0202 – Meter Read Submission Process

3.1 Process Description

The timescale for the submission of Meter Reads is,

- i. in the case of Regular Cyclic Reads, Customer Reads and AMR Reads within 5 Business Days from the date the Meter Read is taken;
- ii. in the case of Transfer Reads where the transfer has resulted from the allocation of POLR Supply Points by the CMA, within 2 Business Days of receiving notification of Registration from the CMA via a T008.1 transaction in accordance with Step d of Section 3.1 of CSD 0003 (Provider of Last Resort); and
- iii. in the case of all other Meter Read Types, within 2 Business Days from the point of collection, which in the case of S Reads will be the point at which an estimate shall have been established.

A.3. IMPLEMENTATION DETAILS

A.3.a. PROPOSED IMPLEMENTATION DATE OR LEAD TIME

Timescale must not overlap with the period of consultation with the Commission and should take account of the impacts identified in Section A.2.c. Any quoted lead time should commence from date of Approval.

Date of implementation to be agreed subject to the outcome of an impact assessment on the Central Systems, current proposal is May 2016 as part of a dedicated POLR release.

A.3.b. ANY LIMITATIONS OR DEPENDENCIES FOR IMPLEMENTATION

A.4. ANY OTHER COMMENTS

PART B — TP ASSESSMENT

B.1. ASSESSMENT PROCESS

B.1.a. ASSESSMENT START DATE	2015-12-12	ASSESSMENT END DATE	2016-01-27
B.1.b. IMPACT ASSESSMENT REQUIREMENT	IA REQUIRED		
B.1.c. CONSULTATION REQUIREMENT	TP CONSULTATION NOT REQUIRED		
B.1.d. ASSOCIATED DOCUMENTS (to this Part B)	Attachment 1: IA v1.0 Attachments 2 and 3: Indicative URs.		

B.2. ASSESSMENT DETAILS

B.2.a. CHANGE SPECIFICATION AND IMPACT (if different from that originally submitted)

See Attachments.

B.2.b. DRAFT LEGAL TEXT (if different from that originally submitted)

Market Code Changes:

Section 5.3.6

(i) If and when the CMA issues a Termination Notice under Section 10.7.2 to a Licensed Provider which has become a Defaulting Trading Party, and provided that any Supply Points are still **or were at the Designated Time** Registered to the Defaulting Trading Party ("POLR Supply Points"), or that any New Supply Points are still **or were at the Designated Time** identified against the Defaulting Party ("POLR Supply Points"), the CMA shall:

(ii) the CMA shall Register the POLR Supply Points so allocated to the relevant Incoming Licensed Provider(s) in accordance with CSD 0003 (Provider of Last Resort) with the Designated Time being:

- (a) **in the event of termination including that under section 10.7.1 (viii), the date of issue of the Termination Notice of termination specified in the termination notice issued by Scottish Water to the Licensed Provider pursuant to Clause 20.2 (Termination for Licensee Default) of the Wholesale Services Agreement agreed between the Licensed Provider and Scottish Water, or;**
- (b) **in all other circumstances, the date of issue of the Termination Notice;**

CSD0002 Changes: Entries for the R9D and R9E measures in Table 1 should be amended, as follows.

The T005.1 (Meter Read) is received by the CMA within 5 BDs of the latest Registration Start Date submitted via a T003.1 transaction for the associated Supply Point, in respect of T and S reads, **excluding S Reads associated with a POLR process.**

The T005.1 (Meter Read) is received by the CMA within 10BDs of the latest Registration Start Date submitted via a T003.1 transaction for the associated Supply Point, in respect of T and S reads, **excluding S Reads associated with a POLR process.**

CSD0003 Changes:

3.1 Process Description.

Step b Pending Transfers Pending at the Designated Time [T011.0, T011.1]

For Designated Times that are on or after the date of the POLR allocation process:

- Any Supply Points for which a transfer is pending, to the Licensed Provider who has been issued with the Termination Notice, with a Registration Start Date that is after the Designated Time will be cancelled and the CMA will send a T011.0 (Notify Registration Cancellation) to that Licensed Provider and a T011.1 (Notify Registration Cancellation) to the Outgoing Licensed Provider.
- Any Supply Points for which a transfer is pending, from the Licensed Provider who has been issued with a Termination Notice, shall be proceed as normal, except where the Registration Start Date is after the Designated Time, in which case, the transfer shall proceed with a Registration Start Date that is equal to the Designated Time.

For Designated Times that are before the date of the POLR allocation process:

- Any Supply Points for which a transfer to the Licensed Provider who has been issued with a Termination Notice is pending will be cancelled and the CMA will send a T011.0 (Notify Registration Cancellation) to that Licensed Provider and a T011.1 (Notify Registration Cancellation) to the Outgoing Licensed Provider.
- Any Supply Points for which a transfer to the Licensed Provider who has been issued with a Termination Notice has occurred with an RSD that is on or after the Designated Time should be re-allocated, as part of the PLR allocation process, albeit with an RSD set to the RSD of the original transfer to the Licensed Provider who has been issued with the Termination Notice.
- Any Supply Points for which a transfer is pending, from the Licensed Provider who has been issued with a Termination Notice, shall proceed with a Registration Start Date that is set to the Designated Time.

Step c Submit Transfer Meter Reads [T005.0]

Water Services Supply Point which is Metered

For each Water Services Supply Point that is metered, the POLR Licensed Provider to whom the Supply Point is allocated will submit an **Estimated** Transfer Read to the CMA, using Data Transaction T005.1 (Meter Read), in accordance with CSD0202.

Sewerage Services Supply Point with a Related Water Supply Meter

For each Sewerage Services Supply Point with a Related Water Services Supply Point that is metered, the POLR Licensed Provider to whom the Supply Point is allocated will request the LP responsible for the Related Water Services Supply Point to submit an **Estimated** Transfer Read to the CMA, using Data Transaction T005.1 (Meter Read) and the Water Services LP will comply with any such request, in accordance with CSD0202.

CSD0102 Changes

2.1.2

Step i: Submit Meter Read [T005.1]

Water Services Supply Point which is Metered

Where a Water Services Supply Point is Metered, the Incoming Licensed Provider will submit a Transfer Read to the CMA, using Data Transaction T005.1 (Meter Read), within +/-2 Business Days of its Registration Start Date, unless the following conditions apply, in which case, the Incoming Licensed Provider will submit an Estimated Transfer Read to the CMA, which shall be derived from the estimated advance approach identified in CSD0207, using Data Transaction T005.1 (Meter Read), within -2/+5 Business Days of its Registration Start Date;

- A different meter is found onsite to that registered at the CMA, or the meter is inaccessible, or cannot be read (fogged glass etc), or no meter can be found onsite but a meter is registered with the CMA, or there is no access to the premises/site,
- The Incoming Licensed Provider has initiated remedial action, such as submitting an appropriate form to Scottish Water, in accordance with the Operations Code., **OR**
- **The transfer has resulted from a POLR process, as defined on CSD0003**

Sewerage Services Supply Point with a Related Water Supply Meter The Incoming Licensed Provider will request the Licensed Provider Registered to the Supply Point with the Related Water Supply Meter to obtain and submit the Transfer Read to the CMA, using Data Transaction T005.1 (Meter Read), within +/- 2 Business Days of the Registration Start Date, or if the conditions identified above apply, using Data Transaction T005.1 (Meter Read), within -2/+5 Business Days of the

Registration Start Date.

CSD0202 Changes:

2.8 Transfer of Registration Meter Reads

Meter Read Type – T or S. Following a Transfer of Registration, it is the responsibility of the Incoming Licensed Provider to submit a Transfer Read(s) (T Read) to the CMA. Where there is a Related Water Supply Meter, the Transfer Read for the associated Sewerage Services Supply Point will be submitted by the Water Services Licensed Provider, upon request by the Incoming Sewerage Services Licensed Provider.

Exceptions

- Where the Transfer relates to a Meter Network Supply Point, Meter Read submission is only required for the Main Meter; and
- Where the Transfer relates to a Supply Point where a Pseudo Meter is in place, no Meter Read submission is required and the CMA will deem the proportion of the Re-assessed volume applicable to the Outgoing and Incoming Licensed Providers based on the YVe as notified for the Supply Point by Scottish Water in the relevant T004.3 (Notify/Update Virtual Meter).
- Where the following conditions apply, an Estimated Transfer Read(s) (S Read) may be submitted, instead of a T Read;
 - A different meter is found onsite to that registered at the CMA, or the meter is inaccessible, or cannot be read (fogged glass etc), or no meter can be found onsite but a meter is registered with the CMA, or there is no access to the premises/site,
 - The Incoming Licensed Provider has initiated remedial action, such as submitting an appropriate form to Scottish Water, in accordance with the Operations Code,
 - **A transfer has occurred as a result of a POLR process, in accordance with CSD0003.**

An estimated Transfer Read (S Read) must be derived using equivalent logic to that identified for estimated meter advances in CSD0207.

CSD0301 Changes

Section 3.2 Valid Sets

D3028	S Read Reason Code	WMD	Wrong Meter Details
		NMA	No Meter Access
		NMF	No Meter Found
		NSA	No Site Access
		PLR	POLR

Section 4.3 (Description for the T005.1)

If the D3010 is S, the D3028 and D3029 must be provided. **If the D3028 is PLR, the D3029 must be False, otherwise the D3029 must be True.**

B.2.c. TP ASSESSMENT

Taking into account complexity, importance and urgency, and having regard to whether or not such proposal is within the relevant Objectives and Principles as required under Market Code Parts 8.7.1 (v) and 8.8.1 (iv)

Impact on Principles and Objectives
(if different from that originally submitted)

None

Cost Estimate

~£35k

Benefit Estimate
(L: < 10k, M: £10k to £100k, H: > £100k)

B.3. TP DECISION

TP APPROVED

B.4. FINAL TP VIEWS

B.5. PLANNED IMPLEMENTATION DATE

May 2016 (As a part of a dedicated POLR Release Project)

WITHDRAWN BY PROPOSER?

No

COMMENTS

DATE OF WITHDRAWAL

PART C — COMMISSION APPROVAL

C.1. DATE FINAL REPORT ISSUED TO COMMISSION	2016-03-03
C.2. APPROVAL STATUS	APPROVED CHANGE
C.3. DATE OF APPROVAL STATUS	2016-03-16
C.4. COMMISSION RESPONSE REFERENCE	

PART D — IMPLEMENTATION

D.1. IMPLEMENTATION DATE	2016-05-05
D.2. IMPLEMENTATION DETAILS (MC version, CSD versions, CMA Central Systems release number, etc.)	
Release 4.4.1 Market Code v32 CSD0002 v9 CSD0003 v4 CSD0102 v5 CSD0202 v5 CSD0301 v13	