

MARKET CODE CHANGE PROPOSAL			Draft Form Version 1.2	
Market Code Change Proposal Ref (Assigned by CMA)		MCCP 030	Version Number (Assigned by CMA)	Version 1.0
Title of the change		0mm Chargeable Meter Size		
1. GENERAL DETAILS		Proposers are reminded that Change Proposals must be countersigned by the Proposer's Contract Manager or the person designated by the signatory to the Market Code Framework /Accession Agreement		
Company:	Scottish Water	Org ID if assigned:	SW	
Signature:		Date:		
		Name:		
Contact details for the Proposal - the contact should be able to deal with queries regarding this Market Code Change Proposal and need not be the same person who has countersigned the Change Proposal				
Name:		Richard Lavery		
Email Address:		richard.lavery@scottishwater.co.uk		
Telephone and or Mobile:		07875 873845		
Number of Associated Documents	2	Name or link to documents	MCCP030 Annex 1: Combination Meters MCCP030 - Annex 2 Draft Text.doc	
If the MCCP will also affect the Operational Code, an OCCP must also be raised				
Indicate if there is an associated OCCP			OCCP Ref: CMA use only	
URGENT – IF PROPOSER HAS INDICATED THIS MCCP IS URGENT, STATE REASONS HERE The CMA Chief Executive will review this information and make a decision as to whether to take this MCCP forward as urgent as defined as under Market Code Part 8.7.1 (ii) (e)				
2. MARKET CODE CHANGE PROPOSAL DETAILS				
A	ISSUE or DEFECT WHICH THIS MARKET CODE CHANGE PROPOSAL SEEKS TO ADDRESS required under Market Code Part 8.7.1 (ii) (b)			

This Change Proposal addresses the need to make changes to the Market Code Subsidiary Documents and the Central Systems correctly to reflect Scottish Water's Wholesale Charges Scheme, as approved by the Water Industry Commission. For the avoidance of doubt, this proposal deal with systems implementation of these charges, not the charges themselves.

There are certain limited circumstances (set out below) in which it is appropriate that meter based annual charges are not applied at a meter. Due to the structure of the wholesale charges, this also affects volumetric charges at the Supply Point to which the meter is assigned.

Fixed charges should only be suppressed at meters which represent one of the two dials on a combination meter and charges are being applied at the other dial of the meter. A combination meter contains two dials and is represented in the Central Systems as two separate meters but is installed on a single supply and should therefore be charged as a single meter. Further details on combination meters are included in Annex1 for reference. The issue addressed by this paper is that there is no mechanism in the Central Systems to suppress meter based fixed charges in the scenario above. This is resulting in overcharging of Licensed Providers in this scenario.

B

DESCRIPTION OF NATURE AND PURPOSE OF THE CHANGE AND HOW IT MEETS THE MARKET CODE OBJECTIVES AND PRINCIPLES FOR THE MARKET DOCUMENTS required under Market Code Part 8.7.1 (ii) (c)

The Proposer should indicate which principles the change supports and whether there is any adverse effect on any principle(s).

- | | |
|--|---|
| a) Proportionality | e) Barriers to entry |
| b) Transparency | f) Customer contact |
| c) Simplicity, cost-effectiveness and security | g) Non-discrimination |
| d) Non-exclusivity | h) Not detrimental to Scottish Water's core functions |

It is proposed that a new meter charge band is added to the Central Systems for a chargeable meter size of 0mm. The Meter Based Annual charge for any meters on this band would be zero. The same would apply for both water and sewerage charges.

For any meters with a chargeable meter size of 0mm, all consumption through the meter should be charged as though it goes through the other meter at the Supply Point. Specifically, the allocated tranche and capacity volume at the 0mm meter should be treated as being zero when calculating the aggregated values across all meters that apply at the Supply Point. The same arrangements would apply for both water and sewerage.

The 20mm phasing premium (set out in footnote c, page 13 of the 2008/9 Wholesale Charges Scheme) should not apply to water consumption at the 0mm chargeable meter irrespective of the physical size of that meter, or of the other meter in combination.

The change is required to be implemented effective from 1 April 2008 to correct all charges from market opening onwards. This requires the change to be implemented in the Central Systems prior to the final calculation of charges for any invoice period in 2008/9. Prior to implementation, Scottish Water will carry out a review and data cleanse (if necessary) to ensure that chargeable meter size is only set to 0mm where the meter represents one of the dials of a combination meter and the other dial has a chargeable size of greater than 0mm.

The Meter Based Annual Charges will be finalised at the time of proposed R4 runs. These can be set to zero by an introduction of a new tariff band within the existing Central Systems. SW will formally ask the CMA to adjust the tariff bands after the review of meter sizes, and before the proposed RF runs.

The volumetric charges will be finalised at the RF run in December 2009. The correct calculation of these charges will require a software change to the Central Systems. SW propose that this should implemented at the proposed CS software release for autumn 2009.

The purpose of these changes is to ensure that Licensed Providers are not overcharged in the scenario set out in section A above where a meter should not attract fixed charges. The changes also ensure that all consumption continues to be correctly charged as if recorded through the other meter at the Supply Point.

This change proposal supports the principle of proportionality.

C

IMPACT – required under Market Code Part 8.7.1 (ii) (d), (f) and (g)

The Proposer should indicate the sections of the Market Code affected, whether the Operational Code or CSDs, Wholesale Services Agreement or License is impacted and whether there are likely to be implications on:

- | | |
|----------------------------|---------------------------------------|
| a) Central Systems | c) CMA Interfaces/ Processes |
| b) Trading Party's systems | d) Trading Party's business processes |

This change proposal will affect sections 2.2, 2.2.1, 2.2.3 and Appendices 1 and 2 of CSD0205, Charge Calculation, Allocation and Aggregation. Annex 2 contains a tracked changes version of CSD0205 showing the proposed amendments. The change will not affect the Operational Code, Wholesale Services Agreement or License.

This change proposal will impact the Central Systems.

This change proposal should not affect Trading Party's systems, CMA interfaces/processes or Trading Party's business processes.

D DRAFT LEGAL TEXT – required under Market Code Part 8.7.1 (ii) (d)

A proposed amended version of CSD0205, Charge Calculation, Allocation and Aggregation, is included in tracked change mode as Annex 2.

3. IMPLEMENTATION DETAILS - 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 C. Any quoted lead time should commence from date of approval.

The change is required to be implemented effective from 1 April 2008 to correct all charges from market opening onwards. This requires the change to be implemented in the Central Systems prior to the final calculation of charges for any invoice period in 2008/9. The timing of final calculation of charges varies between volumetric charges and fixed charges. Volumetric charges are finalised at RF which will take place in December 2009 for the 2008/9 tariff year.

Fixed charges are typically finalised at R3 but based on MCCP022, which has been approved in principle by the TP, it is proposed they will be recalculated at an R4 settlement run for the invoice periods from April 2008 to November 2008 inclusive. The R3 settlement run for December 2008 will be published in early September 2009. The timing of the R4 settlement runs for the invoice periods April 2008 to November 2008 has still to be finalised by the CMA, and will depend on confirmation by the CMA of implementation details.

Following approval by the Commission, the Implementation Date is therefore required to be in two stages:

- prior to RF for volumetric charges (this will require a software release), and
- prior to the earlier of the December 2008 R3 run and any R4 runs for fixed charges. This will require SW to ask the CMA to update the tariff bands on the Central Systems

4. ANY OTHER COMMENTS

The full text of the objectives and principles for the Market Code are set out in The Water Services (Codes and Services) Directions 2007 which can be downloaded from the Commission's website (http://www.watercommissioner.co.uk/view_Directions.aspx)