

MARKET CODE / OPERATIONAL CODE CHANGE PROPOSAL

Form
version 2.1

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

MCCP095

Version No.

D.1

PART A — SUBMISSION

A.1. GENERAL DETAILS

A.1.a. TITLE Trade Effluent Volume & Charge Calculations

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 Jessie McLeman NAME Jessie McLeman

A.1.d. CONTACT NAME Richard Lavery CONTACT EMAIL; TEL./MOB. richard.lavery@scottishwater.co.uk 07875 873845

A.1.e. ASSOCIATED MCCP / OCCP N/A

A.1.f. ASSOCIATED DOCS.

Annex 1: Indicative User Requirements B9
Annex 2: Illustrative Examples
Annex 3: Cost Benefit Analysis

Annex 4: Market-Code-v21-June 2012-MCCP095 Tracked Changes

Annex 5: CSD 0206 (Trade Effluent Processes) – v1.5 – MCCP095 Tracked Changes

Annex 6: CSD 0104 (Maintain SPID Data) – v1.8 – MCCP095 Tracked Changes

Annex 7: CSD 0207 (RF Charge Calculation, Allocation and Aggregation) – v1.3 – MCCP095 Tracked Changes

Annex 8: CSD 0301 (Data Transaction Catalogue) – v3.0 – MCCP095 Tracked Changes

Annex 9: CSD 0302 (Standing Reports and Data Extracts) v2.1 – MCCP095 Tracked Changes

Annex 10: CSD 0205 (Invoice Period Charge Calculation, Allocation and Aggregation) – v2.0 – MCCP095 Tracked Changes

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 M CCP / 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)

This M CCP095 B.4 is to provide the Technical Panel with proposed Market Code and CSD drafting to support the Change Proposal.

This proposal is to make a number of improvements to the existing calculations in the Central Systems relating to Trade Effluent volumes and charges. This follows the paper '*Trade Effluent Volumes*' submitted to the Market Participant Forum in December 2011. The proposal addresses three areas of the Trade Effluent calculation. In summary the current arrangements are not transparent, as has been experienced can be prone to data errors and it has taken some time to identify that in certain circumstances the charge has been incorrect, requiring remediation.

1) Trade Effluent Volumes

Trade Effluent volumes are currently calculated independently by Licensed Providers and sent to the CMA for use in charge calculations. In some cases this is on the basis of readings from the customer's own effluent meter but for the majority of sites it is based on an agreed methodology taking account of the volume of water supplied to the site, sewerage from domestic facilities and allowances for production and evaporation.

By comparison, water and sewerage volumes are calculated from water meter readings by the CMA systems based on the algorithms published in the Market Code CSDs. The CMA systems are subject to external audit and change control of the algorithms is governed by the Technical Panel. The complexity of the current approach to Trade Effluent calculations is exacerbated by a general lack of transparency.

The correct application of Trade Effluent and Sewerage charges at a site is dependent on the manual alignment of water volumes, site allowances and trade effluent volumes by different parties in the market. In particular, assumptions must be applied in a consistent and timely manner by Licensed Providers and Scottish Water when calculating Trade Effluent volumes and site allowances respectively. Both must also be aligned with water volumes calculated by the CMA based on meter readings which will routinely fluctuate over time.

The current methodology for calculating Trade Effluent volumes from water volumes and allowances is not documented in detail in the market framework raising the risk of varying interpretation by different market participants, particularly at sites with multiple meters, only some of which are associated with the Trade Effluent discharge.

The site allowances set by Scottish Water are not published in the CMA systems unlike other market data and LP's calculations of Trade Effluent volumes are independent of the CMA.

The current procedure of notifying the CMA systems of a Trade Effluent volume which is then apportioned over the period since the last transaction by the Central Systems has proved vulnerable to user error in the past with the potential for wildly excessive volumes to be projected forwards under

certain circumstances. Extreme examples have previously resulted in disputed settlement runs.

2) Suspension of Trade Effluent charges during vacancy

The Wholesale Charges Scheme states that Trade Effluent charges are not applicable at a Discharge Point during vacancy. At present, Trade Effluent charges are not automatically suspended in the Central Systems during periods of vacancy in the same way as water and sewerage. Whilst most Trade Effluent charges can be suppressed during vacancy via the application of a 100% Schedule 3 discount and setting volumes to zero, the Trade Effluent minimum charge currently continues to be applied incorrectly.

3) Partial Treatment

Section 4.2.6 of the Wholesale Charges Scheme sets out the charging arrangements for Trade Effluent Discharge Points whose discharges are subject to only partial treatment. In such circumstances, where only sub-primary or primary treatment is provided, some elements of the Split-Mogden formula should not be applied.

At present the Central Systems calculate Trade Effluent charges on the basis of secondary treatment in all cases. For Discharge Points receiving only sub-primary or primary treatment, the correct result is achieved via the application of an appropriate discount using the Schedule 3 discount field.

Improvements to the calculations of Trade Effluent charges for premises receiving only sub-primary or primary treatment would provide visibility of such Discharge Points in the Central System, improve auditability and, if technically feasible, remove the need for manual calculation of discounts by amending the algorithm applied in such cases.

A.2.b. DESCRIPTION OF THE NATURE AND PURPOSE OF THE MCCP / 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

1) Trade Effluent Volumes

It is proposed that the calculation of Trade Effluent volumes is undertaken by the Central Systems. Trade Effluent volumes would be calculated by deducting site allowances for water not returned to the sewer (e.g. production and evaporation) from the water consumption at the associated meters as currently calculated by the CMA. The solution would also have to accommodate sites with an effluent meter or private water supply such as a borehole.

At multi-meter sites, the method of calculation of sewerage volumes at each meter will be determined according to whether the meter is associated with the Trade Effluent discharge. Meters which are not associated with the Trade Effluent discharge would have their sewerage volumes calculated using the standard methodology (based on return-to-sewer %) currently applied at non-Trade Effluent sites. The Non-Domestic Allowance would be split between all meters at the site which are associated with the Trade Effluent discharge.

The presence of a private water supply such as a borehole would require the CMA to have visibility of the volume of water supplied from this source for consideration in the calculation of Trade Effluent volumes.

Where an effluent meter is installed, Trade Effluent volumes would be based on readings from this meter, if possible using the same algorithms used to derive water consumption from meter readings. The solution would also take account of additional waste tankered onto a site.

The site allowances would require to be stored in the Central Systems in the same way as other market data. The benefit of this solution would be a transparent and auditable approach that ensures alignment of water, sewerage and Trade Effluent volumes.

2) Suspension of Trade Effluent charges during vacancy

It is proposed that changes are made to the Central Systems such that all Trade Effluent charges at a Discharge Point are suspended during periods that the associated Supply Point is flagged as vacant.

3) Partial Treatment

It is proposed that changes are made to the Central Systems such that Discharge Points receiving only sub-primary or primary treatment can be identified in the Central Systems and the correct charges applied without the use of the Schedule 3 discount.

The proposed drafting in respect of settlement calculations, maintenance of Trade Effluent and Meter data, Market Code definitions, new data items and changes to the Market Dataset are set out in the Annexes.

Trade Effluent charge calculations have been moved from CSD 0206 (Trade Effluent Processes) to CSD 0207 (RF Charge Calculation, Allocation and Aggregation) for consistency with Water and Foul Sewerage. Trade Effluent data and processes remain in CSD 0206 (Trade Effluent Processes). There will be no changes to aggregated or disaggregated settlement reports at this time.

In addition, an updated version of the illustrative examples previously submitted to the Technical Panel will be circulated to Market Participants as a Guidance Note. These are not intended to provide an exhaustive list of permutations or a specification of Trade Effluent calculations but are detailed for user reference purposes to support the correct configuration of Trade Effluent data.

The Technical Panel is invited to comment on the approach and approve the proposed drafting.

Principles and Objectives affected		
PRINCIPLE	AFFECTED (Y/N)	DESCRIPTION
Proportionality	Y	The changes will improve the robustness of Trade Effluent calculations.
Transparency	Y	The changes will improve visibility to market participants of attributes affecting Trade Effluent charges and volumes and the transparency of the calculations.
Simplicity, Cost-effectiveness, and Security	Y	The proposed changes will reduce the use of manual calculations and work-arounds to achieve the correct Trade Effluent charges
Non-exclusivity	Y	The proposed changes will benefit all market participants
Barriers to Entry		
Customer Contact		
Non-discrimination		
Non-detrimental to SW Core Functions		
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	N	
CSDs	Y	Changes will be required to CSD0206 Trade Effluent Processes
Wholesale Services Agreements	N	

Licenses	N	
CMA Central Systems	Y	Changes will be required to the calculation of Trade Effluent volumes and charges and Sewerage volumes at Supply Points with an associated Trade Effluent Discharge Point
CMA business processes	N	It is not anticipated that changes will be required to CMA business processes
Trading Party systems	Y	The changes will remove the need for the manual calculation of Trade Effluent volumes by Licensed Providers and will present Trade Effluent allowances into the market
Trading party business processes	Y	The changes will remove the need for the manual calculation of Trade Effluent volumes by Licensed Providers and will present Trade Effluent allowances into the market

A.2.d. DRAFT LEGAL TEXT

Required under Market Code Parts 8.7.1 (ii) (d) and 8.8.1 (ii) (d)

Proposed legal drafting to support this change is set out in the following Annexes:

Annex 4: Market-Code-v21-June 2012-MCCP095 Tracked Changes

Annex 5: CSD 0206 (Trade Effluent Processes) – v1.5 – MCCP095 Tracked Changes

Annex 6: CSD 0104 (Maintain SPID Data) – v1.8 – MCCP095 Tracked Changes

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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.

March 2013 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	2012-06-14	ASSESSMENT END DATE	2012-12-13
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)			

B.2. ASSESSMENT DETAILS

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

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

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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)	
Cost Estimate	
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 2012-12-13

WITHDRAWN BY PROPOSER?	YES / NO
COMMENTS	
DATE OF WITHDRAWAL	

PART C — COMMISSION APPROVAL

C.1. DATE FINAL REPORT ISSUED TO COMMISSION	2013-03-07
C.2. APPROVAL STATUS	APPROVED CHANGE
C.3. DATE OF APPROVAL STATUS	2013-03-22
C.4. COMMISSION RESPONSE REFERENCE	

PART D — IMPLEMENTATION

D.1. IMPLEMENTATION DATE	2013-04-12
D.2. IMPLEMENTATION DETAILS (MC version, CSD versions, CMA Central Systems release number, etc.)	
March 2013 Release (CS v3.5), with activation of the TE calculations set to 2013-04-01.	