

OPERATIONAL CODE CHANGE PROPOSAL				Draft Form Version 1.2	
Operational Code Change Proposal Ref (Assigned by CMA)		OCCP030	Version Number (Assigned by CMA)	Version 1.0	
Title of the change		Deregistration Process			
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:		
Signature:			Date:	4 August 2010	
			Name:	Jessie McLeman	
Contact details for the Proposal - the contact should be able to deal with queries regarding this Operational Code Change Proposal and need not be the same person who has countersigned the Change Proposal					
			Name:	Jessie McLeman	
			Email Address:	Jessie.mcleman@Scottishwater.co.uk	
			Telephone and or Mobile:	07875 872123	
Number of Associated Documents	04	Name or link to documents	OCCP - Deregistration Process Annex 1 OCCP - Deregistration Process Annex 2 OCCP - Deregistration Process Annex 3 OCCP - Deregistration Process Annex 4		
If the OCCP will also affect the Operational Code, an MCCP must also be raised					
Indicate if there is an associated MCCP		Yes		MCCP Ref:	CMA use only
URGENT – IF PROPOSER HAS INDICATED THIS OCCP IS URGENT, STATE REASONS HERE					
The CMA Chief Executive will review this information and make a decision as to whether to take this OCCP forward as urgent as defined as under Market Code Part 8.8.1 (ii) (e)					
2. OPERATIONAL CODE CHANGE PROPOSAL DETAILS					
A	ISSUE or DEFECT WHICH THIS OPERATIONAL CODE CHANGE PROPOSAL SEEKS TO ADDRESS required under Market Code Part 8.8.1 (ii) (b)				
The market documents allow for Supply Points to be physically disconnected on a permanent basis, to reflect disconnection of the water supply. There is no separate process for Supply Points to be withdrawn from the market without an accompanying physical disconnection.					
Withdrawal of a property from the market without a corresponding physical disconnection ('De-registration') is required in a number of scenarios including business properties which have become dwellings, duplicates, or Supply Points created in error, for example following the gap site process and which do not exist in practice. Future volumes of De-registrations are difficult to forecast but have recently been running at approximately 75 per week requests to the Wholesale Service Desk.					

In order that invalid Supply Points are correctly identified, and that valid Supply Points are not incorrectly De-registered from the Central Systems, it is important that adequate controls apply to the process and a full audit trail is available. There have been instances of Supply Points being incorrectly De-registered which have then had to be inserted back into the market using the Gap Site process.

At present no formalised process exists for De-registration. Current practice is for Licensed Providers to request a De-registration using the 'Verification of Supply Point' form (Form K). Form K does not specify all of the information required to validate removal of a Supply Point from the market or provide an adequate audit trail so in most cases further information is required from the Licensed Provider to substantiate the request. In the absence of a defined process, the information required to support the De-registration is often identified on a case-by-case basis through liaison between Scottish Water and the Licensed Provider. This approach is complex and time-consuming for all parties and in the absence of a single consistent criteria for De-registrations, there is increased risk of valid Supply Points being incorrectly removed from the market.

Once the request has been validated and confirmed, the De-registration is undertaken using the Permanent Disconnection transaction process. In light of recent experience, Scottish Water proposes new Operational Code processes to set out the responsibilities of Scottish Water and Licensed Providers in respect of Supply Point De-registration. The process would be supported by a form which sets out the information required to demonstrate the status of a Supply Point as invalid for each type of De-registration.

B	DESCRIPTION OF NATURE AND PURPOSE OF THE CHANGE AND HOW IT MEETS THE OPERATIONAL CODE OBJECTIVES AND PRINCIPLES FOR THE MARKET DOCUMENTS required under Market Code Part 8.8.1 (ii) (c)
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The Proposer should indicate which principles the change supports and whether there is any adverse effect on any principle(s).

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|--|---|
| 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 |

Nature of the change

Scottish Water proposes new Operational Code processes and form to be used by Scottish Water and Licensed Providers in respect of deregistering Supply Points that have been identified as not relating to an Eligible Premises.

Process 32 sets out how incorrect Supply Points should be notified to Scottish Water and the timescales in which the necessary activities should be carried out. The process notes that Scottish Water may visit the premises to verify its status where necessary, particularly for complex cases. Scottish Water proposes a timescale of 20 business days from the Licensed Providers request to notifying the outcome of the investigation. A further requirement of notifying the CMA within 2 business days of the completion of the investigation is included, consistent with existing Operational Code processes. The process allows for Scottish Water to recover its reasonable costs in accordance with the Wholesale Charges Scheme. This would be dependent on an amendment to the Wholesale Charges Scheme which does not currently include a charge relating to De-registration of Supply Points. However, the intention would be to recover reasonable costs only in the event that a site visit has taken place which has shown that the records in the Central Systems are correct and no De-registration is required.

Process 31 sets out the steps when the Licensed Provider should be notified in the event that an incorrect Supply Point is identified by Scottish Water for De-registration. The process specifies that where a visit to the premises is required to verify information Scottish Water will notify the Licensed Provider in advance. In any case Scottish Water will notify the Licensed Provider of the intention to de-register a Supply Point at least 20 business days prior to the submission of the relevant transactions to the CMA.

An accompanying application form (Supply Point Deregistration Request Form) is also proposed, setting out the information required to validate a premises status prior to the removal of the SPID from the market for each type of De-registration:

- Demolished properties
- Properties that have undergone a change of use from non-domestic to domestic
- Duplicate properties
- Properties with no Water Connection
- Properties with no Sewerage Connection
- Properties supplied through bulk (landlord) meters
- Formerly individual properties that have merged into a single property

The form also includes a declaration by the Licensed Provider to confirm that investigation has been undertaken to validate the status of the premises as an invalid or incorrect Supply Point.

An amendment to the scope of Process 28 of the Operational Code ('Verification of Supply Point') is also proposed to distinguish this process from the requirement to de-register SPIDs or services from the market. Process 28 will continue to be used for verifying meter details with the new De-registration process applying to any removal of Supply Points or services from the market. The use of different forms will reflect the greater level of supporting information required to validate the removal of properties from the market. Annex 4 contains a table detailing the various categories of enquiry received by Scottish Water from Licensed Providers to clarify which Operational Code process would apply in each case.

Purpose of the change

The purpose of the change is to formalise and standardise the process for De-registrations. It will provide clarity to all Trading Parties on the supporting information required to validate a De-registration, enabling all necessary details to be provided with the initial request to minimise queries and expedite the process. The change will ensure that consistent controls are applied to all applications and provide robust audit trails.

The proposed amendments to the scope of Process 28 will clarify the circumstances in which each process should be used.

Objectives and principles

The proposal is aligned with the objectives of the Operational Code and does not have any adverse effect on the principles for the market documents. The proposal supports the following principles:

- a) Proportionality – Deregistration is a significant operational activity with a potential impact on the quality of market data and as such should be governed by clearly defined operational processes. A clearly defined process will improve accuracy of data and prevent SPIDs from being incorrectly removed from the market.
- b) Transparency – the Operational Code processes and form will provide clear and concise rules and arrangements for Scottish Water and Licensed Providers to follow where deregistration of a Supply Point is required.
- c) Simplicity, cost-effectiveness and security – the proposed change will provide a straight-forward process for Scottish Water and Licensed Providers. A standard form will improve the efficiency of the process and security of market data.
- g) Non-discrimination – the processes will provide a uniform approach.

C	IMPACT – required under Market Code Part 8.8.1 (ii) (f)
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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

Two new processes relate to the Operational Code. The draft legal text is set out in Annex 1 to this proposal. It should be noted that the timescales in Step 5 of Process 32 are dependent on the approval and implementation of the accompanying M CCP in the case of 'new' or 'partial' Supply Points

Scottish Water proposes a definition of the terms 'Deregistration' and 'Service Element' in the annex of the Operational Code (Definitions and Acronyms). The draft legal text is set out in Annex 2 to this proposal. The specific detail of this change will depend on whether the accompanying M CCP is also approved and two versions of the draft text are included for this reason.

The proposed Operational Code form is set out in annex 3 to this proposal.

An associated M CCP – 'De-registration transaction flows' – has been submitted by Scottish Water proposing changes to data transaction flows to be used for De-registration of Supply Points and setting out corresponding amendments to the Market Code and Code Subsidiary Documents. While the two proposals are related, this OCCP is not dependant on the M CCP for approval or implementation.

The new Operational Code processes will not impact on Central Systems or CMA Interfaces/Processes.

A new Operational Code form is required to be adopted to support the new process, specifying the information

required to support each type of De-registration request. This formalises current practice but may have some impact on Licensed Provider's business processes.

Included in this proposal is an amendment to the scope of Operational Code Process 28. This amendment does not affect any other areas of the Operational Code or any other market documents.

D	DRAFT LEGAL TEXT – required under Market Code Part 8.8.1 (ii) (d)
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The draft legal text is provided in the Annexes to this proposal.

Annex 1 – Proposed new Operational Code Process 31 (provisional)

Annex 2 – Proposed definition of 'Deregistration'

Annex 3 – Proposed new Operational Code Form O (Provisional)

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 Implementation Date will be the date of the next release of the Operational Code following approval by the Commission

4. ANY OTHER COMMENTS

Annex 4 – 'Process Pointer'. This document is intended as reference material for both Scottish Water and Licensed Providers to clarify the appropriate process for various different types of enquiry. This will be made available through Scottish Water's Licensed Provider Portal. The Annex is included here for reference.

The full text of the objectives and principles for the Operational 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/Comp/ServiceDirections.asp>)