

MARKET CODE / OPERATIONAL CODE CHANGE PROPOSAL

Form
version 2.3

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

MCCP263

Version No.

D.2

SUBMISSION

GENERAL DETAILS

TITLE

Removal of Redundant Charge Components

COMPANY

CMA

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

AUTHORISED SIGNATURE

NAME

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ASSOCIATED MCCP /
OCCP

ASSOCIATED DOCS.

PROPOSED URGENCY

NON-URGENT

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

MCCP / OCCP DETAILS

ISSUE OR DEFECT WHICH THIS MCCP / OCCP SEEKS TO ADDRESS
 Required under Market Code Parts 8.7.1 (ii) (b) and 8.8.1 (ii) (b)

Since market opening, the Weighted Average unit rate (AWA) used in the settlement calculations has included the following charge components:

$$AWA = \begin{cases} 0 & \text{if } AYV \leq 0 \\ \frac{SVCHARGE + CVCHARGE + LACHARGE + PPCHARGE}{AYV} & \text{if } AYV > 0 \end{cases}$$

Where:

- SVCHARGE is the Standard Volume Charge
- CVCHARGE is the Capacity Volume Charge
- LACHARGE is the LUVA Adjustment Charge (being a discount applied to premises that were subject to a Large User Volume Agreement, prior to market opening)
- PPCHARGE is the Phasing Premium Charge (being a premium applied to premises with a meter size between 0mm and 20mm)
- AYV is the Annual Yearly Volume.

An equivalent calculation also exists where estimated data is involved, previously identified as an EWA (and still referred to as such in CSD0205). The CMA CS now simply calculates a 'Weighted Average' unit rate, with estimates as required.

Since FY 2015/16, the LUVA discount has been set to 0% and the Phasing Premium has been set to 0; both being legacy charge components. However, these tariff elements were retained in settlement to ensure that all RF runs would wash-out and to allow any disputes that might arise to be accommodated.

With the Technical Refresh of the CMA CS in progress and scheduled for June 2022, the CMA considers that it is now appropriate to remove these defunct charging components.

Additionally, the MDS still includes entries for Water Services to Caravans, Sewerage Services to Caravans and Transitional Arrangements, all of which are no longer used and are also defunct. These items, excluding the Transitional Arrangements, also appear in the Additional Service Report for SPID History, although this is inconsistent with the Additional Service Schedule.

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

The LUVA Adjustment, Phasing Premium, Water Services to Caravans, Sewerage Services to Caravans and Transitional Arrangements are all now defunct, with little or no risk that there will be any need to make use of these again in settlement. It is therefore considered that these aspects of the settlement calculations and the MDS (and the inclusion of the LUVA Flag in the T029.1 and T029.0 transactions, along with the associated LUVA and Phasing Premium tariff data items as provided by SW) are now considered to be redundant.

As such, they constitute unnecessary complexity in the CMA CS, leading to additional development costs and risks (both operationally, if any of the supporting parameters are incorrectly entered, and in respect of developments). This also constitutes a minor barrier to entry for new entrants, since

these parameters add to complexity and identify what could be misconstrued as additional charge components.

Additional costs and risks also arise in the context of the CMA's Technology Refresh, as this constitutes a significant re-write of the CMA CS calculations and processing and these components will need to be accommodated, if they remain in place, as now.

This proposal therefore seeks to remove these charge components, associated transactions and LVI content.

It should be noted that, whilst the proposal seeks to remove redundant charging components and any data exchanges associated with these, the proposal does not seek to amend or delete Schedule 5 of the Market Code (Transitional Duties).

Principles and Objectives affected
CMA Guidance Note GN009 may be referred to for assistance with this section

| PRINCIPLE | AFFECTED (Y/N) | DESCRIPTION |
|--|----------------|---|
| Proportionality | Y | See below |
| Transparency | N | |
| Simplicity, Cost-effectiveness, and Security | Y | Removes redundant calculations and Data Items. |
| Non-exclusivity | N | |
| Barriers to Entry | Y | Removes additional complexity from settlement calculations and avoids any misunderstanding of what charges might apply to new entrants. |
| Customer Contact | N | |
| Non-discrimination | N | |
| Non-detrimental to SW Core Functions | N | |
| MC / OC OBJECTIVES | N | |

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 | |
| CSDs | Y | |
| Wholesale Services Agreements | N | |

| | | |
|----------------------------------|---|--|
| Licenses | N | |
| CMA Central Systems | Y | |
| CMA business processes | N | |
| Trading Party systems | Y | |
| Trading party business processes | N | |

DRAFT LEGAL TEXT

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

CSD0104 (Part 1). The following changes should be made:

Section 2 Maintain SPID Level Data – Overview

[Remove Sub-sections on 'Changes to Supply Point Data Provided Under the Transitional Duties (Schedule 5 of the Market Code)' and on 'Formerly Large User Volume Agreements']

Section 6.5 Process for a Change to Special Arrangements and Exemptions

Step a [Remove para on 'Termination of a LUVA Phasing Arrangement']

CSD0201. The following changes should be made:

Appendix 3: Disaggregated Settlement Reports.

[Amend the number of water and sewer report columns from 40 to 38]

Appendix 3.1: General Information. Para 5 (Attribute Values).

[Remove references to 'Phasing Transitional Arrangements']

Appendix 3.2: Field Derivation Information. Water and Sewer Charges Report/Level 2: Data at SPID Level.

[Remove entries for 'Phasing Transitional Arrangements' and 'LUVA']

CSD0205. The following changes should be made:

Appendix 1: Transitional Arrangements.

[This Appendix should be re-named as 'No Longer Used (2021-09) and all content should be deleted.]

CSD0207. The following changes should be made (editorial changes in rd text):

Section 1.1 Purpose and Scope.

~~1.1.1. This document describes a detailed charge calculation process which forms the CMA's interpretation of the Scottish Water Wholesale Charges Scheme (WCS) for the Financial Years 2008-09 to 2013-14 inclusive¹. Specific assumptions in respect of how the calculation implements the Wholesale Charges Scheme are documented in the Appendix to both provide transparency and to formalise their adoption.~~

~~1.1.2. The process will also calculate the Primary Charges for Water and Sewerage for years beyond 2013-14 provided that the form of the Charges described in the WCS do not diverge from the form of the Charges for 2008-09 to 2013-14, and that the Charges can be successfully parameterised.~~

1.2.1 The process details the computation, allocation and aggregation of the various components of the Primary Charges described in the **Scottish Water Wholesale Scheme of Charges (WCS)**. The various components of the Services are shown in the following table.

¹ As of the time of writing
MCCP263—Redundant Charge Components
CMA

1.2.4 Details of certain transitional charging arrangements which are catered for in the WCS are provided in the appendices to CSD0205. The various arrangements ~~including: LUVA discounts; small meter premium; and the phasing premium~~ are fully taken into account in the process described below.

Sections 2.3.31 to 2.3.35 (Volumes for the LUVA Charges), 2.3.36 to 2.3.39 (Phasing Premium), 2.3.44 to 2.3.45 (Charges – LUVA Adjustment) and 2.3.46 to 2.3.47 (Charges – Phasing Premium).

[These sections should be deleted.]

2.3.48 The Annual Weighted Average (AWA) for the SPID is then given by:

$$AWA = \begin{cases} 0 & \text{if } AYV \leq 0 \\ \frac{SVCHARGE + CVCHARGE + \del{LACHARGE} + \del{PPCHARGE}}{AYV} & \text{if } AYV > 0 \end{cases}$$

Sections A.1.2 (20mm Phasing Premium), A.1.13 (Application of LUVA Adjustment and Phasing Premium) and A.1.14 (LUVA Adjustment).

[These sections should be deleted]

Section A.2 Variables.

The following entries should be deleted:

| | |
|--------------------------------------|--|
| LUVA Adjustment | <i>LACHARGE</i> |
| LUVA Annual Volume | <i>LAV</i> |
| LUVA Annual Volume (per charge band) | <i>LVA₁, LVA₂, LVA₃</i> |
| LUVA Charge Bands | <i>LV₁, LV₂, LV₃</i> |
| LUVA Chargeable | <i>LC_d</i> |
| LUVA Phasing | <i>LPP₁, LPP₂, LPP₃</i> |
| LUVA Proportion | <i>LUVAP</i> |
| LUVA Volume Limits | <i>VLL, V₁, V₂</i> |
| Phasing Premium for the Year | <i>PP_Y</i> |
| Phasing Premium Charge | <i>PPCHARGE</i> |

| | |
|--|-----------------------|
| Premium Chargeable | PC_{kd} |
| Premium Phasing | PP |
| Premium Volume | PVA |
| Proportional LUVA Volume limits | $PLVLL, PLV_1, PLV_2$ |
| Proportional Phasing Premium Free Allocation | $PPPFA$ |
| Proportional Premium Volume Limit | $PPVL$ |
| Total LUVA Days | TLD |
| Total Premium Days | TPD |
| Uncapped Premium Annual Volume | $UPAV$ |

CSD0301 should be amended as follows:

Section 2 Data Items.

[Remove the D2007 Large User Volume Agreement.]

Section 4 Transactions.

[Remove the D2007 Data Item from the T029.0 and T029.1 txns.]

CSD0302 should be amended as follows:

Section 2.5 Detailed Record Content/X31 Water SPIDs.

[Remove the D2007_LargeVolAgreement and D2022_TransitionalArrangements entries.]

Section 2.5 Detailed Record Content/X32 Sewerage SPIDs.

[Remove the D2022_TransitionalArrangements entries.]

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 0. Any quoted lead time should commence from date of Approval.

September 2021

ANY LIMITATIONS OR DEPENDENCIES FOR IMPLEMENTATION

ANY OTHER COMMENTS

Indicative User Requirements are as follows:

UR 1 T029.1 and T029.0.

UR 1.1 T029.1 and T029.0 Content. The T029.0 and T029.1 should be modified as follows (red text):

| | | |
|---------------------------|---|---------------|
| Transaction Number | T029.0 | |
| Transaction Name | Notify SPID Special Arrangements | |
| From | CMA | |
| To | LP | |
| DI # | Name | FLAG |
| D2001 | SPID | RQ |
| D4006 | Effective From | RQ |
| D2003 | Schedule 3 | OP |
| D2006 | 29e | OP |
| D2007 | Large User Volume Agreement | OP |
| Description | Notification of special arrangements in effect at a SPID. | |

| | | |
|---------------------------|---|---------------|
| Transaction Number | T029.1 | |
| Transaction Name | Submit SPID Special Arrangements | |
| From | SW | |
| To | CMA | |
| DI # | Name | FLAG |
| D2001 | SPID | RQ |
| D4006 | Effective From | RQ |
| D2003 | Schedule 3 | OP |
| D2006 | 29e | OP |
| D2007 | Large User Volume Agreement | OP |
| Description | Set special arrangements in effect at a SPID. | |

UR 1.2 T029.1 Validation and Processing. Validation and processing of the D2007 Large User Volume Agreement should be discontinued.

Commentary: These URs simply remove what is a redundant Data Item, thereby avoiding any erroneous submissions.

UR 2 LVI. The LVI should be modified as follows (and the LVI URS updated accordingly):

UR 2.1 Reports pages/MDS. The following Data Items should be removed from the X31 and X32 MDS Reports, as appropriate:

- D2007 Large User Volume Agreement.
- D2019 Water Services to Caravans
- D2021 Sewerage Services to Caravans
- D2022 Transitional Arrangements

UR 2.2 Reports pages/Settlement Disaggs. The following data items should be removed from the X21, X22 and X23 Disagg Reports and downloads:

- LUVA indicator.

- Phasing Transitional Arrangement.

UR 2.3 Submit Transactions. The T029.1 should be modified to remove the D2007.

UR 2.4 Administration pages/Tariffs/Volumetric Charges (Water). These should be modified to:

- Remove the LUVA % Change
- Remove the LUVA Volume Limit
- Remove the 20mm Pipe Percentage Premium

UR 2.5 Administration pages/Tariffs/Special. These should be modified to remove the Metering Transition indicator.

UR 2.6 Additional Services/SPID History. The following Data Items should be removed from this report:

- D2007 Large User Volume Agreement.
- D2022 Transitional Arrangement.

Commentary: This removes redundant Data Items from both Settlement Reports and the MDS. The UR also removes redundant Tariff fields from the CMA Admin pages, to avoid any risk of erroneous entries. The T029.0 submission is also made consistent with UR 1. It should also be noted that, should a SPID History Report be required to include the identified defunct items, a bespoke Additional Service could be considered, on request.

UR 3 Settlement Calculations (Aggregation). Calculations should no longer be carried out, either in RF or in IP settlement runs, for the following defined parameters:

UR 3.1 LUVA Related.

- LUVA Chargeable (LC_d)
- Total LUVA Days (TLD)
- LUVA Proportion (LUVAP)
- Proportional LUVA Volume Limits (PLVLL, PLV₁, PLV₂)
- LUVA Annual Volume (LAV)
- LUVA Volume Adjustments (LVA₁, LVA₂, LVA₃)
- LUVA Adjustments (LPP₁, LPP₂, LPP₃)
- LACHARGE

UR 3.2 Phasing Premium Related.

- Premium Chargeable (PC_{Kd})
- Uncapped Premium Annual Volume (UPAV)
- Total Premium Days (TPD)
- Proportional Premium Volume Limit (PPVL)
- Proportional Phasing Premium Free Allocation (PPPFA)
- Premium Volume (PVA)
- PPCHARGE

UR 3.3 AWA. The AWA Calculation (for both RF and IP settlement, including any calculations of Weighted Average unit rate that involve estimates – identified as EWA in CSD0205) should be changed as follows (red text):

$$AWA = \begin{cases} 0 & \text{if } AYV \leq 0 \\ \frac{SVCHARGE + CVCHARGE + \text{LACHARGE} + \text{PPCHARGE}}{AYV} & \text{if } AYV > 0 \end{cases}$$

Commentary: This simply removes the redundant elements of the settlement calculations, simplifying the calculation in the CMA CS (and matching the simplified drafting in the CSDs). Settlement runs for periods when these parameters were active may still be done, but will require a re-store of an older code base.

| TP ASSESSMENT | | | |
|--|------------|---|------------|
| ASSESSMENT PROCESS | | | |
| ASSESSMENT START DATE | 2021-04-13 | ASSESSMENT END DATE | 2021-04-27 |
| IMPACT ASSESSMENT REQUIREMENT | | IA REQUIRED | |
| CONSULTATION REQUIREMENT | | TP CONSULTATION NOT REQUIRED | |
| ASSOCIATED DOCUMENTS (to this Part B) | | | |
| ASSESSMENT DETAILS | | | |
| CHANGE SPEC AND IMPACT (IF DIFFERENT FROM THAT ORIGINALLY SUBMITTED) | | | |
| | | | |
| CMA INTERNAL SYSTEMS IMPACT | | | |
| | | | |
| DRAFT LEGAL TEXT (if different from that originally submitted) | | | |
| | | | |
| 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 | | £24.5k (IA + 33%) | |
| Benefit Estimate (L: < 10k, M: £10k to £100k, H: > £100k) | | Removes some operational and development risk, removes some enquiries, and removes a barrier to entry. Assume M/H. | |
| TP DECISION | | TP APPROVED | |
| FINAL TP VIEWS | | Unanimously approved on 17 th June 2021 | |
| PLANNED IMPLEMENTATION DATE | | 2021-09 | |

| | |
|------------------------|----|
| WITHDRAWN BY PROPOSER? | No |
| COMMENTS | |
| DATE OF WITHDRAWAL | |

| COMMISSION APPROVAL | |
|--|-----------------|
| DATE FINAL REPORT ISSUED TO COMMISSION | 2021-07-08 |
| APPROVAL STATUS | APPROVED CHANGE |
| DATE OF APPROVAL STATUS | 2021-08-17 |
| COMMISSION RESPONSE REFERENCE | |

| IMPLEMENTATION | |
|--|--------------|
| IMPLEMENTATION DATE | 23 Sept 2021 |
| IMPLEMENTATION DETAILS (MC version, CSD versions, CMA Central Systems release number, etc.) | |
| Release 6.3 Market Code v47 CSD0104 v20 CSD0201 v12 CSD0205 v10 CSD0207 v16 CSD0301 v26 CSD0302 v17 | |