

September 2026

Market Arrangements Code and Wholesale Retail Code Change Proposal – Ref CPM064 and CPW165

About this document

The Wholesale Retail Code (WRC) forms the wholesale contract between Wholesalers and Retailers operating in the Business Retail market and sets out the services provided and the obligations of each party.

We have considered and are minded to accept WRC Change Proposal CPM064 and CPW165: Smart Meter Read Hub Phase 2. This document is a statutory consultation issued under the provisions of s.66DB/s.117G of the Water Industry Act 1991 (WIA) in relation to the proposed change to the WRC.

Executive summary

Amendments to the WRC and MAC require approval by Ofwat. This consultation concerns Code change proposals CPM064 and CPW165: Smart Meter Read Hub Phase 2, which if approved by Ofwat would amend both the WRC and MAC.

Under Sections 66DB and 117G of the WIA, if Ofwat is minded to make a change to the WRC, it is required to issue a statutory consultation on the change unless it is assessed as being unnecessary to consult. We are minded to approve Code change proposals CPM064 and CPW165. We have assessed, with reference to the relevant criteria under the WIA, that the issues raised under these Code change proposals mean that it is necessary to undertake a statutory consultation.

We are therefore undertaking a statutory consultation under the provisions of s.66DB/s.117G of the WIA in relation to the changes to the Wholesale Retail Code proposed in CPM064 and CPW165: Smart Meter Read Hub Phase 2. We have considered the issues raised by the Change Proposal and the supporting documentation provided in the Code Change Committee's (CCC) Final Recommendation Report (FRR) and are currently minded to approve the proposal for implementation on 7th December 2026.

Code change proposals CPM064 and CPW165 seek to:

- Make the Smart Meter Read (SMR) Hub a central market system to give trading parties assurance that it will be managed by MOSL under the established market framework;
- Mandate its use by Wholesalers and Retailers in a way that ensures the SMR Hub becomes the default method for sharing smart meter reads and submitting cyclic reads into CMOS; and
- Provide data protection governance to replace the Interim User Agreement.

Our provisional findings on these change proposals, which are subject to this consultation, are set out in a draft decision document which is given as Appendix 1 to this consultation document. Our analysis, which is set out in the draft decision document, indicates that implementation of the proposed changes will better facilitate the principles and objectives of the Wholesale Retail Code detailed in Schedule 1 Part 1 Objectives, Principles and Definitions and Schedule 1 MAC, Principles and Definitions, and is consistent with our statutory duties.

The objective of this consultation is to make all interested parties aware that we are minded to approve this change proposal, and to ensure they have the opportunity to bring forward any evidence and views that have not previously been submitted as part of the change development process. We are particularly keen to learn of any possible unintended consequences or benefits from implementing this change that **have not previously been highlighted and considered** as part of the solution development process.

Having considered any representations submitted during the consultation period in response to this consultation notice, Ofwat will decide whether or not to accept the change proposal and approve it for implementation.

Responding to this consultation

We would welcome any comments on this document. Please email them to codechange@ofwat.gov.uk or post them to:

CPM064 and CPW165 Consultation Response
Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

The closing date for this consultation is 16th October 2026.

We intend to publish responses to this consultation on our website at www.ofwat.gov.uk. Subject to the following, by providing a response to this consultation you are deemed to consent to its publication.

If you think that any of the information in your response should not be disclosed (for example, because you consider it to be commercially sensitive), an automatic or generalised confidentiality disclaimer will not, of itself, be regarded as sufficient. You should identify specific information and explain in each case why it should not be disclosed and provide a redacted version of your response, which we will consider when deciding what information to publish. At a minimum, we would expect to publish the name of all organisations that provide a written response, even where there are legitimate reasons why the contents of those written responses remain confidential.

In relation to personal data, you have the right to object to our publication of the personal information that you disclose to us in submitting your response (for example, your name or contact details). If you do not want us to publish specific personal information that would enable you to be identified, our [privacy policy](#) explains the basis on which you can object to its processing and provides further information on how we process personal data.

In addition to our ability to disclose information pursuant to the WIA, information provided in response to this consultation, including personal data, may be published or disclosed in accordance with legislation on access to information – primarily the Freedom of Information Act 2000 (FoIA), the Environmental Information Regulations 2004 (EIR) and applicable data protection laws.

Please be aware that, under the FoIA and the EIR, there are statutory Codes of Practice which deal, among other things, with obligations of confidence. If we receive a request for disclosure of information which you have asked us not to disclose, we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances.

1. Our assessment of this WRC change proposal

1.1 Background and process followed

We received the Code Change Committee's [Final Recommendation Report \(FRR\)](#) for Change Proposal CPM064 and CPW165: Smart Meter Read Hub Phase 2. The Code Change Committee (CCC) at its 11 August 2026 meeting recommended that we accept the Change Proposal.

Following receipt of the FRR, Ofwat has analysed the evidence submitted and reviewed the draft textual amendments to the WRC which are intended to give effect to the proposed solution. For the reasons set out in Annex 1 (our draft Decision), we are minded to approve this change.

1.2 Statutory consultation

Under Sections 66DB and 117G of the WIA, if Ofwat is minded to make a change to the WRC, it is required to issue a statutory consultation on the change unless it is assessed as being unnecessary to consult. We have assessed that it is necessary to consult on this change, for the following reasons:

1. Imposes a financial burden on Trading Parties or substantially alters the burden of responsibilities between Trading Parties. This change introduces new responsibilities to Wholesalers and Retailers by mandating the use of the SMR Hub and carries on-going costs to trading parties, which are not necessarily negligible. We note the Business Case for the SMR Hub was approved by trading parties as the proposed data solution would be more cost effective in the long run compared to separate bilateral processes to capture and process smart meter data.
2. Significantly departs from the status quo. In the absence of the SMR Hub Wholesalers and Retailers are sharing smart meter data on a bilateral basis. The use of the SMR Hub will result in a mandatory change in the way smart meter data is shared and processed by trading parties. The SMR Hub would also introduce substantial changes to updating settlement data in CMOS – the SMR Hub will be connected to CMOS to enable meter reads to be transferred between the systems automatically.
3. Change is contentious. There is widespread, although not unanimous, support from industry for this change. Throughout the consultation undertaken during the development of the proposal the design of the new framework has been amended and adapted to reflect industry concerns but there are still a small number of trading parties who are not fully content with the change proposal. We consider this point is more significant in the context of points 1 and 2 above.

If appropriate, we will amend our draft Decision in light of feedback received during the consultation.

1.3 The Change Proposal

Code change proposals CPM064 and CPW165 (together, the **Change Proposal**) seek to establish the SMR Hub as a central market system operated by MOSL and integrated with CMOS. Wholesalers will be required to submit hourly Smart AMI meter reads into the Hub, and one eligible read per month will be automatically transmitted from the Hub to CMOS on behalf of Retailers. Retailers will be able to configure the dates of read submissions. They will also retain control over data validation and will be able to pause submissions to investigate data quality issues where necessary. The Proposer also provides data protection governance to replace the Interim User Agreement.

The Proposer considers that the change will improve the availability and use of actual smart meter reads across the market. By providing a single, authoritative and consistent source of smart meter data and simplifying the process for Retailers to submit smart meter reads into CMOS, the proposal is expected to increase the use of actual reads for settlement and customer billing. This also supports an effective market by removing barriers to using smart meter data at scale.

1.4 Our minded to position

Ofwat is minded to accept the Change Proposal. The reasons for this are set out in the draft decision document attached at Appendix 1.

1.5 Consultation questions

We welcome responses to the following questions:

1. Do you agree with Ofwat's minded to position? Please give the reasons for your response.
2. Do you have any **additional** evidence or views to offer that has not previously been submitted during development of the solution for this Change Proposal? If yes, please provide this evidence or views and explain why it has not been submitted during the change development process.
3. Do you have the view that there may be risks of any unintended consequences that could arise from implementation of this change proposal which **have not** previously been highlighted? If so, please explain what these risks and/or potential consequences may be.
4. Are there any additional benefits to customers or the market that **have not** already been articulated during development of the change proposal?

Appendix 1 – Draft Decision

Market Arrangements Code/Wholesale Retail Code Change Proposal – Ref CPM064 & CPW165

Modification proposal	CPM064 & CPW165 – Smart Meter Read Hub Phase 2
Decision	The Authority has decided to approve this Change Proposal
Publication date	To be determined following the statutory consultation
Implementation date	7 December 2026, if approved by 20 November 2026, or four weeks after approval if approved later

We are approving this Change Proposal.

Code Change Proposal CPM064 and CPW165 would establish the Smart Meter Read Hub as a central market system, operated by MOSL and integrated with CMOS. Under the proposal, Wholesalers would be required to submit hourly Smart AMI meter reads to the Hub. Each month, one eligible read would then be automatically transmitted from the Hub to CMOS on behalf of Retailers. Retailers would be able to configure submission dates, retain responsibility for data validation, and pause submissions where necessary to investigate potential data quality issues. The proposal would also introduce data protection governance arrangements to replace the Interim User Agreement.

The Proposal is an integral part of the phased delivery of the Smart Meter Read Hub as set out in the business case, which was approved by the Strategic Panel in June 2025. Phase 1 is now operational and Wholesalers and Retailers participate in the adoption of the Hub on a voluntary basis. Phase 2 requires code modifications to formalise the obligations on Trading Parties to use the Hub and the Proposal seeks to deliver this phase.

Establishing a single market system is an effective and efficient solution for Trading Parties to share and access smart meter reads data. This would avoid the need for Trading Parties to rely on separate bi-lateral data sharing arrangements, which would lack consistency and would be more inefficient, complex and costly.

Ofwat supports this code change in furthering the primary principle of protecting and promoting the interests of non-household customers. Successful delivery of the SMR Hub and its integration to CMOS would improve the settlement process and will facilitate the use of more granular and accurate meter read data for more accurate billing and improved customer services and offerings.

Background

During AMP8 (ie. 2025 – 2030), water companies are rolling out smart meters to more than 10 million customers, including nearly 800,000 business customers. Smart meters can capture much more granular data than traditional meters. This enables faster leak detection, more accurate billing and settlement, and richer consumption insights. However, Wholesalers must share smart meter read data with Retailers for these benefits to be realised.

The Strategic Panel identified that the lack of an agreed method for sharing smart meter data created a risk of the development of multiple systems and processes, increasing cost, complexity and the potential for customer service issues. The Panel also noted the market's central operating system (**CMOS**) was not designed to handle the volume of data generated by smart meters. It therefore asked MOSL to work with the Metering Committee to explore data sharing options.

In June 2025, the Strategic Panel approved the business case for a Smart Meter Read (**SMR**) Hub, a central system that enables smart meter data to be shared consistently and efficiently through either a web portal for lower volumes or a system-to-system interface for high-volume data transfers.

Delivery of the SMR Hub is being undertaken in two phases. Phase 1 went live in April 2026 as a standalone system. To enable delivery at pace, its use was not mandated through the market codes and was instead governed by an Interim User Agreement for trading parties wishing to use the service. Phase 2 will integrate the SMR Hub with CMOS, enabling smart meter reads to be transferred automatically between the two systems for settlement purposes. Implementing this integration necessitates changes to the market codes, which are the subject of CPM064 and CPW165.

The SMR Hub is expected to cost £1.2 million to build, including third-party costs and contingency, and this has been fully funded through market performance charges. Its ongoing operational costs will be funded through MOSL's Market Operator charges, starting at an estimated £216,000 per year and rising to approximately £300,000 per year as data volumes grow. These costs will be included in MOSL's annual budget and approved through the normal member budget-setting process.

The issue

Phase 1 of the SMR Hub is now operational (as of April 2026), but its use is currently governed by an Interim User Agreement rather than the market codes. As a result, use of the Hub is not mandatory for Wholesalers or Retailers. As smart meter deployment accelerates, continued reliance on voluntary participation could lead to inconsistent adoption of the SMR Hub and

instead further the development of alternative data sharing arrangements, creating avoidable cost, complexity and inefficiency.

Without a code mandated framework for Phase 2, there is no assurance that the SMR Hub will become the default route for sharing smart meter reads and submitting cyclic reads into CMOS. This could limit the efficiency, consistency and settlement benefits the Hub was intended to deliver in the market. A code change is needed to implement the SMR Hub as a central market system, to formalise the obligations on Trading Parties to use the SMR Hub, and obligations on the Market Operator to maintain it.

The Change Proposal

CPM064 & CPW165 was proposed by MOSL and seeks to implement Phase 2 of the SMR Hub programme. The proposal would establish the SMR Hub as a central market system, mandate its use for smart meter data sharing and settlement processes, and replace the current Interim User Agreement with code-based governance arrangements.

Under the proposal, Wholesalers would be required to submit hourly smart meter reads to the SMR Hub where Smart AMI meters have been commissioned, and their status updated in CMOS. This would make the SMR Hub the default mechanism for sharing smart meter data between Wholesalers and Retailers, ensuring consistent data availability for Retailers.

The proposal would also interface the SMR Hub directly with CMOS, enabling smart meter reads to be transferred automatically between the systems for settlement purposes. From the reads available in the Hub, one read per meter per month would be automatically selected and submitted into CMOS on Retailers' behalf. This is intended to improve the consistency of read submissions and, where monthly smart meter reads are available for meters currently read biannually, increase the resolution of data used for settlement.

Retailers would retain control over whether and when reads are submitted into CMOS. They would be able to pause automatic submissions where there are potential data validation issues, customer-specific arrangements, smart meter asset failures or other circumstances requiring investigation. Retailers would also be permitted to pause submissions during an initial six-month transition period following Phase 2 go-live.

The proposal would introduce governance provisions within the market codes covering access controls, data validation requirements and data quality obligations for reads submitted through the SMR Hub. These provisions would replace the existing Interim User Agreement while maintaining existing principles relating to data governance and minimum meter read frequency requirements.

The proposal would designate the SMR Hub as a central market system, making it subject to the same assurance, security and business continuity requirements as other central market

systems. Ongoing operational costs would be recovered through MOSL's Market Operator charges.

The proposal would also permit MOSL to access aggregated smart meter data, where permitted under the market codes, to support market insight and reporting activities.

Impact – Proposer's assessment

Primary Principle – The Proposer considers that Code change CPM064 & CPW165 would help realise the benefits of smart metering as it is rolled out across the business retail market. By providing a single authoritative source of smart meter data and simplifying Retailers' submission of smart meter reads into CMOS, the change is expected to increase the use of actual reads for settlement and customer billing. As reliance is reduced on estimated reads, bills will become more accurate and consistent across wholesale regions allowing for a more efficient market.

Continued development and sustainment of an effective market – By designing the SMR Hub to interface with CMOS, it removes the market barrier for Retailers to develop their own solutions to enter smart meter read data into CMOS.

Seamless non-household customer experience – Retailers working with any Wholesaler would be able to submit smart meter reads from the SMR Hub directly into CMOS to deliver a seamless experience for the benefit of business customers.

Resilience – Having SMR Hub and CMOS data together will enrich data insights to help stakeholders to manage water resources in sustainable ways.

Proportionality – The Proposer estimates that using the SMR Hub to mitigate the growth of data and processing capacity in CMOS would result in saving an additional cost of £1.12 million for CMOS solutions under alternative smart meter data sharing approaches.

Efficiency – Having a central data sharing mechanism where smart meter read data can be directly submitted into CMOS will offer cost and efficiency gains over disparate meter read submission processes.

Market Terms Objectives (WRC only) – Support Market Terms objectives through more frequent meter reads submission and therefore improve settlement accuracy.

Industry engagement and assessment

MOSL undertook a consultation on CPM064 and CPW165 between 18 May and 5 June 2026 and received 23 responses from stakeholders, comprising 12 Wholesalers, 9 Retailers and 2 other

stakeholders. Responses were also discussed through consultation webinars and subsequent engagement with trading parties. The key themes of the code change proposal are around Wholesaler and Retailer responsibilities (mandating the use of the data hub), data governance arrangements and governance framework and practical implementation. For full transparency, MOSL has published line-by-line summaries of consultation responses and, where appropriate, verbatim stakeholder feedback – ensuring that all views are visible.

Mandating Wholesalers and Retailers to use the Smart Meter Hub

Consultation respondents expressed strong support for the objectives of the SMR Hub. Stakeholders widely agreed that a single market-wide platform would reduce reliance on bilateral arrangements, improve consistency in smart meter data sharing, create a single authoritative source of data and support more accurate billing and settlement outcomes. All respondents that expressed a view supported mandating Wholesalers to submit smart meter reads to the SMR Hub. Support for mandating Retailers was lower with 5 of the 22 (23%) respondents disagreeing: 1 Wholesaler & 4 Retailers. These concerns focused primarily on implementation and operational impacts rather than the overall aims of the programme.

Several Retailers and some Wholesalers raised concerns regarding the proposed Retailer obligations. Respondents questioned whether the consultation had sufficiently demonstrated the need to mandate Retailers, highlighted potential conflicts with existing Retailer systems and processes, and argued that Retailers should retain flexibility over how reads are submitted into CMOS. Stakeholders were also concerned that mandatory use could create implementation costs, duplicate existing functionality or limit innovation.

In response, MOSL amended the proposals to clarify that the SMR Hub would automatically submit eligible smart meter reads into CMOS, rather than requiring a manual Retailer activity. MOSL reiterated that despite this automation, Retailers would remain responsible for oversight, assurance and exception management, including identifying circumstances where a read should not be submitted. MOSL also proposed a six-month transition period during which Retailers may pause submissions while adapting systems and processes, before moving to an exception-based pause model.

MOSL also emphasised that the proposals do not alter existing meter reading obligations or restrict Retailers' ability to innovate or prevent Retailers from using smart meter data for wider operational, customer or commercial purposes.

Sharing of hourly data

One Wholesaler raised potential issues with mandating Wholesalers to submit hourly meter read data. It considered that sharing of hourly data is too sensitive to rely on any lawful basis other than with customer consent. It therefore requested a Market Code exemption allowing Wholesalers to withhold hourly data where customer consent cannot be obtained, alongside a requirement to make reasonable efforts to secure that consent.

MOSL clarified that under the market codes SPIDs are regarded as indirect personal data, but the actual meter read data is treated as personal data because it may reveal sole traders' water usage patterns. The Market Codes require trading parties' privacy notices to align with the Market Privacy Notice, which identifies lawful basis for sharing personal data. MOSL highlighted 'legitimate interest' (sharing data with Retailers is necessary so they can provide services such as water audits and leak detection) and 'legal obligation' (complying with market code obligations is a licence condition) as a lawful basis for Wholesalers to share personal data. Additionally, Retailers could also rely on 'contract' as a lawful basis, depending on the contract they hold with their customers.

However, the proposed drafting includes a safeguard allowing Wholesalers to withhold smart meter data if they reasonably believe sharing it would breach legal obligations, including UK GDPR.

Data Governance

There were 21 responses to the Data Governance proposals – 14 (67%) agreed and 7 (33%) disagreed with the proposed data governance arrangements. Respondents generally supported the introduction of MAC Schedule 13A and a dedicated data governance framework for the Smart Meter Read Hub but raised a number of concerns and requests for clarification.

Controller roles and accountability were a key theme. Respondents sought greater clarity on how controller responsibilities are allocated between MOSL and trading parties, when parties act as independent or joint controllers, how those relationships operate in practice, and whether the proposals expand MOSL's role beyond existing market arrangements. In response, MOSL stated that Schedule 13A is intended to clarify the application of the existing MAC data protection framework rather than introduce new controller responsibilities or expand the role of the Market Operator. MOSL committed to providing supplementary guidance and practical examples of joint and independent controller activities to support understanding of controller roles for trading parties.

Respondents also requested further explanation regarding **lawful basis requirements and privacy notices**, including the lawful basis for sharing smart meter data through the Hub, the interaction between Schedule 13A and the Market Privacy Notice, whether different trading parties may rely on different lawful bases, and how privacy notice obligations should be managed. MOSL responded that the existing MAC data protection framework and Market Privacy Notice continue to provide the overarching framework and Schedule 13A is intended to operate simply alongside this. This means trading parties remain responsible for determining their own lawful basis for processing. MOSL also committed to reviewing and updating the Market Privacy Notice and publishing additional guidance.

A further theme related to **personal data, data classification and data sharing**. Respondents sought clarity on what information processed through the Hub falls within the scope of data protection legislation, whether consumption data constitutes personal data, and how

customer and third-party access requests should be managed. MOSL noted that Schedule 13A only applies where information constitutes personal data under applicable Data Protection Laws and clarified that whether consumption data is personal data depends on the circumstances and whether individuals are identifiable. MOSL also stated that Schedule 13A does not create new customer or third-party access rights and committed to providing further guidance on managing access requests.

Respondents also sought clarification on **data ownership, intellectual property and permitted use provisions**, including how Schedule 13A interacts with existing MAC provisions and previous SMR Hub arrangements, the treatment of derivative data and analytics, the rights of affiliates and subcontractors, and the practical application of the Agreed Purposes. MOSL explained that Schedule 13A does not amend existing provisions relating to data ownership, intellectual property or permitted use, and that these matters continue to be governed by the existing MAC framework. MOSL also committed to providing supporting guidance and examples to help parties understand the practical application of the Agreed Purpose provisions.

Finally, respondents raised concerns regarding the **governance framework and practical implementation**, including governance and accountability arrangements, operational implementation, third-party access requests, record keeping, business continuity, security and operational resilience. MOSL responded that the existing market governance, security and resilience requirements continue to apply to the Smart Meter Read Hub and that Schedule 13A is intended to provide a proportionate governance framework rather than introduce new obligations. MOSL confirmed that trading parties remain responsible for ensuring compliance with data protection legislation and will provide additional guidance to support consistent implementation across the market.

Governance and practical implementation

Stakeholders generally considered the proposed associated documents CSD 0801 (Data Catalogue) and CSD 0802 (SMRH Process) to be clear and workable. Nevertheless, respondents raised several detailed operational issues, including the treatment of missing reads, data correction processes, SPID reallocations, alignment with existing market obligations, the seven-day submission requirement for Wholesalers, notification arrangements, and the proposed High Consumption Flag. MOSL responded by either amending drafting, providing additional clarification, introducing new reporting and visibility mechanisms, or committing items to future development consideration. For example, MOSL confirmed that automatic corrections for split and merged SPIDs have been added to the future development backlog, introduced additional reporting for missing reads and CMOS validation outcomes, clarified terminology and definitions, and retained the High Consumption Flag as an optional data item rather than a standardised market-wide indicator.

Views of the Customer Representative

The Consumer Council for Water (CCW) supported the code changes, noting that they would improve billing accuracy and consistency for business customers. However, CCW considered that enabling customers to access their consumption data would further support customer experience and resilience. CCW highlighted that access to these data would support water efficiency, enable earlier leak detection and help customers better manage their water use. CCW also referenced its business customer research, which found that customers expect real-time or near real-time consumption data following smart meter installation.

Code Change Committee (CCC) discussion and recommendation

The Code Change Committee considered this proposal at its meeting on 11th August 2026. The CCC voted by majority to recommend CPM064 & CPW165 be implemented (5 votes in favour, 2 votes against, 0 abstentions).

The key areas of discussion at the meeting and the CCC's recommendation included the following:

The committee considered that this change furthers the primary principle. The committee considered the change protects and promotes customer interests by improving the use of actual smart meter reads, which will lead to more accurate billing, more reliable settlement, less reliance on estimated reads, and faster identification of leaks and unusual consumption patterns as smart meter volumes increase.

The committee agreed that this change supports the wider market principles by creating a single, consistent market-wide route for smart meter data. This supports an effective market by removing barriers to using smart meter data at scale. It also improves the customer experience through a more joined-up Wholesaler-Retailer process. Overall, this supports resilience through better use of granular consumption data.

The committee considered a concern that customer consent may be needed for hourly reads, but noted that market systems already process some personal data where there is a lawful basis, including customer consent, legitimate interests, contract or legal obligation. MOSL considered hourly water data lower risk than electricity data because it is less granular, batch-transmitted and subject to latency, making it less capable of revealing occupancy or activity patterns. However, safeguards were proposed. MAC Schedule 13A, clause 4.4 would allow a trading party to stop or not start processing data where it reasonably considers this would breach data protection law.

MOSL said it would consult on a revised market privacy notice and issue practical guidance on data protection. The existing privacy notices already explain transparency requirements and customer rights, including restricting processing, withdrawing consent and authorising

third-party access. The Proposer also confirmed that access to SMR Hub consumption data by third parties would be governed by CPM060 & CPW156 and require customer consent.

Two members voted against recommending approval. While they felt that the SMR Hub was the right thing for the market, they considered that the report had not sufficiently demonstrated that the change meets the market principles, particularly around: the cost benefit analysis of available options and the quantification of benefits of mandating use of the SMR Hub through implementation of phase 2.

The committee supported a post-implementation review but rejected the proposed scope because it focused on outputs rather than outcomes and did not clearly show how Phase 2 costs and benefits would be measured. The committee asked MOSL to present a revised scope for the post implementation review in due course, based on a revised cost benefit analysis.

Our decision and reasons for our decision

We have considered the issues raised by the Change Proposal and the supporting documentation provided in the [Final Recommendation Report \(FRR\)](#) and have decided to approve the proposal. We have concluded that the implementation of CPM064 & CPW165 will better facilitate the principles and objectives of the Wholesale Retail Code detailed in Schedule 1, Part 1 Objectives, Principles and Definitions, and is consistent with our statutory duties.

We note that the proposal was supported by the great majority of respondents to the consultation. We also note that while there were some concerns raised at the CCC meeting on 11th August, the committee was supportive of successful delivery of the SMR Hub.

Without mandated requirements for the SMR Hub, the market would continue to rely on a range of different data sharing approaches, which would:

- be less efficient for the market
- risk data consistency;
- result in more complex and less efficient settlement process;
- make it more challenging to realise benefits for the market and customers from the availability of smart meter data.

Regarding the comments from some Retailers questioning whether there should be a mandate on Retailers to use the SMR Hub to submit reads into CMOS, we find the clarifications by the Proposer provide assurances that there is sufficient flexibility for Retailers to address potential data issues and retain control over operationalising smart meter data:

- Where a smart meter read is available in the SMR Hub, Retailers can rely on the SMR Hub to submit smart meter reads **automatically** into CMOS for settlement purposes.
- Retailers can validate accuracy of smart meter reads using their own tools and processes. They can pause the submission of smart meter reads from the SMR Hub to CMOS for one or more SPIDs or meters. This capability allows Retailers to investigate potential issues, such as disputed reads or suspected meter faults, before reads are used in settlement.
- Retailers can amend the default monthly submission date set by the SMR Hub for individual SPIDs or for multiple SPIDs in bulk.

The proposal also allows for Retailers a six-month transition period to ease the implementation of phase 2. Retailers will have the option to 'pause' submission of some or all reads from the Hub into CMOS from Phase 2 go-live in December until 31 May 2027.

In addition, we find that the [business case](#) for the need of a data sharing mechanism (**DSM**) and the development of the SMR Hub set out clearly that market codes will include:

- "Wholesaler obligations: mandating Wholesalers to utilise the DSM for smart meter consumption data sharing, ensuring consistent data availability for Retailer
- Retailer participation in CMOS submission: establishing mandatory requirements for Retailers to use the DSM when submitting meter reads into CMOS. This may include provisions ensuring monthly read submissions for all meter types, including those currently subject to biannual readings.
- Governance enhancements: introducing provisions that regulate access controls, data validation protocols, and accuracy requirements for meter read submissions to CMOS via the DSM."

We also note the comments from the 2 members of the CCC who voted to reject the proposal on the basis that the cost benefit analysis for Phase 2 was not clear on the benefits of mandating the use of the SMR Hub. This might be an area for improvement for future multi-phase projects with significant cost implications.

However, Phase 2 of the delivery of the SMR Hub is an integral part of the original business case and not proceeding with mandating the use of the SMR Hub would not deliver the original objectives of the investment case. The original business case envisaged that the SMR Hub would be used by all trading parties so that there is a consistent process of submitting smart meter reads and removing the need for the use of separate bilateral arrangements. The business case provided a cost benefit analysis on that basis.

We acknowledge the concerns raised regarding the treatment of personal data, particularly in relation to the processing of hourly consumption data and the potential application of data protection legislation. We note that Schedule 13A does not introduce new data protection obligations or alter the existing allocation of responsibilities between MOSL and trading parties. Trading parties will remain responsible for determining whether data constitutes personal data, identifying an appropriate lawful basis for processing and ensuring

compliance with applicable data protection legislation. Should data protection concerns arise, we find that the revised proposal includes appropriate safeguards for trading parties. In particular, trading parties may cease, suspend or not commence processing where they reasonably determine that doing so would breach applicable data protection laws. We also note MOSL's commitment to review and update the Market Privacy Notice and provide additional guidance and examples to support consistent implementation of the framework.

We note that UK GDPR applies a risk-based approach meaning that companies must scale their data protection and security measures to match the real-world harm their data processing could cause to individuals. Article 5(1)(f) of the UK GDPR concerns the 'integrity and confidentiality' of personal data. It says that personal data shall be: 'Processed in a manner that ensures appropriate security of the personal data, including protection against unauthorised or unlawful processing and against accidental loss, destruction or damage, using appropriate technical or organisational measures'.

So aside from whether there is a lawful basis, companies will also have in mind their obligations to ensure appropriate security of any personal data pursuant to Article 5(1) of UK GDPR.

We note the concerns raised by some stakeholders that hourly consumption data may present greater privacy risks than less granular consumption data. We also note that the Code Change Committee heard that market systems already process information that may constitute personal data where there is a lawful basis for doing so. The Committee also heard that MOSL considers hourly water consumption data present a lower risk than equivalent electricity consumption data due to its lower granularity and the way data is transmitted through the market. Furthermore, any third-party access to data within the SMR Hub will remain subject to the requirements introduced through CPM060 and CPW156, including consent requirements where applicable.

Taking these factors together, we are satisfied that the proposal provides an appropriate and proportionate governance framework for the SMR Hub. We therefore do not consider that the concerns raised regarding data protection and privacy provide a reason to reject the proposal.

We note that a concern was raised about third-party access to the SMR Hub suggesting that mandating the use of the SMR Hub by Wholesalers and Retailers could disadvantage third-parties providing water efficiency services reliant on timely metering data – cited as a level playing field concern.

We understand that the implementation CPM060 & CPW156 (Third-party access to consumption data) enables third parties – where appropriate customer consents are in place – to request consumption data including smart meter read data collected through the SMR Hub. Where aggregate data is required, such as consumption for a large tenanted building, evidence of legitimate interests is required, such as building owner consent. This should

enable third parties to access the same consumption data, subject to the applicable governance, consent and data-sharing requirements. There is a difference in process in that third parties need to request access and MOSL needs to assess the request to ensure it falls within the scope of the data sharing policy. Charges are applied to cover the cost of MOSL's resource for provision of the data. Two key considerations are that the market codes require that such third-parties must maintain an objective IT security standard and MOSL, in servicing such requests, must ensure that there is no unreasonable impact on its other duties as Market Operator. Provision of data extracts is a manual process and MOSL has discretion in how it prioritises and resources third party requests.

We note in this context that some Wholesalers already have data sharing arrangements with third-parties and mandating the use of the SMR Hub does not prevent Wholesalers from continuing or refining such arrangements to accommodate sharing of smart meter data.

We also note that the design specification of the SMR Hub retains optionality for further future development of technical functionality to accommodate wider access (eg direct access to the hub by customers and third parties, with relevant consents). The implementation of such functionality depends among other things on further work to assess and develop the governance framework around the SMR Hub including any potential changes to the current framework in the future.

There is also wider industry work on data strategy which could also consider third-party access issues. Future industry work on data strategy and SMR Hub governance may provide opportunities to consider whether additional access arrangements would deliver further customer and market benefits, including supporting customers to better measure and manage consumption and enabling Retailers and third parties to provide relevant products and services. Any such data sharing should recognise that consumption data is ultimately 'owned' by the customer, and seek to remove barriers to customers directly, or through retailers and third parties, from accessing their consumption data. We encourage the industry and MOSL to expedite such work to maximise the benefits for customers and the business retail market.

Overall, we consider that this code change supports the Primary Principle of the WRC.¹ Successful delivery of the SMR Hub and its integration to CMOS would improve the settlement process and will facilitate the use of more granular and accurate meter read data for more accurate billing and improved customer services and offerings. We consider that such improvements will contribute to promoting the interests of, and participation by, existing and future customers.

Further, we consider that this change supports **continued development and sustainment of an effective market**. It removes barriers for Retailers to using smart meter data at scale by creating a market-wide solution for sharing of smart meter data. It also supports **efficiency** by removing the need of bespoke bilateral processes for sharing smart meter

¹ [Wholesale](#) Retail Code, Schedule 1, Part 1, Version 36

data. Consequently, more efficient use of smart meter data would also facilitate **innovation** that benefits non-household customers.

We also note the FRR concluded the proposed change is proportionate. We recognise that the cost-benefit analysis for multi-phase projects such as the SMR Hub could be set out more clearly, but accept that this can be challenging. The Proposer has highlighted that using the SMR Hub to manage growth in data volumes and processing requirements in CMOS would deliver substantial savings compared to alternative CMOS upgrade options.²

By enabling the creation and dissemination of richer consumption pattern data, we also think the change should help business customers better understand and manage their consumption, so supporting sustainable management of water resources, efficient water use, reduced demand, and environmental sustainability, and so helping to meet the supporting principle of **resilience**.

Decision notice

In accordance with paragraphs 6.7.5 of the Market Arrangements Code and s.66DA / s.117F of the Water Industry Act 1991, and having carried out the procedure required by s.66DB and s.117G of the Water Industry Act 1991, the Authority approves this Change Proposal.

Shaun Kent
Director, Business Retail Market

² FRR, The Proposer has estimated that using the SMR Hub to mitigate the growth of data and processing capacity in CMOS would avoid an additional £1.12 million of costs of an alternative CMOS solution.

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