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Wessex Water - Licence & policy issues consultation response

We are grateful for the opportunity to feedback our thoughts on the licence and policy issues document released in June this year. We are mindful of the numerous enabling elements required to ensure a smooth market opening for non-household retail activities and will continue to provide constructive input to discussions, workshops and consultations.

Please see below for our responses on the key issues we would like to be taken into consideration as part of this consultation.

Question	Wessex Water response/comment
Q11 Do you agree with our proposals for the conditions within Table 4? Please respond separately on each of the three Appointment conditions (Q, G and I)	A11 – Condition I. Whilst we note the concern raised by Ofwat regarding 'protection' of domestic customers in terms of leakage allowances, we would note that Process H covers the ability of retailers to request allowances as per Wholesalers policies and charges schemes and that this would apply equally where domestic customers are included within the scope of market eligibility. We would also note the key role of the competitive market in providing for customers needs in areas such as this and would expect policy areas around customer leakage to be a key area of product differentiation
Q14 What are your views on the proposed "stapling" condition set out in Appendix B requiring the company to adhere to the Wholesale Retail Code in its interactions with its own retail business?	We recognise the need to ensure that undertakers are obliged to act in accordance with the code, however the reference within the consultation to carrying out activities as if "the wholesale and retail businesses as separate and unrelated legal entities" in addition to complying with the Market Code might be considered to conflict with government's intention that incumbents would not be required to legally separate their retail activities.

	In addition, the “stapling clause” could be considered to act as a dilution to the company’s right to appeal against licence changes - because changes to the code will be agreed via a different mechanism to s13. A solution to allay fears may be for there to be a clear statement that where there is a conflict between an existing licence or licence obligation and a change in the market code that the licence will retain primacy.
Q29 Do you agree that there should be a new condition in current licences and Instruments of Appointment to underpin the required preparations?	A29 – We don’t agree that placing a condition in the licences and IoA’s for participants is necessary as a tool to ensure readiness for market opening. We would see the assurance and readiness activities being undertaken by all parties in the Open Water programme together with the high level of engagement and clarity of codes and principles is sufficient to drive necessary behaviours.
Q32 Do you consider that implementing an auction style allocation process similar to the one that Ofgem has adopted ahead of a backstop allocation process would be the best approach to protecting customers in the event of the failure of a retailer?	A32 – We understands the driver for using an auction of sorts, prior to the SoLR allocation, in certain cases but would need further clarity on the detailed auction approach prior to providing our approval to the methodology.
Q36 Do you agree with our proposed approach for the developer services market and the related process proposed within MAP3?	A36 – We have previously raised strong concerns regarding the approach being taken on developer services as a whole, and in particular, the issue of building water. We see that there is significant scope for confusion, uncertainty and unnecessary complexity regarding temporary SPIDs and their role in sites which may be built out over a protracted period of time. We do not accept that this element of the market code is required to deliver an enduring competitive retail market for NHH customers.
Q37 Do you agree with our assessment of the interactions between the various parties?	A37 – We would note that Figure 6 within section 8.4.2 of the consultation document seems to contradict the principles of contact and separation communicated in the Ofwat findings against Bristol Water on their self lay operator interactions. The interactions shown in Figure 6 seem to suggest SLO’s dealing directly with incumbent customer facing/retail elements of undertakers developer services functions. This is contrary to the requirement that SLOs should be dealt with directly by the wholesale arm of undertaker developer services organisations to ensure clear separation and the avoidance of any possible conflicts of

	interest.
Q38 Do you agree with principle that Special Agreements should be contestable and the current thinking on the details of the approach outlined in section 9.2.5?	A38 – This is an area requiring further work to understand the many different types of special agreements in place, customer and retailer expectations relating to these agreements and the best way in which to make these contestable given the current contracts in place. In particular there are a number of customers who have historically been granted free water supplies, for instance in return for wayleaves, where we expect that future contestability is likely to be considered by the customer to be largely irrelevant.
Q39 Do you agree with the principle that there should be early publication of wholesale charges and the current thinking on the details of the approach outlined in section 9.3?	A39 - Whilst we support the clear and timely communication of tariffs and charges to retailers and customers within the competitive market, we do not agree with the approach proposed where this limits company Board's ability to respond to the latest available information to ensure charges are accurate and comply with their obligations and meet customer needs. The publication of indicative charges in the July preceding the charging year, which could then only be changed following changes to RPI figures would unnecessarily inhibit our ability to forecast, manage and communicate these vital charges to our retailer customer base. It would be very difficult for company Boards to assure charges in February that have been fixed (except for RPI) since the July of the preceding year as being those that are best designed to comply with the company's price limits as changes in demand observed in the interim period will not have been taken into account. Company Boards should also be able to respond to stakeholder views about the level and structure of charges - effectively crystallising a future year's charges only three months after the current year's charges are first applied will limit the Board's ability to do this. We would suggest that indicative charges being communicated in the Autumn preceding the charging year which are subsequently firmed up early in the calendar year of their implementation, provides sufficient combination of certainty and advance warning required by the retail

	entities. Licences currently oblige companies to publish indicative prices in October and this seems a reasonable date to use moving forward. Companies could also however publish a high-level statement in July of the expected movement in charges in the following year to assist retailers in their forward planning.

Yours sincerely

Steve Arthur
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