

Information notice

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Opening a new retail market for non-household customers – protecting customers

This information notice summarises our planned activities to make sure that customers are protected when the retail market for non-household customers opens in April 2017.

The [Water Act 2014](#) will allow 1.2 million businesses and other non-household customers of providers based mainly or wholly in England to choose their supplier of water and wastewater retail services from April 2017. Retail services include things like billing and customer services.

Background

At the moment only a limited number of non-household customers across England and Wales can choose their retailer. But research shows that [seven out of 10 of non-household customers want this choice](#), instead of using monopoly companies. And customers are already benefiting from a [similar market in Scotland](#).

The new market will be the largest retail water market in the world and deliver about £200 million of

[overall benefit to the UK economy](#).

Customers will be able to shop around and switch to the best deal. Investors and retailers will have new opportunities for growth. And the [environment will benefit from customers using new water efficient services](#).

The UK Government is committed to delivering the new market. It set up '[Open Water](#)', a single programme of work that brings together all of the key organisations to design and deliver the new market. These include the [Department for Environment Food and Rural Affairs](#), Ofwat and [Market Operator Services Limited](#) – a private company owned by market participants.

Opening the new market is a complex challenge but it is on track to [open in April 2017](#). The design is almost complete and work is now being carried out to deliver the technical systems, checks and ways of working that are needed to get the market right for customers.

As part of the preparation for the retail market, we need to consider

how best to protect customers once it opens. Below we set out:

- our role in relation to customer protection for the retail market;
- why we need to protect customers;
- why we need to get the right balance between promoting effective competition and protecting customers;
- the customer protection issues we are considering;
- why we are considering these issues; and
- next steps.

Our role

Our statutory duties include a duty to protect customers and a duty to promote effective competition where appropriate. Our shared vision for the water sector is that customers and wider society have trust and confidence in vital public water and wastewater services.

To meet our statutory duties and deliver our shared vision for the water sector, the new retail market must work in the best interests of customers. This includes having

This is a formal document that alerts our stakeholders to a change in the way that we regulate the water sector in England and Wales.

the necessary processes and procedures in place to enable customers to seamlessly switch between different retailers. It also includes customers being adequately protected.

Why we need to protect customers

The introduction of effective competition is expected to:

- deliver many direct benefits to customers; and
- provide them with the ultimate protection from poor customer service – they can choose to move to a different retailer.

But experience in other sectors shows that customers still need protection in certain situations. For example, some more aggressive or misleading sales and marketing techniques could:

- cause customers harm; and
- damage the reputation of the whole sector.

Although customer protection measures are often focused on household customers, certain types of non-household customers might require similar protection as their position in the market is likely to be closer to that of household customers. In particular, the following could require protection:

- small and medium sized enterprises (SMEs);
- sole traders;
- voluntary organisations; and
- other types of smaller non-household customers.

And there could be some areas where we need to protect all non-household customers. This will help retain the trust and confidence of customers and investors.

Getting the right balance between promoting effective competition and protecting customers

Customer protection measures are an essential part of a well-functioning market. But they should not stifle:

- innovation; or
- the development of effective competition.

We do not want to create undue barriers to entry or expansion for new entrants. Nor do we want to smother customers with unnecessary measures that restrict their ability to secure a deal that best suits their requirements.

So, we need to be sure that any proposed customer protection measures are necessary, targeted and proportionate. We will keep customer protection measures under review after market opening so they continue to best meet the needs of customers.

What customer protection issues are we considering?

As a priority, we are considering some particular areas of customer protection ahead of market opening, and will consult on all of these over the next few months. These include the following.

- Possible extension of the existing Guaranteed Standards Scheme (GSS) so that non-household customers remain protected if they switch to a different retailer.
- Default contracts which could apply in certain situations where there is a supply to the customer but terms and conditions have not otherwise been agreed. These are referred to as 'deemed contracts'.
- Various sales, marketing and contractual issues. In this area, we consider that a mandatory code of practice might be required for retailers, similar to the mis-selling code that was originally proposed in the Water Bill.

We also plan to consider issues relating to customer data, to ensure that customers' rights over their data are clear.

Why these issues?

We are prioritising those issues which are either related to:

- the delivery of the [UK Government's policy on retail exit](#) – this includes GSS and deemed contracts; or
- where there is evidence that the issues have been a particular problem for customers in other sectors.

As part of our series of consultations on these issues, we will seek views on whether there are any other customer protection issues which we need to consider ahead of market opening.

Next steps

We have published our proposals on GSS in ‘Customer protection in a retail market: Guaranteed Standards Scheme – a consultation’, which we have published alongside this information notice. The consultation will run for four weeks, and responses are due by 2 October 2015.

We plan to publish our proposals on deemed contracts in early October 2015, alongside proposals about interim supply arrangements. Again, the consultation period will be four weeks.

Following that, we will publish our proposals on marketing, sales and contractual issues for consultation. We are planning a number of stakeholder workshops during the next few months. The first of these

will be a customer workshop in early September, followed by company workshops in the second half of September.

Enquiries

If you have any questions or comments about this information notice or any of our planned consultations, please send them to customerprotection@ofwat.gsi.gov.uk.

More information

‘Customer protection in a retail market: Guaranteed Standards Scheme – a consultation’, September 2015

‘IN 15/08: Opening a new retail market for non-household customers –roles, responsibilities and governance for the Open Water programme after May 2015’, May 2015

[Water Act 2014](#), [legislation.gov.uk](#)

[Retail exits reform: draft regulations](#), [gov.uk](#)

[Open Water website](#)

[Department for Environment Food and Rural Affairs website](#)

[Market Operator Services Limited website](#)

‘IB 09/15 Water choice for business customers on track’, June 2015

‘Understanding the needs of small and medium enterprise customers’, A report for the Consumer Council for Water and Ofwat, July 2012

[Scotland On Tap website](#)

[Introducing retail competition in the water sector impact assessment](#), [legislation.gov.uk](#), 2011

‘Cost benefit assessment of competition for business customers in Scotland since April 2008’, Water Industry Commission for Scotland, May 2010

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