



Retail Market Opening Programme
Ofwat
4th Floor
21 Bloomsbury Street
London
WC1B 3HF

11 January 2016

Dear Sirs

Protecting customers in the non-household retail market – a consultation

Thank you for the opportunity to review and comment on your proposals for protecting customers in the non-household retail market. We have provided our responses to questions within each section below.

Section 1: Introduction (Q1-3)

We support the proposals for the introduction of a mandatory Customer Protection Code of Practice. An industry wide 'scheme' such as this will help to provide consistency between Retailers and in turn, the level of information and service provided to non-household customers. It is important that this Code of Practice is developed by the industry and recognises the varying size and scale of Retailers, including incumbents and in particular new entrants.

Smaller customers will require additional protections and we are therefore in favour of the approach outlining that certain protections apply only to micro-businesses. In terms of defining these businesses, we agree with the 3 areas of consideration set out in the consultation document, but would suggest that a higher weighting be given to consumption. This information is already more readily available to the industry.

Section 2: Sales and marketing activities (Q4-7)

The Code of Practice should have specific requirements which govern the quality of sales and marketing activities for all non-household customers, especially micro-businesses. The focus should be on provisions that prohibit mis-representation. Customers are already familiar with the comparative information which is available to them in other competitive markets (i.e. energy) and we support replicating this approach across the industry by requiring companies to publish a standard set of basic information in an easy to use format allowing like for like comparisons. However, it is important that this requirement does not limit a Retailer's ability to differentiate themselves from others and should not attempt to standardise marketing materials.

As set out in the consultation document, TPIs may be the first point of contact for many non-household customers upon market opening and if not well managed, this interaction has the potential to dissuade many from actively participating. We therefore agree that TPIs should not only adhere to any Customer Protection Code of Practice, but also be required to participate in an industry-wide accreditation scheme. By setting a base standard, customers are likely to have an increased level of confidence in the market.

Section 3: Contracts and information (Q8-14)

We agree with your standards as set out in proposal 5 of the consultation document. In relation to point 3 – ‘a requirement for retailers to obtain written agreement before rolling over a fixed term, fixed price contract,’ we would like to understand in more detail what action could be taken in the event that a non-household customer does not provide written agreement and the contract therefore expires. In other industries, it is explicitly communicated that upon the date of contract end, a new contract will be put in place automatically unless the customer terminates. Adopting this approach could protect customers by ensuring that they are never in a position where they are without a contract.

For Retailers, the customer bill generally acts as the main form of contact with smaller customers. Whilst we support standardised information provision, consideration must be given to the level of information that can practically be included on the bill itself. Having multiple ‘standard’ requirements may limit the level of information that Retailers wish to include regarding their own service offerings. It will be important to ensure that there is not a prescriptive layout or design.

Retailers should offer a cooling-off period to micro-businesses to allow non-household customers sufficient time to understand the options available to them and the proposed 7 day period appears to be reasonable. We do not feel it is necessary to allow parties to opt-out of this cooling-off period given it is proposed to be such a short length of time. Allowing customers to opt in and out of this process could place an additional administrative burden on companies.

Section 4: The switching process (Q15-19)

As set out in the market codes, we agree with the proposed timeframe for switching and Retailers should take all action necessary to ensure a contract is in place before requesting a switch. On day 1 of market opening in 2017, it is possible that the timeframe proposed could be challenging if the market sees a high number of switches and this should be considered by Ofwat.

Further thought must be given to cancellation of switches due to outstanding debt as either outcome could have a negative impact on the end customer or the Retailer. One option would be to allow a Retailer to cancel a switch based on a customer having outstanding debt, unless a mechanism can be agreed to ensure that the debt is cleared within a specified time period. We would support further work to consider the broader question of customer debt as this is a substantial issue for Retailers.

In the event of cancellation of the switching process, it is important that all parties understand the reason for the cancellation so that steps can be taken to resolve any issues. We would expect that the switching process would be monitored by either Ofwat or the Market Operator to provide market-wide data in any case.

Section 5: Billing, back-billing and data quality issues (Q20-28)

Regular billing helps users to understand their usage and payments, and also provides an opportunity for Retailers to communicate directly with customers either raising awareness of customer terms and conditions, or giving details of additional services available. Setting a minimum timeframe for micro-businesses of one bill per year, supported by two meter reads where customers are metered aligns with this. However, our experience shows that we tend to encounter more access issues with micro-businesses and therefore do not believe Retailers should be penalised for failing to physically access sites twice a year when all reasonable attempts have been made.

We agree that final bills should be issued no later than six weeks after a customer transfers, or a contract ends and can be based on the transfer read. In the event of any discrepancy between the reads of the outgoing and incoming retailer, immediate action should be taken via a disputes process to ensure that there is minimal delay for the customer.

As in the energy sector, we think it is sensible to allow customers to take and submit their own meter readings – this is an established practice. If Retailers wish to check any submitted readings, they have the ability to do so and they must still be committed to a minimum frequency of reads themselves. Retailers may also wish to offer particular 'self-serve' tariffs and therefore customers could have access to a reduced tariff if they carry out all reads themselves. Again, Retailers should not be penalised if customers choose to take their own reads.

We do not think it necessary to make any further changes in relation to billing frequency and payment methods at this time and have no further comments on the proposed bill information.

The Market Codes set out clear requirements on data and associated penalties. We therefore think it is unnecessary for Ofwat to provide any additional regulation on data quality.

Section 6: Complaints handling and dispute resolution (Q29-30)

All Retailers should have an effective complaint handling process in place and ensure that this process is visible to customers. The Customer Protection Code of Practice will be a useful vehicle to set out standard requirements on this, giving a consistent approach across the industry. Part of this could be a requirement for Retailers to join the WATRS water redress scheme if they have not already done so.

Please do not hesitate to contact me if you would like to discuss any area of our response in more detail.

Yours sincerely

A handwritten signature in blue ink, appearing to read "C. Offer".

Christopher Offer
Director of Regulation