

Ofwat consultation on protecting customers in the non-household retail market

General

Q1 Do you have any comments on our proposal to introduce a mandatory Customer Protection Code of Practice to protect customers in the non-household retail market?

We support the introduction of a Customer Protection Code of Practice which is mandatory for all retailers to comply with. As long as the Code focuses on ensuring good business practices, we do not think this is a barrier to entry for new entrants. A Customer Protection Code of Practice will provide clarity and simplicity for customers.

Q2 What do you think we should consider when defining smaller customers (micro businesses, small businesses and SMEs)?

We note that the Small Business, Enterprise and Employment Act 2015 will provide a definition for micro businesses. We support the use of an independent definition which should be more widely accepted and understood than a definition put forward by retailers or the water industry.

Currently we would not be able to identify micro businesses from the data we hold in our billing system. We suggest that the best way of identifying micro businesses would be to identify them within a dataset to which retailers could have access to interrogate. For example, if micro businesses were identified using SIC codes in some way.

If this was not possible, then retailers would need to ask customers if they meet the micro business criteria. Retailers could encourage customers to identify themselves as micro businesses. For example, by promoting the additional services and protections available to micro businesses on their websites and through general customer communications. In addition, when customers engage with the market and seek to switch retailer, then retailers could ask them if they meet the micro businesses criteria. Evidence may need to be provided. Over time, information identifying micro businesses would increase and develop.

We have considered whether a proxy could be used to identify micro businesses such as a level of consumption. However, there could be micro businesses such as hairdressers and laundrettes which use relatively large amounts of water in relation to the number of employees and turnover and conversely there will be multi-national warehouses which use very small amounts of water which would not qualify as micro businesses. Therefore in our view, such a proxy would be too inaccurate.

Q3 Should the proposed additional protections for smaller customers apply to just micro businesses, or small businesses, or all SMEs?

We agree that the proposed additional protections should just apply to micro businesses. Our experience in Scotland is that SMEs are active in the market and we currently see no evidence that these customers need additional protection.

Sales and Marketing activities

Q4 Do you agree with our proposals to use the Customer Protection Code of Practice to protect micro businesses from certain sales and marketing activities?

Yes, we agree that micro businesses should be protected from activities such as omitting relevant information, presenting false or misleading information, aggressive or persistent sales tactics, transferring customers without their knowledge, poorly written or complex contracts and the inability to compare offers.

Q5 Do you agree with our proposal to require retailers to provide certain basic information in a standard format to allow micro businesses to compare deals?

In principle, we are supportive of the proposal to provide basic information in a standard format to help micro businesses compare deals, although we would like to have the opportunity to comment on a prescribed standard format. We would be happy to be involved in further discussions in this area.

Q6 Do you agree with our proposal to require retailers to make sure that any TPIs acting as agents on their behalf are aware of, and understand, how the provisions of the Customer Protection Code of Practice apply?

Yes, this should be a minimum requirement.

Q7 Do you have any comments on our plan to explore the possibility of requiring retailers to only interact with TPIs that have signed up to a set of standards, either through an accreditation scheme or another voluntary code of practice?

We support Ofwat's plan to explore this further. We think that this may be a sensible approach.

Contracts and information

Q8 Do you agree with our proposal to use the Customer Protection Code of Practice to set specific standards of conduct for retailers in relation to contracts with micro businesses? Do you have any comments on the issues that we propose to cover?

We are generally supportive of the proposals which reflect good business practices. We support the proposal for contracts to be in plain language and assume that this is meant in the general sense rather than a requirement to have a specific accreditation.

We would be happy to be involved in further discussions in this area.

Q9 Do you agree with our proposal to include a requirement in the Customer Protection Code of Practice for retailers to provide certain information to all eligible non-household customers, and additional information to micro businesses?

We are generally in agreement that certain basic information should be provided to customers on their bills. Most of the information proposed is already included on our bills.

In principle, we would be able to provide additional information to micro businesses along the lines proposed.

Q10 Do you have any comments on the information that needs to be provided to customers?

We have no further comments at this stage.

Q11 Do you agree with our proposal to require retailers to offer a cooling off period of at least seven calendar days to micro businesses? Should a cooling off period be offered to all eligible non-household customers, and if so, should customers be allowed to opt out of any such cooling off period?

We do not support a cooling off period for non-household customers at this stage. The Customer Protection Code of Practice should ensure that customers have clear information and clearly understand the implications of their actions such that there should be no need for a cooling off period.

Q12 Do you agree with our proposal to require retailers to take active steps to confirm that micro businesses are aware of, and understand, the terms of the contract before they agree to it?

Yes, we assume that this means that customers are required to acknowledge that they accept the terms of the contract either through a tick box online or by telephone (recorded to provide a record).

Q13 Do you agree with our proposal to require retailers to obtain a copy of written confirmation that a TPI is acting on behalf of a customer, before sharing any details about that customer with the TPI?

Yes. This is something we already do.

Q14 Do you have any other comments on our proposals in relation to contracts and information to be provided to customers?

We have no additional comments at this stage.

Switching

Q15 Do you have any comments on the proposed timeframe of 6 to 20 working days for the switch to take place, with a retailer and customer able to agree a named day for the switch?

The proposed timeframe seems reasonable. It is the same as the arrangements in Scotland which work well and generally to the satisfaction of customers.

Q16 Do you agree with our proposal to use the Customer Protection Code of Practice to require retailers to take all reasonable steps to ensure they have a valid contract with the customer before they request a switch?

Yes, this seems reasonable.

Q17 Do you agree with our proposal to require an outgoing retailer to inform the affected customer of the reason for any cancellation of the switching process, and advise the customer on the process and timeframe to resolve the issue?

Yes, this seems reasonable.

Q18 Do you have any comments on whether or not outgoing retailers should be allowed to cancel a switch on the basis that the customer has an outstanding debt?

Outgoing retailers should be allowed to cancel a switch on the basis that the customer has an outstanding debt. We do not accept that this would create an incentive on retailers to engineer low levels of debt to stop more profitable customers leaving. The low margins, and the fact that retailers will have often already paid their wholesale charges for these customers, drive the need for retailers to chase debt as quickly and efficiently as possible. Accordingly, it would not be cost effective for retailers to only be able to pursue outstanding debts through the courts. We would not support code modifications to change the current position.

Q19 Do you have any comments on our proposal to monitor the use of the switching process, including use of the erroneous transfer and cancellation processes, after the market opens?

We agree with Ofwat's proposal to include these within its monitoring of activity after the market opens.

Billing, back-billing and data quality issues

Q20 Do you agree with our proposal to require retailers to issue at least one accurate bill each year to micro business customers and, for metered micro business customers, to take a meter reading at least twice a year?

No. We support the principle that micro businesses should not go without a bill for a considerable period of time such that they subsequently receive an unexpectedly large bill or find themselves in debt through no fault of their own. However, it needs to be understood that we no longer take an actual meter read and then immediately issue a bill. These processes are now separate such that meters are read when it is most efficient to do so and bills are issued at regular intervals depending on the type and size of customer. Therefore, bills are accurate but they are based on estimates not actual meter readings. For this reason, we would support the issuing of an accurate bill at least once a year but would not support that this has to be based on an actual meter reading rather than an estimate.

As we understand it, the requirement to take a meter read at least twice a year is consistent with the Market Terms set out in the Wholesale-Retail Code.

Q21 Do you agree with our proposal to require retailers to issue a final bill to micro businesses within six weeks of the customer's transfer or end of contract?

Yes, with the proviso that the transfer meter read has been provided by the incoming retailer to enable this.

Q22 Do you agree with our proposal to require retailers to base their final bill on the transfer read provided by the incoming retailer?

Yes, we agree that outgoing retailers should use the transfer read for their closing bill.

We support customers being allowed to take and submit their own meter readings.

Q23 Do you have any comments on our proposal to do nothing further at this time in relation to billing frequency and payment methods (except for micro businesses as above)?

We support this approach.

Q24 Do you have any comments about the information that should be provided to customers on their bills?

We are generally in agreement on the information that should be provided to customers on their bills. Most of the information proposed is already included on our bills.

Q25 Do you agree with our proposal to use the Customer Protection Code of Practice to prevent retailers from back-billing eligible non-household customers unless the customer has behaved inappropriately?

Back-billing can be problematic and difficult for customers therefore, in principle, we support the proposal not to back-bill. However, it is critical to retailers that there is also the same requirement on wholesalers not to back-bill. If wholesalers back-bill wholesale charges to retailers then retailers will have no choice other than to back-bill customers correspondingly. The margins are too small for retailers to do anything else.

Q26 Do you agree with our proposal to require retailers to offer micro businesses a reasonable payment plan with any back-bill, to allow the customer to pay the bill in a number of instalments?

Yes, we agree that this seems reasonable.

Q27 Do you have any comments on our proposal to take no further action in relation to refunds (other than to make sure that customers have access to a quick and effective dispute resolution process)?

We support this approach.

Q28 Do you have any comments on our proposal for no additional regulation on data quality?

Data quality is likely to be a significant issue within the English business retail market. Our experience is that it has been a significant issue within the Scottish business retail market, and despite significant efforts, continues to be so. Therefore, there needs to be close monitoring of data quality issues and we support Ofwat's intention to include data quality within its area of monitoring once the market opens. Subject to this, we accept that the Customer Protection Code of Practice will not include provisions for data quality.

Customer complaints and dispute resolution

Q29 Do you agree with our proposal to use the Customer Protection Code of Practice to require all retailers to have an effective complaint handling process in place?

Yes, all retailers should have an effective complaint handling process in place as good business practice in any case. Inclusion within the Code is not any additional burden.

Q30 Do you agree with our proposal to use the Customer Protection Code of Practice to require all retailers to join the WATRS water redress scheme, if they have not already done so?

Yes, we agree that all retailers should be part of the WATRS scheme. A single scheme will provide greater clarity for customers and should be the most efficient way of providing such a service.