

## **Ofwat Consultation on Protecting Customer in the NHH Retail Market**

### **Business Stream response**

Thank you for giving Business Stream the opportunity to responding to your consultation on Protecting Customer in the non-household retail market, please find our responses below.

#### **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?**

Business Stream is supportive of the introduction of a Customer Protection Code of Practice. It is important that retailers operate with integrity so that customers can enjoy the benefits of competition and a code of practice will help to enable this.

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

It is important that all customers enjoy the benefits of competition and the measures in place should provide protection without being overly onerous on the retailer. With this in mind any method used to define a smaller customer must be based on readily available information that isn't costly to collect and maintain. There currently is no requirement to gather information on the number of employees of a non-household customer and therefore this would have to become a market data item if it became the definition. Costs can also increase when you have to treat different customer groups in different ways.

Our preference is to have one universal Code that applies to all customers. This will mean that we have one set of rules/arrangements and no additional cost in collecting and maintaining data, segmentation and grouping of accounts.

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

Our preference is to have one universal Code that applies to all customers. Given the tight margins available this would avoid costs such as segmentation, grouping of accounts by customer and collecting and updating customer information used to define a smaller customer.

#### **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?**

We think that all customers should be protected from certain sales and marketing activities.

#### **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?**

We think that all customers would benefit from a basic level of information in a standard format to help them compare offers. The information provided must include what would happen if the customer terminated the contract early including any penalties that would apply.

However, we are aware that some customers will select their retailer through a tender. Often in tenders a retailer can only provide information requested of it and therefore the Customer Protection Code of Practice will have to recognise customer driven examples where compliance with the Code may be challenging or not possible.

**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?**

As we have seen in other markets the actions and integrity of TPIs are just as important as those of the retailer. Therefore, to ensure customer confidence is maintained the Customer Protection Code of Practice must apply to TPIs.

**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?**

As TPIs will not be licensed but are likely to have an active role within the competitive market we would agree that an accreditation scheme or voluntary code of practice is a positive step to ensure customer confidence is maintained.

**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?**

We consider it appropriate for the Customer Protection Code of Practice to set a minimum standard for contracts. We think that this should apply to all contracts, unless dictated by a tender request.

**Do you have any comments on the issues that we propose to cover?**

The standards stated in the consultation document are a good starting point for minimum standards but we must ensure that customers can benefit from competitive deals and therefore are not unfairly locked into a contract. Any contract must make it clear what the termination rules are and what penalties, if any, apply. We also think it is appropriate for a maximum contract term to be introduced, we suggest a maximum of five years.

**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?**

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

The information suggested in section 3.5.2 would be appropriate for all customers.

**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?**

A cooling off period would give a customer more protection but careful consideration will need to be given to interplay with switching. As the cancellation window for a switch is five days, an incoming retailer would have to wait at least two days before sending a transfer in transaction.

**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?**

This is essential to ensure that customers, of any size, only sign up to terms that they understand.

**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 required for data protection purposes, where applicable.

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

A customer should be able to benefit from competition and not be locked into contracts for exceptionally long periods of time. Therefore, we suggest that the maximum contract term is five years.

Furthermore, in a developing market it is likely that better deals will become available, even during the lifetime of an existing contract and customers will want to benefit from this. Careful consideration is therefore required on early termination of contract penalties to ensure these are balanced and not unduly discriminatory.

**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?**

6 to 20 working days operates well in Scotland.

**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?**

We do agree this proposal, however, along with the cooling off period it could mean the switch couldn't even start to happen for over a week after the customer agrees the contract.

**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?**

The proposal does not address the issue of erroneous blocking but instead would be an additional cost for a compliant retailer. In an active market an outgoing retailer may receive

many transfer-out notifications on a daily basis. A requirement to write to the customer should the request be blocked would be time consuming and onerous. There are only two reasons why a retailer can block a request so providing the transfer is only blocked on these grounds we do not agree these proposals.

**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?**

A retailer must be allowed to cancel a switch on the grounds of outstanding debt. Retailers must have the ultimate sanction of disconnection to encourage the payment of debt. If the customer switches this option is no longer available and debt collection much harder to achieve.

**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 this proposal providing that the information requested by Ofwat is not unduly onerous for the retailer to produce and is actively used.

**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 meter reading at least twice a year?**

We do agree that two meter reads a year should be obtained/procured and used for billing purposes. However, we do not agree the retailer has to 'take' the read. As stated in the CSD 0202 the read can be visual, remote or taken by the customer. This issue is further complicated where there are different retailers for water and waste water. The retailer responsible for billing waste water will not be taking the meter read.

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

Yes we agree the proposal but only where the incoming retailer provides the transfer read. If there is a failure of this standard due to a late meter read it must be recognised as a failure of the incoming retailer.

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

Customers are not always in a position to read their own meter and therefore it is better that there is a market rule that the incoming retailer is responsible for obtaining the transfer read and within the timescales stated in the Codes.

The transfer read will be used for both retail and wholesale purposes.

**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 agree the proposal.

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

The unique supply point identification number(s) (SPID) should be clearly stated on the bill. It should also be clear how the bill has been calculated and the billing period. The proposed contract information would be useful to the customer as will information about how the bill and any outstanding debt could be paid.

**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?**

This proposal does not encourage correct customer behaviour. For example a new occupier of an eligible premise is being incentivised to not contact the retailer as the longer they delay the more free water and waste water they consume. The cost of this is borne by other customers.

The approach taken in Scotland is different. Back-billing is permitted but is limited. A billing period can be back dated to the start of the previous financial year, for example in January 2016 an account could be back-billed to 1 April 2014.

Whatever the approach taken it is important that it is reflected in wholesale charging. If a retailer is not permitted to back bill or can only back bill to the start of the previous year then the wholesaler must do the same and can't be allowed to back-bill further.

Furthermore, as mentioned in the consultation, appointed companies are currently reviewing, checking and updating billing information. If they identify any inaccuracy they should be addressing these now at a retail level and bringing the customer and/or service into charge prior to the opening of the market. These issues should not be left to be addressed by the retailer after market opening. It would not be acceptable for an appointed company to allow a mismatch between the data it uploads to the market operator and the data it uses for retail billing.

**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?**

Our standard approach to customers that are experiencing difficulties paying their bill is to offer a payment plan and we would be prepared to do the same where a back-bill was issued. However, the proposal made by Ofwat is that a back-bill can only be issued if a customer has acted inappropriately such as fraud and we would question why a customer that has acted in this way should be protected in this manner.

**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)?**

It is important that a customer has access to prompt refunds for any over payment made because of an inaccurate bill. However, a retailer should also have the right to use the

overpayment on one account to offset any undisputed debt on another account held by the same customer prior to making a refund.

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

As the Customer Protection Code of Practice will be introduced at market opening it is appropriate that there are no additional requirements added to this Code. However, this does not mean that there should not be any additional regulation on appointed companies to ensure that the data they uploaded to the market is complete and accurate as possible. This is why we welcome the inclusion of a market readiness licence condition for appointed companies to ensure the importance of data quality.

**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?**

We agree this proposal.

**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?**

Our experience in Scotland demonstrates that most long standing disputes are not as a fault of the retailer. Often it is the decision of the wholesaler that the customer disagrees with but the retailer is caught between the two. With this in mind it is important that where redress is agreed by WATRS that the retailer can seek the same level of redress from the wholesaler where appropriate. Wholesalers must therefore sign up to accepting the outcome of any adjudication made by WATRS.