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Dear Rowaa

## **PROTECTING CUSTOMERS IN THE NON-HOUSEHOLD RETAIL MARKET – A CONSULTATION**

This letter forms a joint response from South West Water and Bournemouth Water to the consultation on Protecting Customers in the Non-Household Market. Our responses to the specific questions are included in Appendix 1.

We welcome the opportunity to respond to the consultation and, overall, are supportive of the proposals outlined for the protection of customers in the non-household market. It is of critical importance that there are appropriate safeguards in place so that customers have the confidence to engage with the market and the benefits of competition can be fully achieved.

We would be pleased to continue dialogue on any of the points raised in our response to the consultation. The proposals set out in the consultation to carry out further engagement with wider stakeholders through workshops and meetings are welcome, and we look forward to continuing to contribute to the development of the Code of Practice.

Yours sincerely



Iain Vosper  
Regulatory Director

## **APPENDIX 1: RESPONSE TO CONSULTATION ON NON-HOUSEHOLD RETAIL PRICE CONTROLS**

### **Question 1:**

**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 agree with the proposal to introduce a mandatory Customer Protection Code of Practice for the benefit of smaller customers as it will give customers greater confidence to engage with the market. We also believe it would help protect the integrity of the market in the early stages of market opening when it may be subject to increased levels of scrutiny.

### **Question 2:**

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

The consultation proposes that a mandatory Code of Practice would benefit smaller customers who have less bargaining power than larger customer. Smaller customers have been defined "... according to the number of individuals and/or turnover or balance sheet".

We agree that customers with fewer staff will not have the resources to invest time in reviewing the best market options. However, we believe that a business's bargaining power within the water market will be determined by the level of water it uses (and hence the size of its water bill), rather than number of staff alone. Therefore, we believe a water volume metric should be included in the definition of a small business for this market.

### **Question 3:**

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

We believe it should apply to all SMEs that fit the above definition. It cannot be assumed that just because a business has more than 50 employees that it will always have the spare resources to strengthen its bargaining position. Many businesses of this size will not have the expertise or ability to spare the resource necessary to undertake research to make an informed decision. Therefore, they will also need similar protection as that offered to micro and small businesses.

### **Question 4:**

**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, it is important that the integrity of the new market is upheld from unscrupulous retailers. The new market will be subject to much scrutiny in the early stages and it is of paramount importance that the most vulnerable customers are protected.

**Question 5:**

**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 agree that it would be sensible to require retailers to provide certain basic information in a standardised format, as it will improve the level of transparency in the market and give customers the opportunity to compare deals. We are, however, mindful that there is a potential for the collection and provision of information to become an administrative burden and consider that this should only be necessary where market place solutions (such as price comparison websites) have not developed.

**Question 6:**

**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 we agree that TPIs acting on behalf of retailers should be aware of, and understand, the Customer Protection COP in order to protect customers and market integrity.

**Question 7:**

**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 the plan to require TPIs to sign up to a set of standards as this will ensure that both the Retailer and the TPI are accountable for their behaviour in the market place. We are keen to understand if such a scheme would include penalties for breaching the COP, as we believe this would be the most effective way of ensuring customers and operators in the market place are protected.

**Question 8:**

**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?**

Yes we agree that micro-businesses should be protected with a set of specific standards but consider that it would be in the best interests of the industry if guidance was produced in relation to contracts for customers of all sizes.

**Question 9:**

**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?**

Yes, we agree that smaller customers may need additional information as they will be less able to obtain this information themselves; however, it is important that the provision of this additional information is not overly burdensome and is straightforward to administrate. For

example, significant development costs may be needed to publish contract end dates on each bill, as with all competitive markets, additional requirements will have consequences on profit margins.

**Question 10:**

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

There is very limited space on the customer bills to communicate important messages. The requirement for retailers to remind customers on every bill that they are on a fixed term contract (with the applicable end date) would use valuable communication space for other important messages. We do not consider it necessary to repeat the same message every month for monthly billed customers, and would suggest that three or six month intervals would be more appropriate.

**Question 11:**

**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?**

Yes, we agree that retailers should be required to offer micro-businesses a seven day cooling off period so they can reflect on and verify the information they have been given. However, we do not consider that a cooling off period should be necessary for all eligible customers, as there is a potential that it could create a culture where 'counter-offers' are introduced at the last minute, which in turn would lead to a much longer switching process for customers.

**Question 12:**

**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, as micro-businesses will have less access to specialist advice or the necessary resources to research the market. However, we note that with additional cumulative requirements for retailers in relation to micro-businesses, there may be a potential for this class of customers to become less attractive for new entrants in the market place.

**Question 13:**

**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, as this would help protect customers and improve the confidence and integrity of the market.

**Question 14:**

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

No

**Question 15:**

**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?**

No

**Question 16:**

**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, we agree that this is important in order to reduce the number of erroneous transfers which can cause significant problems for all parties involved, particularly the customer. However, we note that where a cooling off period is in place, this will increase the switching process time.

**Question 17:**

**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, as the customer will still be serviced by that retailer.

**Question 18:**

**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?**

We appreciate that allowing retailers to cancel switching due to bad debt risk may create an incentive for some retailers to engineer low levels of debt to prevent more profitable customers from leaving. The Scottish market recognises this and currently only allows retailers to block customers from switching if they have more than 90 days historic debt. However, we consider that it is important that bad debt risk customers can be blocked from switching as this is a key instrument for retailers to be able to recover outstanding revenue and will limit the exposure of retailers (existing and new entrants alike) to carrying unsustainable amounts of debt.

**Question 19:**

**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?**

Yes, although caution will be needed to ensure that this in itself is not onerous on retailers.

**Question 20:**

**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?**

We agree in principle that all micro-businesses should receive at least one accurate bill each year and two meter reads per year for metered customers, as this does not differ from existing practice. It will protect micro-businesses from being exposed to unexpected large bills and finding themselves in debt through no fault of their own. However, we are unclear as to how this would be enforced through the Customer Protection COP. If a penalty element was introduced to this (i.e. GSS payments) then this would be more onerous than the current practices, and would therefore need to be considered carefully, as there may be particular circumstances in which meter reads cannot be achieved through no direct fault of the retailer.

**Question 21:**

**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?**

We agree that retailers should be required to issue a final bill to micro-businesses within six weeks of transferring to ensure the customer is not exposed to large bills that they may have difficulty paying. However, we are unclear as to what course of action a retailer may take to protect itself if they do not issue the bill within six weeks resulting from factors outside of their control (e.g. the incoming retailer has not provided a meter read).

**Question 22:**

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

We agree with this approach in principle but the outgoing retailer should have some course of action if their final read is significantly different to their estimates. If the incoming retailer under-reads the customer's meter, then the outgoing retailer will under recover money and the incoming retailer over recover money from the customer. Additionally, in order to align with Proposal 14, the incoming retailer must provide this read in time for the outgoing retailer to provide a bill to the customer within six weeks.

**Question 23:**

**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)?**

Yes we agree with this approach.

**Question 24:**

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

No

**Question 25:**

**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?**

Yes we agree with this approach as it will protect customers from unexpected large bills. We also consider that the vast majority of customers will have received a bill within the previous year so the retailer should not be overly adversely affected.

However, we would like further clarity on situations where the retailer has billed the customer incorrectly and whether or not they could back-bill in these situations. This is a wholesale issue but it may become an issue for retailers if the wholesaler tries to recover the wholesale element through the retailer.

**Question 26:**

**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?**

Where a customer is subject to a back-bill, then we agree that the retailer should be required to offer a reasonable payment plan to the customer as this is no different to current practice.

However, we would like further clarity on whether this would count as debt for debt blocking purposes?

**Question 27:**

**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 would be useful to have greater clarity on what "quick" and "effective" refers to, to ensure consistent behaviour by retailers across the market.

Additionally, greater clarity is required on how refunds are applied, particularly where this may pre-date a settlement period.

**Question 28:**

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

No. There are other workstreams currently being undertaken to ensure data quality is accurate (e.g. Eligibility).

**Question 29:**

**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 with the requirement for all retailers to have an effective complaints handling process but it would be useful to have greater clarity on what Ofwat deems “effective” to ensure consistent behaviour by retailers across the market.

**Question 30:**

**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 a member of the same scheme as this will ensure consistency of behaviour across the market, and ensure that all customers are clear on the standard of service they will receive in relation to redress.