

The UIA response to:-

Ofwat consultation document – “Protecting customers in the non-household retail market – a consultation”

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?

A1 The UIA is not against the requirement for eligible parties to mandatorily comply with a Customer Protection Code of Practice (CoP). The real customer protection then comes from the speedy action against operators who, having signed, do not apply the principles of the CoP.

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

A2 In order for customers to be helped to enter markets, a consistent approach must be applied to customers across all of the utility services with the same categorisation. It would not be appropriate for customers to be unsure of which category they were classed, for the provision of service or support across different utilities. The use of the European Definition may be a way of overcoming this dilemma.

In addition, defining segments of customers and considering differentiating the level of protection against these definitions would also produce frustration to customers who have multi premises with differing levels of use. The energy sector has bumped up against this issue as within supplier companies they have responded to the differentiation and when changing supply some sites have changed smoothly others have not as they are managed by different parts of the same suppliers business because of the application of differentiated business streams.

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

A3 The additional protections should be applied across all NHH customers. It may not often be used by the larger more able customers but it should be there as a last resort when large user business are not able to obtain the appropriate level of service or support. In energy the large user sites are more attractive to Suppliers and this will be the case in Water and Sewage Services. However those who seek to take advantage where ever they can find it, by recommending 5 year contracts, or make it difficult for customers to exit that contract once agreed, are not only focussed on the smaller end of the market. They will aim to use whatever tack ticks have worked before and seek to use them again. It is on those occasions when the trusting have been duped, that protection should be available and a method of seeking easy redress is required. That should be available for all levels of NHH customers providing it protects and does not stifle competition.

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?

A4 Experience in the energy market points to the need to protect all classes of business from certain sales and marketing activities. Speedy recognition, identification and action through regulatory action will serve to minimise the number who then take risks to deceive customers.

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?

A5 The very nature of markets is that suppliers will seek to show their wares in the most attractive design. If the market is to work some freedom has to be allowed. Confining offers to the design standard set through regulation may well destroy initiative and reduce the number of market players and consequently the very market seeking to be introduced.

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?

A6 Yes! As in A1, the redress scheme and the speed of its application when the CoP is not adhered to will be key and not something which could be applied through or via retailers.

A Tpi acting as an agent is not a Third party intermediary, they can only be an Fpi, a First party intermediary, as they are required to offer products only marketed by the person to whom they report.

A Tpi works on behalf of the customer.

By definition, a Third party intermediary cannot be constrained to offer limited products but must search the market on the customer's behalf and make available the offers obtained in order for the customer to choose.

Experience shows that there are few Tpis that act as agents to the supplier because the conditions and responsibilities on suppliers through EU Agent legislation is onerous.

OFWAT may wish to monitor the number of 'agent' Tpi's working in the market, as it opens up, and the effect of that particular work force.

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?

A7 While in principle this is an attractive idea, experience in the energy market suggests that this is not legally possible. However, the UIA would support where a CoP exists, such as the UIA's and members can demonstrate proven operation, then the UIA and any similar bodies should be recognised and given profile by the water and other utility regulators.

Codes of Practice historically are the tools of a Trade Association not as a tool of the Regulator who normally regulates through licence conditions. A Trade Association is cost effective and carries other benefits for the market not just by having a CoP but in the way of training, information support etc. Through an independent redress scheme, it can act quickly and effectively as no Tpi member wishes to experience dismissal from an organisation.

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?

A8 As in answer A4. And in addition it is worth bearing in mind that Single Trader organisations will be the broad base of the triangle which is the 1.2 million NHH potential customers. Many of these will comparatively use small amounts of water and waste or sewerage services. They will not be attractive to suppliers and may never move from what will become the 'deemed contract'. They may never be contacted, they may not have, for their home either, embraced competition in the energy market. They will probably be the stimulators of action to seek out any saving their might be by changing supplier and it is then, when the issues of the mist of a myriad of pricing offers, focuses their attention. That is when they will need the support and protection of the CPCop and planned legislation.

While the consultation document raises the option for the BPMMR's to be applied and notes the CMA and Ofgem. These are sledgehammers and take years to move into position in order to make an appropriate strike. Therefore, should not be relied upon to help the individual customer. Action must be swift and effective at the time an issue is identified to reduce the need to seek out the sledgehammer. Processes must be put in place to monitor and act on complaints received across the industry as the market develops, and appropriate redress quickly and heavily applied.

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?

A9 All businesses should be seen by retailers as requiring an appropriate level of support and this should be provided uniformly. It should not be assumed that any one person who receives information in whatever category of business is able to comprehend and take appropriate action.

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

A10 The base information for any category of business, not in any order:-

- The base data required to initiate a transfer
- Where to turn to for assistance when assistance is needed

- Where to go, to view a bench mark to verify that the cost of the service offered is within reasonable limits and the customer is not being ripped off.
- Who is in the market for the provision of services in their area, or where can I find a list?
- Who are the Tpi's I can trust.
- What is the Code of Practice and how does it protect me.
- What is my SPID
- The list of meters and serial numbers used to charge me.
- What were the readings and on what date were the readings taken.
- What has my last 12 months usage been.

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?

A11 No cooling off period is usual in the energy business for non-domestic customers. In order to protect customers as the contract over the phone is binding, all and every telephone conversation, both contractual and not, to be fully recorded by the retailer / Tpi.

Though it can be seen that there could be issues around how non-telephone sales are completed - e.g. doorstep or cold calling – any inappropriate behaviour could be dealt with via the proposed CoP.

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?

A12 Yes! Retailers to be required to record all telephone conversations including where T&C's are discussed with the customer and when agreement is made. The speed of reading of the T&C's should be at a pace the customer can comprehend and the customer must be allowed to stop the reader and go over any point. A hard / emailed copy of the principle terms (in plain language) to be provided to the customer, within 5 working days. Where contracts are agreed face to face, a copy of the principle terms (in plain language) which includes a box signed by the customer to show the customer has heard or read them must be handed to, and left with the customer.

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?

A13 A Letter of Authority (LoA) written on an organisations letter head / email document verified / signed by a named organisation representative who has the authority to do so must be produced by the Tpi to any retailer before any discussion / negotiation can take place regarding a customer's wishes. Likewise, retailers must recognise Tpi's and the LoA's obtained through this process. Retailers may wish to verify a selected number of LoA's to authenticate them before entering into discussions / negotiations with the Tpi / customers representative.

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

A14 A number of points which may not directly form a response to this specific question arise.

- There are 15 months to April 2017 providing ample time for present suppliers to visit customers and ensure the meter data for all meters for each customer is complete and in the format required.
- Before April 2017, present suppliers should identify the outstanding debt for each customer and this must be managed down so that debt is at the minimum so no back billing post 2017.
- From 2017 Ofwat should require each water Supplier to set a limit on debt owed which for each customer must be below anything which would prevent a customer moving to another retailer.
- As the level of meter / reading data will be the element on which agreement / disagreement will arise at the time of switching, the provision of dated photographic evidence of the meter / meters, showing the reading and serial numbers will reduce disputes and ensure overall an improvement in data quality. The detail can be used to update systems across the utility. The provision of this level of detail should be encouraged and the customers encouraged to provide this during the next 12 months and on.

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?

A15 The time frame should be set at a consistent number of days for all transfers, whatever number is decided upon. Systems and processes must be designed to operate to these periods. Where the contract is face to face, the period must be able to account for this. Again consistency with / across utilities would be helpful for those dealing with multi utility transfers.

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?

A16 Yes! Transfer action to be taken only if the retailer is in receipt of a signed agreement from the customer, or a copy of the transcript-confirming acceptance (if a verbal agreement). However the definition of 'reasonable steps' will be required.

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?

A17 Yes. However, the Tpi who was involved in the discussion and offer to the customer through the retailer must also advised. This should be part of the LOA please see A 13.

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?

A18 The only reason for resisting transfer should be any clause in an existing contract which allows this to happen, which would include debt outside the 30 day payment terms for the holder of the contract. Also, please see A 14.

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?

A19 The monitoring of the market is a fundamental responsibility of the regulator before the market achieves a stable switching level. The biggest issue for the energy regulator, and apparently the CMA, is the view that, churn in the market is a measure of the market working or not. The UIA looks to Ofwat not to walk into the same position.

The market will decide if the market is working and falsely stimulating the market based on the flawed position that churn is the measure, will do more damage than it will good. Erroneous transfers are not as simple to identify, as they seem. It is reliant on all three parties agreeing that it is such and experience in the energy industry shows that this is not easy.

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?

A20 Ofwat in this and other consultation documents place great emphasis on protecting customers. The biggest protection / support to customers is the provision of accurate invoices which will help facilitate the market. Where meters are installed, frequency of reading is the basis for accurate invoices. Billing frequency to a min of 1 per quarter dependant on size of supply.

Ofwat should give a time period for all NHH customers to have meters installed and that moving away from a deemed contract is only possible by the taking of water via a meter.

For the time being, where meters are not installed, regular usage reflective invoices, produced in order to reduce debt, should be required. In this regard the size of business is not relevant, inaccurate invoices are not wanted by any organisation. Time and effort is required to redress inaccuracies when it is not possible to go back.

Ofwat have an opportunity to make this a pearl in the crown of markets opening up, by enshrining in the requirements a necessity for the provision of frequent, accurate meter readings which will drive the desired outcomes and protect customers and the industry from excessive costs of reworking accounts and disputed invoices. An obvious long-term goal will be to have smart meters in place, as the current billing frequency is not conducive to a competitive market where data will be key.

Facilities should also be available for businesses to make staged payments against their invoice.

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?

A21 As the transfer process will be based on a number of days 6 to 20 (Q 15) and will require a meter reading (where a meter exists) to ensure acceptance, it is not unreasonable to expect that the final invoice from the outgoing retailer can be sent within days of that, say within 14 working days. All businesses require to be able to settle invoices and plan payments accordingly, to assist in cash flow. That is the same for retailers. Six weeks is too long, 14 working days is closer and systems should be designed to cope with that requirement.

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

A22 Yes. For where a meter exists, the closing read must form the opening read. For all categories of business, the provision by the customer, or by the retailers meter-reading agent, of photographic verification of the meter and its reading at the transfer date, should be encouraged as part of the invoicing process and will avoid the incoming retailer under stating the final reading to increase his income. Where a meter does not exist, (please see A 20 for the proposal of the provision of a meter before transfer) proportionality of volumes against time should be made and the calculation process included in the final invoice.

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)?

A23 The relaxation of standards will create an environment where Customer Protection in categories other than Micro Business is no longer seen as important. This seems to run counter to the position being outlined through this and other consultation papers. The confidence customers will gain through rigorous holding to standards by Ofwat as the market opens, will be repaid through the confidence customers will have in using the market in general.

Larger users will incur larger bills and larger debt will accrue if not managed correctly. While Customer Protection is important, protection for retailers is also important to the market remaining. The greater the number of retailers who can stay in business because it becomes custom and practice in Water as the market opens, that invoices are accurate and invoices are paid, Ofwat will have been the architect of a sustainable, open and affordable market.

If the requirement for the number of invoices is set low / reduced, the issues, which arise at the time of contract renewal / transfer, will increase. It will be in the interest of the incumbent retailer to block a transfer due to the size of debt the customer has accrued, when it is entirely in the hands of the incumbent to take frequent meter reading / invoicing action to reduce that debt.

Experience in the energy industry demonstrates that holding the line and monitoring the processes and outcomes saves valuable time in having to return to adjust Licencing statements to accommodate processes which the suppliers have 'miss understood' in their interest.

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

A24 The energy industry has worked hard to provide information which is useful to those customers who choose to read it. Similar elements can be drawn from the energy experiences and worked in to the standard invoice to be required to be offered by water retailers.

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?

A25 With regard to the present situation; the issue of Back Billing is generated by late and inaccurate invoices and a lack of control by the incumbent supplier in managing / meeting customer requirements. From now incumbent suppliers have 15 months in which to bring about an update and the handling of all

their NHH customers outstanding invoice positions, both credit and debit, to ensure no Back Billing is carried into the future market conditions.

With regard to the future position; the UIA supports the position of Ofwat, however close monitoring will be required to ensure outstanding debt is managed correctly.

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?

A26 With the background of our response at A25, it is entirely appropriate for the outstanding amounts for any business to be set off over a period as it is often the Supplier / retailer who is the culprit. Where a Credit is identified, immediate repayment by the Supplier / retailer to be made. Ofwat may wish to consider for consistency, the processes adopted in the energy industry.

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)?

A27 Please see A25

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

A28 High levels of Data Quality is the driver, for trouble free switching, for accuracy of invoices, reduced Back Billing and increased customer satisfaction. To assume the level is satisfactory for a new open market is to risk the storing up of issues associated with these four points, the resolution cost of which will be expensive. The impact and detriment is all on the customer when the true responsibility to avoid the impact is with the supplier / retailer. This appears to be unfair.

Experience in the energy industry shows that when data is used to bill as usual, i.e. by the incumbent over a long period of time, custom and practice allows the acceptance of such data as accurate. When new Retailers / Suppliers seek to fit the existing data into their systems it is then that missing or inaccurate data is identified. The next 15 months can be used to drive an improvement in the level of data, stimulated by Ofwat on the basis of Protecting Customers.

Ofwat can make a huge impact by requiring at this stage that data held about any customer against their SPID is retained in sync across all systems / holders of that data. When anything changes or is updated, that information must be driven into all systems, which record that customers details, so retaining uniformity across the utilities information.

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?

A29 Yes.

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?

A30 Yes.