

Ofwat consultation: Protecting customers in the non-household retail market

The feedback below has been prepared by Yorkshire Water Services (YWS)

Consultation questions		YWS Feedback
Legal framework		
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?	<p>We welcome the proposal from Ofwat for the introduction of a code of practice regarding protection measures for eligible non-household customers in the retail market.</p> <p>In order to maintain the levels of customer trust in the sector, we believe it appropriate for such a code to be mandatory upon market opening, and would welcome discussions with Ofwat on how a code would be managed and monitored.</p> <p>Other utility sectors have taken steps to set up customer service and customer protection codes, in some cases retrospectively, and we believe a targeted customer protection code of practice would provide mitigation to some of the perceived risks associated with the introduction of new utility retail markets.</p> <p>We recognise some small business customers have attributes similar to household customers, and may benefit from measures that ensure transparency and consistency of information within the market.</p> <p>When defining a customer group that would benefit from protections, it is important to set attributes and thresholds that can be readily evaluated by retailers. Relying only on the Small Business, Enterprise and Employment Act 2015 definition of a micro-business or a small business will mean that retailers will be wholly reliant on their customers declaring they fit in such a classification.</p> <p>In practice this could lead to two groups of smaller business customers - those who engage with their retailer and consequently</p>
Q2	What do you think we should consider when defining smaller customers (microbusinesses, small businesses and SMEs)?	

	<p>benefit from the protections of the code and those that should benefit from the same protections, but do not.</p> <p>By incorporating additional attributes or measures that can be readily determined by the retailer, customers can have the benefit of the protections without the need to 'apply' for it (for example in the UK energy industry thresholds for annual electricity or gas usage are used).</p> <p>Using only determinants that are neither presently held by water companies nor reflected in the new market data catalogue could delay application of the code.</p>
<p>Q3</p> <p>Should the proposed additional protections for smaller customers apply to just microbusinesses, or small businesses, or all SMEs?</p>	<p>It is likely some of the additional protections would be beneficial to more customers than those currently classed as micro-businesses.</p> <p>By developing a suitable water sector specific definition that captures the customer types requiring the additional protections, we can move away from working around more limited segment classifications.</p>
<p>Sales and marketing activities</p> <p>Q4</p> <p>Do you agree with our proposals to use the Customer Protection Code of Practice to protect micro-businesses from certain sales and marketing activities?</p>	<p>We agree that in the new retail market sales and marketing activities are likely to increase and become more innovative. In parallel we note some research from other industries would suggest customers may become suspicious of certain sales practices, resulting in a reluctance to use the market and exercise their choice.</p> <p>In order to encourage the smaller customers to engage with the market and make informed choices we agree with the proposals to advance transparency of key contractual and pricing information provided to them during sales and marketing activities.</p>
<p>Q5</p> <p>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?</p>	<p>We support the provision of transparent information, in an appropriate manner for all eligible customers, and note for the smallest customers this could be supported by a framework illustrated through the proposed Code of Practice.</p>

	<p>However, rather than define a fixed format and content for all retailers to present, we would prefer Ofwat to produce a set of principles for the presentation of information to micro-business customer that would enable them to compare retailers offerings. Retailers can customise their communications to call attention to differential elements of their offering that may be of value to the customer alongside communicating mandatory items around contract term and key tariff information.</p>
<p>Q6</p> <p>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?</p>	<p>We agree with this proposal. Retailers could include in their agreements with the TPI the need for the TPI to understand the provisions of the Code of Practice and adhere to the relevant measures.</p> <p>There should be opportunities for a retailer to work with any TPI agent in order to recover from a failure to meet the Code of Practice, and look forward to contributing to the next phase in the development of the detailed provisions of a Code of Practice including the ongoing management and monitoring arrangements.</p>
<p>Q7</p> <p>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?</p>	<p>We would welcome further assessment of the viability of constraining retailers to only work with TPIs who operate under an agreed accreditation scheme or to a voluntary code of practice, and whether this limits choice where customers wish the engage TPIs.</p> <p>However we recognise that should any specific issues with TPIs role in the market arise, such an approach could engender feelings of trust with customers.</p>
<p>Contracts and information</p>	
<p>Q8</p> <p>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?</p>	<p>We agree with the proposal to use the Code of Practice to set standards of conduct for retailers in relation to their contracts with micro-business customers. The issues or requirements proposed around contractual terms and commercial practices being fair and transparent will be of benefit to all customers. We recognise that</p>

	<p>formal protections are more likely to be required for the smaller and micro-business segments.</p>
<p>Q9</p> <p>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?</p>	<p>Yes we agree with the proposal to provide standard information to all eligible customers, including a note to inform customers of their ability to switch to a different retailer in order to raise general market awareness with more customers.</p> <p>We agree with the 3 proposed information items to be provided to micro-business customers.</p> <p>The provision of information may differ in circumstances where a customer has not agreed a contract with a retailer. For example where the micro-business customer remains with an appointed company as their retailer, or where the customer is on a deemed contract.</p> <p>The recent consultations regarding deemed contracts and interim supply arrangements include proposals for the retailer to inform relevant customers of the nature of deemed contracts that may apply and the choices customers continue to have in the market.</p>
<p>Q10</p> <p>Do you have any comments on the information that needs to be provided to customers?</p>	<p>As per our comments to question 9 above, we agree with the proposals to inform customers of their ability to switch retailer. In regards to the provision of the customers relevant SPID numbers this can be included on bills and statements of account in general.</p> <p>In some cases it may not be practical to provide all the SPID numbers on the bill or account statement document, for example where the retailer has a group customer with a large number of sites and provides a single aggregated bill or account statement.</p> <p>In these situations we believe it a suitable alternative for the retailer to provide the SPID numbers upon request in order to help the customer engage with other retailers or TPI's for the purposes of getting contract quotes and enable switching.</p>

<p>Q11</p> <p>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?</p>	<p>We agree that there should be a mandatory cooling off period of at least seven days for micro-business customers. The acquiring retailer as part of their sales and contract set up process would need to:</p> <ul style="list-style-type: none"> a) check whether the customer is eligible to correctly apply the cooling off period, and b) make the micro-business customer aware that the cooling off period protection will likely prolong the switching process and effective contract start accordingly. c) inform the customer how they should contact the retailer if they want to cancel the switch and the contract within the cooling-off period <p>We do not believe the cooling off period should be extended to all business customers.</p> <p>To ensure micro-business customers are best protected from aggressive sales methods or mis-selling we suggest there is no cooling off period opt-out available from market opening. Should there be little evidence of poor sales practices in the market beyond the initial period an opt-out option could then be considered.</p> <p>Yes we agree that retailers should be required to confirm the micro-business customers understanding of the contract before it is agreed.</p>
<p>Q12</p> <p>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?</p>	<p>We agree that it would be in the best interests of customers for retailers to be required to obtain a copy of confirmation in writing that a TPI is acting on the customers behalf before sharing customer details with the TPI.</p>
<p>Q13</p> <p>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?</p>	<p>We would like to reiterate that the provisions of the proposed Customer Protection Code of Practice apply to situations where customers are procuring a water and/or sewerage services contract within the non-household retail market. Customer protections relating to scenarios that result in a customer being switched or assigned a</p>
<p>Q14</p> <p>Do you have any other comments on our proposals in relation to contracts and information to be provided to customers?</p>	<p></p>

	<p>retailer without them having engaged in the market or negotiated with a TPI or retailer are covered by the relevant proposals on deemed contracts and interim supply arrangements.</p>
<p>The switching process</p>	
<p>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?</p>	<p>Yes we agree with the switch timeframe proposed including provision of data required to enable the switching process.</p> <p>In regards to the retailer and the customer wishing to effect the switch on an agreed date we believe this will offer benefits to both retailers and customers. There may be valid circumstances where a switch does not take effect at a previously agreed date, for example where an outgoing retailer has raised an objection to the switch on the grounds of an outstanding debt with that customer.</p>
<p>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?</p>	<p>We agree this is good practice and should be detailed in the proposed Code of Practice.</p>
<p>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?</p>	<p>We agree with this proposal unless it is a situation where the incoming retailer has made a valid cancellation request to the Market Operator under the market codes. In this case the incoming retailer should again keep the customer informed of the reasons for the cancellation and any remedy, where appropriate.</p>
<p>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?</p>	<p>The outgoing retailer should have the ability to cancel a registration request, or switch, on the grounds of an outstanding debt, as currently provided for the market codes. There are requirements detailed in the market codes for the outgoing retailer to provide evidence of the outstanding debt, initial invoice and invoice reminder dates, and revised payment due dates. These measures have been incorporated to try to prevent retailers from engineering debt positions with any customers they wish to retain.</p> <p>Without this switch cancellation mechanism there is significant material risk that retailers would alone face should a non-household</p>

	<p>customer repeatedly run up debt positions and switch retailers (wholesalers would continue to recover wholesale primary and non-primary charges).</p> <p>Retailers debt management procedures can result in temporary disconnections being effected, but these processes rightly take time to run their course, allowing the customer opportunities to pay their debts. It is therefore feasible for these processes to be exploited if the customer has an uninhibited right to switch retailer (should they find a willing incoming retailer to contract with them).</p>
<p>Q19</p> <p>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?</p>	<p>We agree that Ofwat along with the Market Operator can collect and analyse information on the switching process in the market and look at the use of the erroneous transfer and transfer cancellation processes.</p> <p>This will ensure other protections can be considered if necessary to benefit both customers and new retailers who wish to grow their presence in the market.</p>
<p>Billing, back-billing and data quality issues</p>	
<p>Q20</p> <p>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?</p>	<p>We agree with the proposal for retailers to issue one accurate bill a year to micro-business customers and to take a meter reading (either as a physical read or remote read method) at least twice a year. In order to maximise the opportunity for bills to be issued based on readings we would like Ofwat to consider the inclusion of a customers read method into the proposal (in alignment with the market codes). The customer read would be subject to validation checks with the retailer and with the Market Operator.</p>
<p>Q21</p> <p>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?</p>	<p>We agree with this proposal.</p>
<p>Q22</p> <p>Do you agree with our proposal to require retailers to base their final bill on the transfer read provided by the incoming retailer?</p>	<p>We agree with this proposal, but note that there may be an opportunity for the Transfer Read to be retrospectively challenged should the outgoing retailer have other read information available. The Market Operator would recalculate the allocation of usage and wholesale</p>

	<p>charges accordingly based on new meter read data and once corrected the retailers (both outgoing and incoming) would base their billing on this data.</p>
<p>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)?</p>	<p>We agree that no further provisions within the Customer Protection Code of Practice are required in regards to billing frequency and payment methods, and are content with the suggestion that this area is reviewed after market opening.</p>
<p>Q24 Do you have any comments about the information that should be provided to customers on their bills?</p>	<p>Please refer to our comments on questions 9 and 10 above.</p>
<p>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?</p>	<p>We agree with the principle that customers should not face unreasonable delays in accurate billing which result in unexpectedly high bills or large debts. However, we would like to understand more around the detailed proposals for inclusion in the Customer Protection Code of Practice so that the practice of 'back-billing' is well defined before it is prohibited.</p> <p>We expect during the early years of the market there may be instances where a retailer has invoiced an amount to the customer and subsequently needs to correct this invoice where revised data has come to light, possibly outside of its control – for example a missed historic meter exchange by the wholesaler. Such data correction may result in settlement values being recalculated by the Market Operator and applied by wholesalers. It would be reasonable for the retailer to be able to correct its bill (perhaps remove and re-bill the customer) as long as an excessive period has not passed. This scenario may be relevant to a retailer who is no longer the current appointed retailer to the SPID.</p>
<p>Q26 Do you agree with our proposal to require retailers to offer</p>	<p>Data corrections and recalculations can also result in a customer being refunded or their bill value being reduced, and we would not want retailers or other trading parties to be discouraged from investigating and correcting data that leads to refunds.</p> <p>Yes we agree with this proposal as these very small customers require</p>

	micro-businesses a reasonable payment plan with any back-bill, to allow the customer to pay the bill in a number of instalments?	such protections similar to those enjoyed by household customers.
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 agree that further action is not required in relation to refunds.
Q28	Do you have any comments on our proposal for no additional regulation on data quality?	Yes we agree with the proposal
Complaints handling 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 we agree with the proposal for retailers to have an effective complaints handling process in place, and that this is readily accessible to customers to view and utilise.
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?	We agree with the need to provide non-household customers with access to redress where they continue to be in dispute with their retailer. The WATRS water redress scheme could be an effective mechanism to provide such protection. We would welcome further discussions on how the WATRS scheme could be developed to make it the mandatory dispute resolution scheme for all retailers, and whether other ADR alternatives to WATRS may be suitable for the market. Consideration should be given to require all appointed companies in their wholesaler capacity to remain a party to the WATRS scheme.