



ACS Submission - Ofwat Customer Protection Code of Practice for non-household retailers

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to Ofwat's consultation on their final proposals and draft Customer Protection Code of Practice for non-household retailers. ACS represents 33,500 local shops across the country including the Co-operative Group, One Stop, Spar, Costcutter and thousands of independent retailers. We welcome the general principles of the Code of Practice as these will ensure that microbusinesses in our membership receive a standard level of protection.

The convenience sector is still dominated by independent retailers (75%¹), many of which will fall within the microbusiness definition set out in the code. These independent retailers have no central administration function in their business and will be fully managed by the retailer. Management of utilities contracts are often challenging as they represent a significant cost for the business and retailers do not often have the expertise to negotiate contracts.

We welcome the objectives of the Code of Practice and have set out our views below.

Challenges Facing Microbusinesses

The convenience sector has faced many challenges with the utilities industry and suppliers' approach to contracts. Not only are the costs of energy a critical factor in the viability of convenience store businesses but retailers have also been burdened by the use of auto-rollover contracts as well as restrictive contracts which stipulated lengthy back-billing periods.

Ofgem addressed these challenges in their own Standards of Conduct which was published in late 2013. The Ofgem Standards of Conduct requires suppliers to treat their customers fairly through a number of reforms. One of the reforms doubled the consumption threshold limit for businesses to benefit from the one-year limit on automatic rollover contracts. This meant that more small businesses could benefit from the time limit on auto-rollover contracts. Previously, these safeguards had only applied to businesses consuming £5,000 a year per fuel type. Ofgem is also considering banning automatic rollover contracts completely.

Following the Ofgem Retail Market Review, which looked into how to address problems experienced in the utilities industry by non-domestic customers, Ofgem encouraged suppliers to voluntarily sign up to a one-year back billing limit. A number of suppliers have already signed up to the one-year limit, despite the statutory back billing limit for electricity suppliers set at three years and gas suppliers' limit set at four to five years.

¹ ACS Local Shop Report 2015

We welcome that Ofwat is addressing similar challenges in the Water industry by limiting back billing periods to the previous financial year and limiting the use of auto-rollover contracts for microbusinesses in the Code of Practice. By establishing these limits in the Code of Practice prior to the implementation of the new water market in April 2017, this will ensure non-domestic and microbusiness customers are appropriately protected in the utilities industry.

Whilst this consultation proposes to only extend protections to microbusiness, we would like to see ongoing evaluation of the appropriateness of this threshold. If evidence arises that SMEs are struggle to cope with the management of their contract, Ofwat should consider extending the microbusiness definition to SMEs or exploring alternative business definitions.

We are aware that convenience retailers may face future challenges in the utilities industry and therefore welcome that the Ofwat Code of Practice is a working document which can be amended to rectify any issues that may arise. ACS would like to be consulted on future changes to the Ofwat code and provide feedback based on the experience of convenience retailers.

Recommendations

While we welcome the Ofwat Code of Practice as it will provide small and microbusinesses with a standard of protection within the water market, we believe that in two instances, the Code of Practice could be amended to further alleviate burdens on microbusinesses.

Provision of information by a retailer to its non- household customers

Assessing different contract offers from energy suppliers often can lead to customer confusion and in turn disengagement from customers. While we welcome the Code of Practice to encourage engagement by allowing microbusiness requests to receive any information in writing, we believe the code of practice could go a step further by allowing microbusinesses to request their preferred medium of communication. This could include email, phone or by letter. We have learnt from other regulated markets that ensuring a regular flow of information between a supplier and customer is essential. Giving the microbusiness the option to choose their preferred communication approach could help facilitate this.

ACS welcomes the requirement for suppliers to write to relevant microbusinesses in advance of the expiry date of their contract. Increased transparency on contract end dates is key for customer engagement. However, the Code of Practice stipulates that suppliers should notify microbusinesses at least 30 calendar days prior to the expiry date of their contract. We urge Ofwat to extend this timeframe to at least 60 calendar days and require the publication of contract end dates on all bill documents.

Independent convenience retailers have significant constraints on their time, with 25% of shop owners working more than 70 hours a week². Increasing the time window for suppliers to notify microbusinesses and increased transparency for microbusinesses on when their contract will end will ensure they can negotiate more competitive terms either with their current supplier or with a competitor.

² ACS Local Shop Report 2015

Consultation with Microbusinesses

We welcome Ofwat's consultation with small and microbusinesses and their representative organisations. ACS has mechanisms in place to consult with independent retailers, for example, we poll 1,210 independent retailers every quarter. We would welcome further engagement with Ofwat to ensure that issues faced by convenience retailers acquiring contracts with water suppliers are recognised and addressed.

For more information on this submission, please contact Julie Byers, ACS Public Affairs Executive at Julie.Byers@acs.org.uk or call 01252 515001.