

Protecting customers in the non-  
household retail market – a  
consultation on final proposals and a  
draft customer protection code of  
practice

Southern Water's Response

16 April 2016



## **Southern Water's response to Ofwat's consultation on the final proposals for customer protection in the non-household retail market and draft code of practice.**

### **Overview**

We welcome the opportunity to respond to the final customer protection proposals and draft code of practice. In this response we outline the key concerns we have with the final proposals and, following this, we provide short responses to the specific consultation questions.

### **Key Concerns**

In our response to your earlier customer protection consultation we fully supported a mandatory Customer Protection Code of Practice to ensure customer confidence in the market is maintained and we supported many of the proposed customer protection measures. However, we have two key objections to the proposals outlined in this consultation which we deem are of such significance that they warrant revision in the final code of practice:

#### **1. Definition of micro-businesses**

We agree that customer protection should be focused on customers at greatest risk, with some protections limited to micro-businesses only. However, we do not agree with the proposal to define micro-businesses as those with fewer than ten employees. This definition will add significant regulatory burden on retailers who will be required to obtain and keep up-to-date another data source or acquire non-water related data from our entire customer base. This was clearly articulated in the response from several suppliers.

We believe that consumption is a better indicator of the need for protection, with high usage customers more likely to engage with the market and low usage customers more akin to that of household consumers. We have concerns that number of employees may vary in the short term and that the correct protection measures would not be applied, and we do not believe that any benefit, such as alignment to the Small Business, Enterprise and Employment Act 2015, outweighs the resulting administrative burden. We, therefore, propose that additional protection measures are focused on micro-businesses using less than 100m<sup>3</sup> per annum, using up-to-date data available in the market data set.

#### **2. Back-Billing**

We understand the need to limit back-billing and unfair impacts on customers. However, we do not agree with the unexpected new proposal to restrict the ability to back bill customers who have acted inappropriately. Such a restriction would reward inappropriate customer behaviour and indirectly increase prices to the other customers. We do not understand the rationale for the change. We strongly believe that back-billing for inappropriate, dishonest or fraudulent behaviour by a customer, such as where a connection has been made to a wholesaler's sewer network with no notice provided, should not be limited to the previous financial year.

## **Consultation Questions**

### **Q1 Do you agree with our proposed approach to the governance of the code of practice?**

We agree with the general approach to the governance of the code of practice, but believe that companies should have a greater and defined role in the evaluation of any proposals and the process should include a right to appeal mechanism. Key issues include the evaluation of the financial impact to the market, as well as the impact on company systems and processes.

### **Q2 Do you have any views as to whether the code governance and modification should be included in the code or the licence/appointment?**

We have no strong preference, although it is important that governance arrangements for the code are consistent for all incumbents and licensees which suggests inclusion in the code.

### **Q3 Who should be able to raise changes to the code of practice?**

We believe that Ofwat and any market participant should be able to raise changes to the code of practice. This would not preclude other stakeholders, such as consumer groups, proposing revisions for Ofwat to take forward.

Should you have any queries or regarding our response, or would like to discuss any aspect of it with us, please contact our Market Reform Manager, Dylan Freeman, on 01903 272351 or by email [dylan.freeman@southernwater.co.uk](mailto:dylan.freeman@southernwater.co.uk)