



ACS Submission: Monitoring the business retail market from April 2017

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to Ofwat's consultation on monitoring the business retail market from April 2017. ACS represents 33,500 local shops across the country including the Co-op, One Stop, Spar, Costcutter and thousands of independent retailers.

ACS welcomes the Ofwat's monitoring framework, however, we believe this can be extended further to build on the challenges faced by retailers in other regulated markets, such as energy and banking. Although already addressed in the Ofwat Code of Practice we believe automatic rollover contracts, backbilling and the effectiveness of the microbusiness definition should be carefully monitored by Ofwat.

ACS previously responded to Ofwat's consultation on its draft Code of Practice last year , which can be found [here](#). In our submission, we welcomed the general principles of the Code of Practice, as it aims to ensure that microbusinesses with less than 10 employees will receive a standard level of protection. The majority of retailers in the convenience sector are independent retailers (74%)¹, many of which will fall within the definition of microbusiness. While the Code of Practice will play an important role to protect microbusinesses, Ofwat's ongoing monitoring of the market will be essential in identifying and addressing any issues that may arise regarding non-compliance of the Code, customer engagement with the market, and customer outcomes.

We encourage Ofwat to continue engaging with business representation organisations during the opening and development of the water market. Please see below for our response to the relevant consultation questions:

Q1 Are there any other objectives that market monitoring could or should fulfil in addition to those mentioned in section 2.3?

We welcome the objectives that the monitoring framework aims to achieve. We believe that Ofwat also needs to monitor closely the issues that have previously arisen in the gas and electricity markets to ensure that these can be identified and addressed quickly to reduce any potential financial burdens on energy consumers.

Auto-Rollover Contracts

Convenience retailers have been burdened by the use of auto-rollover contracts in the gas and electricity market. Auto-rollover contracts lock customers into fixed-term contracts, with short notice periods and considerable termination fees. Ofgem plan to tackle auto-rollover contracts by increasing notice periods and ending termination fees which currently prevent switching.

¹ ACS Local Shop Report 2016

We welcomed that Ofwat's Code of Practice addressed the use of auto-rollover contracts faced by other utilities markets by limiting their use for microbusinesses. The use of auto-rollover contracts will have to be carefully monitored by Ofwat to ensure that water suppliers do not develop new techniques to lock customers into unfair contracts. Ofwat should also monitor how auto rollover contracts impact on businesses outside of the microbusiness definition.

Back-billing

Lengthy back-billing periods have financially burdened customers in the gas and electricity market. We welcomed that the Code of Practice is already attempting to address these potential challenges in the new water market by limiting back-billing periods to the previous 16 months. Establishing these limits in the Code of Practice prior to the implementation of the new water market in April 2017, will ensure non-domestic and microbusiness customers are appropriately protected in the utilities industry.

Ofwat should monitor the use of back-billing to ensure that these limits are adhered to. Moreover, they should review extent to which back billing occurs in the new market and assess if this is a symptom of limited communication between suppliers and customers. There should be an ongoing review of the 16 month back billing period to understand the cost incurred by businesses and whether the backbilling period should be reduced to 12 months.

Preference of communication

We have learnt from other regulated markets that ensuring a regular flow of information between a suppliers and customers is essential. Giving microbusinesses the option to choose their preferred communication approach could help facilitate this; for example via email, phone or letter. This would give the supplier and customer certainty that communications are being delivered.

We recommend that Ofwat monitor customer satisfactions with the communications they receive from their suppliers. Communication will have a knock-on effect across a wide range of areas, such as; compliance with the code of practice, billing errors and competition in the market.

Segmentation of the Market

We believe that Ofwat should also monitor by the different segments of water customers in order to obtain different consumer perspectives of the market, for example, breaking data down to a microbusiness level. We would welcome ongoing evaluations of the appropriateness of this threshold. For example, if evidence arises that SMEs are struggling to cope with the management of their contract, Ofwat should consider extending the microbusiness definition to SMEs or exploring alternative business definitions.

Q2 Do you agree with the issues we propose to monitor? What issues do you think should be monitored particularly closely?

ACS agrees that Ofwat has identified the correct issues to monitor, specifically issues regarding treating customers fairly and the quality of the switching process. We have seen in different sectors that there has been a high level of disengagement with the switching

process. For example, in the electricity market, 45% of microbusinesses are on default tariffs², while in the banking sector, only 4% of business customers switch to a different bank in any year³.

Ofwat should monitor the level of consumer engagement with the water utility sector, and address any issues that are identified. For example, Ofgem are developing a database of customers who have been on their default tariff for more than three years, which will allow rival suppliers to contact customers by letter to offer cheaper deals based on their usage.

Q5 We would welcome views on our proposal for informal monitoring, any other tools we could use, and how we might make the best use of the information available.

We welcome Ofwat's proposals for informal monitoring, such as looking at overall satisfaction levels, and at perceptions of ability to make meaningful comparisons between suppliers, third party intermediaries, and their products and services.

ACS has mechanisms in place to consult with the convenience sector. For example, ACS conducts its Voice of Local Shops survey every three months. It is a multiple-choice phone survey of 1,210 independent convenience store retailers. The survey provides the opportunity for ACS to ask policy related questions to obtain an insight into the perspectives of independent retailers, for example, we have previously asked "which of the following issues have you experienced from energy suppliers?", providing choices of "above inflation rise in energy costs", "back-billing", "auto-rollovers", "no/poor complains procedure", "difficulty switching contracts or supplier", and "overcharging".

ACS would welcome further engagement with Ofwat on whether there would be an opportunity to pose a question(s) relating to the water utility market to convenience retailers.

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

² [CMA: Energy Market Investigation – Summary of Final Report](#)

³ [CMA: CMA paves the way for Open Banking revolution](#)