

Market Monitoring Consultation
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Dear Ofwat,

Monitoring the Business Retail Market from April 2017: A consultation

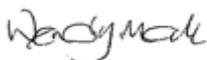
Thank you for the opportunity to comment on Ofwat's proposals for monitoring the business retail market from April 2017. It is important for Ofwat to be able to gauge and monitor the extent to which the market is operating effectively and providing benefits of customers. Furthermore, there will undoubtedly be a significant amount of interest in any information which is ultimately published.

We draw your attention to the urgent need for clarity and communication of the definition of 'customer type' for segmentation purposes if it is any different to that which retailers already hold. To accommodate any new requirements retailers will need to build this into their systems ahead of market opening so that they can start collecting information from 1 April 2017.

We have reviewed the proposals in the light of information we consider to be relevant and readily available. Attached is our response to the questions posed.

Should you wish to discuss any aspect of our response, please do not hesitate to contact me.

Yours sincerely,



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Annex 1 - Monitoring the Business Retail Market from April 2017: A consultation

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

We agree with the objectives proposed and have not identified any additional objectives at this time.

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

Yes, we are supportive of the issues to be monitored. During the early stages of market opening the focus should be on the elements which constitute market conduct and market performance.

There is no mention of how Ofwat will monitor those who hold self-supply licences. Whilst many of the data items identified will largely be irrelevant to self-supply licence holders, this is an important area and should be incorporated within the scope of monitoring the market.

Q3 Do you agree with the type and format of the information we are planning to obtain from the market operator? We welcome views on:

- *the choice of metrics, their usefulness for our assessment of the market and ways of ensuring they are as useful as possible; and*
- *the availability of that information, the opportunities and limitations of obtaining information from the market operator, including sources that could supplement it.*

We support using market data held by the Market Operator as this is the most efficient and effective approach. The market data is readily available, will significantly lessen the burden on individual market participants and will be consistent across the industry.

We note that there does not appear to be any proposal to collect data in relation to retailer satisfaction with wholesaler services. This is an omission and should be included.

We have reviewed the data items to be collected from the Market Operator and in general we understand the rationale and can see that the data will be relevant in achieving the desired objectives. There are a few data items which are less clear and we have queried these below.

Occupancy status – We note that identifying changes in the number of vacant premises year on year or across regions will suggest resilience or demand issues,

but it is not clear how indications of resilience or demand issues meets the desired objectives of the business retail market.

New connection type – We question how useful it is to know the type of new connection and how this meets the desired objectives of the business retail market.

Building water status – We question whether this will be useful in meeting the desired objectives. Building water status provides no information about non-household customers because some developments will be solely households. Furthermore, whilst it indicates that development is taking place, it provides no useful information about the level of future demand requirements.

Trade effluent – It is not clear what collecting this information is seeking to achieve and how it meets the desired objectives of the business retail market. It would be useful to clarify this further.

The segmentation refers to customers by volume of water used; very low, low, medium, high and very high. These will need to be defined.

Q4 What information will retailers hold that will help us achieve our monitoring objectives? We welcome views on:

- *the choice of metrics, their usefulness for our assessment of the market and ways of ensuring they are as useful as possible;*
- *the availability of that information, including where else we could obtain the information that we would like retailers to provide;*
- *the best way for retailers to share that information with us (eg most appropriate format);*
- *whether retailers will be able to segment information in the way we require; and*
- *the best way to make sure the regulatory burden is proportionate, especially for smaller retailers.*

As a retailer, we have reviewed each of these data items in detail and have the following comments.

In terms of segmentation there needs to be a clear and consistent industry definitions of each 'customer type'. If we understand this with sufficient time ahead of market opening, we can incorporate this within our systems so we can collect the data from 1 April 2017. Alternatively, we can already segment data items accordingly to the tariff on which the customer pays for their services. This would be considerably more straightforward.

With respect to the most appropriate format for retailers to submit information to Ofwat, we would seek to upload it from our systems to ensure an efficient and accurate process.

Retailers who operate in both the English/Welsh and Scottish markets – this information is readily available from the Market Operators in England and Scotland and should not need to be provided by retailers. This way it can be linked to number of customers served/market share to understand 'actively serving'.

Number of retailers who offer multi-utility billing – We presume this is a simple yes or no which will be easy for retailers to provide.

Number of third party intermediaries retailers deal with – We can provide this information.

Number of customers on water-only or multi-utility billing – We can provide this information and we can segment it by tariff. As above, to segment it in a different way we will need to understand the definitions of each 'customer type' with sufficient time ahead of market opening to incorporate this requirement within our systems.

Customers' accounts in debt – We can provide this information and we can segment it by tariff. As above, to segment it in a different way we will need to understand the definitions of each 'customer type' with sufficient time ahead of market opening to incorporate this requirement within our systems.

Assistance for vulnerable/ sensitive customers – It is unclear exactly what is required under this data item. For example is this the number of customers identified as vulnerable/sensitive customers, the number of vulnerable/sensitive customers who have received assistance, an explanation of what assistance is available to vulnerable/sensitive customers. More clarity is needed. Once clarified, we can assess the extent to which we can provide this information. We can segment it by tariff but to segment it in a different way we will need to understand the definitions of each 'customer type' with sufficient time ahead of market opening to incorporate this requirement within our systems.

Number of micro businesses retailers provide services to - We can provide this information.

Number of micro businesses exercising their right to cancel a contract during a cooling off period - We can provide this information.

Volume of customers being supplied pursuant to statutory schemes of terms and conditions, in the case of licensed retailers; or an appointee's statutory duties in the case of integrated retailers – This data item would benefit from additional clarity, is it intended to mean how many customers are on deemed contracts? If so, we can provide this information and can segment it by wholesale region and by tariff. As above, to segment it in a different way we will need to understand the definitions of each 'customer type' with sufficient time ahead of market opening to incorporate this requirement within our systems.

Volume of customers who renegotiate their existing contracts - We can provide this information and we can segment it by tariff. As above, to segment it in a different way we will need to understand the definitions of each 'customer type' with sufficient time ahead of market opening to incorporate this requirement within our systems.

Methods of how customers have engaged with the retailer (eg directly or through a third party intermediary) – We can provide this information and we can segment it by tariff. As above, to segment it in a different way we will need to understand the definitions of each 'customer type' with sufficient time ahead of market opening to incorporate this requirement within our systems.

Consumption data/water Efficiency measures – It is unclear exactly what is required under this data item. For example, is it a list of the services provided or is it some measure of monetary or quantity savings as a result of these types of services? If it is a list of services, then this can be easily provided. If not, more clarity is needed before we can assess whether this information is available.

Tariff data – It is unclear exactly what is required under this data item. For example, is it a list of tariffs offered, tariff rates and qualification criteria or is it the number of new tariffs offered? In principle, retailers should be able to provide information about their tariffs but more clarity is needed before we can fully assess to what extent the required information is available.

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 think that there is merit in creating an informal environment for emerging issues and exchanges of views but this needs to be within a clearly defined and understood framework.

Q6 We would welcome views on how best we could involve third party intermediaries in our monitoring framework, which information would be best to collect and how we could obtain it.

We think that Ofwat should engage directly with third party intermediaries (TPIs) as our experience is that many reputable TPIs would welcome the opportunity to share their ideas and experiences from other sectors. This could be achieved through some sort of TPI forum. Accordingly, Ofwat should request the detailed information it has identified directly from TPIs.

Q7 We would welcome views on how best to collect useful information on market segments. In particular, we would welcome views on challenges to deriving the market segment information we envisage and ways of overcoming them.

As above, there needs to be a clear and consistent industry definitions of each 'customer type'. If we understand this with sufficient time ahead of market opening, we can incorporate this within our systems to collect the data from 1 April 2017 and provide the required reports. However, time is running short so to start collecting information from 1 April this would need to progress with some urgency. Alternatively, from 1 April 2017 we can segment data items accordingly to the tariff on which the customer pays for their services. This would be considerably more straightforward. Otherwise, the segmentation could start from a later date when Ofwat has had time to clarify the industry definitions and market participants have had sufficient time to amend their systems.

Q8 How can we best make sure that relevant information is shared in a transparent and useful manner, whilst also being mindful of commercial and personal confidentiality and without prejudice to competition law?

There will be considerable interest in the market data and analysis Ofwat publishes and therefore great care should be given to the sensitivities of some of this information. We would like to see Ofwat consult on its detailed proposals for publication in advance. In addition, as is normal practice, we would expect Ofwat to check with every market participant before any data is published.