

Richard Khaldi
Ofwat
Centre City Tower
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10 February 2017

Dear Richard

Re: Consultation on Ofwat's approach to monitoring the business retail water market from April 2017

This letter sets out Anglian Water Services' response to the above consultation.

The introduction of competition to the non-household retail market provides a significant opportunity for business customers to choose the water and sewerage supplier(s) most suited to their needs. This competitive market should encourage innovation, improve customer services and drive down prices.

We also recognise the need for scrutiny of how the market is operating once it has opened. Given the degree of self-regulation that competition will provide, regulatory monitoring should be as light-touch as possible, and focus on mitigating and/or correcting market failures (including for any particular group or groups of customers).

The provision of information for monitoring should take into account both the importance of that information to the success of the market and its current availability. A proportionate approach to monitoring will not only benefit customers, but is also likely to improve retailer efficiency and encourage new entry.

Our responses to the consultation questions are set out below. Underpinning our responses are the principles of necessity and proportionality as outlined above. We would encourage regular reviews to



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ensure that the most appropriate information is being collected and monitored.

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 that are set out in the consultation document. In addition, we would like to see particular reference to ensuring a level playing field in the provision of wholesale services to retailers. Any perception that one retailer will be able to provide a higher quality of service because it has (or appears to have) a better relationship with a wholesaler risks distorting the market, ultimately reducing the benefits of the market to customers.

Ofwat's 'A consultation on the outcomes framework for PR19, Appendix 5 - A new customer experience measure' states:

"The business retail market in water will open up in April next year, and it is necessary that wholesalers provide retailers with a level of service that is sufficient to facilitate effective competition in the market. At this stage, we consider that it could be appropriate to consider retailers' satisfaction with the customer service provided by the wholesalers as part of the business retail market monitoring framework."

The monitoring framework consultation document does not appear to consider retailer satisfaction. We would encourage the inclusion of such a measure as this will help to facilitate effective competition in the emerging market and may expose preferential treatment to any particular retailer(s) by any wholesaler.

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

We agree that the issues listed should be monitored. However, these may not be sufficient to form a full picture.

As an example, we agree that monitoring the switching process will be particularly important in assessing how the market is working. However, the number of successful/ erroneous switches and length of time of switches will not on their own demonstrate whether customers are switching because of satisfaction or dissatisfaction with the service received, nor will it demonstrate the reasons for an erroneous switch (e.g. due to bad data or bad debt).

We would therefore also encourage a broader focus on experience in the market in the round to understand whether and why the market is operating successfully or not (in addition to how it is functioning).

The document does not appear to mention self-supply or monitoring of the success or adoption of this route under the new market. This area of the market should be reviewed alongside the other issues that Ofwat proposes to monitor. Levels of adoption are likely to provide insight into the effectiveness of the market and identify issues, potentially with retail offerings.

We also believe that information relating to the level of service provision from wholesalers to retailers would demonstrate whether wholesalers are providing equivalent levels of service provision within their wholesale region.

In line with the principle of viewing all metrics and experiences of the market in the round, we would encourage looking at these issues with customer segmentation in mind. This will help to understand for whom the market is working well or less well.

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 encourage avoidance of duplication in the provision of information (e.g. from wholesalers/ retailers where they have already provided this information to the market operator) and this information should be collected centrally where possible, rather than from each individual participant. This includes coded metrics, many of which will be captured and reported to the market operator.

Whilst we believe that the market operator will be a key source of monitoring information, transparency in the rationale for collecting the proposed metrics would help to justify the collection of this data. For example, the rationale for monitoring 'New connection type' is to "analyse the type of new connections in each wholesaler area and how this may impact future retailers". It is not clear to us why this information is necessary to monitor the success of the non-household retail market. Transparency on the rationale behind requiring this and other data items would be welcome.

The consultation also proposes to monitor 'Building water status', which will show how many building water sites there are in a particular region. We believe that this data item is unlikely to provide much insight beyond this raw statistic. Building Water supplies are temporary in nature and do not always lead to an eligible premises in the market. Additionally, the building

water status does not provide insight into the associated downstream level of activity such as large housing developments. Presently, there are better and more established datasets widely available to provide this information, including data published by local authorities.

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.

Given that this question relates to information to be collected from retailers we do not have any comments on this question as a wholesaler.

QS 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 proposed use of a wide variety of informal monitoring tools. We support the use of a range of media in order to gain an insight into the end-customer experience with the caveat that using platforms such as social media to collect data will not give a representative sample across all customer groups. Therefore, whilst the insights gained will be useful, this data should not be analysed too mechanistically.

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 encourage the inclusion of TPis in Ofwat's monitoring framework. This would however need to be on the basis that any involvement of TPis in the monitoring framework does not compromise their business model (provided this is to the benefit of customers).

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.

We welcome Ofwat's approach to using segmentation to gain an understanding of how the market is operating for different groups of customers. In addition to the points highlighted in the responses to earlier

questions, we believe that customer segmentation should form part of the annual customer insight survey in order to assess the market's impact on different customer segments, particularly for small and micro-businesses.

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?

We agree that the insights gained from the monitoring activities identified in the consultation will be useful to customers, stakeholders and potential market participants as well as Ofwat. The utility of the information to improve market outcomes is limited by how this information is shared with stakeholders. Therefore, this information should be shared through the relevant channels and forums to reach particular customer segments (e.g. Major Energy Users Council and Federation of Small Businesses).

In order to help ensure the sharing of relevant information without prejudice and without breaching confidentiality, we believe that the parties mentioned in reports or information releases should have the opportunity to review and respond to these in good time before their publication.

If you have any questions on this response, could you please in the first instance contact Jordan White (jwhite6@anglianwater.co.uk 01480 323181) who will be happy to help.

Yours sincerely,



Alex Plant
Head of Policy and Regulatory Strategy