



**Monitoring the business retail market  
from April 2017  
- an Ofwat consultation**

## Introduction

The Consumer Council for Water (CCWater) is the statutory consumer organisation representing the interests of customers of regulated water and sewerage companies in England and Wales. CCWater has four regional committees in England and a committee for Wales.

We welcome the opportunity to respond to Ofwat's consultation on monitoring the non-household (NHH) retail market.

CCWater will be undertaking its own monitoring activities. We plan to monitor the market through our enquiry and complaint handling role and by carrying out research into customers' experiences of the NHH retail market once it opens in April 2017.

We will coordinate our own work on monitoring with Ofwat to ensure that our efforts complement the monitoring work it intends to carry out. We expect also to liaise with MOSL and Defra.

## Summary of CCWater's response

We would like to see Ofwat state more explicitly that one of the market objectives should be to ensure that customers not participating in the market, either through choice or ineligibility, do not suffer detriment as a result.

We agree, in the main, with the issues that Ofwat is proposing to monitor. It is important that there are a wide range of metrics against which the success, or otherwise, of the market is judged. Customers' experience of the new market is the most important issue that needs to be monitored, including the experience of small non-household customers.

CCWater will be monitoring the complaints we receive from NHH customers and collecting data from market participants. We will also be carrying out research to understand customers' experiences of switching in the market and measuring satisfaction levels through our annual business customer tracking survey. We are best placed to take a lead role on gathering market intelligence specifically related to complaints. We would work with Ofwat to ensure that the data we collect can be used in a complementary way to the information the regulator will be collecting.

We have some concerns that Ofwat is proposing to only collect data from retailers annually. We recognise that there is a balance to be struck between an effective monitoring regime and the desire for proportionality - particularly in relation to the burden on smaller retailers. However, we feel that there should be more frequent analysis of data in the first year of the market in order to identify, and potentially take action to address, any issues that are arising.

## Consultation Questions

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

We agree in the main with the objectives that Ofwat has identified in the consultation document.

We welcome Ofwat's identification of "*customer experience and quality of service*" as a metric for assessing the success, or otherwise, of the competitive market. Understanding customers' experiences when switching retailers can help identify issues that may need addressing. This would in turn provide reassurance for any customer uncertain about engaging with the process due to bad experiences in other markets.

There are additional objectives that CCWater thinks market monitoring should fulfil.

### **Unengaged customers:**

The third bullet point in the section detailing the hallmarks of a well-functioning market (page10) identifies that "*customers overall [should] benefit...*" from the market. However, we believe that there should be an explicit objective that the monitoring regime will seek to measure the impact on customers who do not engage (either through choice or ineligibility). For example, looking at evidence of detriment (missed opportunities on price/service)

### **Direct qualitative measurement of customers' market experience**

CCWater will carry out customer research in 2017 six to nine months after market opening to understand customers' experiences of the NHH market. This research is intended to capture the views of customers who have participated in the market by switching retail supplier or renegotiating with their existing retailer. The research will also look to understand the reasons behind customers' decisions not to actively participate in the market.

We will also develop a schedule, working with Ofwat, of surveying customer awareness that fits with the regulator's plans to conduct its annual customer insight survey.

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

We agree with the issues identified by Ofwat in section 3 of the consultation document.

Customers' experience of the new market is the most important issue that needs to be monitored. CCWater will be collecting and analysing the complaint and enquiry information we receive about retailers in order to understand customers' experiences of the market. This will help us to understand if there are issues with a particular retailer or between particular retailers and wholesalers.

We have the following comments about the proposals in the consultation document:

## Market Conduct:

CCWater will continue to deal with complaints and enquiries from NHH customers as part of our statutory role as the independent customer representative for the water industry. In the build up to market opening we have been contacting retailers to introduce ourselves and explain our complaint handling function. Incumbent retailers have been reassured to learn that CCWater will continue to provide a “critical friend” role in the retail market.

Changes to our consumer relationship management (CRM) system will allow us to capture:

- information about both retailers and wholesalers when recording complaints and enquiries. This will allow us to identify where any problems have arisen between any specific wholesalers and retailers.
- Root causes of complaints and enquiries, including new issues likely to be experienced in a retail market
- Customer segmentation by size
- Complaints against third party intermediaries

Ofwat says in the consultation document that it will be using information from “customer complaints and enquiries” to identify problems with the market. CCWater will be using its powers under section 27 of the Water Industry Act 1991 to gather complaints information from all retailers.

Due to our resources and experience, we propose that CCWater is best placed to collect and compile complaint and enquiry data from retailers. If CCWater led on collecting market intelligence specifically on complaints, it would avoid duplication of effort between Ofwat and CCWater, and prevent an undue burden on retailers.

We plan to consult with retailers about the complaint data we request from them, how frequently we request it, and how and when it might be published. We will also consider how we want to share this information. We expect retailers themselves to be the primary audience, wanting to see how well they are performing on a like-for-like basis against a retailer average or their competitors.

Information gathered through our complaint handling role will be published in our annual complaints report<sup>1</sup>.

## Market performance:

Our research suggests that many customers would take the opportunity to re-negotiate with their current supplier rather than switch. We would support Ofwat’s intention to take a measurement of customers extending or re-signing contracts with their existing retailer. It may also be useful to note if these new contracts offered a price or service incentive.

**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:**

<sup>1</sup> [CCWater Annual Complaints & Enquiries Report](#)

- 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.

The breadth of metrics Ofwat is proposing to monitor from the information available from the Market Operator (MO) should allow the regulator to build a comprehensive picture of activity within the new market. The risk of a narrow focus on one or two metrics is that the market is declared a success or failure while ignoring issues that have gone unmonitored.

It would be useful for Ofwat to collect data from the Market Operator (MO) on any code breaches that have occurred. CSD002 of the Wholesale Retail Code sets out the Market Performance framework that the MO will be enforcing. If Ofwat collected this data alongside the other metrics it is proposing it would help to give a more rounded picture of market performance.

We would propose that the MO could also report the number of served customers and/or properties by retailer. This would facilitate the normalisation of most performance data by retailers' size profiles.

We agree with the proposal that information from the MO is analysed monthly so that Ofwat can identify any issues or trends that require action or further investigation as soon as possible.

The metrics being gathered should be kept under constant review in order to assess how effective they are at delivering useful information. It may be that some metrics will not deliver what was expected and need to be adapted, replaced or dropped altogether.

**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 the ways of ensuring they are as useful as possible;
- The availability of that information, including where else we could obtain the information 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.

While we understand the desire not to burden retailers with information requests, we have some concerns that only collecting this information annually will create a significant time lag before Ofwat is able to take necessary action.

Also, collecting the data once a year will not allow for analysis to assess developing trends for two to three years, potentially meaning that significant customer detriment could occur before an issue is identified and addressed.

We suggest that this data needs to be collected more regularly - either monthly or quarterly, at least in the first year following market opening. If this is considered too much of a burden on retailers a compromise would be to require that only certain metrics are collected more frequently, with the remainder collected annually.

Of the thirteen metrics that Ofwat is proposing to collect from retailers annually, we believe the following could be collected more frequently:

- Customers' accounts in debt - *this will help to determine if there is an issue with rising debt levels in the market, indicating customers struggling to pay, or potentially that a retailer who is having difficulty collecting money may be close to going out of business;*
- Number of micro-businesses retailers provide services to - *is the market reaching these customers or is activity mainly focussed among the bigger NHH customers, with high water usage or multiple sites?;*
- Volume of customers being supplied pursuant to statutory schemes of terms and conditions...- *how many customers have neither switched retail supplier or renegotiated with their current supplier and remain on more expensive deemed contracts as a result;*
- Methods of how customers have engaged with the retailers (e.g. directly or through a TPI) - *which are the most effective methods for getting customers to engage with the market?*

It is also important that retailers provide information on their customer numbers and the number and type of complaints received. As we discuss in our response to question two, CCWater will be looking to collect this information as part of our own market monitoring.

**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.**

The use of social media and other informal methods of communications have become more and more popular ways for customers to raise concerns and express dissatisfaction with services and it is right that Ofwat looks to capture this in its monitoring regime.

The use of the Open Water website as a platform for displaying social media and news stories would help reinforce the use of the site as one-stop shop destination for customers. Strengthening the Open Water brand through associated Facebook, Twitter and Linked In profiles should also be considered.

It is technically possible for Ofwat to measure traffic on social media and the Open-Water website as a mechanism for gauging consumer interest in the market.

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

We agree that monitoring the TPIs that are active in the market is essential and would welcome more detail on how Ofwat proposes to obtain this information and bring TPIs into the industry fold. Developing links with TPI representative organisations, which are likely to hold this data, may be a good start. These links could form a dual role in both monitoring the TPIs that are active in the market and gaining collective agreement for a (voluntary) Code of Practice for TPIs/brokers.

CCWater has had contact with a number of TPIs and their representative groups, primarily through our Business Customer meetings. We have found that there is a strong desire from these groups to agree an accreditation scheme (or schemes) for the market. Ofwat should look to harness this goodwill to obtain the market monitoring data it needs and to agree a way forward on accreditation/codes of practice.

CCWater will record contact from customers complaining about TPIs. While we cannot take formal action directly against TPIs, information can be used to bring reputational pressure to bear either through media releases or via the retailers they do business for. We believe that this will be a useful source of information that we can share with Ofwat and the TPI representative groups that regularly attend our Business Customer Forums.

**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 we have said in answer to previous questions, we feel that the information obtained from retailers and the MO should be interrogated and information about customer type, geographic location and market share should be extracted. This will be important in allowing an assessment to be made about whether the market is working for all customers, or is only working for specific groups of customers.

Ofwat could also look to engage with consumer representative groups which are more likely to understand the views of various customer segments (e.g. FSB, IoD, CBI, MEUC)

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

Transparent publication of market data is important to ensure customers have confidence in the market. Ofwat should be looking to publish the majority of the data it collects, anonymised where appropriate, on the Open Water website where it will be available for customers and other stakeholders to view.

This should be updated as new data becomes available so that the information is as up to date as possible.

Customers will expect to be able to make an informed choice about whether to participate in the market, and about which retailer to give their business to. The information that Ofwat collects should be made available in a format that will assist them in doing this.

### 3. Enquiries

If you have any questions about CCWater's response to this consultation, please contact:

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