

Northumbrian Water welcomes the publication of the consultation “Monitoring the business retail market from April 2017” and the opportunity to comment on the proposals.

Consultations Questions

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

As a general view we are of the belief that once fully established an effectively functioning competitive market should require minimal regulatory intervention and monitoring. Accordingly a market objective should be to ensure that the minimum level of intervention and monitoring is undertaken in order to ensure confidence in the effective operation of the market.

The proposed “customer outcomes” monitoring is looking to gain insight into the type of service offering provided. We think an additional objective under this banner could be to consider the evolution of interdependencies with other regulated markets in respect of multi-utility offerings. As broader multi-utility offerings emerge this will potentially produce some cross regulatory dependencies that might require different monitoring regimes.

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

We fully agree with the issues you are proposing to monitor and think that market participant behaviour and customer engagement with the market will be the key points to monitor closely. The success of the market is dependent upon all market participants collectively working together to ensure the effectiveness of the market and accordingly we need all participants to behave in the best interests of the broader market. For example, Participants should display similar levels of commitment in processing switches away to a different retailer as they display in acquisitive switches.

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 are supportive of the proposed metrics and believe that they will be useful in assessing the effectiveness of the market. We have some data protection concerns

over the obtaining of this information from MOSL and would suggest that a full impact assessment is made on the provision and subsequent use of this data. Of particular concern would be the inclusion of any personal data and the use of the sensitive customer classification. The scope of the assessment should include the use of any third parties in the acquisition and analysis of the relevant data.

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 Wholesaler we do not believe that it is appropriate for us to respond to this question.

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.

In the preparation for market opening, the Open Water website has been specifically developed to become a focal point for independent information. Although further development and promotion is likely to be required to enable the Open Water website to achieve a broader objective of informal monitoring, we agree that the website is potentially a good platform for this purpose. Another source of informal monitoring might be the Discover Water website. Again, with further development, including an appropriate section and some form of feedback mechanism (social media or customer comments) this website might be a good platform for this purpose.

As the market develops it will important to understand any interdependencies that start to evolve between the behaviours and performance of wholesalers and retailers. Will customer opinion differentiate between retail performance and wholesale performance? The vast majority of non-household customers will also be domestic customers of the incumbent wholesaler, and it is important that any monitoring process seeks to understand any cross-over influence or interrelationship between household and non-household performance monitoring.

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 believe that monitoring the behaviour of Third Party Intermediaries (TPIs) should be a key component of the market monitoring framework. TPIs can be a very useful addition to the functioning of the market but as an effectively unlicensed and unregulated section of the market there is a greater risk of inappropriate market behaviour. We would propose that TPIs are subject to a formal voluntary data submission similar to Appendix 2 but abridged and changed to align with TPI activity.

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.

Primarily this will be a Retailer issue but as a wholesale business we would look to segment market data in a range of different ways; specifically we would look at scale of services offered, trader type and SIC classification. Most of this information should be readily available from the market data set. Service scale can be assessed by volume and revenue based calculations but these do require a degree of data manipulation and as such might not be as readily available. Unless data maintenance issues occur in the market we do not envisage any major challenges to obtaining the relevant information.

It is very likely that Retail organisations will wish to utilise and develop their own customer classifications and as such some difficulties could be encountered with the standardisation of such data across the market.

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 think that a key aspect here will be the appropriate aggregation and anonymization of the relevant information. Clearly individual customer data confidentiality must be maintained and appropriate impact assessments completed.