



Market Monitoring Consultation
Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

Registered Office:
Portsmouth Water Ltd
PO Box 8
Havant
Hampshire PO9 1LG

Tel: 023 9249 9888
Fax: 023 9245 3632
Web: www.portsmouthwater.co.uk

10 February 2017

Dear Sir

PRT Response to Ofwat consultation on Monitoring the Business Retail Market from April 2017

Thank you for the opportunity to respond to the consultation on Monitoring the Retail Market, published 12 January 2017.

Portsmouth Water has chosen to exit the NHH Retail market but fully recognise we have an important role to ensure the supplies and services provided by our wholesale business remain of the highest quality and that we operate in accordance with both the Wholesale Contract and the Market Architecture Programme.

The consultation raises 8 questions, which we comment upon in turn in the pages attached.

The general theme in the consultation is that there will be a strong degree of regulation of the market in the foreseeable future. Given the important principle that competition will drive significant improvement in customer experience and level of service, we would hope that this is not the case in the medium term. We would hope that when the market is fully operational, and trust established, the degree of regulation proposed is reduced significantly.

Yours faithfully

Helen Orton
Finance and Regulation Director

Monitoring the Business Retail Market from April 2017

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

The objectives given in section 2.3 are sensible.

We suggest that one of the potential objectives of the market is to signal issues to consumers, such as impact of their demand at times of peak, and allow service offerings to address these issues. In this case we are thinking of the arrangements with large users of electricity – who have contracts that allow their supplier to reduce their electricity at times of high demand. Similar issues of peak demand occur in water. Thus an additional objective could be to monitor how the market resolves industry issues, such as balancing supply and demand.

We note that the Open Water success criteria states that costs should improve for the *majority* of customers, but not *all* customers. We have observed the debate in domestic energy market with pre-payment meters – where clearly one class of customer has been dis-benefitted in the market as a result of disaggregation of the standard tariffs. A more challenging objective could be to ensure that no customer is worse off as a result of the market.

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

We are in general agreement with issues identified, but suggest some derogations may be required for smaller retailers in particular to ensure data collection requirements are not a barrier to entry or overly burdensome and costly.

Further we would question if retailers would want to provide data on the number of customers inquiring about alternative offers. These are presumably discussions between customers and the “sales” teams of the retailer – and it is unclear why the retailer would want to provide this information outside of its business.

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

The information being proposed in Appendix 1 is driven by compliance with the codes and should not be burdensome for participants. We acknowledge that the Market Operator does not have the full picture, with rules associated with retail tariffing and sales methods not within the remit of the Market Operator.

Q4 What information will retailers hold that will help us achieve our monitoring objectives?

The information being proposed in Appendix 2 is reasonable. We think that the calculation and correct application of default tariffs is essential. We assume this forms part of the statutory schemes monitoring. If retailers do not have a good understanding of the construct of the default tariff, they may not calculate charges correctly. Our experience suggests that it can be challenging to properly interpret and calculate tariffs based on a basic tariff description.

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 believe the adoption of an annual survey to monitor the market is sensible in the first year or two. As the market develops, the need for such monitoring should reduce.

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 agree that the behaviours of third party intermediaries could have a bearing on trust in the new market. Whilst we agree, aspirationally, with the aims stated here, in reality we see it as a difficult issue for Ofwat to manage other than via the retailer. In this context we note the publication of the consultation on the Voluntary TPI Code of Conduct, 7 February 2017.

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.

The volume of data being collected in Appendix 2 appears reasonable at a high level. However, we would suggest that reporting of information and splits by market segment will be a significant burden on retailers and can only be justified where needed to ensure the market is working properly, given its high level objectives.

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 would support the publication of high level market data on the Open Water website. Parallels can be made with the development of the "Discover Water" website, which is seen by stakeholders as an increase in transparency on the performance of the industry more generally.