



# **Monitoring the Business Retail Market from April 2017: a consultation Southern Water's Response**

February 2017

## Introduction

We welcome the opportunity to respond to the consultation on the monitoring of the business retail market from April 2017.

We understand the need to monitor the market and ensure the market is working effectively and efficiently to the benefit of customers. We agree that a monitoring framework is required for ex-post regulation. This is needed to ensure customer experience meets expectation and that the market conduct of participants ensures a fair and functioning market.

We believe that one of the key useful metrics would be level of vacant properties by retailer, which would be an indicator of retailer debt collection issues, cash flow and market conduct.

### **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 outlined in the consultation document. In addition to these, it may be useful to include an objective to monitor market conduct and assess the behaviour of market participants to ensure the market is functioning effectively.

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

Yes, we agree with the areas you intend to measure. We believe that the key issues to monitor are customer experience and market conduct. The latter covers the bi-lateral service levels, retailer payment history and also other market metrics such as the number and movement in vacant properties. This is a key factor in correctly calculating wholesale charges and any increase in properties classified as vacant may be an indicator of retailer debt collection issues, resource capability or non-compliance.

### **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 agree with the majority of information you propose to obtain. However, we have some comments on specific data items outlined below:

- **Occupancy Status** – as outlined in our response to Question 2, we believe that occupancy status is a key metric to monitor the conduct of market participants. This metric, alongside the number of correct challenges to vacant status, will help monitor market conduct and may be an indicator of retail debt collection issues.
- **Building Water Status** – it is not clear why this metric is included in the market monitoring framework as it does not appear to meet the objectives outlined.

- Volume Transfer Flag – We are not sure whether this field would be able to provide an indication of multi-site customers and therefore be able to meet the intended rationale.
- Debt/Original Date of Invoice – we agree that bad debt between wholesalers and retailers is a critical measure of the health of the market and essential to ensure wholesalers are not exposed to bad debt. However, it is not clear how these two measures would be obtained. It may be more useful monitor payment failure, default interest or defaulting events as outlined in the Business Terms.
- Public health related site flag - It is not clear why this metric is included in the market monitoring framework as it does not appear to meet the objectives outlined.

**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 an exiting incumbent from the market, we will have no retailer data and therefore have no comment.

**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 agree that customer experience and perception is an important factor and accept that technology and social media are useful ways to gain customer insight. We agree that such mechanisms and interactions should be used informally within reasonable and appropriate bounds and that enforcement should be initiated through the formal monitoring framework and processes.

**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.**

Third party intermediaries are an important aspect of the market and the number of customers using such services would provide a useful insight into the ease of and preferred means of customer interaction with the market.

**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.**

Segmentation data for supply points by wholesale area, consumption and SIC Code are available in CMOS. Data for business type i.e. micro-businesses as defined in the Customer Code of Practice are more challenging and would need to be obtained from the Retailers.

**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 need further information on the type and granularity of the data to be published in order to determine the commercial and competition law risks and issues.