

## Introduction

United Utilities welcomes the opportunity to comment on the consultation “Monitoring the business retail market from April 2017”. A great deal of effort has been invested in setting up the non-household market by all stakeholders and we agree that effective monitoring is key to ensuring that trust and confidence in the market is established and maintained. Customer satisfaction is a key indicator of customer trust and confidence; this should be closely monitored as a key indicator and should be actively monitored alongside other indirect indicators of market effectiveness such as switching rates and services offered.

The disorderly failure of a retailer would have a negative impact on customer confidence. This means that the financial stability of retailers must be assured before licences are granted and afterwards monitored. If retailers are struggling financially, or have defaulted then market participants should be made aware immediately. Monitoring bad debt between wholesalers and retailers is essential and taken alongside the time it takes to resolve bad debt should provide some useful indicators to monitor retailer’s financial stability.

We agree that not having set targets at this stage is a sensible approach as there is the potential for targets to create inappropriate incentives. Judging the success of markets and the presence of a level playing field cannot be measured purely using the metrics specified within this consultation. The measures may identify issues worthy of further scrutiny, but do not conclusively indicate that there is a problem. Therefore we do not currently support the introduction of targets in relation to metrics being gathered to monitor the market.

The non-household market and in particular micro-businesses within the market may be able to provide evidence to inform the case for introducing competition into the household retail market.

## Consultation questions

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

We believe that monitoring of the business retail market should, in addition to focussing on protecting customers and retailers, aim to help protect wholesalers’ interests. Monitoring should be used to establish whether retailers provide accurate data in a timely manner, including vacancy numbers and meter read data. In addition to this information, the financial viability of retailers should be monitored closely.

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

We believe it would be beneficial for the level of gap sites and vacancies to be closely monitored. There can be a number of reasons why there would be large changes in gap sites and vacancies. We suggest that these figures be reviewed on a monthly basis and wholesalers be provided with a view of both their and market figures.

Both customers and wholesalers benefit from regular meter reading as this ensures accurate billing. We believe there is value to monitoring the frequency of actual meter reads and in particular

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monitoring those customers who infrequently have their meter read. Therefore we suggest that this is included within the monitoring data.

Given the extent to which wholesalers are being expected to provide credit cover for retailers it becomes increasingly important that wholesalers are aware of any potential financial shocks that may befall them. Therefore any forewarning of retailer failure that can be given to wholesalers could help mitigate this impact and ensure the least possible market disruption for customers.

The introduction of a retailer creates a potential additional step between customers experiencing an issue with their water and wastewater services and the wholesaler who needs to identify that issue before they can resolve it. There are currently no measures proposed that provides oversight of the effectiveness of processes to provide the wholesaler with details of service issues.

Given the potential public health issues we would recommended that such a metric be introduced. A failure of the interface between wholesalers and retailers in such circumstances is likely to diminish the perception of the market as a whole. It will be important that customer satisfaction with the wholesaler's service is monitored; should the new market structure negatively impact this perception steps should be taken to improve communications between wholesalers and retailers.

**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 see no issues for wholesalers in the type or format of information being requested.

**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.**

We welcome any measures that look to keep the regulatory burden proportionate for all parties within the market. It is however important that this proportionality includes the protection of all stakeholders including wholesalers.

**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 support the wider intelligence gathering proposed within the monitoring framework and understand and support the need to communicate to all stakeholders within the market.

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**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?**

The building and retention of trust and confidence in the non-household retail market is vital for us to establish a successful market. A failure to share relevant information in relation to competition law investigations could damage this trust. If the information can be anonymised whilst not losing its salience then we believe the assumption should be that the information be shared to market participants. The purpose of competition law is to protect the market. Sharing information that highlights activities market participants should be focussing on from a compliance perspective supports the protection of this market.

Providing information to wholesalers in a timely manner on retailers who are struggling financially, or have defaulted within the market should be standard practise. Bad debt between wholesalers and retailers is a good measure and alongside an indication of how long it takes to resolve bad debt can provide a reasonable view of retailer's financial health. Wholesalers must be informed immediately when a retailer defaults within the market.