

Monitoring the Business Retail Market Consultation
Ofwat
City Centre Tower
7 Hill Street
Birmingham
B5 4AU

By email to: MarketMonitoringConsultation@ofwat.gsi.gov.uk

10 February 2017

Dear Sirs,

Monitoring the Business Retail Market from April 2017: a consultation

Thank you for giving us the opportunity to provide comments and feedback on the “Monitoring the Business Retail Market” consultation.

Yorkshire Water Business Services supports the objectives set out in Ofwat’s proposed approach in the consultation. We recognise the benefits of an effective monitoring framework in establishing a well-functioning market, whilst protecting customers and supporting evolution of that market.

A number of themes have emerged from our discussions in preparation of our response to the consultation as follows:

- We believe the objectives, approach and general methodology proposed for market monitoring to be consistent with identifying, understanding and acting as necessary to ensure an effective and successful competitive market.
- Recognition that at this stage of the market to foresee what data is likely to be important is a challenge, therefore flexibility of reporting functionality should be encouraged.
- The reporting requirements are extensive and could prove burdensome, particularly to smaller retailers. Confirmation that the cost is justifiable for the benefit of collecting and analysing such a comprehensive range of data could create increased support from stakeholders in developing more effective monitoring of the market.
- The specification and purpose of several of the data items prescribed in the appendices remain unclear, and early clarification of these requirements would be beneficial.

Our responses to the specific questions are contained in the attachment to this letter. We have sought to keep our responses as brief as possible and make material comment only where we have a specific opinion, or to explain our reasoning for a particular answer.

We look forward to publication of the outcome of this consultation, however should you have any queries regarding any of our responses, please don't hesitate to contact my colleague Howard Smith by email at market_design_team@yorkshirewater.co.uk.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'P.P.', with a horizontal line underneath.

P.P.

Head of Yorkshire Water Business Services

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| Consultation questions | | Feedback – YWBS |
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| Q1 | Are there any other objectives that market monitoring could or should fulfil in addition to those mentioned in section 2.3? | We support the objectives detailed in section 2.3 and believe them to be comprehensive in their scope. |
| Q2 | Do you agree with the issues we propose to monitor? What issues do you think should be monitored particularly closely? | <p>We do agree with the proposal to monitor market structure, conduct and performance.</p> <p>We would like to see an initial focus on market behaviours, and in particular that the activity of third party intermediaries does not cause any dilution of trust customers currently have in the sector.</p> <p>As noted in the answer to question 1, we would like to see how market benefits are distributed between large, medium and small customers.</p> |
| Q3 | <p>Do you agree with the type and format of the information we are planning to obtain from the market operator? We welcome views on:</p> <ul style="list-style-type: none"> <input type="checkbox"/> the choice of metrics, their usefulness for our assessment of the market and ways of ensuring they are as useful as possible; and <input type="checkbox"/> the availability of that information, the opportunities and limitations of obtaining information from the market operator, including sources that could supplement it. | <p>The data items and segmentation requirements in Appendix 1 appear to be capable of supporting extensive analysis of market performance and behaviours.</p> <p>We would not recommend any increase in the specific data items or segmentation prescribed in Appendix 1 at this stage of market, as it is difficult to predict exactly which areas may require close attention. Instead, we would suggest that a requirement for flexibility in the actual data items to be reported on is placed on the MO for a given number of data items which can be readily configured at minimal cost to focus on a given area should the need arise.</p> <p>We would question whether CMOS is the most effective source for reporting on debt between wholesalers and retailers.</p> |

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| <p>Q4</p> | <p>What information will retailers hold that will help us achieve our monitoring objectives? We welcome views on:</p> <ul style="list-style-type: none"> <input type="checkbox"/> the choice of metrics, their usefulness for our assessment of the market and ways of ensuring they are as useful as possible; <input type="checkbox"/> the availability of that information, including where else we could obtain the information that we would like retailers to provide; <input type="checkbox"/> the best way for retailers to share that information with us (eg most appropriate format); <input type="checkbox"/> whether retailers will be able to segment information in the way we require; and <input type="checkbox"/> the best way to make sure the regulatory burden is proportionate, especially for smaller retailers. | <p>The systems being implemented for YWBS have been designed to meet the regulatory reporting requirements as they were understood when system requirements were specified. Testing of the ability of the reporting functionality to deliver the requirements of the Appendix 2 is ongoing.</p> <p>As referenced in the consultation document, the availability of some data items; for example a micro business indicator will take some time to populate fully. The means by which this is achieved and the likely timescale is currently under investigation. It is likely that as a minimum, the confirmation of micro business status will be confirmed with individual customers when any event relevant to a micro-business is encountered. We are unable at present to comment on usefulness or other sources of information, but are keen to engage as soon as we are able to contribute in this area.</p> |
| <p>Q5</p> | <p>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.</p> | <p>We would encourage engagement with smart data and visualisation services such as IBM Watson to determine what techniques are appropriate for identifying trends and patterns from external intelligence sources. However, we would wish to avoid any further significant cost burden being created as a result.</p> |
| <p>Q6</p> | <p>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.</p> | <p>We fully support Ofwat’s intention to involve TPIs in providing information useful in assessing the performance of the market. We are pleased to see progress in the development of proposals which could lead to a voluntary TPI CoP. We are unable to comment further on the part TPIs could play in providing market performance information until we have considered Ofwat’s proposals on the TPI CoP.</p> |

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| <p>Q7</p> | <p>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.</p> | <p>As noted in the answer to Q4, we are currently investigating how micro businesses may be identified but this is likely to prove challenging. Many of the data items in Appendix 2 are likely to be reportable without undue effort, however some of the data items such as water efficiency measures are likely to be much more difficult and costly to collect and report accurately. We consider that common segmentation requirements for both retailer and MO data may be more effective in creating compatible reporting from each source.</p> |
| <p>Q8</p> | <p>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?</p> | <p>Reporting outputs in some similar format to the market readiness heat maps published by MOSL may allow the most informative reporting whilst maintaining commercial anonymity where necessary.</p> |