

Meeting note

Monday 27 March 2017
10.00 am to 1.00 pm

Retailer data working group

Attendees	
Stephen Beddoes	Ofwat
Graham Pontin	Ofwat
Laura Clougher	Ofwat
Shabana Ahmad	Ofwat
Jeremy Downer	SES Water
Rupert Redesdale	The Water Retail Company
Wendy Monk	Anglian Water Business
Jo Dando	Water 2 Business
Steve Hervout	Water Plus
Trevor Nelson (Telephone)	Business Stream

Meeting purpose

In January Ofwat published its consultation ‘Monitoring the Business Retail Market from April 2017’. As part of this consultation we set out our intention to gather information from retailers.

A Retailer Data Working Group (“**RDWG**”) has been set up to engage on the design and implementation of the data request. The group met to agree its remit, terms of reference and comment on the retailer data provision form.

Expectations and Terms of Reference

The group agreed the terms of reference.

Some retailers asked for clarification of why Ofwat needed to collect this information and why in particular the specific data set is collectable through the retailers.

Ofwat explained its statutory responsibility to ensure the market is working well, for all groups of customers, and a tool which will help do this is monitoring the market through data from market participants. As explained in the consultation, whilst the majority of information will come from other sources, there is some data that only retailers will have sight of.

Some retailers asked for clarity over whether they should use the customer or the SPID in the information they provide. It was agreed that the SPID would be applicable here as it represents the actual change.

Some retailers wanted to ensure performance of wholesalers was considered when analysing the information submitted by retailers.

Retailers generally were keen to setup a mechanism of highlighting issues to Ofwat. Such issues include, data issues with MOSL, wholesaler issues and general concerns. It was agreed that this is outside the scope of this group, but it is something Ofwat will consider if a formal mechanism is needed and feed back to retailers. In the meantime, retailers are welcome to bring forward issues on an informal basis to Ofwat as and when they feel necessary.

Segmentation

As part of the data requested, Ofwat requires retailers to segment the data they submit by micro-businesses and Multi-sites.

Micro-businesses

Majority of retailers in attendance confirmed that they have no mechanism in place to identify micro-businesses. The group discussed a number of challenges the retailers face in identifying micro-businesses, including:

- Volume of customers – some retailers have over 100,000 customers through exit transfers and have inherited no information on the size of the business or employees.
- Proactive contact – retailers challenged Ofwat on the costs and resources required to proactively contact all its customers to identify if they are micro-businesses.
- Keeping the information up to date – retailers discussed the resource required to keep the information they do gather up to date, as business headcount be very fluid.

The group discussed options available to overcome the barriers identified above including, retailers confirming that for all new customers they on-board they will gather information to identify whether they are a micro business or not. The group also discussed using consumption data as an indicator of business size.

As a possible short term solution it was agreed that it was easier for retailers to identify large businesses and report micro-businesses by default, with a caveat that the number given has certain exceptions.

Some retailers confirmed that they have decided to use the Customer Protection Code of Practice as a guideline for all customers and assume every customer is a microbusiness unless they know otherwise.

Some retailers indicated they did not intend to target micro-businesses. Ofwat explained that they had no expectation as to how an individual retailers customers would be segmented, and a nil return against specific groups was valuable data in itself.

Multi-Sites

These are multiple SPIDs that can be grouped under a single owner.

Generally the group agreed that moving forward they are able to collect such information, however retrospectively it would be difficult, for the similar reasons given for micro-businesses. Ofwat acknowledged it would take time for such improvements and trends to evolve in the market and companies dataset and that this should improve as retailers got to know their 'new multisite' customers in more detail.

TPIs

Majority of the retailers agreed the importance of understanding the scale and impact that third party intermediaries ("**TPIs**") would have on the market.

Ofwat reminded attendees of their obligations under the Customer Protection Code of Practice ("**CPCoP**") in this regard, and was therefore of the view that reporting such transactions would not be unduly burdensome.

Some retailers suggested that this would not capture the full impact of TPIs, as they may engage in activities that retailers were not party to, or unsighted on. Ofwat explained that it is aware that visibility may not always be possible or difficult and explained that gathering intelligence on TPIs was the first stage in considering if regulatory intervention was needed, and clarified that it did not expect retailers to report on TPIs activities they were unaware of (notwithstanding the requirements of the CPCoP). Ofwat did agree that more clarity around the reporting requirements would help.

Some retailers argued that Ofwat needed to ask for more powers to regulate TPIs. Ofwat explained that if it decided to make such a request, it would need the evidence that only retailers could supply to support this.

Comments on the data provision form

Majority of retailers asked for clearer definitions of the information requested.

Retailers also insisted that most of this information can be taken from MOSL rather than them and again questioned why Ofwat needs this information and how they intend to use it. Ofwat agreed to continue to develop the clarity of the definitions, and was open to suggestions on how they can be improved, but repeated its position that some data could only currently come from retailers.

Disconnections (a data item held by MOSL) was suggested as a suitable alternative to customers in debt. Ofwat explained that this was not an acceptable alternative, as disconnections would not necessarily include sensitive customers (which will be of importance to Ofwat) and that the scale and relationship between the two is important in understanding the development and impacts of the markets on the various customer groups. We would expect most customers in debt to be offered a reasonable repayment plan (as described in the CPCoP) before considering disconnection and so understanding the comparative approach to the various customer groups is important.

Tariffs

A number of issues came out of the discussion relating to tariffs. These included:

- Definition – majority of retailers did not relate to the word tariffs and suggested this should be changed to prices.
- Business sensitive – most retailers were not comfortable sharing its pricing structure which are business sensitive and not in the public domain.
- Volume – most retailers suggested they could have many different pricing structures and therefore it would be resource intensive to list all these

Ofwat explained that understanding the nature of tariffs offered by retailers was vital to both determining if the market as a whole was delivering benefits to customers (a key success measure for the market is that it delivers better outcomes for customers through a combination of lower prices and better service), and also in ensuring that all customer groups had an opportunity to share in those benefits. There was no suggestion that there was a 'right' or 'wrong' tariff structure. Ofwat re-iterated that it would not publish individual tariff data.

Ofwat recognised the challenges of getting useful information given the potentially bespoke nature of the contracts entered into, although it is expected that smaller

users will generally have contracts with standard terms and conditions. Ofwat agreed to consider the issue further and welcomed constructive input into the process.

Method and format of data provision

The group was happy with the method and format of the data provision. Frequency and timing of data provision

Retailers questioned the intended frequency and timing of the data.

Ofwat confirmed that the intention was to collect data at the end of the first year of market opening. Ofwat also confirmed that it would continue to refine the details of that data request over the coming weeks, and was keen for retailers to be part of that process. Ofwat would then issue a formal notice to all retailers confirming the details of the requirement.

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