

Retail Exit Code: price protections beyond March 2020

Consultation response from the Major Energy Users' Council (MEUC)

About the Major Energy Users' Council

The MEUC is a membership organisation, representing industrial and commercial customers in the UK. We have been active since before retail market opening supporting our members to make good choices in the new business retail water market.

Scope of our response

Thank you for the opportunity to comment on your initial thoughts on the appropriate framework and methodology for retail price protection after the end of March 2020. As we represent major users, we have confined our responses to those areas directly relating to this group.

Consultation Q8: What approach to price protection do you suggest we adopt for transferred customers who are not SMEs?

MEUC response:

We agree with Ofwat's initial thinking, that the current protections based on PR16 will continue to be appropriate for non SME customers after March 2020.

The awareness of choice is not an issue among our members, however we support the continuation of the current protections because:

- While many of our members have been among the first movers in the market, many have chosen not to switch to date. We therefore value the price protections Ofwat has provided for this group.
- Some multi-site members who have switched have reported some of their site transfers have been rejected. The price protections in place ensure that while these switches are resolved, members do not face punitive prices. This is unlike in the energy market, where out of contract/default prices can be double that of contracted rates. Some rejections are on the back of data quality issues in the central market system. We do not see these issues as likely to be resolved fully in the short term. Therefore we envisage some customers will continue to experience rejections after 2020 – and hence that the price protections will continue to be valuable.

For your information, we further observe that price protections may have blunted customers' propensity to switch. A number of our members have remarked that had they faced the sort of price penalties common in energy for those on default rates, they would have more enthusiastically engaged with the market. For the avoidance of doubt, this is an observation not a recommendation – as described above, we value the price protections Ofwat has put in place.

Consultation Q9: What approach to price protection do you suggest we adopt for eligible exit area customers who are not SMEs?

MEUC response:

Like Ofwat, we are not aware of any reason to change the existing "reasonable and non-discriminatory" approach to new large customers. We therefore endorse your initial thinking about maintaining current arrangements for this group.

Contact

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