



Retail Exit Code
Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

15th February 2019

Consultation on Retail Exit Code: non-price protection

Dear Sir/Madam

Thank you for giving Business Stream the opportunity to provide views on the proposed changes to the Retail Exit Code to strengthen non-price protection for customers.

We agree in principle with Ofwat's proposal to insert a general obligation into the code that ensures customers on deemed contracts are 'no worse off' than prior to Exit. This was the principle we applied when we acquired Southern Water's NHH customer base, and which we believe most other retailers have followed. We offer customers incentives to change their billing or payment arrangements, but in all cases customers are made aware of the options and ultimately it is the customers' choice. We would like to think that all of the customers we acquired have benefited from Exit, as Business Stream also drives service improvements based on our retention experience in Scotland.

As we understand it, the proposed Code amendments will require retailers who previously moved customers onto prepayment without their consent, to rectify the position before 2020. We strongly support this approach: it is critical that equivalence is restored between retailers. As things stand, the regulations do not appear to be being applied consistently, and hence the playing field is skewed.

Our primary concern is to ensure that in practice, retailers are able to afford to provide the same level of service as their Associated Retailer predecessors. Under Ofwat's current price protection proposals for 2020, the allowed margins for 0-0.5MI customers would still not be adequate to cover the costs of basic service provision within today's market. Whilst we do not condone it, it is understandable why retailers would want to move deemed customers onto payment in advance, in order to help manage the huge working capital cost-burden under current market arrangements; a cost which has still not been reflected in the proposed 2020 allowances. Unless retailers have the means to provide a 'no worse off' service, it would not be reasonable to require it.

The two elements of the REC review need to be joined-up (we note that the responses to the two elements of the REC review consultation appear to be going to separate teams). Consequently I have attached a copy of our response to the pricing consultation which contains more information about the costs of market participation that retailers need to be able to recover, to ensure that we are able to offer a service comparable to that customers received pre-Exit.

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I would be happy to discuss this further, so please don't hesitate to contact me if you have any queries.

Yours sincerely



Rosalind Carey
Director of Strategy and Regulation