

The nature of the harm that customers on deemed contracts may experience as a result of non-voluntary changes to their non-price terms and whether you agree that action is needed to strengthen protection.

w2b consider that the following points need significant review of the protection mechanisms;

High customer impact – strong protection mechanism recommended

- Outgoing Retailer rejecting switch due to debt based on advanced billing – we have experienced numerous examples of this in the last 18 months of the retail market.
- Changes to customer payment terms without prior notice or alternative options e.g. some customers have had previous 30-day payment terms shortened to 14 days with no prior warning and no option to review or negotiate
- Introduction of “termination fee” at point of notification of switch – w2b has been made aware of a circumstance where one of our new customers had been in a contract for a period with another Retailer. At the end of the contract term, there was an informal decision to remain supplied by that Retailer. The Retailer continued to bill the customer based on the negotiated rates (i.e. with a discount). The customer then decided that they were going to switch. At the point of notifying the outgoing Retailer of their decision, the Retailer advised they would be retrospectively billing them and removing the discounted rate, effectively leaving the customer with a [REDACTED] bill for leaving. This could stifle competition in the market if the practice was adopted en-masse.

Medium customer impact – moderate protection mechanism recommended

- Changes to read / billing frequency without prior notification or alternative options – shorten working capital cycle and can create additional financing requirements for customers
- Amendments not being added by the Primary Retailer to CMOS, meaning that the Sewerage Retailer cannot make required amendments to Customer account because the information is not available in the market. This can lead to customers not receiving bills, not receiving correct bills, accounts not being closed correctly or in reasonable timeframes and can add administrative burden to the customer

Low customer impact – guiding principles / best practice to be considered

- Outgoing Retailer sending debt recovery notices at the same time as, or shortly after, sending a final invoice

The policy options set out in this document and their impact not only on customers but on individual retailers.

Option 1: Do nothing approach – w2b do not consider the “do nothing” approach to be appropriate in the NHH market.

As a Retailer we have had to assist a number of customers who have tried to switch to our service but have been blocked from doing so due to an “outstanding bill” on water and

sewerage that have not been used yet – i.e. advanced billing. This has both impacting w2b and our operational staff who have had to deal with customer issues.

Option 2: Require retailers to be open and transparent about any proposed change in non-price terms

Option 3: Ban specific changes to specific non-price terms (e.g. a move to advance billing) for customers on deemed contracts

Option 4: Introduce an explicit 'no worse off' principle into the REC

On balance, w2b consider that a combination of all Options would be most appropriate to address the risks involving the protection of NHH customers in their non-pricing terms. We consider that, alone, none of these options would provide the necessary protection to customers and prevent the ill-treatment of customers through the forced change in non-pricing terms.

For any of these changes to be successful, w2b consider that the requirements need to be explicit, with examples provided where Retailers may be able to interpret the change wrongly. We also consider that an explicit requirement needs to be identified in the mechanism for the transparency of the proposed change (option 2) to ensure that these changes can be monitored and understood by the regulator as well.

Introducing all of these options would ensure clear governance.

Whether our preferred option strikes an appropriate balance between protecting customers who have not yet engaged in the market and also allowing retailers to innovate or improve efficiency

w2b consider that the preferred option does not go far enough to mitigate the risk of non-voluntary changes being enacted on customer in relation to non-price terms.

The “no worse off” principle is already embedded within the REC, as discussed in section 1.1 and 1.2 of the consultation. The fact that some retailers have chosen to act against this core principle which is already ingrained within the REC, however implicitly or explicitly this has been perceived, shows that the embedding of the principle is not as strong as OFWAT would have expected.

However, by combining this preferred option but taking it further and adding in the options in 2 and 3 will actually assist the market in making this ‘no worse off’ principle an intrinsic element across the market.

w2b consider that, when introducing the blended approach then there should be clear definitions and there would be no need to interpret the principle. At present, “no worse off” doesn’t actually provide any formal guidelines or criteria that a Retailer, or a Wholesaler, should consider before making any changes to the way in which they provide a service to the customer.

w2b also consider that Ofwat need to review changes that have already been made and implemented, prior to any recommendations from this review, otherwise any changes that are made out of this review may be too late and may have already had a significant detriment to customers and created a level playing field discrepancy between Retailers.