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Dear Sirs,

Response to Incumbent Water Companies and the Development of Effective Markets' letter

Many thanks for the opportunity to provide feedback to support your current review: we very much look forward to seeing the output in due course.

We have provided responses to the relevant questions where we feel we could add value. With regards to questions 16a & b we have not had any direct engagement with the Wholesalers; however, we employ Waterscan to manage the Wholesaler relationship so we would expect the Wholesalers to have engaged directly with them and anticipate Waterscan responding directly to this.

Question 11

Please describe any processes you have in place to take into account information received from retailers or end customers concerning incomplete or inaccurate data held in your systems or in CMOS. (For example this could relate to: meter location; customer or retailer meter readings; change of tenancy; or disconnection). Please also set out the process that a retailer would need to follow in order to inform you about incomplete or inaccurate data and your process and timetable for responding to this.

Meter location - Any information available from retailer should be held in CMOS under the meter location free descriptor. We have not received details regarding meter location from retailers on SPIDs that we currently hold, however should we receive this we would verify the data received before inputting this to any systems (internal or Central Market). Where customers provide meter location data this is often accompanied by photographic proof and the market is updated accordingly

Meter reads - Customer meter reads are validated against known consumption on site and where available photographs of the read are used before this data is input to the market. We do not accept data from non-contracted third parties without photographic proof; this goes for reads provided by the retailer for a SPID prior to ourselves where the read is before the registration start date but is not input to the market or after the registration start date.

Change of Tenancy - Customers report change of tenancy which then follows the sold site process. Any information received from other parties is verified with the customer before any further action is taken.



Disconnection - normally we identify redundant supplies and confirm them as such before raising a disconnection; if a Customer notifies us of a redundant supply, we will raise the appropriate bilateral (I/02) to have the supply capped off and disconnected. We would never disconnect a customer's supply on the say so of a third party, including a previous retailer.

Question 16c

Understanding causes for, and improving levels of rejected, deferred or late OPS tasks?

Failed customer contact is the most frequent reason for rejected and deferred tasks.

Question 17a

Do you offer alternative credit arrangements under Schedule 3 of the Business Terms of the Wholesale-Retail Code? If you have, what have you agreed and why? If not, or if you have refused a request for Schedule 3 terms, why not / why refused?

5 active alternative credit arrangements in place with Anglian Water, Severn Trent, South Staffs, Yorkshire Water and United Utilities. 6 post payment arrangements are Supported by an accepted Parent Company Guarantee and 1 exclusively by Cash Security deposit (SWW), 1 Pre-Payment Arrangement (South East water) with no post payment arrangement in place with Affinity Water.

Anglian Water Schedule 3 Agreement eligibility is based on Good Payment Performance History allows access to post payment unsecured credit of up to £300,000

United Utilities Schedule 3 Agreement eligibility is based on Good Payment Performance History allows access to post payment unsecured credit of up to £200,000

South Staffs Schedule 3 Agreement is based A credit score of 9 or 10 or as equivalent to the Contracting Retailer as defined in Schedule 2F of the Business Terms and that being the score determined for the entitlement of an Unsecured Credit Allowance entitles a discount of £65,000

Severn Trent Water offer a Schedule 3 Collateral Floor Arrangement. Template offers £75,000 discount against the monthly P1 with no set eligibility criteria or distinction on Retailers' characteristics or credit profiles. Marston's post an additional £223,000 as Cash Collateral Cash deposit in support of the excess over the Collateral Floor.

Yorkshire Water offer a Schedule 3 Credit Support Arrangement. Template offers £100,000 discount against the monthly P1 which also has with no set eligibility criteria or distinction on Retailers characteristics or credit profiles.

Question 17b

Do you offer alternative payment arrangements, under Section 9.2.4 and Schedule 3A of the Business Terms of the Wholesale-Retail Code Please describe. If not, why not?

No request for an Alternative Payment arrangement has been tabled by the Retailer.

Question 17c

Do you offer tailored offerings under (a) or (b) above to reflect specific characteristics of retailers (for example, self-supply retailers)? If not, please explain why this is the case.

Retailer driven proposal submitted to Severn Trent April 2019 seeking agreement on renewed Schedule 3 terms based on percentage proportion of max credit limit; up to 2% of max recommended Dun and Bradstreet credit limit (£390,000) in support of a monthly P1 credit support balance requirement of

£295,000; similar to the active arrangement agreed and implemented but United Utilities in favour of Greene King

Severn Trent have declined the proposal, citing the proposal could not be accepted because:

1. it does not provide equivalence to the credit support options provided for in the Market Codes
2. It does not provide a direct mechanism which would protect STW from loss in the event of a retailer defaulting in the same way a guarantee would (it is worth noting that STW have refused to accept a third party guarantee accepted in 6 other regions, deeming the BBB- assigned to Marston's Investment holding arm ineligible to act as Guarantor)
3. Wholesaler has also stated as one of their reasons that the organisation is not prepared to provide the resources or the funding that management of such a proposal would require.

Similar terms have been proposed to Affinity Water, South East Water and South West Water: the proposals have not been accepted.

Yours sincerely

Chris White



Marston's PLC

