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Dear Emma,

SUBJECT: Ofwat's open letter to incumbent water companies on the development of effective markets

Thank you for the opportunity to provide some feedback concerning the development of the market. Below we highlight some areas where we believe there to be significant issues affecting the effective development of the market.

Long Unread meters / Vacants / Gap sites

In terms of our customer portfolio 82 % of our vacant sites relate to gap sites allocated to us. The data quality associated with these sites has resulted in 12 % being so poor that the address cannot be mailed and a further 29 % where we have received returned mail. Of those where mail was delivered there has been a response rate of only 26% despite numerous attempts.

We have had engagement from some wholesalers such as Thames, NWL to attempt engage customers who simply have not responded to us. We have undertaken joint branded letters with Thames and NWL who wrote directly to the customers directing them to contact us. Unfortunately, these exercises had limited success. We are discussing next steps with these wholesalers and others who have started to engage and provide data. However, this is small scale relative to the size of the problem.

Until April 2019 we were the only retailer opted in to accept gap site allocations on a national basis. The difficulties highlighted resulted in us withdrawing from the gap site scheme for large parts of the market.

Given this position retailers are facing a 'cliff edge' in April 2020 where it would appear that charging wholesale costs for vacant sites is likely to considerably increase. We believe that this is clearly an unintended consequence of the PR 19 process and unduly allocates significant financial risk to retailers for the benefit of wholesalers.

Whilst we recognise the work of both the RWG and Mosl's recently established vacant working group we do not believe that there is sufficient time for the market to establish a market wide solution that also addresses the historical data issues prior to April 2020. Consequently, we believe that there should be a temporary suspension of wholesale charges for vacant premises (potentially for 1 or 2 years) in order to implement a market solution and allow time for resolution of historical issues which largely are wholesaler generated.

The failure of wholesalers to adopt a different approach to vacant charging has the potential for significant impact on the development of the market.

Alternative Credit arrangements and Payment Terms

Cashflow management is a major concern particularly for growing business who by definition are those most engaged in bringing choice to customers. This can effectively constrain growth and consequently customer choice.

We would like to bring to your attention the recent decision by Yorkshire Water to provide retailers with 90 day payment terms subject to eligibility criteria. The structure of this arrangement means there is limited additional risk for them.

If all wholesalers were to be encouraged to provide similar terms this would enable retailers the liquidity to grow and bring choice to customers unencumbered by cashflow constraints. This would in our opinion facilitate a major step forward in the development of the market.

Charging Structure

The development of an effective market is best served by simplicity and consistency. The more complex the conversation or communication the more difficult it is to engage a customer or provide quality customer service.

The complexity and lack of market consistency in tariff structures is confusing for customers and also complicates customer service conversations.

Existing tariff structures may be logical for particular geographic wholesale areas from a wholesaler's perspective but this approach is not grounded in the consumers experience. Customers with premises in multiple wholesale areas are not only large multi-site customers but start with small businesses with a few sites, an area of the market that retailers have been struggling to engage.

The development of the market would clearly benefit from greater national consistency and simplicity.

Yours sincerely,

[Redacted signature block]