

Call for Inputs: Impact of COVID-19 on the business retail market – reduced demand

Introduction

Many businesses will be reducing their commercial activities or temporarily closing in the face of measures to combat the Corona virus. Overall demand for water in the non-household sector over the next quarter is likely to fall as a result. Such reductions will not be immediately apparent to wholesalers and retailers, because for example settlement volumes will be on the basis of 'business as usual' forecasts of water usage. Absent other measures, this would mean retailers would be liable for paying wholesalers for higher volume consumption than would have occurred.

Ofwat and MOSL are working together to progress an urgent code change aimed at improving short term estimation so that it more accurately reflects water being consumed by business customers. This could be an extended and temporary application of 'vacant status' or 'temporary disconnection status' to properties that have closed due to the coronavirus pandemic. It is expected that The Industry Panel will make a recommendation on this proposal by late March, with an Authority decision soon after.

To inform the development of this urgent code modification we request the following information from stakeholders - where they are able to provide it - by 9am, Tuesday 24 March. These can be emailed to codechange@ofwat.gov.uk

We hope to engage further with stakeholders - for example via the Retailer Wholesaler Group - next week.

Questions for all stakeholders

1. What are your views on the proposal for retailers to use a vacancy or temporary disconnection status in CMOS to indicate where a business premise is closed - and therefore not using water - as a result of the coronavirus pandemic?
2. What measures could be put in place to ensure these changes could be appropriately unwound in future and differentiated from other vacancy or temporary disconnection flags in CMOS? Do you have views about the appropriate duration of such measures?
3. What evidence, if any, would it be appropriate for retailers to provide to support a vacancy or temporary disconnection status?
4. What is your preferred approach to ensuring that primary charges more accurately reflect reduced business customer demand for water as a result of coronavirus? [NB - this could be different to either of the solutions identified in this Call For Information].
5. Please explain (and provide evidence to support) any implications of this proposal on your business, the wider business retail market and customers.

Question for wholesalers only

6. Please confirm your approach to charging for properties that have been marked as vacant or temporarily disconnected in CMOS. Please also provide a table setting out your fixed and volumetric charges that apply to business customers.