

**Covid-19 and the Business Retail Market: Proposal to accept a
Customer Protection Code Change Proposal – CP0007 - a Consultation**

Response of Castle Water Limited

Q1. Do you think the Change Proposal will achieve the following policy aims:

- a. Covid-19 Affected Customers should continue to be protected.**
- b. Customers who are operating normally and can pay should be subject to normal debt recovery processes.**
- c. Retailers should take the necessary steps to differentiate between those customers who genuinely need support and those who should be expected to pay.**

A1. Yes.

We note Ofwat's observation that customers will move between these categories over time, and that we should 'monitor where customers sit within these categories on an ongoing basis' and ensure that customers who are able to pay do pay.

Where customers need support Castle Water has found that a single consistently applied policy that is simple, clear and unambiguous is the most effective way of dealing with customers in payment difficulty.

As regards category (ii), it will be impossible for us accurately to calibrate the degree to which a customer's payment difficulties directly arise 'as a result of' Covid-19, and to seek to calibrate an individual response will produce invidious results. If, therefore, a customer can produce reasonable evidence of a Covid-19 effect we will make the same repayment terms available to each such customer.

Q2. What is your view of the proposal that the protections relating to disconnection, suspension of enforcement, late payment and interest charges will only automatically apply to Covid-19 Affected Customers?

A2. We agree.

We will assume that a customer is not, or is no longer, in this category if a Vacancy flag has not been applied, or has been disapplied, except where a customer can substantiate otherwise.

We will therefore also assume that normal collection processes will apply to category (iii)

Q3. What do you think should be included in a Covid-19 Repayment Scheme? Do you have any examples of similar schemes that you have offered and/or have considered as a result of Covid-19? Please provide details.

A3. See below separate answers to these questions.

A. Schemes offered / considered

We have complied fully with the current Code of Practice (CoP) requirements in relation to the restrictions on collection introduced because of Covid-19.

In addition, we have made every possible effort to reach out to customers to learn, and enable customers to let us know, their situation and for us to respond appropriately, including where these indicate payment difficulties. During the Covid-19 period we have sent a comprehensive series of email communications direct to customers; updated our website frequently to give customers topical advice and the means of communicating information to us on the status of their premises, activity and usage; and underpinned these measures with online forms to support customers through closure, re-opening and reduced consumption.

The resulting contacts have led to a number of referrals to the team dealing with payment plans. The customer service, complaints, complex resolution and collections teams are all trained in the CoP requirements.

Payment plans are offered provided that, in general:

- [X]
- [X]

If a customer already pays by Direct Debit and end of year meter readings show increased usage, we automatically spread out those increased charges across the next payment year. We also actively promote Direct Debit at almost all points of contact including invoice cover letters, mailshots, etc., so encouraging customers to spread out charges.

B. What may be included within a Covid-19 Repayment Scheme

For this purpose we assume the proposals in the present consultation are implemented broadly unchanged. We anticipate using the kinds of extensive communication methods that we have already deployed (blogs, emails and forms, as well as outbound and inbound telephone calls), in addition to those specifically required under the proposals.

We would propose applying our existing repayment plan arrangements to a Covid-19 Repayment Scheme using the following broad criteria.

Eligibility

We would set out that category (i) customers are not automatically included in the Scheme because they are subject to the further protections as described in the CoP; that Category (ii) customers will need to evidence that their payment difficulties result from Covid 19, and that category (iii) customers will not qualify unless they can produce evidence that they too are experiencing difficulty *as a result of Covid-19* and should be in Category (ii).

All Scheme communications would include reference to the evidence required if customers wished to dispute the Category to which they had been initially allocated, and the grounds for their eligibility or otherwise. This could include whether or not they were in fact one of the types of business that had been closed / effectively closed or partially closed due to HM Government's measures to contain the Covid-19 virus; other reasons why they had experienced reduced consumption; physical (e.g. photographic or documentary (e.g. output / staffing records, accounts) evidence of activity or otherwise; and where possible a meter reading.

Duration

Although Ofwat suggests an end date of 31 March 2021 or such later date as Ofwat may notify, we recognise that some customers may re-open, increase activity, or simply become contactable once more some months into the period between now and 31 March 2021. We would therefore propose to close the Scheme *to all new applicants* from that date – bearing in mind that the arrangements so made would subsist for up to twelve months further forward.

By the same token, given that this current review has taken place only two + months after lockdown, and we do not know how quickly any lifting of the current working restrictions may occur / take effect, we would suggest that Ofwat reserve the option of reviewing the end date earlier – say, three months from 1 June.

Evidence

We would, as proposed, use the Vacancy flag as evidence of Category (i) status, i.e. that the customer is one of the types of business that had been closed / effectively closed, due to HM Government's measures to contain the virus; other physical or documentary evidence of minimal activity; and where possible a meter reading.

[redacted]. Many customers who have closed or have severely reduced activity have been telling us that they would like to pay something but need control of the amount and periodicity.

Whenever a Vacancy flag is removed we would seek the customer's confirmation as to whether and when this might allow review of the Scheme plan, bearing in mind that the customer is more likely to move into Category (ii) (and be entitled to Category (ii) status) rather than return to normal payment. (We note in that context that on page 14 the consultation document states that ex-Category (i) customers 'shall' be eligible for the Scheme: we would suggest that 'may' would allow for possible exceptions.)

Where not all of a multi-site customer's premises are flagged as Vacant, the customer ought in principle to be allocated to Category (ii); however, in these case we would seek to establish the type and relative importance of the facility in question. To take an extreme example, we would not seek to exclude a customer from Category (i) because a security guard's gatehouse was not flagged Vacant while all the production facilities were so flagged.

In addition to responding to enquiries about the Scheme, when invoices or reminder letters are sent to customers of Vacant premises for whom we have contact details they will automatically be informed that although they qualify for the CoP protections they should pay if they can, and also be offered the option of applying for the Scheme.

We would expect customers to give their best estimates of when they might expect to resume normal payment patterns, and explain that it is a condition of the Scheme that we should be told if the customer's ability to pay either deteriorates or improves (e.g. on lifting of restrictions).

In line with the test described in the consultation document, a category (ii) customer wishing to benefit from the Scheme must contact us to advise of payment difficulties and provide reasonable evidence.

We would also advise customers [redacted] that the Scheme might be available to them if they meet the criteria.

If the customer nonetheless tells us, or it appears to us, that they cannot pay and have no prospect of doing so we would ask them to confirm this by [X]. This serves to give both parties clarity as to their position.

Notwithstanding that the Scheme does not apply to category (iii) customers, in order to address potential enquiry we would include in the Scheme an explanation that the Scheme does not apply to anyone who is not eligible (as above); that they are therefore expected to pay their bills as normal; and that the normal collections process (including disconnection and legal action) will apply.

We would also describe the process for contesting non-eligibility, and the evidence needed to show either financial hardship or reduced consumption '*as a result of Covid-19*', as above.

We would also draw attention to the potential availability of alternative methods of spreading payments of existing or prospective debts.

Q4. What are your views on our proposals to require Retailers to clearly provide a method of contact on websites, as set out in section 4.3?

A4. We are already fully compliant as regards the provision of clear contact information on our website, including both telephone and electronic means of communication; and forms relating to Covid-19 related closures, re-openings and reduced consumption. We will incorporate these formats explicitly in our publicity for the Covid-19 Repayment Scheme.

Our recent experience is that customers are increasingly moving to digital channels and we would want to encourage this where possible, though we would of course retain our existing telephone channels. We would train all relevant agents and put in place a [X] process. We would not, however, wish to be confined to a single 'hotline' dedicated to the Scheme, as this risks creating a bottleneck.

Q5. What is your view of the legal drafting for the Change Proposal (see appendix 1)?

A5. In the definition of "**Covid-19 Affected Customer**", there is an exception 'where a Retailer can provide robust evidence that the Non-Household Customer's ability to pay is unaffected by Covid-19'. We would regard such evidence as including that the Customer falls outside the categories of premises required by HM Government to remain closed, or otherwise ceasing to meet the Vacancy criteria; and physical or documentary evidence of continued activity.

In new section 7.1.7: Disconnection, we consider it would be helpful explicitly to tie the end date to the end of the wholesale Payment Deferral Period.

In the same section, the last sentence ends 'prior to the issue of a disconnection notice, Retailers *must take account of* their Covid-19 Repayment Scheme'. It would be clearer if this were expressed as '*must take account of any offer of, and uptake by, the Customer of their Covid-19 Repayment Scheme*'. This would make it clear not only that where a customer had agreed a payment plan they would not generally be subject to disconnection proceedings; but also that where they had ignored or declined to do so such proceedings would apply.

The same language could usefully be applied to the last clause of section 9.5.2.

Q6. Do you consider that the Change Proposal promotes and facilitates the General Principles of the CPCoP (section 4 of the CPCoP)?

A6. Yes, given current circumstances.

Q7. What is your view on our assessment that the impact of implementing the changes on Retailer's systems will be low? What is your view of the proposed implementation date of the Change Proposal being 1 June 2020?

A7. The incremental impact on our systems will be low but the already high level of resources committed to dealing customers affected by Covid-19 may be increased, especially by the need to monitor changes in Covid-19 Affected Customer status across customer groups and locations.

The implementation date should be no later than 1 June 2020.

8. Do you consider that the amendment to Part 113 of Operational Terms is still required to protect Self-Supply Retailers from disconnection?

A8. N/A

Castle Water Limited

20 May 2020