

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

Introduction

Thank you for the opportunity to respond to this consultation and to help to identify solutions in the long-term interest of all customers and the market.

During these unprecedented times when the country, the industry and our market have faced serious challenges, PWS has focused on maintaining a high level of service to its customers while keeping its people safe and positioning the business to be sustainable in the long run.

There is plenty of learning from this experience that has seen excellent coordination and cooperation between Retailers, Wholesalers and Regulators for the good of customers. This needs to be taken forward beyond this epidemic to help secure a NHH market that serves all customers effectively and efficiently.

PWS supports this consultation, especially the speed that Ofwat wants to implement the proposed changes.

PWS adopts the principle of protecting all customers, from the customer that can pay, especially those that understand the importance of paying their bills in tough trading times when cash is not readily available to them, to the customer that cannot pay. PWS also focuses on implementing fair systems that ensure the “won’t” payer is not inadvertently supported by other customers who work hard to pay their bills.

In responding to the consultation, we are broadly supportive of the proposals, especially the repayment scheme, and have tried to identify solutions for Ofwat to consider. We do believe the key challenges facing us as a result of the updated CPCoP are:

- Preventing the collection of Pre-COVID debt for COVID affected customers, while a reasonable principle, will restrict our ability to collect genuine debt owed to us that had not been paid during normal operations
- [REDACTED]
- The indefinite status of COVID affected debt creates a very difficult planning position and possibly the wrong behaviours from customers that can pay
- In our processes we will identify customers in significant difficulty who would require wholesale and retail charge relief. We propose the consideration of a joint Retail and Wholesale scheme that would offer meaningful debt relief to keep a critical service running.

PWS Response

- 1 - **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.**

While we agree that the proposal will achieve the stated aims there is a possible unintended consequence of relieving pressure on possible “won’t” payers.

Specifically, we challenge the protection provided to companies with Pre-COVID debt. We believe companies with debt associated with bills produced up to 1st Feb 2020 should be excluded. These bills will have been issued in arrears so the water use involved would pre-date the COVID-19 epidemic and customers should be expected to pay in full. At this time, they would have been operating normally.

These COVID-19 Affected Customers should be eligible for Government assistance to ensure they continue to trade. They will also be benefitting from being made vacant and therefore not receiving current charging.

As proposed, any customer with debt predating COVID-19 would be eligible for the suggested COVID-19 repayment scheme.

Below is a summary of the debt position of the customers that have been made vacant during March 2020 under the COVID-19 flag:



The table content is redacted with black bars. It appears to be a summary of debt positions for customers made vacant during March 2020 under the COVID-19 flag. The redaction covers all text within the table structure.

2. **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?**

Businesses who have historically had a good payment record should be afforded protection for debts proven to have resulted from COVID-19. However, as outlined in our answer to question 1 we believe that this same protection should not be applied to customers with debt predating the current epidemic.

Any moratorium/access to extended payment terms should be reward based and linked to past good behaviour. Section 4.1.1 of the CPCoP states “Retailers shall be fair, transparent and honest; while putting the customer at the heart of their business” Opting for the suggested broad-brush approach

i.e. treating both good & bad payers the same could alienate the former category of customer and would, in our view, be contrary to the spirit of the guidelines.

We believe that customers with debt predating COVID-19 should be excluded from this moratorium. While we hope that this scenario will not repeat itself, to encourage customer rehabilitation, there needs to be a tangible consequence for willing non/late payment.

Our experience is that the water bill is a low priority and the profile and value of water needs to be raised within our customer minds to help them understand its true scarcity.

3. 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.

We have a mature debt strategy that has tailored collections practices by industry sector and customer ability/willingness to pay. We propose the following features to a scheme that encourages sustainable payment by our customers that helps stabilize their business in the context of other bills and demands:

- Businesses will need to have an assessment before a decision on payment terms is made to establish a sustainable level of payment. Topics to cover need to be:
 - Assessment of other liabilities ongoing and future
 - Assessment of all other current debt
 - Projected cash flow for the requested period of the payment plan
- Explore other sources of funding available to our customers from nationally available schemes
- The default position prior to agreeing a repayment plan should be to enquire whether the business is eligible /have made an application for either the Small Business Grants or the Retail, Hospitality and Leisure Grant funds. While we would not mandate that a proportion of any awarded grant is directed to cover the water bill we would anticipate that the customer would be more inclined to make a payment to us if we have been instrumental in signposting them to available cash streams.
- There needs to be a flexible payment term of 6 – 12 months – On the basis that closed businesses will have had access to various governmental schemes i.e. furloughing, rate relief/grants etc. They will have had lower costs hence it is not unreasonable for them to be back on track within 12 months.
 - 12 months maximum would be available for business falling into category (i) *Non-Household Customers that are seriously affected by Covid-19*
 - 6 months maximum would be available for business falling into category (ii) *Non-Household Customers that are affected by Covid-19, and those in category (i) who had debt outstanding more than 6 months prior to Covid-19*
- Evidence – It would be assumed that only those premises that the government instructed to close or posted as vacant by ourselves in CMOS would be eligible for this longer 12 months repayment plan. This would include restaurants, cafes and bars/pubs, Non-food retailers, accommodation offerors (hotels etc.) and assembly/leisure arenas such as museums, churches cinemas and theatre.
 - These could initially be identified by virtue of their business name/sic-code. In the event of any dispute suitable evidence would be required. This could include details

of any staff furlough or in the event that had they negotiated a rent reduction for the period of closure written evidence of any agreement.

- Those businesses that have confirmed they have received a grant should only be offered 12-month payment terms. The grants were designed to cover core bills.
- In extreme cases where there is a real risk of poverty we would like Wholesaler and retailers to develop a support scheme to provide relief on all elements of the bill as provided in the HH market

4. 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?

Any process that encourages customers to actively communicate with their retailer is to be welcomed. This is a positive.

We will ensure our website encourages contact if the customer is in doubt of whether they classify as an affected business and the type of evidence required. We will also provide contact details of available national relief schemes we are aware of.

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

We are broadly happy with the proposed wording in the appendix. Our concern is that there needs to be a clearer demarcation between pre & post COVID-19 debt.

“No amounts owed by the Non-Household Customer to the Retailer are “due” or shall be treated as “due” by the Retailer for the purposes of a disconnection notice under section 61(1ZC)(b) of the 1991 Act, and for these purposes only. –

For example, if any business reopens trading normally any invoices raised from opening must be paid within terms. In the event that ongoing bills are not paid within terms, or a payment arrangement is breached, the account should be subject to recovery/enforcement action. The code of practice facilitates Retailers to remove a customer from this protection if they have evidence. We believe this needs to be reflected in the legal wording.

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

The proposal facilitates all six of the general principles but noting our observations and challenges in our answers to this consultation.

7. 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?

Any change that affects a Retailer’s system will have an impact and preventing charges as a result of CPW091 for vacants has already had an impact.

We already offer payment plans for customers in debt so the impact to systems will probably be minimal, however, the administrative element of classification and increased customer contacts via dedicated lines will potentially be significant to the scale of c20% volume increase based on responses to debt collection initiatives in the past.

8. Do you consider that the amendment to Part I13 of Operational Terms is still required to protect Self-Supply Retailers from disconnection?

Self-Supply customers should be in a better position than most to effect temporary vacancy flags and control settlement charging. Therefore, they should be able to pay their Wholesalers and should not get further benefit from the protections.

The self-supply mechanism is a method to link customers directly to the wholesaler, a principle we believe contradicts the purpose of the market. These customers are generally good paying customers, they and the market have agreed that they are allowed a direct link to wholesalers who, in their acceptance of a self-supply licensee, should have assessed the bad debt risk exposure to themselves. Something that has been posited by wholesalers through Water UK about Retail bad debt.