

20th May 2020

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By email to: CPCOPcodechange@ofwat.gsi.gov.uk
Reference: CPCoP consultation – CP0007

Dear Ofwat,

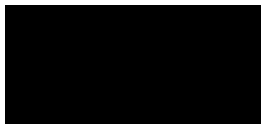
Thank you for providing us with an opportunity to comment on the proposed amendments to the Customer Protection Code of Practice. Whilst we recognise the need to protect the worst affected customers at such a critical time, we welcome the intent of the proposal to better balance the ability of the Retailer to recover charges where customers are able to pay.

Water Plus will endeavour to provide customer focussed services throughout the ongoing pandemic, ensuring that the needs and circumstances of the many businesses it serves are considered. However, retailers continue to incur operating costs during this period, and non-recovery of charges remains a threat to the health of both Water Plus as a retail entity and to the health of the market as a whole.

The change proposal should enable retailers to draw a distinction between the customers truly unable to pay, those who require assistance to pay and those who are able to continue to pay, despite the current circumstances. Enabling retailers to differentiate between these customer groups, and take the appropriate actions for each group, will be critical to ensure that the inherent trade-off between immediate customer protections and both the short and long term health of the market can be more effectively handled.

We are supportive that the overall proposal and believe it will be of benefit to the market. However, the implementation of repayment schemes will not be without cost and further cash flow impacts for retailers, particularly if it is mandated that they are offered widely. It is therefore important that these schemes are targeted at the customers who most require assistance.

Please find below our responses to each of the consultation questions, should you wish to discuss these further please do not hesitate to contact us at Regulation@waterplus.co.uk.



Kristin Garrett
Head of Legal & Regulation



Consultation questions

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.

We believe that the Change Proposal (CP0007) will at least partially achieve each of the referenced policy aims. The intention to tackle each of these objectives is clear and by enabling retailers to distinguish between the various customer groups and then proceed with the appropriate level of enforcement activity a finer balance will be struck between protecting the worst affected customers and ensuring that charges are recovered.

There will be practical difficulties in accurately identifying which of the three proposed categories all NHH customer fall into, particularly in cases where customers have responded to the earlier COVID-19 communications. Whilst the definition for "Affected Customers" is fairly clear, it is much less clear which customers fall into the other two groups.

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?

The current absolute protections relating to disconnection, suspension of enforcement, late payment and interest charges, as applied to all customers, prohibit retailers from recovering charges in the vast majority of cases, including historic debt predating the COVID-19 pandemic.

We welcome the overall movement away from such a prescriptive and prohibitive policy, and the definition of 'Covid-19 Affected Customers' represents a group to whom these measures remain to appear reasonable in the short term.

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.

For a Covid-19 Repayment Scheme to be effective and sustainable, it must balance the needs of both the customer and the retail entity. As such, please find below the principles we believe are required to ensure a robust structure that prioritises the needs of the worst affected customers whilst also mitigating the existing threat to retailer sustainability.

Reasonable and affordable timescales: For any customers affected by Covid-19, the major concern in this area will be financial security. Even in cases where some degree of operation has continued, businesses may struggle to pay the entirety of their bills in the immediate future without creating further uncertainty. As such, the priority of any scheme should be to identify these cases and provide alternative payment structures and plans that fit their specific needs, for example payment plans that will stretch out

their existing balance over a longer period of time. It is our experience that offering a payment plan that spreads a larger bill over a 12 month period has proven effective at assisting the payment of charges.

We would encourage Ofwat to enable Retailers to be flexible in the payment schemes and structures offered to their customer. We have concerns that a more prescriptive and uniform approach would threaten the effectiveness of a scheme, leading to customers who are able to pay receiving an extension far longer than necessary at the cost of retailers who truly need further support.

Opportunity to evidence affected status: Whilst Retailers will endeavour to understand the requirements of individual customers, in many cases this will not be possible to identify based on currently available information.

To ensure that the customers who are most in need of support are able to receive it, any scheme or system implemented must ensure the possibility for an end user to evidence that they fit this criteria and include the flexibility to provide the support they require.

Enforcement of repayment scheme: Once an agreement with a customer has been reached, for example a payment plan, it is critical that Retailers remain able to ensure that this is followed through. Whilst it will remain in the Retailers interests to be responsive to changes in customer circumstances and amend existing repayment schemes where evidence is provided, a scheme cannot be effective if customers have the opportunity to simply not pay and start again.

To ensure that any repayment scheme is followed, or only amended through direct communication, a customer should not be automatically eligible for a further repayment schemes should they simply not follow those previous offered and agreed to.

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?

Effective and clear communication with our customer base remains a priority for Water Plus and we will endeavour to ensure that continues following the potential implementation of CP0007. Water Plus has already implemented many of the requirements established in section 4.3, and as such believe that they are merited and beneficial.

We would however note that there may benefit to allowing retailers a greater level of flexibility in the delivery of these proposals, provided that its core intent is achieved.

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

We believe the legal drafting (appendix 1) should deliver the intent of the Change Proposal.

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

It is our belief that the Change Proposal does indeed promote and facilitate the General Principles of the Customer Protection Code of Practice.

In particular, we believe that the proposal both enables and encourages retailers to be fair with their customers and ensure trading parties our customers at the heart of their businesses (4.1.1).

An effective implementation of the proposals will also ensure that appropriate arrangements and processes will be accessible and effective to customers impacted by Covid-19 (4.1.6).

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?

The urgency of this Change Proposal has prevented a full analysis of the potential costs of implementation, that said we harbour concerns that effective implementation would not be without cost. We are also concerned that there is the potential for customers to become confused by different messages and we believe that retailers should be allowed a reasonable degree of flexibility in the implementation of the change and the associated communications.

The process of differentiating customers in to the various groups, ensuring these are systematically tracked and then the appropriate processes are followed will require significant resource commitment during a resource constrained period. This will not only include system based changes, but also a review of existing business processes and the development of further Covid-19 Repayment scheme.

Broadening the application of our current repayment schemes either in terms of the number of customers eligible or the length of time over which the repayments are made will impact our cashflow. If this is significantly adversely affected, this could in turn affect our ability to meet the minimum level of wholesale charge payments in the short term.

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

As another Retail entity in the market, we do not feel it is appropriate to comment too heavily on the regulatory framework explicitly and solely relating to Self-Supply retailers. However, as the prohibition on the disconnection of Self-Supply retailers is a blanket prohibition regardless of their ability to pay, it is difficult to reconcile with the underlying principle of customers that can pay, should pay.