

Emily Bulman
Ofwat
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Via email: interimsupply@ofwat.gov.uk

30 July 2020

Dear Emily,

Ref: Interim Supply: A consultation on process amendments

Thank you for providing us with the opportunity to respond to the consultation on '*Interim Supply: A consultation on process amendments*'.

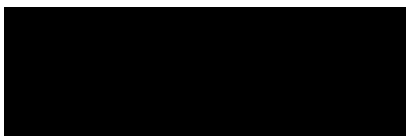
The non-household retail market faced unprecedented circumstances in March 20 and wholesalers, together with business retailers and Ofwat, have played a crucial role in finding a solution to the immediate threat caused by Covid-19. Whilst a lot has been achieved since March 20 to avoid a systemic retailer failure, the impact of Covid-19 on the economy is far from over, and businesses may continue to suffer from the pandemic.

We were pleased to see the publication on 27 July 2020 of Ofwat's proposals on the next steps regarding Covid-19 and the business retail market. We welcome the gradual unwinding of the emergency measures being taken to continue to support the market, and we also support Ofwat's confirmation that deferred wholesale charges will need to be repaid in full by the end of March 2021.

The Interim Supply Code is a key regulatory instrument to allow for a structured and organised exit in the event that a retailer fails. Overall, we support Ofwat's review of the Interim Supply Code and we have provided further comments in our response.

I hope you find our comments helpful and I look forward to continuing our discussion to ensure a more resilient competitive market in the future.

Yours sincerely,

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Stève Hervouet
Director of Regulation and Strategy

cc:
Pauline Walsh - CEO, Affinity Water
Stuart Ledger - CFO, Affinity Water

Consultation questions

Questions 1, 2, 4, 5, 6, 7, 8, 9:

We note the proposed changes and have no material objections. We are supportive of the amendments as detailed in the consultation document.

Question 3: Offers process: enabling areas to be split across different Eligible Licensees to give Ofwat the discretion to determine whether IDSPs in one Area, or a relevant combination of Areas, should be Allocated to more than one Eligible Licensee?

We note the proposed changes and are largely supportive. This approach seems well intentioned as it attempts to better align end customers with interim retailers (increase satisfaction, decrease dissatisfaction). However, this segmented approach may add complexity to the offer, evaluation, and allocation process. An approach which tries to better align individual categories of customers with retailers, may ultimately benefit wholesalers in the same way, whilst reducing any potential retailer failure risk.

Question 10: Customer right to switch away

We note Ofwat's comments however we consider that questions listed in this section are better addressed by retailers and as such are not providing a response to them.

Question 11: Submission of Transfer Reads following an interim supply event. What is your view of the current timeframes for submission of Transfer Reads (set out in section 5.1.10 of CSD 0004)? In providing views on this, please set out what you consider to be an appropriate timeframe, the reasons for this, and any perceived customer detriment where this is an extension to the current limitations.

This question is likely geared to encourage feedback from retailers rather than wholesalers, as such we will be interested to hear views from that category of trading party.

Without dismissing the possibility that an expedited approach to gathering meter reads could be a defining part of a retailer's offering versus other retailers, the current timeframes do seem optimistic. Meter reading service providers may not have the spare capacity to absorb the additional read requests into their existing scheduling. This issue could be more pronounced in a scenario where:

- the meter reading service provider for the interim retailer is different to the exiting retailer and
- the exiting retailer has a relatively large portion of a wholesaler's supply area and
- a large proportion of the transferred supply points are not fitted with meters which have remote reading capability

Meter reading activities tend to follow a predefined schedule which optimises resource efficiency (and hence helps control read cost for the end customer). This approach can mean meter reading technicians are only in some neighbourhoods twice each year (once every 6 months), which may cause issues achieving the timescales set out in CSD0004. Monthly read meters represent a relatively small proportion of total reads and so may present an easier challenge.

In terms of establishing appropriate timeframes going forward, in addition to gathering views from trading parties, it would be advisable to review the data from the 3 interim supply events which have occurred to date. It is difficult to say with certainty what the right balance will be as it will vary wildly depending on the circumstances of the event.

Question 12: Do you consider that the proposed changes to the WRC and the MAC further the principles and objectives of the WRC and MAC?

Yes, the proposed changes further the principles and objectives of the WRC and the MAC.