



The voice for water consumers  
Y corff sy'n rhoi llais i ddefnyddwyr dŵr

# **CCW response to the Water Services Regulation Authority (Ofwat) - Interim supply process amendments consultation**

## **Introduction**

Given the impact that an interim supply event has on customers, we want to see a process that is as efficient and transparent as possible, allowing a seamless transition for customers from their exiting supplier to the interim one. If there are currently complications with the relevant processes that are either causing difficulties for existing Eligible Licensees, or preventing others from opting in, then we support any measures designed to resolve this.

In addition to responding to the proposals below, we would also like to see further reforms to the interim supply process in the area of customer credit balances. In the two previous interim supply events involving Aquaflo & Tor Water, we were aware that no Eligible Licensees offered to honour the credit balances of affected customers. This is very concerning, and represents a lack of adequate protection for customers who were financially impacted by an event outside of their control. We would therefore urge Ofwat to introduce further reforms to the Interim Supply Code that offer protection to credit balances, or implement a solution that may be more appropriate outside of this Code.

In addition to the provision of protection for credit balances, we also believe it is appropriate for Ofwat to limit the ability for retailers to collect advance payments in certain circumstances. If there is evidence that a retailer is facing financial difficulty (e.g; defaulting on payments to wholesalers), they should stop taking advance payments in order to limit the build up of customer credit in the event of the retailer exiting the market. However, we support a customer's right to pay in advance if they so wish, so such intervention should only take place if the aforementioned risk becomes apparent.

We would urge Ofwat to take action in these areas as soon as possible. The effects of the Covid-19 pandemic may potentially result in more retailers exiting the market, which could include some with large customer bases. Given how many Non Household customers are already being financially impacted by the crisis, we do not want to see this compounded by an interim supply event.

### **1. Response to consultation questions**

**Q1) Do you have any comments on the proposed changes to the ISC, WRC and/or MAC, either in terms of our reasons for the changes or the legal drafting on the Amendments to Election process -**

- a. To enable the backdating of Election following a Relevant Cessation of Supply?**
- b. To codify the informal process that Ofwat and MOSL have in place to inform Licensees that an interim supply event is imminent?**
- c. To highlight in CSD 0004 the obligations on Licensees to provide a Scheme and Statement to Ofwat in the specified circumstances.**

**d. To align the Suspension process within the ISC and WRC.**

1. We agree that backdating an Eligible Licensee Election following a cessation of supply may increase the number of parties available to take on affected customers. However, it will be important that a reasonable period of time is maintained to allow scrutiny of licensees' proposed terms and conditions before opt in is granted. We would welcome assurances from Ofwat that this oversight is not going to be compromised by this proposal.
2. Making the process of informing licensees that an interim supply event is imminent a formal one is sensible. It should enable swifter allocation of customers when a retailer exits the market and should help encourage more retailers to elect to be an Eligible Licensee. It is also important to make clear the date and time by which licensees would need to elect in order to be part of the allocation process.
3. We support the proposed amendments to CSD 0004 with respect to Licensees' obligations to Ofwat. The regulator being allowed a sufficient period of scrutiny of a Licensee's capacity, and proposed terms and conditions for affected customers, are critical parts of determining suitability for an interim supply event.
4. We agree that it is beneficial to align the suspension process within the ISC and WRC. It is important that these documents do not cause confusion for trading parties, but clearly explain the processes in a consistent manner.

**Q2) Do you have any comments on the proposed changes to the ISC, WRC and/or MAC, either in terms of our reasons for the changes or the legal drafting on the Statements of Interim Supply Capacity -**

**a. To insert reference to Alternative Credit Support and Alternative Payment Terms into the Statements?**

**b. To amend the manner in which Statements are submitted so that they are provided by reference to CSD 0006 rather than directly to an Ofwat inbox.**

5. As the ISC currently does not refer to Alternative Eligible Credit Support being an option, this may be discouraging prospective Eligible Licensees from electing, and is not consistent with the provisions of CPW 019. It therefore seems reasonable to insert reference to this option in the Statement of Capacity.
6. While we are supportive of the use of Alternative Payment Terms, it may be inappropriate to mandate that existing terms are unaffected by the onboarding of new customers. As a result of a potentially large change in the number of SPID/customer numbers, Eligible Licensees should be prepared to potentially adapt to new payment arrangements that are more suited to new circumstances.
7. Given Ofwat's concerns about Statements not always being received in a timely manner, it is unclear whether submission through the CSD 0006 process would resolve this. The timescale for submission under CSD 0006 therefore has to be sufficient enough to allow the scrutiny needed.

**Q3) Do you have any comments on the proposed changes to the ISC, WRC and/or MAC, either in terms of our reasons for the changes or the legal drafting on the Offers process: enabling areas to be split across different Eligible Licensees -**

**a. 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?**

8. We support the proposal to give Ofwat discretion to allocate IDSPs to more than one Eligible Licensee. We believe this will enable a more tailored allocation service to the benefit of customers. By splitting the number of IDSPs, it is also hoped that this will increase the number of licensees electing into the process.

**Q4) Do you have any comments on the proposed changes to the ISC, WRC and/or MAC, either in terms of our reasons for the changes or the legal drafting on the allocation and Registration of Licensees who have Elected to be Eligible Licensees -**

**a. To explicitly reference the Offers process in CSD 0004?**

**b. The process diagrams for the Interim Supply Offers process and the Interim Supplier Allocation Process are reflective of the proposed amendments?**

9. As there are two separate processes for interim supply events, it is sensible to include reference to both in CSD 0004. This increases transparency, and removes any potential ambiguity concerning which process should apply.

10. The process diagrams outlined in Appendix 3 clearly outline the two different processes, so we therefore agree they are reflective of the proposed amendments.

**Q5) Do you have any comments on the proposed changes to the ISC, WRC and/or MAC, either in terms of our reasons for the changes or the legal drafting on the Interim Supplier Allocation Methodology -**

**a. To clarify that the methodology cited in CSD 0004 only applies to the Allocator process?**

**b. That an Eligible Licensee's Statement on capacity should be taken into account under the Allocator process.**

11. We have no substantive comments. The proposal to amend CSD004 to make clear the distinction between the Allocator and Offers processes appears sensible. The current legal drafting contains elements that do not apply directly to the Offers process, so altering those elements and introducing a new section to allow greater clarity for both processes is welcome.

12. We welcome the insertion of this requirement into the process. MOSL need to have access to statements on available capacity to ensure that customers are not allocated in volumes that exceed what a retailer could cope with.

**Q6) Do you have any comments on the proposed changes to the ISC, WRC and/or MAC, either in terms of our reasons for the changes or the legal drafting on the timetabling for the Allocator process -**

**a. To align the obligations on MOSL and Ofwat to provide and approve a timetable for the Allocator process?**

13. Clearly having separate requirements within the ISC and CSD0004 regarding the setting of a timetable has to be addressed. We agree with the proposal to allow MOSL to set the timetable given its greater understanding of the time that will be required to allocate the number of SPIDS involved in an interim supply process. However, we would like the given timetable to be transparent.

**Q7) Do you have any comments on the proposed changes to the ISC, WRC and/or MAC, either in terms of our reasons for the changes or the legal drafting on the Cessation of Supply -**

**a. To extend the circumstances in which Ofwat may invoke interim supply to include where a Licensee has consented to the revocation of its License?**

**b. To clarify that revocation will take precedence over Wholesale Contract termination for the purposes of interim supply.**

**c. To amend the Business Terms so that all Wholesale Contracts that a Licensee has are automatically terminated when its License is revoked?**

14. We have no concerns with these proposals. These proposed changes are based on the lessons learnt from prior events, which we support. Ofwat and MOSL have identified aspects of the Market Codes that could potentially cause delay or disruption to an interim supply event. It is right that these issues are addressed to ensure that any event runs as smoothly as possible for customers.

**Q8) Do you have any comments on the proposed changes to the ISC, WRC and/or MAC, either in terms of our reasons for the changes or the legal drafting on the provision of information to Affected Customers -**

**a. To enable Ofwat to extend the timeframe in which Interim Licensees must provide information to Affected Customers?**

15. It is important that customers are kept well informed about which Interim Licensee they have been allocated to and about their options to either stay on the interim contract, renegotiate, or switch to

an alternative supplier. Interim Suppliers need to contact customers as quickly as possible to avoid any uncertainty. We would expect five business days to remain the standard in the majority of cases and for Ofwat to consider the extension only where the Interim Supplier shows that this is justified by the volume of customers it has taken on. We do not want to see a situation where a customer has been allocated to a supplier, but does not receive any contact, and has to start seeking out information themselves. It is important for customers to be confident in the market. This includes interim supply events.

16. It is also important that Ofwat requests information on the customers of a retailer where an interim supply event is imminent. Having clear information on the size and financial impact of the customers upfront will enable a more efficient allocation process to Eligible Licensees, and will also serve to protect the interests of those customers.

**Q9) Do you have any comments on the proposed changes to the ISC, WRC and/or MAC, either in terms of our reasons for the changes or the legal drafting on other proposed changes -**

- a. To amend the reference from Wholesale Tariff to Wholesale Charges?**
- b. To clarify that Eligible Licensees will be able to use information provided with the Notice of Relevant Cessation of Supply to inform the contents of their Interim Supply Offer?**
- c. To make minor drafting changes to CSD 0004 and the MAC?**

17. We have no objections to amending the reference to wholesale charges. This is consistent with the definition in other documentation and should help to make the process clearer.

18. We have no objection to the minor drafting changes to CSD 0004 and the MAC. These appear to be tweaks to tidy the documents rather than to make substantive changes.

**Q10) Customer right to switch away**

- a. How long does it generally take to on-board a customer? Is this timeframe different where the customer has voluntarily moved to the Licensee in comparison to under the interim supply provisions, or gap site provisions? If yes, please provide details.**
- b. Do you have any experience of Affected Customers switching away having been allocated following an interim supply event? If yes, please provide details.**
- c. If you have one, does your current Interim Supply Scheme provide details to Affected Customers of how they can switch Licensee? If yes, please provide details.**
- d. Do you think the ISC should state when a new Licensee is able to continue the supply of services from the Interim Licensee? Do you consider that there are potential advantages and disadvantages (both for customers and Licensees) of codifying this requirement?**

19. We are not able to respond to questions 10a to 10c. However, we would be concerned if the rights of a customer to switch following an interim supply event were impacted. A customer may have previously switched away from the Licensee, who is now providing the interim supply. It would therefore be unreasonable to prevent the customer switching again at the earliest opportunity. In addition, we are concerned about restricting a customer's ability to switch from an Interim Licensee that is providing a poor service. We are, therefore, supportive of the ISC currently stating that an Interim Licensee's scheme must not restrict a customer's ability to switch to another Licensee, or to agreeing different terms and conditions with the Interim Licensee. We want to see this remain the case.
20. In order for the interim supply process to be clear and understandable for customers, we want the interim supply schemes of Eligible Licensees to be transparent on the terms directly impacting customers. The schemes must inform customers of how they can switch licensee and we would expect interim licensees to help customers through this journey.

**Q11) Submission of Transfer Reads following an interim supply event**

**a. 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.**

21. We do not want to see any extension to the current timeframe for the submission of transfer reads from the point a current Licensees' supply ends due to license revocation or termination of a wholesale contract. We feel that extending the current limitations could adversely impact the customer journey, which we would not support.
22. Should a future proposal be put forward to change the timeframes, we would expect this be supported by robust evidence.
23. Billing and charges continue to be the main category of complaints to CCW, and many retailers. Any change that would exacerbate complaints in this area would not be a welcome one.

**Q12) Do you consider that the proposed changes to the WRC and the MAC further the principles and objectives of the WRC and MAC?**

24. Many of the changes proposed are for the purpose of creating greater consistency and clarity. In addition, where these are based on lessons learned, we generally feel they are sensible changes to make. We also want to see transparency for customers and an improvement to the customer journey. We feel changes with this aim could be to the benefit of customers and the market.

## **Enquiries**

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