

**First Business Water Limited response to COVID-19 and the Business Retail Market:  
Consultation on next steps**

1. Consultation question 1: Of the three options identified in relation to extending liquidity support, which option do you support and why? Please explain your answer and provide supporting evidence wherever appropriate. Which option is most compatible with furthering customers interests and why?

Option 1, parties have had several months to seek alternative forms of support.

2. Consultation question 2: If we were to implement option 2, should we retain the existing capped amount of liquidity support (i.e. 40% of primary charges from March to July), or should this be reduced to a lower level (e.g. 30%, or 25%)? Please explain your answer and provide supporting evidence wherever appropriate.

As noted above, we support option 1, however should OFWAT seek to implement option 2 then we would look to seek the capped amount to be set at a lower limit of 25%

3. Consultation question 3: If we were to implement option 2, should we continue to allow Retailers to opt into the scheme at any time up until October 2020? We also welcome stakeholder views on the most appropriate way a cap could be implemented into the current mechanism. Please explain your answer and provide supporting evidence wherever appropriate.

This should only be considered if a retailer can prove that they have explored other financial options available and at a minimum tried to access government support.

4. Consultation question 4: Of the three options identified in relation to unwinding liquidity support, which option do you support and why? Please explain your answer and provide supporting evidence wherever appropriate. Which option is most compatible with furthering customers' interests and why?

Option 1

5. Consultation question 5 : Under option 3 do you agree that 33% of deferred wholesale charges should be repaid by end November 2020 and that 66% should be repaid by end January 2021? Please explain your answer and provide supporting evidence wherever appropriate.

We agree with the proposed profile of a minimum of 33% repayment by the end of November 2020 and 66% repayment by the end of January 2021.

6. Consultation question 6: Do you agree that the option for Retailers to use the temporary vacancy flag should be allowed to expire on 31 July 2020? Please explain your answer and provide supporting evidence wherever appropriate.

No, OFWAT should look to extend the use of the flag.

There is increasing risk of localised lockdowns (Leicester, Blackburn the most recent cases) and therefore retailers will require to have continued access to the Temporary Vacancy flag.

Not only is there a risk for localised geographic areas but also the risk of a second national outbreak.

OFWAT should extend the flag and have monitoring processes in place via MOSL to ensure flags are being used correctly. Examples we are seeing is that customers that are not in a position to be “COVID-19 Secure”, as required by the HSE before they reopen, are therefore not in a position to open. What happens to these customers?

7. Consultation question 7: Do you agree that in the event of (1): reduced consumption, and/or (2) any local lockdowns, Retailers should seek to obtain meter reads to reflect actual consumption in the market (or in the event a meter read cannot be obtained engage with customers to obtain an accurate estimate of consumption (YVE))? Please explain your answer and provide supporting evidence wherever appropriate. If you do not agree, please set out an alternative proposal.

Prior to COVID, meter reading has been an ongoing issue for the industry and therefore it is no surprise that obtaining any reads will continue to be difficult for all stakeholders.

Retailers will always try to obtain meter reading, and this has been a challenge due to access issues and closed premises. The market should be mindful that Retailers will do everything in our power to obtain readings either from customers (only if it safe to do so for the customer), wholesaler, third parties and our own teams. However, the market should understand that obtaining anywhere near a 95% reading success rate will be unachievable. We are seeing customers refusing access for readers due to safety concerns but cannot provide readings themselves when requested.

8. Consultation question 8: Do you agree that following the expiration of the temporary vacancy flag Retailers will have until the end of September to remove these flags from CMOS? Please explain your answer and provide supporting evidence wherever appropriate.

See answer to question 6

9. Consultation question 9: Do you agree that a new MPS should be introduced from 1 October that focusses on the timely removal of all temporary vacancy flags? If so, what are your views about how this standard should be designed? Please explain your answer and provide supporting evidence wherever appropriate.

No, Fines do not promote correct behaviour rather than penalise those trying to fix and correct data.

The preferred solution would be for MOSL to monitor the use of Temporary Vacancy flags and have trading party discussions to understand each situation. Retailers and wholesaler activity will be hit with localised lockdowns and should not be fined based on a blanket MPS.

10. Consultation question 10 : Do you agree that an additional MPS (or alternatively an API) should be introduced to monitor the use of YVEs in the market and incentivise the submission of more accurate consumption data? Please explain your answer and provide supporting evidence wherever appropriate

No, Fines do not promote correct behaviour rather than penalise those trying to fix and correct data.

YVE's only become relevant where obtaining and submitting meter reads into CMOS is an issue i.e. G reads, LURM etc. Therefore, allow retailers to focus on obtaining meter reads and support retailers to push wholesalers to carry out bi-lateral activity. If retailers cannot obtain meter reads due to

meter issues, then how can you create a good YVE. As we do not want a market with YVEs that are based on inaccurate data.

11. Consultation question 11 : If we were to introduce a financial incentive on YVEs, how could arbitrarily low YVEs entered into CMOS be identified in a proportionate way (for example via one or more simple rules)? If we were to introduce a reputational incentive on the use of YVEs, how could such a reputational incentive be strengthened?

If a meter which is being read regularly is displaying a static read, as the meter is not in use, would the market look to penalise a retailer for having a 0 YVE? Therefore, a retailer who is entering meter readings into CMOS and demonstrating that a meter is static will be punished on a regular basis for having a genuine 0 YVE. You can see this on combination meters where one of the meters is static. We also examples of customers who have low consuming properties which again when using meter reads have YVEs of less than 5m<sup>3</sup> per year.

12. Consultation question 12 What are your views on how we can better (financially or reputationally) incentivise Wholesalers to work constructively with Retailers during the unwinding of the temporary vacancy flag and to improve the accuracy of data in CMOS?

Wholesalers have been working with retailers in a positive manner by providing useful on the ground data which retailers may struggle to obtain by not being in area.

Retailers need support from Wholesaler when dealing with bi-lateral processes. Cases have been paused due to COVID-19 which has materially impacted Retailers efforts in fixing data. We need wholesalers focused on resuming paused cases ASAP.

13. Consultation question 13: Do you agree with the expectations set out above, which will guide trading parties through the unwinding of the temporary vacancy flag?

Yes

14. Consultation question 14: Should Market Performance charges come back into effect from end September 2020 or end October 2020? Please explain your answer and provide supporting evidence wherever appropriate.

End of October 2020 will provide both Retailers and Wholesaler the chance to work together and fix data.

COVID-19 provided time for all trading parties to review their data items and with the suspension of MPS allowed retailers and wholesalers to use older reads to be entered into the market without the fear of being penalised.

Wholesalers have provided reads to retailers 2-3 weeks after the read was taken. Therefore, if a retailer entered that read into CMOS, they would have incurred an MPS failure.

Since MPS was suspended in March 2020, it may be beneficial for the market if MPS continued to be suspended until March 2021 and have a year of MPS suspension, but the market should only consider this year suspension by ensuring that by the end of October 2020 trading parties have improved the market data.



Meter reading will continue to be a challenge for all trading parties, especially if meters are internal. If wholesalers are not able to support retailers in any metering activity or verification processes, therefore how is a retailer supposed to carry out meter reading activity when a meter cannot be located or cannot be accessed or fixed/replaced.

15. Consultation question 15: Should OPS charges be introduced before MPS charges? Please explain your answer and provide supporting evidence wherever appropriate.

Only if the wholesalers are reluctant to process forms. We are seeing an increase in forms being paused and COVID-19 being used as an excuse.