

Ofwat Consultation: "Interim Supply: A consultation on process amendments
– Northumbrian Water Limited Response Aug 2020

Introduction

We welcome the opportunity to comment on the proposed changes to the Interim Supply Code.

[REDACTED] We would support the views of those that have been more intimately involved with the utilisation of the process to date.

We have detailed below our views and responses on the specific questions asked using the question structure of the consultation.

General Comments

We are mindful of the interactions between the Interim Supply Code (ISC) and the default and termination provisions within the codes. The 2 aspects must work effectively together in order to produce as good a customer experience as possible for NHH Customers in the event of a default/termination event. Therefore we are conscious of the proposals under CPW080, that seek to simplify the code provisions in respect of default and termination. Overall, we do think that these changes to the ISC are compatible with CPW080 but we have not carried out a full legal review of the drafting changes side by side. However, we would draw your attention to one aspect of CPW080, specifically;

"Removing the provision that enables a Wholesaler to place a Retailer in Default if it is found to be a Defaulting Trading Party under another Wholesale Contract (Section 10.1.15)."

This would require the ISC to be applicable on a Contract by Contract basis. The current as drafted provisions are based on the current drafting that places a Retailer in default under all Wholesale Contracts once in a default position in any Wholesale Contract. Should this current position endure it would be useful to clarify the wording for the proposed section 10.1.14 of the business terms (formerly section 10.1.5) with the same confirmation proposed for licence revocation. Namely that "the Wholesale Contract shall terminate automatically and without any requirement for further notice".

A key element of this process is the overall speed at which it can be exercised. It is important to balance the need to remove Customer uncertainty as quickly as possible with a smooth and effective transition process. The aspiration of the process should be to affect the allocation as quickly as possible, but retain sufficient flexibility to allow for the range of potential scale of events within the Market and to allow sufficient time to ensure that customers best interests are adequately addressed. It is hoped that the incidence of application of the ISC is still relatively small but all such events should be reviewed post event to ensure that the timelines are as expedient as possible.

1. 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.

Ofwat Consultation: "Interim Supply: A consultation on process amendments
– Northumbrian Water Limited Response Aug 2020

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

We agree with and support all aspects of the proposals mentioned in points a to d above.

2. 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.

We agree with and support all aspects of the proposals mentioned in points a & b above.

3. 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?

We support the need to increase flexibility around the allocation of IDSPs. In practical terms constraints within Statements of Interim Supply Capacity might necessitate multiple allocations; accordingly we are supportive of this change.

4. 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?

We agree with and support all aspects of the proposals mentioned in points a & b above.

5. 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.

We agree with and support all aspects of the proposals mentioned in points a & b above. We think it is essential that an Eligible Licensee's Statement of capacity is considered in the Allocator process.

6. Timetabling for the Allocator process

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

We agree with and support all aspects of the proposals mentioned in point a above.

Ofwat Consultation: "Interim Supply: A consultation on process amendments
– Northumbrian Water Limited Response Aug 2020

7. 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?

We are comfortable with the concept that revocation will take precedence but are mindful of the need to still complete an appropriate termination process for the Wholesale Contract. We are supportive therefore of the automatic termination of all Wholesale Contracts and believe that the current proposed wording for the Business Terms achieves this effect. Please also see our General Comment section as the comment here is also relevant to cessation of supply.

8. Provision of information to Affected Customers

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

We are supportive of this change and note the intention that the timescales wont be extended in normal circumstances but only when deemed necessary.

9. 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?

We agree with and support all aspects of the proposals mentioned in points a to c above.

10. 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?

Ofwat Consultation: "Interim Supply: A consultation on process amendments
– Northumbrian Water Limited Response Aug 2020

We feel that this question is more appropriately answered by Retailers and Customer Representatives. We understand the issues and are sympathetic to the need to balance the time and effort committed by Retailers to effect the transfer with the principle of a free competitive market. We would envisage that a minimum period could be justified but without any information or analysis from the events to date it is difficult to understand whether it has a material impact within the market. In the absence of evidence, we would be minded to support remaining at the "as is" position but to inform any decision we would need to understand or assess whether this is viewed as an obstacle to engagement in the ISC process by retailers.

11. 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.

To a large extent the required timelines will practically depend on the scale of the event. It is obvious to state that a read as close to the Designated date as possible would be ideal and in this regard the current process does have an inbuilt delay due to the Allocation and Transfer processes. Large scale events will be much more challenging and the costs of obtaining a read, coupled with a right to switch away could be problematic for Retailers. The timescales proposed seem reasonable but only if the Allocation and Transfer process timelines align. For monthly meters the current 1 month requirement might be particularly difficult to comply with.

One option for consideration, in light of CPW087 – Ability for Wholesalers to add meter reads, might be that a Wholesaler obtains a read as close to the Designated Date as possible. This presents some other problems to address, specifically would a wholesaler have the resource/capability to take the reads and who would pay for the read, but the wholesaler wouldn't at least have to wait for the outcome of the Allocation or Transfer process. We propose this option for consideration as we can see some potential customer benefits if this approach resulted in a greater number of "closer to the date" reads.

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

Northumbrian Water Limited

August 2020