

## **PWS OFWAT – INTERIM SUPPLY CONSULTATION**

**06 August 2020**

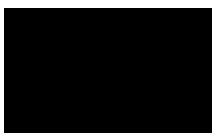
### **Introduction**

Thank you for the opportunity to respond to this consultation. We are supportive of and welcome the changes proposed as a whole and offer comment to help improve effectiveness and efficiency of the process. Reviewing documents for consistency and clarity are well timed.

The Interim Supply process requires flexibility and collaboration between retailers and regulator especially where a large retailers fails or exits the market. Ofwat and MOSL therefore need to codify flexibility through permission and agreement with Ofwat and MOSL.

We suggest that the process needs to be clear to the customer that the new retailer (Interim Licensee) is not associated with, or responsible for, the practices of the customer's previous supplier. We also suggest that a new Licensee should not be able to continue the supply of services from the Interim Licensee until the affected customer has paid their first bill from the Interim Licensee. The Interim Licensee would thus be able to recover at least a proportion of their costs, having acted in the interests of the market and the affected customer.

We believe the changes proposed, incorporating our comments, will meet Ofwat's twin objectives of ensuring customers' interests are protected and the interim supply arrangements are, going forward, fit for purpose.



Richard Stanbrook  
Managing Director

06 August 2020

## Consultation Questions

### 1. Amendments to Election process

#### a. To enable the backdating of Election following a Relevant Cessation of Supply?

PWS agree with the change

#### b. To codify the informal process that Ofwat and MOSL have in place to inform Licensees that an interim supply event is imminent?

PWS agree with the change and formalising established undocumented processes provide consistency and clarity. As suggested in the consultation, this will provide Licensees that are not already Eligible Licensees with the opportunity to Elect to be so ahead of an interim supply event. In turn this will meet Ofwat's objective in ensuring the interim supply arrangements are fit for purpose.

#### c. To highlight in CSD 0004 the obligations on Licensees to provide a Scheme and Statement to Ofwat in the specified circumstances.

PWS agree with the proposed change to cross reference the requirement set out in the ISC.

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

PWS agree with the proposed change.

### 2. Statements of Interim Supply Capacity

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

PWS agree with the proposed change to ensure consistency and cover both credit support and alternative payment terms.

#### 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.

PWS agree with the proposed change especially regarding consistency of submission.

### 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?

PWS supports this change, it quickly increases offering and depth of service to customers. It also avoids overloading a single retailer should a large retailer with a significant customer base in one wholesale area fail or exit the market, potentially leading to further retailer failure.

#### **4. Allocation and Registration of Licensees who have Elected to be Eligible Licensees**

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

PWS agree with the proposed change

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

PWS agree. To avoid misinterpretation the process diagrams should be revised to reflect the proposed amendment.

#### **5. Interim Supplier Allocation Methodology**

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

PWS agree. It is appropriate to take account of capacity statements to avoid loading an eligible licensee with more IDSPs than it can take on and therefore avoiding further consequences or impacts on end customers.

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

PWS always believed this was the case and support the proposed change. This supports Ofwat's proposal under Q3 - to quantify and determine whether IDSPs in one Area, or a relevant combination of Areas, should be Allocated to more than one Eligible Licensee.

#### **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?**

PWS agree with the proposal and the consistency and certainty this change delivers.

#### **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?**

PWS agrees with the proposed change, enabling an orderly exit by a retailer with a better handover of customers to a new retailer and greater protection of customer interests that delivers.

The process needs to be clear to the customer that the new retailer (Interim Licensee) is not associated with, or responsible for, the practices of the customer's previous supplier.

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

PWS agrees with the proposed change

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

PWS agrees with the proposed change

## **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?**

PWS agree with the proposed change, enabling flexibility for large scale transfers where on-boarding time may inevitably be longer.

## **9. Other proposed changes**

**a. To amend the reference from Wholesale Tariff to Wholesale Charges?**

PWS agree since Wholesale Tariff is not defined anywhere but the term Wholesale Charges is.

**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?**

PWS agrees with the proposed change, while not a perfect control, it restricts unfair use of market information available to a limited number of retailers.

**c. To make minor drafting changes to CSD 0004 and the MAC?**

No Comment

## **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.**

A customer voluntarily moving a single site to PWS would be onboarded fairly quickly. They would be quoted, have a cooling off period in line with Customer Protection Code and then switched under market guidelines. Once transferred, setting up the account takes around 30 minutes per customer. This is obviously helped by the prior engagement and capture of all relevant details. In total it takes about one month from quote acceptance to fully switched customer with their account set up (assuming no objections).

Gap Sites can be set up in the system within similar timeframes but the full on-boarding relies on the correct capture of customer details.

To on-board a customer under Interim Supply provisions will depend, as for gap sites, on the quality of customer information. Specifically we would need to engage all direct debit payers for to get them fully onboarded.

It is difficult to assess the likely on-boarding period as the numbers of customers to on-board increase from a few to hundreds -as a could happen under an Interim Supply situation

**b. Do you have any experience of Affected Customers switching away having been Allocated following an interim supply event? If yes, please provide details.**

[REDACTED]

**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.**

This was clearly stated in the communication sent to customers transferring over to PWS in such an event.

The letter sent to all Affected Customers allocated to us contained an explicit bullet point as per below:

- *We really hope you will stay with us, but if you do not wish to, you are free to switch away from us at any time without penalty. You are not tied into a contract with us.*

We also provided all Affected customers a Q and A sheet which also informed the customers they could switch away as per below

*Q. Can I switch away?*

*A. Yes, you can switch away from South West Water Business at any time.*

**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?**

We agree with the proposed change.

We suggest Ofwat should consider the earliest date that an Affected Customer can switch from the Interim Licensee is once the first bill has been paid. There could be a significant loss to the Interim Licensee if, e.g. a broker switched away a bulk of onboarded customers within that timeframe. The Interim Licensee should have time to recover their costs, having acted in the interests of the market and the customer.

## **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.**

PWS believe these to be adequate, however scope could be provided in the codes for flexibility following approval by Ofwat should a large customer base come into the interim supply process.

## **12. Do you consider that the proposed changes to the WRC and the MAC further the principles and objectives of the WRC and MAC?**

PWS agree that these offer better clarity and consistency. Often detailed changes make a significant improvements