

Sent by e-mail to covidbusinessretailmarket@ofwat.gov.uk

Date 16th Jul 2020

Regent Water reply on the Covid-19 and the business retail market –consultation on next steps

Dear Sir / Madam,

Ofwat, the Water Services Regulation Authority, responsible for economic regulation of the privatized water and sewerage industry in England and Wales issued a consultation regarding the **Covid-19 and the business retail market –consultation on next steps in July 2020**

Regent Water welcomes the opportunity to respond to this consultation. We have based our comments on our experience as a supplier of water to commercial enterprises of all sizes. Formed in 2015 Regent Water, part of Regent Utilities, is a privately owned British business supplying water to small, medium sized and large corporate businesses, throughout England and Scotland.

As much as possible, Regent Water would like to express the wish of not having our comments and/or suggestions publicly shared, as we would like to keep them confidential.

If you would like to discuss any areas of our response, please feel free to contact me on my direct dial [REDACTED]

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Direct dial [REDACTED]

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Yours sincerely,

Alunga Kalawe
Regulation & Compliance Manager

Liquidity support

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?

A1

Regent Water supports the second option

Option 2: Extend the period over which Retailers can defer charges, but do not increase the total amount of wholesale charges that can be deferred

At the end of July 2020, most of the businesses should be re-opened. But as the economy would take time to go back to a normal pace, we find it fair to extend the [of liquidity support post July 2020](#).

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.

A2

At the end of June 2020, only eight Retailers had opted to defer payment of a portion of their wholesale charges. Only two retailers had an amount deferred of the cumulative primary charges incurred above 25%.

Therefore, we think, it would be appropriate to lower the cap to 25% of primary charges due between March and July 2020.

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.

A3

The liquidity support scheme is part of global financial support schemes available to different types of businesses. These schemes can also be beneficial to support the water industry customers.

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?

A4

Regent Water supports the second option

Option 2: Ofwat specifies the repayment profile for the industry

As the current scheme has been initiated by an Ofwat, we find it relevant to be regulated by them. Under the regulation, the stakeholders would be more implicated. Giving a legal frame would also put some sanctions if not respected. That the option one and three don't give. It still would be under the code.

Being classified as a Defaulting Trading Party as defined under the current Code would encourage people to be more compliant with the regulations. Giving a legal frame give also more protection to the stakeholders in case of a non-agreement or dispute regarding the failure to pay.

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

A5

Regent Water doesn't agree that 33% of deferred wholesale charges should be repaid by the end of November 2020 and that 66% should be repaid by the end of January 2021.

We hope that by the end of Jan 2021, most of the businesses will operate at their normal pace and therefore should be able to pay a sufficient amount of their deferred wholesale charges. Moreover, the wholesale charges are a great part of the wholesalers' revenues, it is vital that customers pay back the maximum amount they can and as soon as they can. We find that 66% to be repaid by the end of January 2021 leaves a large amount of unpaid of deferred wholesale charges. One solution would be for the customers to pay the maximum amount by Jan 2021e.g. 40% in Nov 2020 and 80% by the end of of Jan 2021 that will leave only 20% by the end of Mar 2021.

Temporary vacancy flag

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.

A6

Regent Water agrees that the option for Retailers to use the temporary vacancy flag should be allowed to expire on 31 July 2020.

Since March 2020, there have been 238,502 new premises flagged as vacant due to COVID-19. This represents only 15.6% of the total premises and 46% of the total vacancy.

As the country is recovering from the COVID -19 threat, by the end of July 2020, most of the businesses should be re-opened and the economy should be restarting. In a case that a business can't re-open there are legal dispositions to allow flag its premises as vacant afterward.

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.

A7

Regent Water agrees with the above questions.

in the event of reduced consumption, and/or any local lockdowns, Retailers should seek to obtain meter readings to reflect actual consumption in the market or an accurate estimate of consumption (YVE).

Seeking for those two data will help to provide not only accurate actual billing which reflects a correct consumption. but also prevent for sending high unexpected late bills to the customer that can occur with a gross estimation.

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.

A8

Regent Water agrees with the above question.

Following the expiration of the temporary vacancy flag Retailers will have until the end of September to remove these flags from CMOS. We agree that a two-month time is enough to review and update the status of any business premises where the requirements for a temporary vacant flag no longer applied or to get any required information from customers as meters readings or accurate YVE.

Consultation question 9: Do you agree that a new MPS should be introduced from 1st 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

A9

Regent Water agrees with the above question.

We find that there are already enough MPSs to incentivize retailers to improve their practices. Adding a new MPS will only add a new layer in the current market structure.

Also, in a tight margin market, by applying a charge for every SPID that remains flagged as temporary vacant beyond the end of September 2020 would fragilize smaller retailers. It would be more beneficial to encourage and help all the stakeholders working together to unflagged vacant premises.

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

A10

Regent Water doesn't agree with the above question.

As for the question 9, we find the level of incentivization is enough. Also, sometime providing accurate YVE or meter reading doesn't depend only on the retailers.

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?

A11

At the end of the year, Retails could provide to MOSL both the YVE billed to costumers and the real consumption billed. A comparison could be made. According the level of discrepancy, MOSL could incentivise the retails to lower their YVE.

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?

A12

Regent Water suggests that one way of incentivizing Wholesalers to work constructively with Retailers and to improve the accuracy of data in CMOS, whether during the unwinding of the temporary vacancy flag or not, could be to take the ownership of the meters reading away from the wholesalers and to give it to an independent organization.

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?

A13

Regent Water agrees with the expectations set out above.

Market performance charge

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.

A14

Regent Water would rather see Market Performance charges coming back into effect from end October 2020. Even if the meter reading activity has increased since the gradual easing of the restrictions imposed to combat Covid-19 and many businesses have started to reopen, they still need time to go back to a normal activity.

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

A15

Regent Water doesn't see any difference whether reintroducing OPS charges before MPS would make a difference.

Consultation question 16: Should non meter reading MPF charges come into effect before meter reading MPF charges? Please explain your answer and provide supporting evidence wherever appropriate.

A16

Regent Water doesn't see any impact on the market whether non meter reading MPF charges come into effect before meter reading MPF charges.

Credit support

Consultation question 17: Note – responses to this question will be shared with MOSL. Of the 3 options identified in relation to credit security requirements, 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?

A17

Regent Water agrees to maintain credit support requirements at March 2020 levels until all the temporary vacancy flags are switched off.

Consultation question 18: Do you agree that the CPCoP does not require amendment in light of the proposals set out in this document? Please explain your answer and provide supporting evidence wherever appropriate.

A18

Regent Water agrees that the CPCoP does not require amendment in light of the proposals set out in this document. The proposals in this document already set up a good regulation for the market.