

5 August 2020

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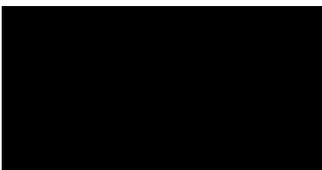
Dear colleagues,

INTERIM SUPPLY: A CONSULTATION ON PROCESS AMENDMENTS

Thank you for the opportunity to respond to Ofwat's consultation on proposed changes to the Interim Supply Code.

Appendix 1 contains our responses to the specific questions raised in the consultation. We hope you find our comments helpful and please do not hesitate to contact me if you would like further details.

Yours faithfully,



Sally Mills
Regulatory Director

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1. Amendments to Election process

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

Backdating the Election may improve the process by widening the pool of licensees – it is most likely to be beneficial if combined with a more flexible approach to allow different groups / regions of SPIDs to be allocated to different Retailers (see question 3 below).

From a Wholesaler’s perspective the timeframe for the allocation process should be as short as possible to limit the number of settlements that cannot be billed as there is no Retailer in place, or need to be rebilled – CMOS will continue to issue settlements to the exiting Retailer until the allocation process has been completed and CMOS is retrospectively updated with the new Retailer.

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

We fully support codifying the informal process currently in place.

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

We support amending CSD004 in this way. We note that the proposed drafting of 2.1.3(d) only requires Retailers to confirm that they “have met or will be meeting the requirement to provide and publish a Scheme”. The additional specification in this section of a timeframe to this activity, where it has not already been met, would be appropriate and ensure there are no delays in the process.

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

We fully support aligning the process within the ISC and WRC – wherever possible all codes and timelines should be aligned.

2. Statements of Interim Supply Capacity

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

We agree that both terms should be referenced and considered when preparing the Statement of Capacity.

- f. *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 that the submission processes should be aligned in both ISC and CSD to only require the licensees to submit notification Statements to the Authority and the Market Operator under CSD 0006 - through CMOS.

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 are supportive of this flexibility in assignment, it would level the playing field amongst Retailers by encouraging smaller Retailers to take advantage of an opportunity for quick but manageable growth. It may also open the market to Retailer diversification, by specialising in specific customer types.

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

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

We agree that as the two processes are distinct they should each have their own section in CSD004.

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

We agree that the process maps are clear and reflect the proposals. We would comment that there is no timeframe attached to this process and think that introducing one would be beneficial to all parties, especially end customers who will be in a period of uncertainty about supply, deposits and outstanding charges.

5. Interim Supplier Allocation Methodology

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

We agree with this clarification.

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

We believe this is an improvement – and may encourage more smaller Retailers to opt in to the process as it provides assurance that they will not be overstretched.

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 that the Allocator process should be owned by MOSL as it is a systematic activity, subject to approval and oversight by Ofwat. In response to question 4 we commented that the process overall would be improved by a pre-determined timetable to minimise customer uncertainty. Whilst we appreciate that each of these events is unique, a fixed timeframe would help all parties complete the process effectively and swiftly return certainty to the market.

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?*

We agree that the interim supply process is applicable for use when a Retailer voluntarily leaves the market.

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

We agree that this provides clarity over licence revocation and terminations in process (i.e under formal notice of intention to terminate).

The section is unclear as to whether a contract terminated by a Wholesaler, and thereby subject to an interim supply event, would be impacted by an almost simultaneous licence revocation (e.g. days or a week later). Due to the timing, both the ex-Retailer's SPIDS and the SPIDS in the rest of the market could potentially be reallocated in the same interim supply process – which may be in the interests of both market efficiency and the best outcome for the end customers, however would the date of transfer to the new Retailer be the date of contract termination or the date of licence revocation for this individual Wholesaler (which takes precedence)? If it is the case of the date of licence revocation who is responsible for the gap days?

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

We agree that when a licence is revoked all contracts should be automatically terminated. This would provide a uniform exit date across the whole market, as well as removing an administrative activity from Wholesalers who would need to prepare and issue contract terminations, and from MOSL who would need to ensure all contracts had been terminated and CMOS updated.

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 the proposed extension by exception, customers should be provided with information as quickly as possible.

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 are supportive of the changes proposed under section 4.9.

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?*

We have no comments on Section 10 as we feel that this is an issue for Retailers only.

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.*

We do not agree with the 1-3 month timeframes. We believe that transfer reads following an interim supply event should be taken as an exceptional activity within a 10 day window either side of contract cessation.

[REDACTED]

Entering meter reads into CMOS within 3 months of an interim event, would mean charges for the exiting Retailer are not finalised until all open months have been re-run once – a process that would take a further 7 months.

Where debt recovery work is being undertaken by the Wholesaler against the Retailer this creates substantial issues in solidifying the value of the claim prior to legal action, which cannot be delayed for 10 months as it is unlikely anything will be recovered at that time.

It would be beneficial to the market if upon a Retailer's complete exit from the market a process could be put in place to finalise their charges quickly – entry of meter reads and re-running of all open settlements related to that Retailer. This would maximise recovery possibilities and protect other customers from bearing the cost of bad debt. It would also provide a clean slate for the incoming Retailer.

To facilitate this, we would be supportive if the process required Wholesalers to obtain meter reads for all SPIDS held by an exiting Retailer within 10 days (either side) of their exit. A fixed fee for this service would be appropriate but should be covered by the incoming Retailer as it ensures they are taking on all SPIDS at a clear cut-off point with an accurate transfer read, and will therefore not have to have potentially uncomfortable conversations with customers about historically unbilled consumption. It is our view that this clean cut-off may also encourage more Retailers (especially small ones) to take part in the process.

Currently, once reads are in the system it may be possible to request a corrective run for all periods in order to finalise the charges but there are de minimis levels for corrective runs, and to re-run all 16 open periods would have a substantial cost for a Wholesaler. If this finalisation of an

outgoing Retailer's charges could be facilitated as a standard and automated part of the market processes, it would be to the benefit of all parties.

It is our view that anything that can be done to speed up the finalisation of the records for an outgoing Retailer and provide as clean a start point for the incoming Retailer is to the benefit of all market participants.

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

Overall we are in agreement that the proposed changes are an enhancement of the WRC and MAC.