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By email to: interimsupply@ofwat.gov.UK

6 August 2020

Dear Sir/Madam,

Interim Supply: A consultation on process amendments

Thank you for giving Water Plus the opportunity to respond to the recent consultation on amendments to the Interim Supply process. We support the majority of the proposals contained within the consultation, and believe these changes strike a positive balance between adding clarity and efficiency to the existing mechanism whilst not absolutely restricting the required flexibility.

We are however concerned that the proposals to date will not address the critical challenges that discourage retailers from participating and opting in to the interim supply process in areas they are not required to.

Acquiring new customers through the interim supply process (either through a successful bid or an allocation process) results in additional costs to the retailer, through the on-boarding process and obtaining an off-cycle meter read. After incurring these costs, there is no guarantee of income to the retailer to recover any of these costs, as the customer can choose to switch away immediately. As such, we welcome the discussion of minimum interim supply periods contained within the consultation, although we have noted some potential limitations with relying on this approach alone in our response to consultation question 10.

We would encourage Ofwat to further consider potential options to better incentivise retailers to participate in the interim supply process, as we acknowledge that the process is essential for the continued functioning of the market. One such possibility would be to consider a mechanism in which funding to cover part of the cost of on-boarding for interim supply is provided centrally. A centralised funding mechanism could be recovered through market wide charging, ensuring that individual customers are not unfairly penalised, either through significantly increased charging or extended restrictions on their ability to switch.

We would be more than happy to discuss these points in more detail, so please do not hesitate to contact me or the Legal and Regulation team at [REDACTED]

Yours sincerely,

[REDACTED]

Kristin Garrett

Head of Legal and Regulation

[REDACTED]

Consultation Questions

1. Amendments to Election process

a. Enabling the backdating of Election following a Relevant Cessation of Supply.

We support this change, and have no further comment.

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

We believe that further clarity and certainty will benefit the market in this instance, and as such believe that this codification will be a net positive to the industry.

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

We support this change, and have no further comment.

d. Aligning the Suspension process within the ISC and WRC

We support this change, and have no further comment.

2. Statements of Interim Supply Capacity

a. Inserting a reference to Alternative Credit Support and Alternative Payment Terms into the Statements

We support this change, and have no further comment.

b. Amending 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 do not have a strong opinion on this issue.

3. Offers process: enabling areas to be split across different Eligible Licensees

a. Giving 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 this change, and have no further comment.

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

a. Explicitly referencing the Offers process in CSD 0004.

We support this change, and have no further comment.

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

Yes, we agree that the process diagrams are reflective of the proposed amendments.

5. Interim Supplier Allocation Methodology

a. Clarifying that the methodology cited in CSD 0004 only applies to the Allocator process.

We support this change, and have no further comment.

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

We believe that this would be an appropriate change, and have no further comment.

6. Timetabling for the Allocator process

a. Aligning the obligations on MOSL and Ofwat to provide and approve a timetable for the Allocator process

We support this change, and have no further comment.

7. Cessation of Supply

a. Extending the circumstances in which Ofwat may invoke interim supply to include where a Licensee has consented to the revocation of its License.

We support this change, and have no further comment.

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

We support this change, and have no further comment.

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

We support this change, and have no further comment.

8. Provision of information to Affected Customers

a. Enable Ofwat to extend the timeframe in which Interim Licensees must provide information to Affected Customers.

We would welcome the additional flexibility that this change would provide, better enabling the market to respond to larger scale interim supply events as well as significant external conditions such as the on-going Covid-19 pandemic.

9. Other proposed changes

a. Amend the reference from Wholesale Tariff to Wholesale Charges.

We support this change, and have no further comment.

b. Clarifying 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.

We support this change, and have no further comment.

c. Minor drafting changes to CSD 0004 and the MAC

We have not identified any issues in this area.

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.

For the majority of customers, on-boarding an individual site will generally take less than half an hour to complete however the time and resource required to on-board a customer can vary heavily depending on a number of factors. This can include both the area and the specific tariffs the customer leading to additional complexity (a classic example would be trade effluent where on-boarding can take significantly longer) or a high volume of sites to on-board leading to significant delay due to resource constraints.

[REDACTED]

[REDACTED]

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]

We will however comment that the potential for such a circumstance, preventing any cost recovery without any mechanism to ensure the retailer is not out of pocket, has impacted our decision to opt out of the interim supply in other areas.

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.

[REDACTED]

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?

In the event that the Interim Supply Code is modified to enable an Interim Licensee's Scheme to restrict an Affected Customer's ability to switch to another Licensee for a reasonable time frame, or a specific time frame is established before another Licensee may continue to supply services, we believe that it would be important for this change to be fully codified and clear.

As stated in our cover note, we welcome the investigation in to ensuring that operating as an Interim Licensee is not a net negative to the respective retailer. Ensuring that customers are required to remain at the established tariff with the interim supplier for a minimum period of time will mitigate some of the risk to an Acquiring Licensee of costs not being recovered, however we believe further consideration would be required as the 'Cost-recovery' period for each customer will be unique, depending on their specific tariffs, volumes and complexity.

There will not be a standard amount of time over which the costs will be recovered for all customers, and as such setting the balance whereby highly profitable customers are not 'overcharged' without the ability to switch for an excessive period whilst also ensuring low margin customers recover costs may not be possible. Whilst a minimum period will begin to mitigate the risk of opting in to the interim supply process, a more enduring solution may be required to truly encourage participation. This may include the possibility of a centrally funded mechanism for retailers to be able to recover the costs of participating in an interim supply event, as discussed in our cover letter.

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.

Whilst on initial review, a deadline of 3 months after the designated date for twice-yearly read meters and a month after the designated date for monthly read meters appears to be a sensible time frame, we are concerned that this may not provide the Market Operator with sufficient flexibility in the event of large scale Interim Supply Events or significant external issues.

As evidenced by the on-going Covid-19 pandemic, it is not impossible for there to be extended periods of time where obtaining a meter read will not be possible. In such circumstances, we believe it would be beneficial for the Market Operator to be able to acknowledge the situation and allow an extended timeframe without the need for code change.

Similarly, whilst the timelines are more than sufficient for a transfer of a small number of customers this would present a radical challenge in the event of a larger retailer failing. In the case of a far higher number of SPIDs, across multiple wholesale regions, the 'maximum' timeframes are no longer sufficient.

We believe that whilst the existing timeframes are a positive guideline for the Market Operator, they limit flexibility, and may impede the ability of MOSL to respond to specific challenges in the market. We would invite Ofwat to consider removing the absolute deadline, retaining the ability for the retailer to agree the timeframe with the Market Operator.

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

We believe that the proposed changes will further the principles and objectives of the Wholesale Retail Code and the Market Arrangements Code as the changes will support the transparency of the market and increase the simplicity and seamlessness of the existing market procedures.