

Owat  
21 Bloomsbury Street  
London  
WC1B 3HF

By email **only** to: [interimsupply@ofwat.gov.uk](mailto:interimsupply@ofwat.gov.uk)

6 August 2020

Dear Sirs,

**Interim Supply: A consultation on process amendments**

Thank you for providing us with an opportunity to review and comment on the proposed process amendments to the Interim Supply arrangements in the Business Retail market published by yourselves in July.

Firstly, we would wish to welcome and express our support for the reasoning behind the review of the current Interim Supply arrangements, [REDACTED]

We also consider that recent experience and concerns over market stability resulting from the Covid-19 UK lockdown created a situation where an effective Interim Supply process could have proved crucial in mitigating reputational damage to the industry, had multiple retailer businesses failed. The improvements proposed as part of this consultation do not appear to be specifically driven by such a situation, however we believe the implications of such an eventuality should be considered to determine if any further action is necessary as a follow-up activity to this current consultation.

Regarding the consultation questions on the specific changes, please find attached our response and comments in Appendix 1 to this letter.

In more general terms, our review of the Interim Supply Code and associated documents has caused us to make a number of observations which the Authority may wish to consider in terms of further possible improvements.

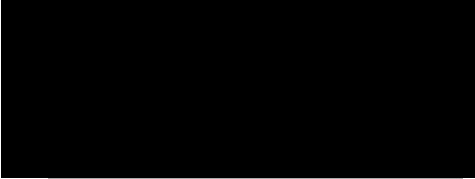
The ISC by its nature describes a process which will ideally be used on an infrequent basis, meaning those involved in its implementation may not be entirely familiar with the process or its purpose, objectives and general structure. We believe the ISC itself would benefit from a section describing its purpose, an overview of its structure (not dissimilar to the ISC page on the Ofwat website) key principals, objectives and success criteria.

Furthermore, the nomenclature of the Code itself seems somewhat contradictory to the purpose of the code. "Interim" suggests a process to achieve a temporary outcome until a final

position is reached, whereas in reality, once the ISC 'offers' or 'allocation' process has been completed, it has effectively finalised the reallocation of affected customers. i.e. there is no "in-between". Although we recognise that for good reason the source document leading to this dichotomy may be the Water Act itself, future planned updates of source documents could potentially be used to remove or alternatively recognise/explain this contradiction.

Should you have any queries regarding this response please contact in the first instance the sender of the email to which this letter is appended.

Yours Faithfully



W Kimpton  
Head of Regulation  
Yorkshire Water

<b>Consultation proposals:</b>	<b>Response:</b>
<b>1. Amendments to Election process</b>	
a. To enable the backdating of Election following a Relevant Cessation of Supply?	We support this change
b. To codify the informal process that Ofwat and MOSL have in place to inform Licensees that an interim supply event is imminent?	We support this change
c. To highlight in CSD 0004 the obligations on Licensees to provide a Scheme and Statement to Ofwat in the specified circumstances.	We support this change
d. To align the Suspension process within the ISC and WRC.	We support this change
<b>2. Statements of Interim Supply Capacity</b>	
a. To insert reference to Alternative Credit Support and Alternative Payment Terms into the Statements?	It should not be assumed that any existing Alternative Eligible Credit Arrangements or Alternative Payment Terms agreements can automatically be extended to cover additional IDSPs. It is possible that any Alternative Eligible Credit Arrangements or Alternative Payment Terms agreements have £ capped limits or special terms (for example), which may require to be amended to enable the agreement(s) to cover the additional IDSPs. Such amendments/adjustments to existing AECS or APT agreements are likely to require the agreement of the affected Wholesaler(s). Given the timeframes involved in an Interim Supply Event, it may be that such agreements cannot be formally amended quickly enough, so agreement “in principle” may be an appropriate compromise. We would therefore suggest the following amendments to sections 4.2.2 (d) and (e) of the Interim Supply Code: In section 4.2.2 (d) insert in the fifth line after “... Eligible Credit Support or ” the words “with the agreement [in principle?] of the relevant Wholesaler(s)” and in 4.2.2 (e) insert in the third line after “... additional Supply Points indicated above,” the words “has been agreed [in principle?] with the relevant Wholesaler(s) and”
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 support this change
<b>3. Offers process: enabling areas to be split across different Eligible Licensees</b>	
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 this change, however, one of the barriers likely to prevent this being a seamless process for some customers is lack of data standards for multisite customer names in the market. We believe a useful next step in this regard for a market initiative to introduce better data standards in this area. This would support

	allocation of all multisite premises together under one Eligible Licensee.
<b>4. Allocation and Registration of Licensees who have Elected to be Eligible Licensees</b>	
a. To explicitly reference the Offers process in CSD 0004?	We support this change
b. The process diagrams for the Interim Supply Offers process and the Interim Supplier Allocation Process are reflective of the proposed amendments?	We support this change
<b>5. Interim Supplier Allocation Methodology</b>	
a. To clarify that the methodology cited in CSD 0004 only applies to the Allocator process?	We do not believe the addition of the words “Interim Supply Offers and” in line 2 of CSD 0004 section 4.1.1 contributes to the objective of clarifying that this process <b>only</b> applies in the case of Allocations and <b>not</b> in the case of Offers. We think the addition of these words has the opposite effect and could cause confusion.
b. That an Eligible Licensee’s Statement on capacity should be taken into account under the Allocator process.	We support this change
<b>6. Timetabling for the Allocator process</b>	
a. To align the obligations on MOSL and Ofwat to provide and approve a timetable for the Allocator process?	We support this change
<b>7. Cessation of Supply</b>	
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 support this change
b. To clarify that revocation will take precedence over Wholesale Contract termination for the purposes of interim supply.	We support this change
c. To amend the Business Terms so that all Wholesale Contracts that a Licensee has are automatically terminated when its License is revoked?	We support this change
<b>8. Provision of information to Affected Customers</b>	
a. To enable Ofwat to extend the timeframe in which Interim Licensees must provide information to Affected Customers?	We support this change
<b>9. Other proposed changes</b>	
a. To amend the reference from Wholesale Tariff to Wholesale Charges?	We support this change
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?	We support this change
c. To make minor drafting changes to CSD 0004 and the MAC?	We support this change
<b>10. Customer right to switch away</b>	

<p>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.</p>	<p>For Retailers to respond</p>
<p>b. Do you have any experience of Affected Customers switching away having been Allocated following an interim supply event? If yes, please provide details.</p>	<p>For Retailers to respond</p>
<p>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.</p> <p>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?</p>	<p>For Retailers to respond</p>
<p><b>11. Submission of Transfer Reads following an interim supply event</b></p>	
<p>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.</p>	<p>Timely meter reads are critical to accurate settlement and customer bills, particularly when an unplanned change of supplier takes place.</p> <p>Although we are comfortable with the current timescales, it may be appropriate to consider referencing the timescale for transfer reads to be provided relative to the settlement timetable rather than a specific period after the Interim Supply event.</p> <p>This approach may allow the acquiring retailer to prioritise meter reads more effectively so that for example a bi-annual meter read is entered in time to be used in the next R3 settlement run which picks up that meter. This may allow more monthly reads to be updated for their relevant R1 and R2 settlement runs. Such an approach could improve settlement accuracy but may not be in the best interests of customers in all circumstances. Protection of the individual customer's interests should however be prioritised over market settlement processes.</p>
<p><b>12. Do you consider that the proposed changes to the WRC and the MAC further the principles and objectives of the WRC and MAC?</b></p>	<p>The proposed changes do not appear to be contrary to any of the principles and objectives of the code but do contribute positively towards greater:</p> <ul style="list-style-type: none"> <li>• Efficiency</li> <li>• Transparency; and</li> <li>• Simplicity</li> </ul>