

Clear Business Water Limited's response to Business Retail Market: Customer Bad Debt – Call for inputs

Dear Sirs,

Please see below our response to the Call for Inputs on Customer Bad Debt. Please note that as only some of the questions were relevant to us, we have provided a summary of our key points rather than answering each individual question.

1. We welcome any mechanism put in place to recoup Retailer excess bad debt costs that can provide certainty and clarity. Retailers, Wholesalers and customers need certainty to properly plan for the future;
2. We believe that all customers should be treated equally irrespective of their contractual status. We understand that the pricing mechanisms for customers on default tariffs work differently to those for customers in negotiated contracts but if we treat each group of customers differently it will mean that Retailers ability to recover excess bad debt will be dictated by the make up of their customer base;
3. We do not agree with Ofwat's proposal to split the costs of excess bad debt between Retailers and customers only. The cost to serve allowance implemented at market opening was deemed to be sufficient to account for Retailer costs including bad debt. We consider that the only fair way to split the excess bad debt costs during this unprecedented pandemic is to share them proportionally between customers and all trading parties.
4. Covid-19 has had an unprecedented impact on the ability of Retailers to collect payments from their business customers. It is extremely difficult for Retailers to contact customers during the lockdown restrictions. Our outbound contact rates have reduced by 50% and inbound traffic has reduced by 20-25%.
5. Whilst we can put a mechanism in place to recover excess bad debt costs, the level of bad debt cannot be crystallised at this point in time. It is currently impossible to calculate the potential future impact of customer non-payment and the risk of customer insolvency, specifically the impact of the withdrawal of the government support schemes.
6. In our view any solution must be simple to avoid incurring additional costs for all trading parties. Retailers and Wholesalers have already incurred significant costs as a result of the Covid-19 pandemic, including the costs required to implement customer support measures that differed based on each customers' ability to pay. Whilst this approach has worked well for customers, we believe that trading party costs must be kept a minimum to maximise the benefits for the whole market.

Please do not hesitate to contact us if you have any questions.

Yours sincerely,

Ben Storrie
Compliance Officer
Clear Business Water Limited

