

4 November 2020

## **Second national lockdown in England – Covid-19 and the impact on the business retail market**

On Saturday 31 October, the Prime Minister announced a further national lockdown in England in an attempt to stem the further spread of Covid-19.

This statement sets out Ofwat and MOSL's planned approach in response to the second national lockdown. Our focus continues to be that business customers are protected – including from the risk of systemic retailer failure. But where business customers are able to pay their water and waste water bills, they should continue to do so.

### **Customer Protection Code of Practice (CPCoP)**

Under the CPCoP Retailers are required to offer customers who are affected by Covid-19 with a Covid-19 repayment plan, tailored to the individual needs of the affected customer. Retailers are also required under the CPCoP to set out the steps it will take to consider a customer's circumstances, including the customer's ability to pay. These requirements on Retailers were designed to protect customers – including in response to further restrictions – and we expect Retailers to ensure the plans offered to business customers reflect and are tailored to the changing circumstances some of those customers will now find themselves in. Retailers are required to continue to offer Covid-19 repayment plans until 31 March 2021 or such other date as Ofwat may notify in writing to Retailers, although the repayment period can be longer than this.

### **Market Performance Framework (MPF) charges**

In March, we temporarily suspended the invoicing and payment of market performance charges in the business retail market to reflect that many charges – including in relation to meter reading – could be materially affected by business closures and social distancing measures implemented to combat Covid-19. This temporary suspension of MPF charges was further extended in July and expired at the end of September for Wholesalers in relation to Operational Performance Standards (OPS) and the end of October for Retailers and Wholesalers in relation to Market Performance Standards (MPS).

Given the nature of the changes coming into effect this week, we recognise that 'Business As Usual' activities, such as meter reading, could be significantly affected for reasons beyond trading parties' control. We recognise that the extent to which such activities will be affected may well vary across the country and between Wholesalers. However, as was the case in March, we think that it is unreasonable at this time to financially penalise trading parties for failing to meet market performance standards due to factors outside of their direct control.

**Therefore, Ofwat will shortly write to MOSL to confirm that the suspension on the invoicing and payment of market performance charges will be further extended.**

Further details on the suspension of MPF charges will be published later this month. To be clear, trading parties are still subject to the MPF standards and MOSL will continue to monitor, challenge and publish trading party performance against these standards.

## **Other sector-specific support measures – liquidity support and temporary vacancy flags**

During the spring and summer, Ofwat and MOSL took [a number of steps](#) to protect the interests of business customers – including from the risk of systemic retailer failure – in the water sector during the Covid-19 nationwide lockdown. This included temporary sector-specific liquidity support and the ability to reflect the sudden and unexpected reduced level of consumption by applying temporary vacancy flags.

These temporary support measures were designed to provide Retailers with time to access and put in place other forms of support, and Ofwat has been clear that it expects Retailers to use the experience of the first national lockdown to develop contingency plans in preparation for further future restrictions. Where Retailers cannot obtain meter reads to reflect actual consumption they should engage with the customer (where possible) and Wholesalers to obtain an accurate estimate of consumption.

**For these reasons we do not intend to extend or reintroduce the sector-specific support measures put in place earlier this year relating to payment deferrals or temporary vacancy flags.**

We will of course continue to monitor developments in relation to restrictions put in place to combat the spread of Covid-19. In April we set out our intention to monitor the level of bad debt costs that may be emerging in the business retail market following Covid-19 measures and to provide regulatory protections for a portion of the exposure where bad debt across the market is likely to exceed 2% of turnover. Consistent with the timetable we published in July we are planning to publish a call for inputs and a further request for information on this in November and consult early in 2021.

Yours sincerely



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