

Pennon Water Services Response

1. Do you think the amended change Proposal will achieve the following policy aims (and if not what changes would you suggest making to ensure that it does):

a) That those customers adversely affected by Covid-19 are provided with appropriate levels of support and protection.

We agree that the proposal broadly meets this aim and confirm that PWS are naturally supportive of measures to assist customers seriously affected by the Covid-19 epidemic. In our view we are already working to this standard as it is the fair and transparent approach for customers who were affected by Covid-19 during the initial Lockdown and during the current lockdown and any subsequent Tier changes.

In our view it is a shame that some Trading Parties are utilising technical wording in the Code of Practice to chase for debt when the spirit of the Code of Practice and definitions relating specifically to who is classed as a Covid affected customers remain unchanged.

We are however concerned that customers operating across different regions and/or tiers may rely on the fact that either a single or a small number of their premises are closed to ensure they are categorised as Covid affected. This would, in our opinion, go against the spirit of the proposal hence would suggest changing the term “all of its premises” to “substantive majority of its premises”.

b) Customers who are able to pay should be incentivised to pay in a timely manner.

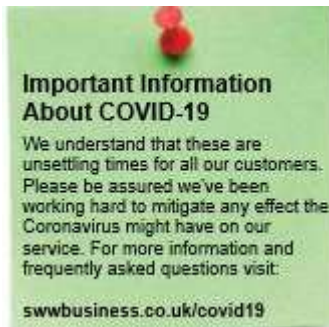
Where customers are fully open and unaffected by Covid we would expect and encourage them to pay their charges on time.

Positive Incentives to pay are limited for Retailers hence the only tools available to ensure timely payment are disconnections, financial penalties or interest charges for late payments. We firmly believe that if measures are robust, ensuring customers who are able to pay are accurately identified, Retailers should be allowed to use these methods if there is adequate evidence the customer can pay their water charges

c) Retailers should take the necessary steps to differentiate between those customers who genuinely need support and those who should be expected to pay.

As previously advised PWS continue to treat all customers on an individual basis to identify whether they are non, partially or fully Covid affected and offer our Covid-19 repayment plan where appropriate.

Our approach to the Covid-19 epidemic and the support available continues to be flagged on all our bills to ensure that customers are aware of their options. We positively encourage our customers to look at our website and our published plan.



We always try to actively engage with our customers and welcome the opportunity for open discussions to ensure payments continue to trickle in and to minimise debt recovery actions on customers. This approach is mutually beneficial to all parties.

We also support the view of the Proposer that the onus should be on affected customers to let us know they are required to close under current government guidelines and require support.

We again confirm that any customers who meet the proposed definition would not be subjected to disconnection, interest/late payment charges or enforcement action.

NOTE - In relation to question 1 overall, while we understand the need to protect the customer, it must be recognised that there is no protection for us as a retailer as we still need to pay the Wholesaler irrespective of market pressures. We would remind that throughout this pandemic PWS has to date met all its regulatory obligations and Wholesaler payment terms in full and on time without having to avail itself of the Wholesaler Payment Deferral scheme.

Being mindful of the plethora of recently reported company failures in the retail arena, which is projected to continue, we are conscious of the increased retailer exposure to wholesale charges that will never be recouped. While we do not expect the wholesaler to cover losses where a retailer has failed to collect monies over an extended period we do believe a "shared pain" approach with the wholesaler providing a "quid pro quo" allowance on the latest bill/unbilled accruals in the event of a customer becoming insolvent would reduce the pressure on retailers in the current environment.

2. In addition, we would welcome the views of respondents on:

a) The costs and associated risks of implementing the amended change proposal within the proposed timeframe;

There would be limited cost to PWS in implementing this proposal as we are now working to these requirements and have made every reasonable effort to wholeheartedly comply with the spirit of the Covid-19 guidance issues by OFWAT in terms of our specific customer centric actions. The extra reporting measures however would add extra cost and burden to us and we do not see the value of this.

b) The scope and operational impact of the amended change proposal;

As stated in 2a) there is limited operational impact as we are already following the spirit of the proposed code of practice.

The biggest impact will be the monthly publication of data that will not, in our opinion, benefit customers. This will simply be an extra administrative burden for the Retailer and will have no material impact on either the customers' ability to pay or them being offered a Covid-19 repayment plan.

As stated above we are concerned that a multisite/national customer may "play the system" opting to leave a single/small number of their premises closed to benefit from being categorised as a Covid-19 Affected Customer.

c) Whether the respondents consider that the proposal is in line with the principles of the code and our statutory duties.

We agree that the proposal supports both the code principles and our statutory duties.

3. Do you have any comments on our proposed implementation date?

We do not have any concerns regarding the proposed timescales as they stand. We do sincerely urge OFWAT to consider the points that we have raised with regards

1 - The suggested amendment to the text in our response to question 1a.

2 – The idea of the Wholesalers sharing the financial burden as stated in our response to question 1c.

4. Do you have any other comments on our proposed change to the CPCoP as set out in Appendix 1?

As stated in 2a) there is limited operational impact as we are already following the spirit of the proposed code of practice.

In our view, the key metric for the NHH competitive markets is keen pricing, the availability of Value-Added Services and excellent customer service. With the current low margins in the retail water market the key motivator for switching will be Customer Service. Any retailer not treating their customers fairly and with consideration to their individual circumstances will see an increase in customers losses as they switch retailers.

Finally, we would again like to reiterate the impact of the Covid-19 epidemic on PWS. It must not be forgotten that Retailers are themselves Covid affected businesses. Debts are still rising; collections and turnover are lower. This proposed change to the Code of Practice provides greater protection for Retailer customers which is something we want to see, however, we are concerned that this reduces our cashflow and creates extra risk for Retailers without any further protections being made available to us.

As we stated previously in the recent Covid-19 RFI – "The impact on the Business Retail Market"

“In some customer segmented debtor comparatives are worse than a comparable period last year. Also, at the time of writing, with the latest lockdown restrictions in place across the UK, our current cash receipt trends show collection rates returning to the levels of April and May which were the lowest this year. We want the regulator to understand that the pressure on retailers just now is as great as it ever has been during the pandemic without any new market support mechanisms in place. Having agreed additional liquidity options with our shareholders we expected to utilise these in December, however, if the current trends continue our cash requirements could exceed our new financing agreements as soon as January 2021”