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Direct line: [REDACTED]
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Date: 9th November 2020

Dear Georgina and Dan

Re: Covid-19 and the business retail market: Proposal to amend a Customer Protection Code Change Proposal – CP0009 – a consultation

Thank you for your email regarding this consultation. Please find our response to your questions below.

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):

We think the Change Proposal will achieve the intended policy aims. We broadly support Ofwat's intervention and the protection that it offers non-household customers during this challenging time.

We do however recognise that these changes will impact retailers' ability to recover charges. Liquidity measures introduced at the start of the original lockdown are no longer available to them. As COVID measures are likely to extend into the Spring 2021, there are real concerns as to the impact this will have on individual retailers and the market in general.

We appreciate that the original liquidity measures were designed to allow retailers time to access alternative sources of finance such as Government loans and grants. We are not best placed to comment on this aspect of a retailer's business model. It is accepted that these are challenging trading conditions.

We don't however believe that these measures in themselves are driving costs and should be good business practice, managing customers who can't pay and ultimately retaining their business.

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

From reviewing the consultation document and the results of the request for information, it is evident that the industry is doing a lot to support customers during the COVID 19. Several different approaches are being taken, though we have found it difficult to judge their relative merits from the limited information published.

We would observe from the number of customers on COVID support plans across the different retailers that some schemes are more successful than others. This may be down to how easy customers can access the support on offer.

We support the extension of these schemes through Government lockdown restrictions and to support businesses recover post COVID.

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

Given the impact COVID is having on the broader economy, we recognise that it will be challenging for larger retailers to identify those customers that are able to pay and they may not always get it right. The key is to proactively encourage those that need support to seek assistance and to press for payment from those that can pay.

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

Please refer to our above response. We agree that all necessary steps need to be taken to identify those customers who can pay and those who can't. Retailers can make maximum use of the data they hold along as well as encourage customers to engage through effective debt recovery processes.

The important point is that each customer has an opportunity to access the schemes and to press their case for additional support.

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;

We are not best placed to comment on the cost of administering these schemes. We recognise that there will be additional costs but would point out the alternative is to potentially see the customer fail or switch provider. The cost of both the resulting bad debt and loss of the customer would likely exceed the cost of maintaining the interim support.

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

Once again, we cannot provide a detailed response on the operational impact to retailers' businesses. We recognise that there will be a significant impact and would hope that this does not have wider implications for the health of the market.

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

We do agree that the proposal is in line with the code and statutory duties. We're also mindful of the fact that these are exceptional circumstances and there is a careful balance to be struck between allowing the market to function and the protection of customers. We believe that the measures recommended have struck that balance.

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

The timeframe we believe is correct and there is little debate to be had if the current measures are to continue seamlessly.

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

We have no further comment.

If you have any questions or would like further clarifications, please do not hesitate to contact me.

Yours sincerely

Sean Larkin
Head of Wholesale Services