

## **Southern Water's response to the March 2021 Business retail market: Customer bad debt – Consultation**

Please find below Southern Water's response to the Business retail market Customer bad debt – Consultation.

In summary, we fully support Ofwat's 'minded to' view that amendment of REC price caps (option 1) is the best and most appropriate recovery mechanism to deal with excess customer bad debt.

We have not provided responses to each of the consultation questions, some of which are more retailer focused, but have provided responses to questions which we believe we can contribute with a market view:

### **Consultation Question 6: Do you agree with our presented 'minded to' view that amendment of REC price caps is the approach that best meets our objectives concerning customer bad costs?**

We fully support Ofwat's 'minded to' view that amendment of REC price caps (option 1) is the most appropriate approach and best meets the objectives concerning customer bad costs. We agree that this approach ensures strong incentives on each Retailer to manage their bad debt costs, and ensures competitive advantage of the most efficient Retailers is retained. It is also the least complex to implement.

### **Consultation Question 7: Do you agree with our assessment of the options for revision of regulatory protections?**

Yes, we agree with the assessment of options provided. We specifically agree that option 1 provides strong incentives for Retailers to manage customer bad debt; and that option 2 is complex, burdensome and unnecessarily involves a third party in the process.