

1st September 2021

Emailed to: charging@ofwat.gov.uk

Reference: Statutory consultation on updating Ofwat's charging rules

Dear Sir / Madam,

Thank you for providing us with an opportunity to comment on the proposed changes to the charging rules set to take effect from the 1st of April 2022, we have reviewed the proposed changes and believe that the amendments proposed will represent a net benefit to the market.

The complexity of the wholesale tariff structure in the non-household retail market remains one of the most significant challenges faced by retailers. The variation in tariff structures and rates between wholesale regions creates not only operational complexity, but also is a source of confusion and dissatisfaction for customers within the market who may operate across a number of wholesale regions.

The changes proposed represents a key step in ensuring the clear and timely publication of wholesale charging, in particular as it relates to the publication deadline of January 13th. Retailers continue to require sufficient lead time to incorporate any changes in to their own charging structures and rates, and the proposed specific timeline clearly codifies time for both the calculation of retail charges as well as incorporation in to billing structures.

These proposed charging rules will help support improvements in the area of wholesale Charging and provide clarity and understanding, however we believe the market as a whole may have much further to go in the area of tariff complexity. Through both membership of a variety of related RWG forums (most notably Tariff Simplification) in addition to separate discussions with individual wholesalers we believe that there are a number of additional priorities and potential areas of improvement that should be considered.

Whilst we recognise that the Charging Rules documentation may not represent the most appropriate mechanism for encouraging change in all of the areas listed below, we would welcome Ofwats consideration of the following areas of Wholesale Charging:

Wholesale Tariffs should be clearly aligned to CMOS structures: One area of potential friction for Retailers is difficulty in aligning tariffs as published in the current Wholesale Charging Schemes or associated documentation with the actual tariff structures themselves in the market data set.

Reducing variation in Trade Effluent methodologies: Trade Effluent is consistently one of the most complex tariff areas a retailer or customer is required to engage with, which is additionally burdensome due to the huge variety of approaches taken by each Wholesaler. We believe that clearer and more consistent charging between areas would drive simplicity in the market, as well as improved customer outcomes for customers.

Driving consistency in volumetric bandings: Whilst different Wholesalers may have individual reasons for setting their volumetric bandings for the purposes of charging, this nonetheless remains a source of complexity for Retailers and a cause of dissatisfaction for customers with sites in multiple wholesale areas.

Reducing perverse incentives on Water Efficiency: The existing tariff structures across a variety of wholesale areas are currently set up to effectively incentivise higher consumption, with volumetric discounts offered at higher usage levels. There is a difficult trade off that will need to be considered between pure cost reflectivity and how tariffs affect the usage of the customer base.

Further to the specific areas listed above, we would appreciate any further support from Ofwat to more broadly reduce complexity in Wholesale Charging and we will remain highly engaged with the appropriate market forums to discuss these issues.

We would be more than happy to discuss these points in more detail and welcome the opportunity to discuss further. Please do not hesitate to contact me or someone from the Legal and Regulation team (contact details below or simply email regulation@water-plus.co.uk).

Yours sincerely,

David Morris

Regulation Analyst

