

Business Retail Market

United Utilities response – Proposals to deal with un-invoiced Wholesaler charges in the event of an unplanned Retailer exit. October 2021

Response regarding proposed changes relating to the recovery of un-invoiced revenues at the point of Retailer failure.

1. Does our proposed approach deliver the following policy aim in a way that is consistent with our statutory duties? "in the event of a Retailer's unplanned exit from the business retail market, a Wholesaler should be able to recover relevant un-invoiced revenues for services that the Wholesaler has provided to that Retailer - but were not due for invoicing or had not been invoiced - at the point of Retailer failure."

We agree that the proposed approach does provide a route by which un-invoiced revenues could be recovered at a rate consistent with the Totex sharing mechanism.

2. Do you agree that it is appropriate to apply company specific Totex cost sharing rates to amounts relating to un-invoiced revenue to be recovered via the RFI mechanism in the event of a Retailer failure?

We agree with the general principle underpinning this proposal that, un-invoiced revenue outstanding in the event of a Retailer failure should not be subject to different cost sharing rates from unpaid invoiced revenue. We therefore support the proposed changes to align the rate of recovery.

3. Do you have views that alternative approaches may be more effective or straightforward to implement?

No, we do not hold a view on any alternative approaches.

Response regarding the proposed changes to the WRC

4. Do you agree with the proposed change to the WRC? Please explain your answer.

We support the intended change to enable wholesalers to, if possible, seek to recover un-invoiced charges through the credit provisions. It should be noted that in most cases we would expect that the credit cover provided would only cover a proportion of the invoiced revenue. Therefore, in most cases, there would be no credit cover upon which to draw for un-invoiced monies due.

5. Do you agree with proposed amendments to the legal drafting? Please explain your answer.

The proposed drafting appears appropriate.

6. Do you agree that the proposed change to the WRC furthers the objectives and principles set out in WRC Schedule 1, as described in section 4 above?

We agree that allowing the recovery of owed money from credit cover aligns with the principle of developing an efficient sustainable market. Wholesaler exposure to bad debt must be minimised and allowing recovery of all owed monies from credit cover could help. This does not remove the risk sitting with wholesalers. Wholesalers can do little to minimize this risk and we would welcome further measures aimed at reducing the likelihood of wholesaler loss associated with retailer failure.