

Business Retail Market: Proposals to deal with un-invoiced Wholesaler charges in the event of an unplanned Retailer exit – Wessex Water Response

We welcome the opportunity to respond to this consultation and the continued consideration of the protections in place in case of retailer failure. However, we cannot see a circumstance in which we would not invoice genuine consumption. We believe it is clear in the RAGs that in the regulatory accounts we are obliged to bill any legitimate consumption, even if we do not expect to recover any of it. Even in the event of retailer failure we would expect to invoice the administrators. Therefore, we expect that all revenue would naturally flow through revenues and bad debt and see no need for this additional adjustment.

Secondly, we are concerned that this adjustment shifts the balance of risk that a wholesaler bears in the event of a NHH retailer failure. When the market was set up credit arrangements (prepay, deposit schemes, parent company guarantee) provided protection for a portion of the invoiced revenue. Including the un-invoiced revenue shifts this balance to a level lower than at the market's inception. We believe that to maintain this level a change also needs to be made to the credit arrangements.

Please find our answers to your specific questions below:

1. Does our proposed approach deliver the following policy aim in a way that is consistent with our statutory duties?

We believe that your statutory duty is covered by the requirement to recognise all revenue even where we do not expect to recover it. We would expect to invoice any outstanding consumption and hence revenue to the NHH retailer or their administrator. In our mind this covers your statutory duty.

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?

This creates a consistent sharing depending on if the revenue is recognised and flows through as bad debt or if it is never recognised. This removes any incentives for companies to not recognise it (even though in our view this would not be in accordance with the RAGs) and therefore have no issue in principle. However, as we have outlined, we would question when this should be applied.

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

We believe that this is already covered through the required treatment of revenues from the RAGs and so no further adjustments to reconciliation models are required.

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

We have no issue with the amendments in principle.

However, where temporary measures may have been used by retailers to subdue generated bills, and these measures have been more severe than reality, this will create another transfer of risk to wholesalers. Therefore, we would expect that any blanket adjustments to YVEs be unwound alongside this change coming into effect (and reintroduced where substantive evidence to support adjustments exist).

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

We have no concerns on the specific legal drafting.

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.