



Action for Warm Homes

Charging Scheme Rules consultation response

Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

charging@ofwat.gov.uk

National Office

Level 6 (Elswick)
West One
Forth Banks
Newcastle upon Tyne
NE1 3PA
Tel: 0191 261 5677
E-mail: info@nea.org.uk
<http://www.nea.org.uk>
Twitter: @nea_ukcharity

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NEA response to Ofwat's Consultation to change the Charges Scheme Rules from April 2023

National Energy Action (NEA) has worked for the last 40 years across the energy sector to support millions of low income and vulnerable consumers, influencing Government and Regulatory plans in this area. Since 2019, we have also been helping to galvanise developments in the water sector and have made a substantial contribution to the improvements made, or in progress, for households struggling to pay their water bills.

This combined experience has given us significant knowledge in understanding the areas a regulator can improve and/or focus on to deliver positive impacts for vulnerable customers, as well as those that are less effective. We therefore feel we are well placed to comment on Ofwat's consultation to change the charging scheme rules from April 2023.

We welcome this statutory consultation to update the charging scheme rules from April 2023, to encourage innovative approaches to charging, and to ensure affordability is considered in the design of charges. We are also submitting a response to the related non-statutory consultation to provide more detailed thoughts on what the innovative approaches could look like.

We agree with the introduction of the new rule 12, and specifically welcome the inclusion of 'fairness and affordability' as a principle of these rules. However, we feel additional guidance about *how* these principles are applied will be required, to ensure that all companies do so in a consistent manner. To that end, we would expect Ofwat to outline their course of action should they deem an undertaker has *not* acted in accordance with these principles, as well as an appropriate escalation or reporting process should an external stakeholder wish to report that these have not been acted on.

Regarding the drafting of the new rule 13; we welcome the flexibility provided within this update, which will allow companies to trial different charges for an appropriate limited period of time. We believe this could provide customers with more choice and control in the long-term, with charging structures more specifically targeted at their needs, and we will explore our thoughts on this point further in our response to the corresponding non-statutory consultation on charging innovation.

Although, on reflection of the full charging rules, it appears there is no guidance on what happens *after* the limited trial has come to an end. We expect Ofwat to provide more clarity on how success should be measured, and the process required to roll-out these new charging structures as a long-term offer to all customers. We understand that these will likely form part of the undertakers' annual charging submissions,

the national energy action charity

President: Baroness McIntosh. Vice-Presidents: David Green OBE; Baroness Hilton of Eggardon; David Porter OBE; Lord Shipley of Gosforth OBE. Chair: Claire Durkin. Chief Executive: Adam Scorer.

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Registered office: NEA, Level 6 (Elswick), West One, Forth Bank, Newcastle upon Tyne, NE1 3PA

following consultation with CCW, however the assessment process is still unclear, as is the process to share outcomes of trials (both successful and unsuccessful) with other undertakers to avoid duplication.

Our final comments for this response recommend two additional safeguards for customers participating in tariff trials. Ofwat should ensure that:

- a) Low-income and/or vulnerable customers are never worse off as a result of participating in a trial; and,
- b) Customers are able to exit the trial whenever they choose.

We believe the concept of the metering price guarantee should be applied with trials, whereby customers receive a bill which shows how much they would pay on both their original tariff and the trial and are guaranteed to only pay the cheaper of the two. This will ensure that customers are never worse off as a result of participating in a trial, while also providing the customer with confidence that they are being treated fairly and that the new tariff is worthwhile from an affordability perspective.

We also believe there are many reasons why customers may choose to exit the trial, and they should be allowed to do so whenever they deem most appropriate. Reasons may include experiencing lower levels of bill security as their bill is more reactive to their water use through smart metering, or issues around seasonal payments that were unexpected. They may also feel their interactions with their water company are too frequent, and so wish to step away. Water companies should accept their decision and allow them to exit the trial, reverting back to their original tariff arrangement, but should also be required to capture their reasoning which should form part of the assessment of the trial's success. If exiting customers have paid more during the trial than they would have on their original tariff arrangement, then they should be appropriately compensated for this.

We would be happy to discuss any of the points raised within this letter with you further,

Yours sincerely,

