



Response to Ofwat consultation on Charging Innovation November 2022

Thankyou for the opportunity to respond to Ofwat’s proposals to amend your Charging Rules and enable tariff trials to support affordability, fairness, and the environment. While this issue relates primarily to wholesale charges, we would like to respond to ensure that the interests of business customers are considered.

Q1 Do you agree that companies should be looking at how they can introduce charging innovation to support affordability, as well as supporting environmental goals?

We believe environmental goals should be paramount in the non-household market, where affordability is not so much of an issue.

The affordability of energy is the main issue for SMEs right now. Reducing their water consumption contributes to reducing their energy bills too, as well as helping the UK to achieve its net zero targets.

Q2 Do you have any comments on our regulatory framework for protecting customers, in the context of charging innovations?

As mentioned in more specific consultations, the REC price caps for low usage NHH customers are overly tight and not cost reflective of most retailers. They are also unnecessary in a competitive market, and we believe that such strong price regulation in the name of ‘protection’ are actively inhibiting customers from engaging with the water retail market, which could bring them a host of other benefits as well as discounts and drive better performance generally through increased competition.

The documents published around PR24 mostly consider household customers’ needs and NHH customers often get overlooked or assumed to be similar, despite wholesale charges impacting them greatly. For example, time of use tariffs aimed at reducing consumption in the evenings would support some household customers, yet adversely affect hotels or other businesses that operate at peak times.

Q3 Do you have any comments on our proposed principles for good practice charging trials?

We agree that the trials should be ex ante, i.e., future forecasts rather than real bills. However, there may be value in research that gets customers to compare bills under more than one charging structure to get more relevant feedback.

We would like to see a sample of businesses included in these trials from a variety of usage sizes and sectors.

Q4 Do you have any comments on Ofwat's role in supporting good practice charging trials?

As these principles of good practice are quite broad, we suggest that Ofwat should appoint a trial coordinator with expertise in charging trials. They can be more specific about parameters, to ensure the trial design is adequate to result in robust, unbiased and comparable findings, e.g., trial size, customer segments, what evaluation data to collect and how it is interpreted.

It's important that companies can anonymise their results, as this will ensure that all results – successful or not – are reported and shared.

Otherwise, this leads to the 'bottom drawer' problem for any experimental research, where only successful or particularly conclusive or significant results are published, and items that disprove a paradigm theory are suppressed either by the practitioner, their company, academic journals or the regulator/government.

Q5 Do you have any comments on the discussion regarding our charging rules and related regulatory compliance?

No.

We look forward to hearing your decisions on these proposals and to seeing more incentivisation of water saving behaviours for non-household customers.