

Consultation on charging innovation to support affordability – WSX Response

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 completely agree that companies should be looking at how they can innovate when setting charges. This will help ensure that companies charge for their services in the most appropriate and fair way. This should provide the opportunities and the incentives for customers to manage their costs and environmental impacts.

However, although we acknowledge this consultation is not about social tariffs, a lot of the recent innovation, particularly around affordability, has been in this area. We offer an industry leading adaptive banded tariff, Assist, to ensure that customers pay what they can afford along with offering targeted support to some of our most vulnerable customers through our discount for low-income pensioners. Alongside this we also offer a full range of payment plans outside of our tariff offerings.

We should not ignore innovation in these areas to help address affordability.

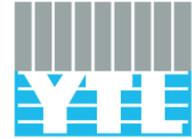
We have also been at the forefront of innovation in our “normal” tariffs through our Smart Dorchester trial. We attach the report from our trial again alongside this consultation. In summary we tested a lot of the potential options set out in this consultation and found that although some of the options could assist in affordability and environmental goals, they were universally disliked by customers.

Impact of metering on...	Metering on change of occupier	Additional impact compared to metering alone			
		Rising block	Simple seasonal	Peak seasonal	Smart technology
...reducing customer demand	✓✓(-15%)	✓(-5%)	✓(-6%)	-	-
...reducing leakage	✓✓	-	-	-	✓✓
...affordability of bills	XX	-	✓	✓	-
...customer satisfaction	-	XX	XX	X	-

Key: ✓✓ very positive ✓ positive - neutral X negative XX very negative

With any innovation in this area, we need to retain the focus on customer satisfaction, and ensure that we do not end up with tariffs that end up disengaging customers, either by being too complex and confusing or giving them the wrong impression of the tariff’s intention. This should be of as much importance as the other benefits when assessing future roll out of tariffs post trials.

Innovation in this area also needs to be supported throughout the broader price determination. Smart technology is a mandatory requirement for a lot of these tariff innovations and will in itself help customers manage their affordability and environmental impact.



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

Overall, we think that the regulatory framework for protecting customers in the context of charging innovations appears appropriate. It offers a range of measures that protect both the company and customers.

However, we think that to completely lift the barrier to innovation in this area some consideration should be given to the fact that, as revealed through our past experience, customer satisfaction with these trials could be adversely affected. The potential impact this would have on C-MeX, particularly if incentives around it are being strengthened, would act as a disincentive to innovate.

The solution to this seems easy; customers on tariff trials should be excluded from the C-MeX surveys and formal complaint reporting. This is not to say customer satisfaction and complaints while on trial should be ignored. As we highlight in our response to Question 1 it is important to keep monitoring it and to consider it alongside other potential benefits when implementing any wider changes.

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

We are fully supportive of the principles of good practice design and evaluation set out in the consultation.

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

We agree with how you set out your role in supporting good practice, specifically around helping provide surety to customers on the protections that are in place for them and facilitating the sharing of learning across the industry.

We think that, as we outline in response to Question 2, further commitments should be made to limit the impact of innovation on day-to-day service measures.

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

We have responded to the separate statutory consultation on changes to the Charges Scheme rules from April 2023. For completeness, we have no concerns with the two proposed changes to the charging rules to include general charging principles and to clarify Ofwat's position on charging trials.