

A2 Summary of consultation questions

Consultation Question 1 – Setting aside our February 2022 decision to temporarily increase gross margins for customer Group Two by 0.49% in respect of customer bad debt costs which is outside the scope of this consultation, do you agree with our proposals to retain gross margins for Group Two customers at 8% (water) and 10% (wastewater)?

Yes – these margins are sufficient to drive engagement for Group Two customers.

Consultation Question 2 – Do you agree with our proposal for a single, England-wide, retail allowance to apply to Group One customers?

Yes – this is the most fair and equal approach to charging, there should be no geographical differential in cost to serve for retailers. We fully support the proposal.

Consultation Question 3 – Do you agree with our proposal that REC price caps for Group One customers should apply to each unique service supplied?

Yes – it makes sense to standardise the price cap and then have additional services such as meter reading as a separate cost.

Consultation Question 4 – Do you agree with our proposal that an additional meter read cost allowance should apply only where a customer takes a measured water service?

Yes – there is no reason to apply a meter read cost for services where this cost isn't incurred by the retailer.

Consultation question 5 – Do you agree with our proposal to continue with the current REC specification of customers and premises, including as set out in Annex A1 'Allowed charges for Customer Group One'?

Yes – no changes are required.

Consultation Question 6 – Do you agree with our approach to assessing efficient costs to serve for Group One customers? Do you have any comments regarding our approach?

Yes – we agree with the new approach and consider it fair and balanced.

Consultation Question 7 – Do you agree with our approach to allowing indexation?

Yes – particularly with economic instability it is important to have an agreed metric to see prices increase year on year.

Consultation Question 8 - Do you agree that we should revise the allowed net margin in respect of Group One customers to 2.0%? Do you have any comments on our approach to determining the level of allowed net margin?

Yes – given the change in price cap structure and England wide costs, we agree this reduced margin is acceptable.

Consultation Question 9 – Do you agree with our proposed revisions to REC price caps for customer Group One?

Yes – brings consistency across the market.

Consultation Question 10 – Do you agree that we should protect Group One customers from material changes in the retail element of bills by using a 'glide path'? Do you have views on the timing and form of such a glide path?

Yes – we are likely to see a lot of turmoil in the economy over the coming months with interest rate increases, implementing price increases too quickly could impact our customers and lead to increased levels of debt (if customers are unable to pay) which is a risk to the market.

Consultation Question 11 – Taking account of the proposals set out in this document for revisions to REC price caps for Customer Groups One and Two, do you agree with our proposed amendments to the Retail Exit Code?

Yes

Consultation Question 12 – Do you agree that Ofwat should require that Retailers submit by June each year, assurance that they are complying with the REC price protections, and that such assurance is compiled by a suitably qualified third party?

Yes – we would support this process.