



Dear Sirs,

Thank you for providing us with the opportunity to respond to the Call For Input (CFI) on the Customer Protection Code of Practice (CPCoP).

Clear Business Water Ltd (“we”, “us” or “our”) is part of the Verastar Group that provides multiple services to over 130,000 business customers including water, gas, electricity, insurance and telecoms. In providing these services we are regulated by Ofwat, WICS, Ofgem, the FCA and Ofcom. Our experience of operating in multiple regulated industries provides valuable insight into the supply of customers under different regulatory frameworks. Our response to this CFI draws on these experiences.

### **Current Requirements**

- 1. What views do you have on the adequacy of the current requirements as they stand. Do you think they could or should be strengthened, and if so do you have any views on how they might be amended and any costs that may be incurred by doing so?**

We believe that the current requirements around sales and marketing and provision of information could be strengthened and have expanded on this at question 7 below. In general, any changes to the CPCoP should encourage competition so that customers benefit from natural market incentives and should not be overly prescriptive, preventing Retailer’s from offering innovative solutions that best meet their customers’ needs.

### **General Principles of the CPCoP**

- 2. Do you think the General Principles of the CPCoP should be modified to ensure a stronger focus on the interest of customers, and if so how?**

No, we believe the General Principles as currently drafted focus on outcomes that achieve customer protection, whilst allowing Retailers to take a flexible approach to customer protection that best meets the needs of their customer base.

### **Should different customers receive more explicit or targeted levels of protection?**

- 3. What views do you have on the CPCoP offering differing levels of protection to customers as described above?**

We do not feel that there is strong evidence of customer harm for any customer group. Many of the protections currently in place for customers are intended to address a lack of engagement and awareness in the market, [REDACTED] rs. We believe the solution to this is to encourage competition and natural market incentives, which is not achieved by increasing regulation. In our view, the only category of customers that could, potentially, benefit from further protections is vulnerable customers (see question 4 below), the protections for [REDACTED] t be restricted to any size or type of customer.

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Further, the application of protections to different groups of customers can cause operational difficulties where the required information is not recorded by Retailers or made available in CMOS and can fluctuate over time, for example, protections based on volumetric consumption.

**4. What views do you have on extending additional protections to particular vulnerable customers, and what it would be appropriate to consider adding to the CPCoP for these customers?**

We are supportive of additional protections for vulnerable customers. Other regulated sectors in which we operate vulnerable customers. For example, providing correspondence in accessible formats, providing additional information and time for independent decision making and allowing third-party account

ons for vulnerable customers, financial hardship should also be taken into account. Many businesses are being affected by the rising cost of living and energy crisis, whilst still trying to recover be replacing the Covid-19 protections (addressed further at question 17 below), with more longstanding and general protections for customers experiencing financial hardship.

**5. What views do you have on whether the CPCoP should include protections for customers with critical infrastructure?**

The main protections for customers with critical infrastructure would be applied at a Wholesale level as covered under the Security and Emergency Measures Direction. Any extra protections to ensure continuous supply for this group of customers would be better addressed in the Market Code and/or Wholesale Retail Code so that measures apply to both Wholesalers and Retailers.

**6. What views do you have on how the CPCoP could be strengthened to deal with emergency events?**

The information Retailers can communicate to their customers regarding emergency events is only as good as the information the Wholesaler provides to them. The communications on emergency events we receive from Wholesalers varies and, in some cases, does not provide enough useful information for us to manage the customer interaction. As above, any protections to improve how emergency events are dealt with would be better addressed in the Wholesale Retail Code so that they apply to both Wholesalers and Retailers.

Improving the customer experience

7. Do you have any thoughts on how the CPCoP could be strengthened to improve customer experience?

We have commented below on the customer experience improvements included in the CFI that are not specifically referenced in the questions below:

SLAs

- **Customer Credit Balances** – If a customer does not have an active Direct Debit at the time they no longer [redacted] from us, it takes us on average 3 attempts to successfully contact the customer to discuss any credit balance. Once we have confirmed the correct details for the refund (which can also take [redacted] some time to [redacted] the account that paid the water charges has been closed), it can take up to 28 days for the refund to be processed. Reducing the SLA for customer credit balance refunds from 60 days would not improve customer experience as it would create unrealistic expectations for customers and set Retailers up to fail for something which is potentially outside of their control.
- **Final Bills** – We feel that the 6-week SLA for providing a final bill is appropriate and takes into account the [redacted] across the market. Reducing this period could result in more post-final bill reconciliations and back-bills, which would not improve customer experience.

Improving the switching process

We would be supportive of changes to the CPCoP to make the switching process easier for customers. We have seen [redacted] and telecommunications markets focused on making switching easier for customers, including faster switching periods and the removal of ‘cooling off’ period requirements.

With the current requirements of the CPCoP and Market Codes, Transfer Registration Applications take at best 2 weeks [redacted] more than a month due to issues with notice periods, transfer objections etc. Changes to the CPCoP to support a move to faster switching would result in a more consistent experience for [redacted], ensuring they can benefit from their preferred supplier at the earliest opportunity.

With this in mind, we would suggest the following for review:

**Notice periods:** We have seen examples of disproportionately long and/or restrictive (i.e. within a certain a period of [redacted] notice periods across Retailers. This can be confusing for customers, making the switching process difficult to navigate for both customers and the Retailer they wish to switch to, and prevent customers from engaging with the market.

Customers should be able to provide notice at any point during the fixed term of their supply to terminate at the end of that fixed term. Where a Retailer's terms and conditions of supply allow for the contract to be terminated during the fixed term, or where customers are not supplied under a fixed term contract, they should not be required to provide more than 20 business days' notice (aligning notice periods with the maximum Transfer Registration Application period). Customers who have served notice on their Retailer should not have their Transfer Registration Application cancelled where the Registration Start Date is after the expiry of the notice period.

It is a common position amongst regulators to provide non-domestic customers with a cooling off period when agreeing contracts for their business services; in fact, we have recently seen regulators look to do this. For example, Ofcom's removal of the 'consolidation period' for transfers which allowed transfers (with a minimum 10 business day transfer period) to be cancelled before they completed, without a cooling off period.

Regulators should consider introducing proactive conditions requiring customers to confirm their acceptance of the terms and conditions of supply before a transfer can be requested, allowing the customer to have control over their switching process. We believe a similar approach for England water customers would improve the switching process.

### Accessibility of Information

Information on the water market is inherently complex and, when engaging with the switching process, customers are not provided with a significant amount of information. What is generally most important to customers, however, is the price that they will pay on switching their service.

The number of tariffs available across suppliers in the market is vast. Tariffs often have multiple elements, and these elements vary depending on the tariff they are based on (e.g. wholesale plus or default minus). To help customers navigate the switching process and better evaluate the offers available to them, we consider that section 6.1.1(a) should be strengthened to include a requirement to confirm:

the amount a customer would pay for the water services (based on the previous year's consumption).

the additional charges that would apply to the water charges that would apply in the fixed term.

the top tier metric included in the Market Performance Framework Reform for Retailers to provide product details and prices clearly to customers (CV.4).

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**Third Party Intermediaries (TPIs)**

We agree that TPIs could help improve customer participation and engagement in the market. As a multi-service business provider, we have relationships with TPIs who introduce customers to our services. TPIs can help to drive engagement from both a customer and Retailer perspective. However, from our experience, the appetite for TPIs to become involved in the England Water market is low; the margin available to Retailers doesn't allow for meaningful commission to be included with England Water contracts and the savings available to customers are not significant

While the CPCoP in relation to TPI interactions, this does not address the core issue of why TPI interaction in the England Water market is low.

**8. Do you think the CPCoP could be strengthened to improve how Retailers provide customers with information relating to the end of their contract and terms of supply?**

Early provide customers with the information that they need to evaluate their options at the end of their fixed term. This includes: the expiry date, how the customer may terminate and the options available at the end of their contract.

The information required above and beyond those we see in other markets and what would be deemed necessary for a customer to evaluate their options at the end of their contract period (e.g. the requirement to provide the Minimum Information)

**What are missing from the current CPCoP that we could consider for inclusion when updating it?**

We believe it would be useful to provide guidance on customer's rights when moving premises. Change of Tenancies (COTs) can be challenging for both Retailers and customers. Having clarity on what to expect when moving premises can help protect customers from receiving unexpected charges (e.g. estimated billing where no meter read has been provided).

Common issues that we face when dealing with COTs are:

- Delays in being informed of the COT, resulting in water charges being invoiced to the previous occupant and bill being issued
- Meter reads from the COT date not being provided, resulting in estimated charges and billing disputes; and
- Difficulties verifying the COT. We ask for one of the following to verify a COT: a certified lease or tenancy agreement; a termination of lease; a solicitor's letter confirming the details of the move; proof of purchase or

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sale of the property; a copy of the customer's business rates; or a copy of the customer's public liability insurance. We believe a customer moving premises would reasonably have access to at least one of these documents.

Providing customers with certainty that their Retailer will accept certain documents as proof of their change of tenancy and that they will be billed from the date of the change based on their meter read, where this information is provided, will help improve customers' experiences around COTs.

### Standardise the existing Letter of Authority arrangements?

Under the CPCoP as currently drafted, when a customer has a third-party acting on their behalf, the Retailer is required to obtain a Letter of Authority (LOA) specifying certain information and, in the case of microbusiness customers, in the form of a template issued by Ofwat. Given that neither customers nor third-parties are obliged to comply with the CPCoP, these arrangements unnecessarily complicate the process and act as a barrier to switching and customer engagement.

The current arrangements in the CPCoP also do not capture the full range of LOA use across the market. It is common for a customer to provide Retailers (either prospective or current) with an LOA to deal with specific issues, including switching, billing and account management and changes of tenancy (COTs), on their behalf. However, LOA acceptance is not required for a number of reasons.

A straightforward process in the CPCoP, covering all scenarios for which an LOA would be required, would help customers better engage with the market. We would suggest that the current arrangements, with clarification of the minimum requirements of an LOA that must be accepted by Retailers, including:

- Customer information including customer name, business name, supply address and SPID;
- The name of the party acting on the customer's behalf;
- The extent of their authority;
- The date on which the letter of authority expires; and
- A signature or e-signature from the customer.

Where the customer has a TPI acting on their behalf, Retailers should ensure that an LOA meeting the above requirements is provided by the customer. We do not believe it is necessary for microbusiness customers to use a specified template.



11. Should any changes to the CPCoP falling under questions 7 to 10 be differentiated by size or type of customer?

covered under questions 7 to 10 should be differentiated by size or type of customer.

#### Improving customers' awareness of the market

12. Do you have any views or suggestions as to whether and how the CPCoP might be used to improve customer awareness and engagement in the market?

Requiring Retailers to publish information on switching on their website is unlikely to improve customer awareness and engagement, as it will generally only be accessed by already engaged customers. In our view, it would be more appropriate to review the non-price protections of the REC to improve customer awareness and engagement.

#### Customer credit balances

Whether and how the implemented changes have impacted your business and delivered on the intended aims. To what extent do you consider that these changes have resulted in a noticeable difference to customer awareness in terms of credit balances or alternative payment options available?

Implemented have created an extra resource burden on Retailers without any noticeable difference to customer awareness on credit balances or payment terms.

14. Do you consider there are merits of introducing any options described above (further protections for smaller customers, ringfencing credit balancing, obliging Retailers to provide annual letter/notifications or obliging Retailers to refund credit balances on an annual basis) and why? Please provide your views of possible pros and cons, including any possible implementation challenges, costs or unintended consequences that Ofwat would need to consider.

We consider that the measures already implemented go above and beyond any perceived risk in relation to customer credit balances and that further measures would be disproportionate.

We have addressed each of the proposed options in turn below:

#### Ringfencing credit balances:

We do not agree that providers should be required to ringfence credit balances. This has been introduced in the energy market because domestic consumer credit balances are protected and there is evidence of customer harm in this area.

caused by supplier failure. The requirement from Ofgem is that domestic consumer credit balances would only be ringfenced by direction after certain trigger points are hit, rather than applied as blanket requirement across all suppliers as suggested by Ofwat.

**Annual notifications:**

Given that Retailers are already required to notify customers of accrued credits at least once every 3 months, it is [redacted] of the same would provide.

[redacted] should be required to automatically refund accrued credit on an annual basis. Customers are already made aware at least once every 3 months that they can request a credit refund. Many [redacted] services understand that a credit will accrue on their account and can benefit from this (for example, businesses with seasonal trade where water use will increase at certain times of the year). [redacted] when their credit refund will be issued rather than Retailers being required to do this automatically.

Further, automatic refunds could cause issues where:

- The refund had already been offset against the next invoice due to the time it takes for refunds to be processed, resulting in a debit on the customer account.

[redacted] the correct account – for customers who don't pay by Direct Debit we have a stringent process to ensure the funds go to the correct account which would be impacted by an automatic [redacted]

15. Are there any other things we could consider or anything we can learn from other sectors or markets on this issue? If so, please provide your views on possible pros and cons on any suggested alternative approaches, including implementation challenges, costs, or unintended consequences that Ofwat would need to consider.

[redacted] above.

**Governance and housekeeping**

[redacted] process to the WRC/MAC changes should be introduced to replace the current CPCoP change process?



We would support any changes to the CPCoP change process that allowed appropriate parties to request changes and simplified the process. We note CCW's request for a formal timeline of 6 months by which Ofwat must have evaluated a change proposal and consulted on its decision. We are supportive of this.

**Does the current CPCoP have any redundant or unnecessarily complex elements? If so, do you have any suggestions to reduce complexity or redundant elements of the CPCoP?**

As defined by the Code has expired, it is appropriate to remove the Covid-19 provisions in the CPCoP. However, as addressed at question 4, we feel there should be more generic protections for [redacted] ship.

Clause 9.2.2 and the related clause 9.2.4, have reached their expiry date.

#### **Micro-business customers in a fixed term contract**

Clause 7.3.1 of the CPCoP provides protections to micro-business customers in a fixed term with their Retailer, preventing contracts from being rolled over automatically without the written consent or request of the customer. This consent must be provided within the 30-day period of a Renewal Notice. This clause is unnecessarily complex and we also have some specific issues with the provisions of the clause:

[redacted] in relation to Renewal Notices; however, 7.1.3 refers to Retailers passing on any payments received from the Wholesaler to the customer. We believe that this should refer to 7.1.4 in [redacted] of the upcoming expiry of their terms of supply.

- Both rollovers and renewals are referred to at 7.3.1(a) - we are assuming that these refer to separate activities, i.e. a customer who consents or requests to an extension of the terms following the Renewal Notice would be renewing their contract. A customer who does not actively respond to the Renewal Notice would be rolled over or moved onto a Scheme of Terms and Conditions or the Retailers standard terms.

As currently drafted, Retailers must provide the Renewal Notice *at least* 30 days prior to the expiry date of the terms of supply, meaning that they could give customers more advance notice of their options. However, [redacted] to consent to rolling over their terms of supply outside of the 30-day window prescribed by the code. The operational complexities of this does not incentivise Retailers to notify customers [redacted] in the minimum period of 30 days before expiry.

- Where a customer has requested to rollover their terms and conditions of supply, we do not agree that no [redacted] for early termination, particularly where the customer has received a discount from the Default Rates.

We would suggest the following to simplify the drafting and address the above concerns:



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“If a Retailer’s Terms and Conditions of Supply to a Micro-business customer are for a fixed term:

- (a) The relevant Terms and Conditions of Supply may not be renewed without the written consent or request of [REDACTED] Customer has agreed to a rollover. The rollover period can be for a maximum of one year from the expiry of the initial fixed term period or any subsequent rollover period. [REDACTED] Scheme of Terms and Conditions or the Retailer’s standard, general or default Terms and Conditions of Supply is not prohibited pursuant to this section 7.3.1.”

[REDACTED] includes complex language regarding billing and settlement which is unlikely to be understood by a customer. For example, a customer is unlikely to know when Final Settlement Reports are provided [REDACTED] um period they could be back-billed for, based on the recalculated invoice being issued 8 months after the Final Settlement Report. We believe this could be simplified to:

“Retailers may not issue recalculated bills or invoices for positive sums for charges in respect of water services supplied [REDACTED] Household customers for an Invoice Period earlier than 24 months preceding the date of the bill or invoice (a “Back-bill”).”

**18. Do any definitions contained within the CPCoP need updating or amending?**

As we have suggested the removal of the Covid-19 provisions, any related definitions would also need to be removed.

**Monitoring and Compliance**

**Whether we could protect customers better by taking further steps to increase our assurance that Retailers are compliant with their obligations as set out in the CPCoP and if so what in [REDACTED] e way to do this?**

Any increase in assurance and monitoring should be proportionate and targeted. Increasing the regulatory burden on [REDACTED] compliance or customer harm will only divert Retailer resources away from areas that are more of a priority for customer protection and that could improve customer experience.

If you have any questions regarding our response, please do not hesitate to contact me at [REDACTED]



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Senior Compliance Officer

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