

CPCoP CFI Response
Ofwat
City Centre Tower
7 Hill Street
Birmingham B5 4UA

Email to CPCOPcodechange@ofwat.gov.uk

26th June 2023

Dear Sir

UKWRC response to Ofwat Call for Inputs on Customer Protection.

UKWRC represents retailers active in the English and Welsh Water Retail Market for non-household (NHH) customers. UKWRC's 16 members comprise both large and small, associated and associated companies and new entrant retailers. Together they serve around 98% of non-household properties in the English and Welsh market.

Individual retailers will respond on their own behalf to the questions you raise in the CFI. The following is a more high-level response focusing on particular key issues linked with the CPCoP.

- Code principles
- Protecting customers
- Identification of customers
- Billing arrangements
- Credit refund

Code principles

Much of the Code is about service provision, but retailers need wholesalers' alignment to deliver that service to customers.

It is of no value overlaying further regulation on retailers when the CFI document confirms that the principal issues in the Market arise from wholesalers' failures that change to the CPCoP will never address.

The Code therefore needs to recognise the obligations on wholesalers, as well as retailers.

We suggest therefore an additional or amended Principle to reflect the requirement for not only retailers' but also wholesalers' adherence to the Market Codes to deliver effective and timely service to NHH customers.

It would also be helpful to introduce an additional principle around parity between wholesalers, retailers and customers when it comes to payments and refunds i.e. if wholesale charges have been paid then customers should also pay, if wholesale charges have been refunded then the customer should receive a refund etc. We believe this would provide much greater clarification of the minimum standard for customers and retailers when it comes to dealing with the many grey areas which arise.

In summary, retailers must be allowed to invoice customers for whatever sums they have been billed for by the wholesaler for all legitimate consumption, as it is clearly inequitable for a wholesaler to be permitted to bill the retailer for sums that the retailer is unable to bill the customer for under the back-billing restriction in the CPCoP. We believe this was an oversight and an unintended consequence at market opening which ought reasonably to be remedied now to establish parity.

Protecting customers

The most effective way of protecting customers is to ensure a flourishing Market and rely on the natural incentives and market forces. Increasing regulation is not the way to deliver a flourishing market. An overly prescriptive Code will militate against service differentiation, a key factor in delivering real choice and competition.

The Code should therefore seek to support the development of competition as a fundamental means of protecting customers.

We would also question why Ofwat is proposing that NHH customers in England should receive greater protection than household water customers and than NHH customers in the Energy market.

Identification of customers

We do not believe the need to identify business customers as vulnerable – in the same sense as household customers can be through health or finances. Being in business these customers/owners should have developed a sufficient financial understanding and awareness to avoid the need for additional protection.

The text in the CFI tends to suggest that retailers are not proactive in their understanding of customer needs and the tailoring of treatment and service offerings to those customers who may be more 'vulnerable'. This overlooks the fact that most retailers have every incentive to focus on how and what they may recover from customers, and the best approach to doing so, without needing a Code to drive the right behaviour.

The CFI also refers to 'customers with critical infrastructure'. Our understanding is that critical infrastructure applies to e.g. power stations, treatment works, rail networks, hospitals, airports, etc. Whilst not recognising schools and places of worship as critical national infrastructure, in the sense adopted by Government, we accept that hospitals, schools and emergency services should get particular treatment in specific cases, e.g. in restoration of supplies. However that is a wholesaler function and responsibility not a retailers. It is covered under the Security and Emergency Measures Direction and is not appropriate for inclusion in the CPCoP.

Billing arrangements

- a. Back billing. There needs to be more flexibility to reflect retrospective adjustments in CMOS where a delay in meter reading is outside the retailer's control or where due to deliberate customer action (e.g. not allowing access to read a meter or not telling their retailer they have moved in despite the occupier letter having been sent to the property and does not engage with repeated attempts to contact them). In these circumstances the customer has received a service and the money is legally due.
- b. Post RF correction. If a change to market data is made shortly before the final settlement run (RF), then a retailer will receive charges from the wholesaler based on the RF, but is highly unlikely to be able to pass those charges on to the customer given the timing. Therefore, there needs to be a lag so that retailers have a reasonable amount of time to pass on charges to the customer if they are received from the wholesaler in RF.

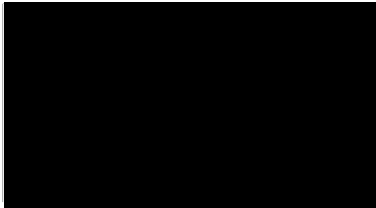
Credit refund

We do not believe there should be an automatic annual refund arrangement at a specific point in the year – as has been suggested by CCWater - or ringfencing of credit balances. Credit balance are generally short term as customers go in and out of credit.

We also note that Ofgem has recently changed its policy on ringfencing credit balances on a product that has a far higher cost to customers than water.

It's also worth noting that retailers have stringent processes for returning credit balances to ensure the right account, avoid money laundering and/or fraud. Any credit refunds should therefore be based on individual customer preference and only actioned following confirmation of details by the customer.

Yours faithfully



Phillip Mills
Chair, UK Water Retailer Council