

May 2023

Business Retail Market – Customer Credit Balances, RFI Qualitative questions

Business Retail Market - Customer Credit Balances
RFI Qualitative questions

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Section A: Credit balances

QA.1 Rationale for changes in the quantitative RFI section

With reference to the data that you have provided by input into the RFI excel spreadsheet, section A – C, tab "Credit balances", please provide narrative and rationale for any significant quarter-to-quarter or year-on-year changes that you have observed in the value or composition of credit balances held. For example, if there have been significant changes in the overall amount of credit balances held, or a significant change in the amount of credit held by customer segment.

Please explain what factors have contributed to those changes.

QA.2 Advance payment policies

Please provide a breakdown of all different types of advance payment policies you offer to customers.

QA.3 Advance payment contracts

With reference to the data that you have provided by input into the RFI excel spreadsheet, section A "Customer accounts in credit", tab "Credit balances", please provide narrative and rationale for any significant changes in customers taking up a specific type of contract. For example, if you have observed an increase in the number of customers taking up advance payment contracts or if customers are moving away from paying fully in advance.

QA.4 Credit balances management

Please explain what steps you have taken or are taking to ensure that customer credit balances are being managed in compliance with the CP0010 requirements.

Please provide narrative that explains how you account for and manage credit balances held and how you track and report on credit balances and refunds.

Please include the following:

- any metrics you use to assess performance in this area;
- Do you monitor in any way the balance of credit held to see any fluctuations? If yes, how, and what fluctuation have you seen in the last two financial years (1 April 2021 – 31 March 2022 and 1 April 2022 – 31 March 2023); and

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- How often do you review usage and the associated direct debit.

QA.5 Customers perpetually in credit

Of the total number of customers with credit against their account as at the end of each reporting year, could you please provide the percentage (or an estimate of the number) of customers who perpetually have credit against their accounts. Please provide any relevant comment or observed trend in this regard.

Section B: Credit refunds

QB.1 Rationale for changes in the quantitative RFI section

With reference to the data that you have provided by input into the RFI excel spreadsheet, section A- G, tab "Credit refunds", please provide narrative and rationale for any significant quarter-to-quarter or year-on-year that you have observed in the value or number of refunds. For example, changes in the total credit refunded to customers.

Please explain what factors have contributed to those changes.

QB.1 Refund policy

Please outline your company policy regarding customer refunds. In your answer, please include:

- an explanation of the process for issuing credit refunds to customers;
- an explanation of the process and circumstances under which you proactively grant refunds to customers;
- your policy regarding providing refund to multisite customers;
- your policy regarding the monitoring and management of customer accounts in regard to usage and the associated direct debit;
- an explanation of how you manage and maintain up to date customers' banking and address details. In answering this, please explain whether and how your approach is different for existing customers who pay in advance, and new customers who pay in advance.
- comment on whether your refund policy has changed in the last two years, and if so, how.

QB.2 Credit refunds – time taken to process and issue refunds

Please provide an estimate of the average time it has taken for credit to be refunded over the past two financial years (1 April 2021 – 31 March 2022 and 1 April 2022 – 31 March 2023).

If possible, please categorise as follows:

- average time for credit refunds after the final bill being issued as a result of a transfer to another Retailer;

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- average time for credit refunds after the final bill being issued as a result of an account closure;
- average time for credit refunds upon customer requests; and
- average time to process and issue other credit refunds, for example proactively granted to a customer or other (please specify).

Please provide any relevant accompanying narrative, if applicable.

QB.3 Credit refunds – delays

In line with the CP0010 requirement for Retailers to retain a log of instances where they have not been able to refund credit balances within 60 days, clarifying the reason why the refund was late or unsuccessful, please list and clarify the reasons for unsuccessful refunds or delays in issuing a credit refund within 60 days.

If possible, please list and clarify the reasons for unsuccessful refunds or delays in issuing a credit refund within 60 days as of:

- the final bill being issued as a result of a transfer to another Retailer;
- the final bill being issued as a result of an account closure; and
- customer submitted a refund request,

Please also explain how you keep a record of the instances where you have not been able to refund credit balances within 60 days.

QB.4 Annual automatic refunds

Please confirm whether you offer automatic refunds of credit, and how frequent these are offered e.g., annually, and whether customers have to opt-in to this arrangement.

In our decision document on CP0010, we discussed the option of implementing a requirement that Retailers refund credit balances above £0 to customers on an annual basis. CCW submitted a change request in August 2022 that proposed changes to the CPCoP that would include an automatic refund to take place on a date that is agreed with the individual customer, unless the customer chooses not to be refunded in that year.

Responses to our consultation suggested that Retailers could encounter challenges in meeting this requirement. Some of the challenges are noted in bullet point below. There may also be other financial impacts arising from the introduction of such a requirement, including changes in cash flows and working capital costs. Please provide views on how you have overcome these challenges, or views on how such challenges

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could be overcome and whether Retailers may face other challenges in meeting a potential annual "auto-refund" obligation.

- Account closure and final consumption validations don't always happen at the same time. For example, a meter read could arrive at a later date which could mean that a bill needs to be adjusted and a refund issued to the customer;
- Consideration should be given to complex accounts where there could be offsetting between multi-meter / multi-premise customers;
- A time limit on reimbursement might not be practical where there is a disputed invoice;
- Without the customer's bank details it would be difficult to initiate a refund;
- An extended process involved in validating bank accounts for making refunds;
- Where there may be unresolved bilateral issues, disputed reads, delayed allowance payments; and
- Where the customer has become insolvent and moved from a premise with no forwarding address.

Please comment on pros and cons and any further implementation challenges that you might experience (including financial and operational challenges) and provide any further comments regarding the cost of implementing automatic annual credit refunds, including any costs related to system upgrades or customer communication.

Section C: Communication with customers

QC.1 Compliance with [CP0010 requirements](#)

Communicating the risks and benefits of advance payments

Under the CP0010 requirements, Retailers are required to communicate the "standard text" (which outlines the benefits and risks of entering into an advanced payment arrangement) to:

- new customers who agree to pay for services in advance;
- all customers in advance payment contracts within 3 months of the CP0010 implementation; and
- all customers in advance payment contracts at a minimum of once every 12 months, on ongoing basis.

Please explain the approach you have taken in complying with these requirements, and if relevant, please set out any issues or challenges you might have encountered in complying with these new requirements,

Communicating the amount of customer credit held

Under the CP0010 requirements, where a customer has accrued credit against their account, Retailers are required to clearly communicate the "information requirements" below to the customer, at a minimum frequency of once every 3 months:

- the amount of credit that they have accrued against their account;
- what the credit relates to;
- how the customer can contact the Retailer should they wish to explore alternative payment terms or if they can obtain a credit refund (if available); and
- subject to contractual terms and conditions, information on how customers can switch to an alternative Retailer if they are not satisfied with the terms on offer.

Please explain the approach you have taken in complying with this requirement and if relevant, please provide any issues or challenges you might have encountered in complying with the requirement.

In CP0010, we also noted that bills are not the only method available to Retailers to improve customers' awareness of credit balances and of the alternative payment options available to them. We considered that it would be beneficial to allow Retailers some flexibility in the way that they communicate the "information requirements" to customers. Please specify:

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- Have your communications with customers that have accrued credit against their account¹ changed in any way beyond the new minimum requirements stipulated in CP0010 and how?
- What other channels do you use to communicate with customers that have accrued credit against their account?
- Do you plan to introduce any other changes to further improve the communication with customers that have accrued credit against their? If yes, please explain what.

QC.2 Customer complaints and issues raised

Have there been any customer complaints or issues raised related specifically to credit balances or credit refunds in the last financial year (1 April 2022 – 31 March 2023), and if so, please provide details on:

- number of customer complaints and key categories of reasons for those complaints; and
- list of any issues raised by customers.

Please explain how those complaints and issues were handled.

¹ Please note that this includes all customer with credit in their accounts, not just those on advance payment terms.

Section D: Supporting narrative

This is an additional section for narrative or rationale regarding your data input into the accompanying quantitative RFI excel spreadsheet.

In the section, Retailers should include any relevant descriptions and/or further explanation and basis for the data provided in the RFI excel spreadsheet. Retailers' narrative should follow the same tab structure of the RFI spreadsheet.

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