

December 2023

# **Strengthening protections for customers in the Business Retail Market: Customer Protection Code of Practice (Tranche 2 Changes) – A Consultation**

**Ofwat**

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## 1. Executive summary

Since April 2017, eligible non-household (**NHH**) customers in England and Wales<sup>1</sup> have been able to choose the supplier that provides their water, waste water, and other retail services.<sup>2</sup> The Business Retail Market can help deliver lower bills, encourage customers to use less water and lead to improved services and offers. At the same time, regulatory obligations remain on Retailers to ensure the interests of NHH customers are protected. At market opening, we gave effect to the [Customer Protection Code of Practice \(CPCoP\)](#). The CPCoP sets out the minimum standards of behaviour that Retailers must adhere to in their interactions with NHH customers, and compliance is a condition of Retailers' licences, which is ultimately enforceable by Ofwat. The CPCoP sits alongside, and complements, a number of other requirements on Retailers. These include the [Retail Exit Code \(REC\)](#) price and non-price protections, and the [Guaranteed Standards Scheme \(GSS\)](#). Together these requirements form a comprehensive suite of regulatory levers we can use to provide protection for NHH customers.

At the time of implementation, the CPCoP was designed to strike an appropriate balance between upholding key protections for customers, while at the same time not introducing overly burdensome barriers to entry and expansion that could risk undermining the development of competition in the market. Now that the market has been in operation for over six years, and we have a better grasp of evolving customer expectations and the challenges facing market development, we think that it is appropriate to review the extent to which the CPCoP is providing effective protection for customers, and hence whether revisions may be warranted. In April 2023, we published a [Call for Inputs \(CFI\)](#) on how the CPCoP could be improved or strengthened, and in September 2023 we published a [consultation](#) on our proposals for a first set of changes to the CPCoP.

Our [market monitoring](#) since 2017 has consistently indicated that levels of awareness, engagement and benefits from competition differ depending on the size of business customer, with larger customers more likely to be aware of and benefit from the market. Our monitoring work has also consistently highlighted a number of market frictions that are hampering effective market functioning, and that industry is actively pursuing a range of initiatives intended to address these and so enable the development of competition and the delivery of benefits for all customers. This progress notwithstanding, it is not yet fully clear to what extent competition may develop and so work effectively for all customers, and hence we

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<sup>1</sup> See our [eligibility guidance](#). In Wales, only NHH customers who use more than 50 megalitres of water per year can currently switch their water retail supplier.

<sup>2</sup> Retail services include meter reading and other customer-facing activities.

think it is important that appropriate explicit regulation is in place to protect customers' interests. In light of the CFI responses and our own market monitoring, we think the CPCoP could be further strengthened to better protect customers. In this document, we set out several areas where we are concerned customers could be at risk of harm or where the CPCoP could go further in protecting their interests. We outline how we think the CPCoP might be amended to help to mitigate or address these concerns.

### **Areas where we consider revising the CPCoP**

We set out our concern that the current "General Principles" of the CPCoP lack focus on the customer interest and can act as a barrier to Code changes that could strengthen protections for customers. We think they should be renamed the "Principles of Retailer-Customer Interaction" and a new "Primary Principle" concerning the customer interest should be added. Additionally, we suggest the addition of Supporting Principles of Efficiency and Proportionality.

We discuss whether different protections should be provided to different classes of customer. This includes the possibility that the protections currently provided to micro-businesses (defined as those with fewer than 10 full time employees) are extended to all small businesses (defined as those with fewer than 50 full time employees), and that Retailers should be required to design "vulnerability strategies" to identify and support vulnerable NHH customers – those customers associated with an individual in vulnerable circumstances.

We consider that greater information sharing between Wholesalers and Retailers is necessary in the case of emergency events. We therefore suggest the CPCoP should be updated to stipulate minimum information Retailers should collect from customers which Wholesalers should be able to access in the event of an emergency or unplanned event.

We examine how the CPCoP could be amended to improve the customer experience, including through requiring Retailers to give greater visibility on their websites and customer bills to the benefits of engaging with the market, greater support for customers who wish to switch, increasing the visibility of complaints processes and redress options, and ensuring automatic contract renewals do not occur without explicit prior customer knowledge and consent.

We discuss how the CPCoP could be amended to improve the experience of customers who engage with Third Party Intermediaries (**TPIs**), including consideration of the requirement that Retailers only engage with TPIs who adhere to principles of good practice set out in the

CPCoP, and that Retailers must co-operate with TPIs unless they have good reason not to do so.

We outline our thoughts on how we could increase our assurance of compliance with the CPCoP, including through the introduction of an annual Statement of Compliance and increased collection of evidence of compliance.

We examine the comments we received in response to the April CFI concerning meter reads and billing, and explain our initial proposals to require Retailers to issue customer refunds as soon as possible, provide Retailers with the option to extend the period of a Reasonable Repayment Plan up to 24 months, and consider requiring Retailers to issue an accurate bill twice a year. Finally, we outline our plans to improve customer awareness of the CPCoP through requiring Retailers to provide customers with a customer-friendly version of the CPCoP upon contract renewal or commencement, which we will write and publish.

We consider that all the changes we discuss align with our statutory duty to protect the interests of current and future customers, through the promotion of competition where appropriate. We also consider that many of our proposed changes further the existing General Principles of the CPCoP. Additionally, we consider our review of the CPCoP as making an important contribution to Ofwat's strategic goal to transform water company performance.

The proposals included within this document do not constitute a formal Change Proposal raised under the current Governance procedure as set out in Section 5.1.1 of the CPCoP. Instead, we view this consultation as an opportunity to gather thoughts and evidence from stakeholders on our initial proposals. We will consider consultation responses carefully and intend to publish finalised Change Proposals in the first half of 2024. Separately, we will publish our decision on Tranche 1 changes in early 2024.

## 2. Introduction and about this document

### 2.1 Introduction

Since 2017, eligible NHH customers in England and Wales have been able to choose the supplier that provides their water, waste water, and other retail services. To protect the interests of NHH customers, regulatory requirements in the CPCoP set out the minimum standards that all Retailers must comply with in their dealings with NHH customers.

In April 2023, we published a [Call for Inputs](#) on how the CPCoP could be improved or strengthened. We received 22 [responses](#) covering a range of issues which varied in complexity. After considering the responses to the CFI, we are of the view that there is a case for making changes to the CPCoP. Given the large number of issues that we thought deserved consideration and given their variation in complexity, we decided to split our proposals for changes into two tranches.

In September 2023, we published a [consultation](#) on the proposed first tranche of changes. We thought these changes were relatively straightforward and were designed to ensure the CPCoP was up-to-date, comprehensible, and efficient. The consultation closed in October 2023 and we plan to publish our decision in early 2024. We will publish an updated version of the CPCoP in line with our Tranche 1 decision, and any changes that arise from Tranche 2 will build on this updated version.

This document sets out, for consultation, our initial proposals concerning the second tranche of changes to the CPCoP. **This consultation is not a formal Change Proposal under the current Governance arrangements set out in Section 5.1.1 of the CPCoP; given the complexity and importance of the issues covered in this document, we intend to treat this consultation as an opportunity for us to consult on our current thoughts with stakeholders and, where necessary, to gain further information and evidence to inform our thinking.** We will carefully consider all consultation responses before issuing any finalised Change Proposals under Section 5.1.1 of the CPCoP.

### 2.2 This document

This document sets out and seeks views regarding our initial proposals for amending the CPCoP. It is structured as follows:

- **3. Purpose and aims of reviewing the CPCoP**

- This chapter sets out our reasons for reviewing the CPCoP and our aims underpinning any amendments. It analyses how this work contributes to meeting Ofwat's statutory duties.
- **4. Principles of the CPCoP**
  - This chapter considers the adequacy of the current General Principles of the CPCoP. We are minded to propose that the Code should be amended to rename the General Principles to "Principles of Retailer-Customer Interaction" to reflect their purpose and content. A new "General Principles" section would be added and would include a "Primary Principle" focused on the customer interest, and two "Supporting Principles" of Efficiency and Proportionality.
- **5. Protections for smaller customers**
  - This chapter considers whether the current protections offered to micro-businesses (defined as customers with fewer than 10 employees) should be extended to all small businesses (defined as customers with fewer than 50 full time employees).
- **6. Protections for vulnerable customers**
  - We set out in this chapter our view that that some individuals or people associated with NHH customers can find themselves in vulnerable circumstances. We propose that in this instance, such NHH customers should be entitled to additional support from their Retailer. We set out and seek views on the creation of "Vulnerability strategies" and increased obligations regarding accessible communication that could support this.
- **7. Emergency and unplanned events**
  - This chapter looks at the need for increased information sharing between Retailers and Wholesalers in advance of an emergency or unplanned event. We suggest that Retailers should be required to collect minimum information from all NHH customers and "sensitive customers", which should be made available to Wholesalers in an emergency or unplanned event. We also consider the need for a standardised definition of a "sensitive customer" in the Wholesaler-Retailer Code ([WRC](#)).
- **8. Customer service**
  - In this chapter, we propose that the CPCoP should be amended to increase the transparency of Retailers' complaints processes, through adding complaints

process information to their websites and details of the right to escalate complaints to CCW.

- **9. Improving customer awareness of the market**
  - We discuss in this chapter proposals for the CPCoP to be amended to further support improved customer awareness of the market by requiring Retailers to make switching information prominent on bills and their websites.
- **10. Third Party Intermediaries**
  - This chapter considers how the CPCoP could be amended to protect both customers and Retailers from harm arising from TPI use or engagement. We set out our plans to require Retailers to only work with TPIs who adhere to published principles of good practice and require Retailers to co-operate with TPIs that represent a customer unless they have good reason not to.
- **11. Contracts and switching**
  - In this chapter, we set out our thoughts on how customers may be better supported in switching Retailer through only allowing automatic contract renewal where a customer has explicitly consented, and placing an obligation on Retailers to support customers who have a switch attempt blocked.
- **12. Increasing assurance of compliance**
  - This chapter explores how we can increase our assurance of Retailer compliance with the CPCoP, such as through an annual Statement of Compliance and an increase in gathering evidence of compliance.
- **13. Meter reads and billing**
  - We examine in this chapter responses to our April CFI that covered issues related to meter reads and billing, and propose requiring Retailers to issue customer refunds as soon as possible, permitting Retailers to extend the period of a Reasonable Repayment Plan to 24 months, and consider requiring Retailers to issue an accurate bill twice a year.
- **14. Other issues**
  - This chapter covers issues raised in CFI responses that are not addressed in other chapters. This includes an exploration of how customer awareness of the protections they are offered under the CPCoP could be increased, including through requiring Retailers to share a short-form version of the CPCoP with customers upon contract renewal or commencement.



- **15. Next steps**
  - This chapter outlines how we intend to take our work on the CPCoP forward.
- **Appendix 1: List of all initial proposals**
  - A consolidated list of all initial proposals and their suggested implementation date.
- **Appendix 2: List of all consultation questions**
  - A consolidated list of all consultation questions.
- **Appendix 3: Template Letter of Authority**
  - The current template Letter of Authority issued by Ofwat.
- **Appendix 4: Voluntary principles of good practice for TPIs (published 2017)**
  - The voluntary principles of good practice for TPIs issued by Ofwat in 2017

## 2.3 Responding to this consultation

We would welcome your comments on this consultation by **5pm on Wednesday 14 February 2024**. Please email them to [CPCOPcodechange@ofwat.gov.uk](mailto:CPCOPcodechange@ofwat.gov.uk) with the subject 'CPCoP Tranche 2 Consultation' or post them to:

CPCoP Tranche 2 Consultation Response  
Ofwat  
11 Westferry Circus  
Westferry House  
London  
E14 8RH

We intend to publish responses to this consultation on our website at [www.ofwat.gov.uk](http://www.ofwat.gov.uk). Subject to the following, by providing a response to this consultation you are deemed to consent to its publication.

If you think that any of the information in your response should not be disclosed (for example, because you consider it to be commercially sensitive), an automatic or generalised confidentiality disclaimer will not, of itself, be regarded as sufficient. You should identify specific information, explain in each case why it should not be disclosed and provide a redacted version of your response, which we will consider when deciding what information to

publish. At a minimum, we would expect to publish the name of all organisations that provide a written response, even where there are legitimate reasons why the contents of those written responses remain confidential.

In relation to personal data, you have the right to object to our publication of the personal information that you disclose to us in submitting your response (for example, your name or contact details). If you do not want us to publish specific personal information that would enable you to be identified, our [Privacy Policy](#) explains the basis on which you can object to its processing and provides further information on how we process personal data.

In addition to our ability to disclose information pursuant to the Water Industry Act 1991, information provided in response to this consultation, including personal data, may be published or disclosed in accordance with legislation on access to information – primarily the Freedom of Information Act 2000 (**FOIA**), the Environmental Information Regulations 2004 (**EIR**) and applicable data protection laws.

Please be aware that, under the FOIA and the EIR, there are statutory Codes of Practice which deal, among other things, with obligations of confidence. If we receive a request for disclosure of information which you have asked us not to disclose, we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances.

## **2.4 Next steps**

Subject to consideration of any comments received, we expect to publish a consultation on our finalised Tranche 2 Change Proposals, as per Section 5.1.1 of the CPCoP, in the first half of 2024. We plan to issue a decision on Tranche 2 later in 2024.

## 3. Purpose and aims of reviewing the CPCoP

This chapter sets out our rationale for reviewing the CPCoP and our aims underpinning our proposed amendments. It analyses how this work contributes to meeting Ofwat's statutory duties and broader objectives.

### 3.1 Purpose of reviewing the CPCoP

Ofwat has a legal duty to make sure that eligible customers are protected in the market.<sup>3</sup> It was considered necessary at market opening that regulatory protections were put in place for customers, including because experience in other markets newly opened to competition and choice suggested regulatory protections for customers could be necessary in some circumstances. It was thought that the combination of the CPCoP, REC price and non-price protections, and the GSS would provide sufficient protection for customers at market opening and beyond. At the time of implementation, we considered the CPCoP to strike an appropriate balance between upholding protections for customers, while not introducing overly burdensome barriers to market entry and expansion.<sup>4</sup>

Since market opening, the CPCoP has been updated several times to respond to challenges faced by customers, including protections related to the COVID-19 pandemic<sup>5</sup> and customer credit balances.<sup>6</sup> While these targeted amendments to the CPCoP have strengthened protections for customers over recent years in specific areas, we have yet to complete a holistic review of the CPCoP.

The market has evolved since 2017, and we now have a clearer picture of the extent to which it is delivering benefits for customers and where there remain issues or limitations that are inhibiting the market from delivering benefits for all customers. Our market monitoring has consistently indicated that levels of awareness, engagement and benefits from competition differ depending on the size of business customer, with larger customers significantly more likely to be aware of and benefit from the market than smaller ones. We continue to see low levels of market awareness and engagement by smaller customers, and they typically have

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<sup>3</sup> [Water Industry Act 1991](#), Part 1 Section 2 (2A and 2B)

<sup>4</sup> See [Protecting customers in the non-household retail market – a consultation on final proposals and a draft customer protection code of practice](#)

<sup>5</sup> See our [CP0006 decision](#), [CP0007 decision](#), [CP0008 decision](#), and [CP0009 decision](#).

<sup>6</sup> See our [CP0010 decision](#).

less incentive to engage as they can expect to make smaller financial savings from switching and face limited differentiation in supplier offering.

Our monitoring work has also consistently highlighted a number of market frictions that are hampering effective market functioning, and that industry is actively pursuing a range of initiatives intended to address these and so enable the development of competition and the delivery of benefits for all customers. This progress notwithstanding, it is not yet fully clear to what extent competition may develop and so work effectively for all customers and hence we think it is important that appropriate explicit regulation is in place to protect customers' interests. With this in mind, we think it is appropriate to review the effectiveness of the CPCoP, or if it requires amendment to better protect customers in the current market landscape and beyond.

### **3.2 Aims of the review**

Section 2.2 of the CPCoP outlines that the purpose of the Code is "to place obligations on Retailers in relation to [specified] areas of market activity in order to protect Non-Household Customers and to further the Code Principles". Ultimately, the aim of our review is to determine whether the Code is sufficiently meeting this purpose, and if not, what changes could be made to ensure it does.

We intend only to amend the CPCoP where there is clear evidence that modification of the Code could eliminate or mitigate the existence or risk of customer harm, or improve customer experience. In setting out our thoughts, we are mindful of the need to balance the potential benefits of increased customer protection with the potential implications of an increase in the regulatory burden.

### **3.3 Alignment with Ofwat's statutory duties and objectives**

We consider our review of the CPCoP to be consistent with our statutory duties, particularly our objective to protect the interests of current and future customers, through the promotion of competition where appropriate. As we have outlined, we think review of the CPCoP is necessary to ensure the protections that are in place for all customers are appropriate and robust for the longer term as the market continues to develop and mature, and are responsive to customers' expectations as they continue to evolve. We are also delivering on the commitment we made in our [Forward Programme 2023-24](#) to "consider whether the current customer protections should be strengthened" as part of our strategic goal of transforming performance in the sector.

Additionally, we have regard to the Government's [Strategic Priority Statement](#) for Ofwat, particularly that we should "work in collaboration with wider stakeholders to explore whether changes to the Business Retail Market rules, processes, and structures can deliver improvements for customers, society, market resilience, investor confidence, and the environment."

## 4. Principles of the CPCoP

This chapter discusses the General Principles of the CPCoP. It notes current problems with the General Principles including a lack of mention of customer protection and issues surrounding change proposals. We outline our initial proposals to rename the General Principles to "Principles of Retailer-Customer Interaction" to reflect their content. We propose the addition of a new "General Principles" section to include a "Primary Principle" focused on the customer interest, and two "Supporting Principles" of Efficiency and Proportionality.

### 4.1 Adequacy of the General Principles

Section 4 of the CPCoP sets out six 'General Principles' that all Retailers must comply with when dealing with NHH customers. These are:

- Retailers shall be fair, transparent and honest; while putting the customer at the heart of their business;
- Communication with Non-Household Customers shall be in plain and clear language;
- Retailers shall ensure they provide appropriate and timely information to Non-Household Customers to enable them to make informed choices;
- Any information provided to Non-Household Customers shall be complete, accurate and not misleading;
- Retailers shall respond to Non-Household Customers in an appropriate and timely manner; and
- Customer service arrangements and processes shall be accessible to and effective for Non-Household Customers.

The Code does not contain an overarching obligation that its operation or any amendments to it should protect customers, despite this being its ultimate purpose. Instead, when an appropriate party<sup>7</sup> proposes a change to the CPCoP, they are required to include in their proposal confirmation of how the change is consistent with the General Principles. Similarly, when Ofwat issues a decision on a Change Proposal, it is expected to consider and make a decision on the proposal against the General Principles.

The exclusive requirement to align Change Proposals with the General Principles, rather than a broader 'Customer Interest' Principle, can create difficulty in justifying proposals which are in the customer interest but are not directly related to Retailers' interaction with customers.

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<sup>7</sup> Any Retailer or other party Ofwat considers appropriate is able to propose a change to the CPCoP under 5.1.2.

For example, in our Tranche 1 Change Proposal, we proposed removing all requirements related to COVID-19. We think this amendment will benefit customers as it will enable us to ensure the code remains up-to-date and clear, which will ensure Retailers are clear about their obligations to customers. However, this change cannot easily be assessed against the General Principles as it does not directly concern the interaction between Retailers and their customers. Another example is housekeeping changes; such changes are necessary for the effective maintenance of the Code, but it is difficult to explain how they further the General Principles. We are concerned that the General Principles fail to acknowledge the ultimate focus of the Code (customer protection), and that the current change arrangements could act as a barrier to suitable changes being proposed.

In July 2021, the Market Arrangements Code (**MAC**) and Wholesale Retail Code (**WRC**) were [amended](#) to introduce a "Primary Principle" and "Supporting Principles" which together should underpin all changes to the Codes. The Primary Principle is concerned with furthering the interests of customers, and the supporting principles comprise a non-exhaustive list of how the Primary Principle may be furthered. MAC and WRC Code Change Proposals are required to explain how the proposal furthers the Primary Principle and any Supporting Principles, and Ofwat's decision on whether to approve any proposal must consider the Principles.

#### **4.2 Evidence and views considered**

In their response to our April CFI, Pennon Water Services, Business Stream, Welsh Water, Water Plus, and Clear Business Water said that no change was necessary to the General Principles.

Wave suggested that the CPCoP could be clear that it sets minimum standards and that Retailers can go beyond these as part of their competitive offering.

Castle Water, Wave, UKWRC and CCW argued that that Code should make greater reference to the obligations of Wholesalers. For example, Castle Water said the Code could outline that the customer service experience will be consistent with Retailers and Wholesalers meeting their obligations under the market codes, and CCW suggested a general principle could be added that Retailers work collaboratively with Wholesalers. UKWRC and Wave told us that there should be alignment between Retailers, Wholesalers, and customers in terms of payments, so that if a Retailer pays a Wholesaler, the customer should always pay the Retailer. This could take the form of a Code Principle.

CCW also said that there should be recognition in the Code that NHH customers who are smaller and less engaged in the market may need additional protections.

Wessex Water said that the General Principles should be better defined. Everflow said that there should be an additional principle in the Code that it should support the development of competition.

### 4.3 Our initial proposals

Following consideration of the views and evidence outlined above, we are minded to update the CPCoP in relation to the General Principles in the following ways:

**a) Split Section 4 of the CPCoP into two parts: "General Principles" and "Principles of Retailer-Customer Interaction". Rename the current General/Code Principles to "Principles of Retailer-Customer Interaction".**

This change would divide the principles Section of the Code (Section 4) into two parts. The first part would cover "General Principles", which are outlined below, and the second part would cover "Principles of Retailer-Customer Interaction", which are the Code's current General Principles. Renaming the current General Principles to "Principles of Retailer-Customer Interaction" more accurately describes their purpose, and is necessary for the other changes outlined below.

**b) Under the new "General Principles" part, add a 'Primary Principle' that the CPCoP shall be maintained, operated, or developed in a manner that best seeks to protect and promote the interests of existing and future NHH customers.**

This change would create a 'Primary Principle', which would stipulate that the CPCoP shall be maintained, operated, or developed in a manner that best seeks to protect and promote the interests of existing and future NHH customers.

**c) Under the new "General Principles" part, add two "Supporting Principles" of "Efficiency" and "Proportionality" that should be taken into regard in the maintenance, operation, and development of the CPCoP.**

This change would add two "Supporting Principles" that must be taken into regard in the maintenance, operation, and development of the CPCoP. We are minded to define the Supporting Principles in the following way:

**Efficiency:** The CPCoP and arrangements established by or under the CPCoP should support the efficient discharge by the Contracting Retailer of its Licence obligations,



and promote the efficient, economic and coordinated operation of the water and wastewater sector to the extent impacted by the CPCoP.

**Proportionality:** The CPCoP and arrangements established by or under the CPCoP should be proportionate within the context of the purpose of the Code and should be proportionate to the size of the competitive market.

**d) Amend the change process so that CPCoP Change Proposals must contain an explanation of how the Change is consistent with the Primary Principle, and whether it is consistent with any of the Supporting Principles and Principles of Retailer-Customer Interaction**

This change would ensure that all Change Proposals are consistent with the Primary Principle that the CPCoP shall be maintained, operated, or developed in a manner that best seeks to protect and promote the interests of existing and future NHH customers. It would also require proposals to consider and explain how a proposal may further the Supporting Principles or Principles of Retailer-Customer Interaction, which could strengthen a proposal.

**e) Amend the change process so that when Ofwat issues a decision on a Change Proposal, the decision must include an evaluation against the Primary Principle and any relevant Supporting Principles and Principles of Retailer-Customer Interaction**

This change would ensure that all Change Proposal decisions are consistent with the Primary Principle that the CPCoP shall be maintained, operated, or developed in a manner that best seeks to protect and promote the interests of existing and future NHH customers. It will also require Ofwat to consider how a proposal may further the Supporting Principles or Principles of Retailer-Customer Interaction in making its decision.

#### **4.4 Reasons for our proposals**

The ultimate purpose of the CPCoP is to protect customers. We think that the Code could be clearer about this, and that any changes to the Code should be made with the intention of furthering this purpose. The current Code Principles are effective at setting minimum standards for Retailer interaction with customers. However, we think the current requirement that Change Proposals and Change Proposal decisions are linked to the General Principles is inappropriate, as it does not support changes to the CPCoP that would benefit customers but may not be directly linked to Retailer-Customer interaction.

We think amending the CPCoP to separate General Principles from Principles of Retailer-Customer Interaction will help to address this issue. Under the new General Principles, the inclusion of the Primary Principle will provide an overarching objective that the Code is maintained, operated, or developed in a manner that best seeks to protect and promote the interests of existing and future NHH customers. Changes to the Code must be compatible with this Principle, and therefore future changes to the Code can be based primarily on the customer benefit it delivers. The Supporting Principles of Efficiency and Proportionality will support the achievement of this overarching objective in a way that is proportionate and balanced. The requirement that Change Proposals and Change Proposal decisions have regard to the Principles of Retailer-Customer interaction will ensure that these changes do not mean that the current principles become redundant in the Code change process. The Principles of Retailer-Customer Interaction would continue to set minimum standards for Retailer interaction with customers.

We acknowledge the comments made by a number of respondents to our April CFI that the General Principles should make reference to the obligations of Wholesalers. However, the purpose of the CPCoP is to place obligations on Retailers to further customer protection, and we therefore think it would be inappropriate to make reference to the role of Wholesalers in the CPCoP. Additionally, while Retailers are required to comply with the CPCoP as a condition of their licence, Wholesalers who have exited the market and do not serve any NHH customers do not have such an obligation. Consequently, Ofwat does not have the power to enforce compliance with CPCoP provisions from Wholesalers. The MAC and WRC are therefore more appropriate Codes to cover the obligations of Wholesalers.

We also note Everflow's suggestion of an additional principle in the Code that it should support the development of competition. As it is not yet fully clear to what extent competition may develop and so work effectively for all customers, we view the CPCoP as a necessary instrument to provide an appropriate level of regulatory protection for customers. We also note CCW's comment that there should be recognition in the Code that NHH customers who are smaller and less engaged in the market may need additional protections. We think the CPCoP does recognise this through the additional protections given to micro-businesses, and we discuss the possibility for extending these protections to smaller customers in Chapter 5.

#### **4.5 Alignment with statutory duties**

We consider these changes are consistent with our statutory duties, particularly the consumer objective, to protect the interests of current and future customers. We think that these changes would ensure the Code is clear that its overarching purpose is the protection of customers, and the introduction of the Primary Principle would ensure the operation,

maintenance, and development of the CPCoP is primarily focused on customers. We also think the Supporting Principles of Efficiency and Proportionality will further the interests of customers as they will help guide Change Proposals and Change Proposal decisions to be as reasonable and cost-effective as possible, in line with the principles of best regulatory practice.

#### **4.6 Proposed implementation date**

As we do not think these changes would have any immediate impact on the operation of the market, we are minded to propose that these changes be implemented one month after the date of our decision.

#### **4.7 Consultation questions**

1. What are your thoughts on our plans to rename the General Principles of the CPCoP, introduce a Primary Principle and Supporting Principles, and amend the change process?

## 5. Protections for smaller customers

This chapter considers whether the current protections for micro-businesses in the CPCoP should be extended to all small businesses with fewer than 50 full time employees due to the potential risks they face in the market. We require more information before making any initial proposals, and therefore appeal to stakeholders to share their views and any supporting evidence on this topic.

### 5.1 Adequacy of current protections

The CPCoP contains additional protections that relate specifically to micro-businesses. These are NHH customers with fewer than 10 full time employees. The additional protections include:

- Minimum requirements on communications with micro-businesses prior to submission of a Transfer Registration Application (§6.1);
- A cooling off period where micro-businesses can serve a Cancellation Notice at no cost within seven calendar days of agreeing to a Terms and Conditions of Supply (§6.2);
- A requirement for a Letter of Authority template to be used when a micro-business has a Third Party Intermediary (**TPI**) acting on its behalf (§6.4);
- Provisions for additional information to be supplied to micro-businesses about Terms and Conditions of Supply (§7.2);
- A ban on automatic renewals of Terms and Conditions of Supply without the consent of the micro-business within 30 days of the renewal, and fee-free early termination in the case of an automatic renewal (§7.3); and
- A requirement for micro-businesses to be offered a Reasonable Repayment Plan for a back-bill (§9.3.2).

Many of these protections were contained in the original CPCoP and were implemented in response to concerns that smaller businesses may be at increased risk of harm in the market. In the case of sales and marketing activities, experience in other competitive markets had shown smaller businesses (including micro-businesses and SMEs) had behaviours and bargaining power more aligned with those of household customers – for example, because of limited resources and the potential lack of attractiveness of smaller customers to Retailers. There was concern this could result in customer harm, including through unclear, restrictive, or unfair contracts, or exploitative behaviour from some Retailers or TPIs. There was also concern that large back-bills could particularly harm smaller customers.

In developing the original CPCoP, we floated the idea that, given these concerns, additional protections could be offered to micro-businesses and SMEs. We [ultimately decided](#) to limit the protections to micro-businesses only at that time, as we anticipated that this approach would reduce any actual or perceived barriers to entry and the administrative costs of identifying relevant customers without substantially reducing protections for those who may have needed them.

Although the market has evolved, competition has not yet fully developed among smaller customers, and it is not yet fully clear to what extent it may develop and so work effectively for all customers.<sup>8</sup> As a result, we think it is possible that many of the risks smaller customers faced at market opening are still likely to be present. In light of this, we think it is appropriate to review whether the current protections offered to micro-businesses should be extended to small businesses, which would be NHH customers with fewer than 50 full time employees. We estimate this would increase protections for c220,000 NHH customers.

## 5.2 Evidence and views considered

The majority of respondents to our April CFI opposed the idea that the CPCoP should provide differing levels of protection to customers based on size. Castle Water argued that there is an absence of evidence of poor Retailer behaviour in relation to smaller customers, and therefore regulatory intervention is unwarranted and could disincentivise switching. It also said that less switching activity should not be assumed to be automatically indicative of a need for greater protection. Affinity Water said that if existing protections for different sizes of customer were not sufficient, it would expect greater numbers of complaints. Business Stream noted that through the CPCoP, Retail Exit Code (**REC**), or Guaranteed Standards Scheme (**GSS**), most smaller customers (based on number of employees or consumption levels) already receive additional protections. MOSL said that it would question the need for additional interventions if there was not a clear need to correct Retailer behaviour.

A common point argued by respondents was that if the CPCoP provided different levels of protection to customers based on size, ensuring customers received the correct level of protection could be challenging and costly for Retailers. For example, Clear Business Water said that it would be difficult to identify customer class if the class definition was based on something that fluctuates, such as volumetric consumption data. Castle Water said the REC customer classifications do not necessarily reflect the need for protection, as some customers classified as Group One customers for the purposes of price and non-price

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<sup>8</sup> See, for example, our [2021/22 State of the Market report](#), which notes that in the 12 months preceding the report, only 9.8% of micro-businesses and 9.3% of small businesses were active in the market. This generally reflects a similar pattern to that observed in previous years. See also Chapter 9.

protections under the REC might be part of a larger banking group, but this affiliation cannot be discerned from the account name. Business Stream said that the current requirements for micro-businesses in the CPCoP are only achievable because it can identify the number of employees at the point of acquisition and then confirm the position again at renewal. It said that "applying new and differentiated protections to an established customer base would be exceptionally challenging." Business Stream added that one of these challenges would be that Retailers would have to change their systems to flag to frontline staff the level of service the customer should receive. These flags would need to be maintained and updated.

Wave argued that the definition of a micro-business should be based on volumetric consumption data rather than number of employees, as Retailers must actively acquire this data. The Utilities Intermediaries Association said the definition of a micro-business should be based on annual usage followed by headcount and turnover to align with the energy sector.

Pennon Water Services told us that it has circa 75,000 customers who fall into Group One but are not micro-businesses. It said that if it was required to actively communicate to these customers the same information it must communicate to micro-business customers, the cost would be £70,000 per communication.

CCW told us that many SMEs face similar challenges to micro-businesses and are likely to have a similar profile in terms of engagement with and awareness of the market. It argued that protections offered to micro-businesses should therefore be extended to SMEs, using the Group One customer definition applied in the REC. The Utilities Intermediaries Association said that it would be fair and simple to adopt the principle that consumer protection is for everyone rather than determine a threshold of who does and does not need help. However, if additional protections are to be offered, they should be offered to SMEs. It argued that "the energy crisis has exposed how vulnerable this sector was to unfair treatment and practices", and that SMEs are less likely to have the resource, expertise, and influence to address issues. Wessex Water commented that the ability to exercise choice of Retailer is limited for smaller businesses, and therefore the market may be failing them. In such circumstances, Wessex Water said it would advocate for "more prescriptive obligations being placed on market participants for this group of customers". Water Plus recommended that any additional protections should be an extension of the existing protections for micro-businesses, as this would be cost-effective and may be most appropriate.

Castle Water said it was not convinced there remains a case for drawing a distinction between micro-businesses and other NHH customers, as there is not clear evidence of a need

to correct Retailer behaviour. Wave said it felt there was a case for protections for Groups Two and Three customers to be relaxed, but that this could be difficult to administer in practice.

### **5.3 Rationale for exploring the extension of micro-business protections to small businesses**

We think it is likely that many of the risks of harm to smaller businesses we identified at market opening are still present, namely that:

- Smaller businesses are less likely to have the resources, expertise, and time to engage with the market.<sup>9</sup> This may leave them at greater risk of experiencing unfair contracts, confusing or unclear communication, or exploitation from Retailer or TPIs; and
- Smaller businesses are more likely to struggle with the impact of bill shock, such as from a back-bill.

We are satisfied that micro-business customers are sufficiently protected from these risks under the existing provisions of the CPCoP, but think it likely other small business customers are exposed to them to some degree.

We do not think it is necessary to explore if additional protections should be offered to customers with 50 or more full time-employees, as we think the risks identified above are unlikely to impact NHH customers of this size.

We note the point made by a number of respondents that definitions of different kinds of customer in the CPCoP should be based on volumetric consumption data or the customer groups in the REC, rather than number of employees, as this data is already held. However, we consider the size of a business is a far greater indicator of the need for enhanced regulatory protection than level of consumption, as this is more likely to determine, for example, capacity to engage with the market.

### **5.4 Consultation questions**

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<sup>9</sup> See, for example, CCW's 2022 [Testing the Waters](#) report and the Federation of Small Business' [response](#) to our 2022 consultation on our review of the REC.

We think that small businesses are subject to many of the same risks as micro-businesses, but unlike them are not afforded additional protections in the CPCoP to mitigate said risks. However, we require more information to better understand the severity of these risks and if they are resulting in actual harm to small business customers. We also need to better understand the potential cost implications of extending micro-business protections to small businesses. We would therefore welcome responses to the following questions:

2. What are your thoughts on extending the protections currently offered to micro-businesses in the CPCoP to all small businesses (ie. those with fewer than 50 employees)?
3. If the protections currently offered to micro-businesses in the CPCoP were extended to small businesses, what, if any, cost implications would there be? If you are a Retailer, can you give an indication of how many of your customers would be covered under any such extension?
4. If the protections currently offered to micro-businesses in the CPCoP were extended to small businesses, how long would it take Retailers to identify their existing small business customers and extend additional protections to them?



## 6. Protections for vulnerable customers

This chapter sets out our initial plans to offer protections to vulnerable customers – those businesses or organisations who have individuals closely associated with them who are in vulnerable circumstances. This could include through requiring Retailers to develop "Vulnerability Strategies" and use accessible communication approaches where possible.

### 6.1 Adequacy of current protections

In July 2023, Ofwat published its [draft vulnerability guidance](#), which covers how Wholesalers and NAVs should treat (1) domestic customers in vulnerable circumstances in England and Wales; and (2) NHH customers in vulnerable circumstances in England and Wales who are not supplied by a Retailer.<sup>10</sup> The guidance requires Wholesalers and NAVs to:

- Provide high standards of service and support;
- Be inclusive by design;
- Identify customers with additional needs;
- Record additional needs; and
- Develop and maintain a vulnerability strategy setting out how they plan to support the needs of their customer base.

The CPCoP does not currently recognise or define if or how all other NHH customers may be considered to be in a vulnerable circumstance, and there are currently no similar protections in the CPCoP for NHH customers who are associated with an individual or people who may be considered vulnerable. However, the Lending Standards Board and Money Advice Trust have argued in a 2018 report, '[Supporting Business Customers in Vulnerable Circumstances](#)', that the likes of sole traders, company directors, partners and staff are all key components of a successful business, but are susceptible to vulnerable circumstances like life changing events and cognitive difficulties. When issues do occur, the consequences can be detrimental to the business and those associated with it.

The report notes that the causes of a vulnerable situation can be multi-faceted and complex, and can influence a business in a variety of ways, but can derive from the following:

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<sup>10</sup> In practice this means all but the largest business customers of Welsh companies, and business customers of new appointees in both England and Wales.

- Personal circumstances – situations such as mental or physical illness could result in periods of absence or reduced capacity to run the business. Key person dependency in smaller businesses could make the effects of such illness significant;
- Business circumstances - late payments, unexpected tax bills, organisational structure, and limited business planning can cause significant stress and anxiety for business owners; and
- Economic circumstances – sector-specific or broader economic circumstances can impact the profitability of the business, and in extreme cases this can lead to significant stress and anxiety for business owners which then impacts their ability to continue to run the business effectively.

The report argued that provision of appropriate support can minimise harm to individuals associated with a business and enable a viable business to succeed even when it is influenced by an individual in vulnerable circumstances.

## 6.2 Evidence and views considered

A number of respondents to our April CFI argued that no NHH customer should be considered "vulnerable" in the way a household customer might be. For example, Wave said that businesses are "primarily commercial entities with business acumen who have to accept a degree of business risk", and it would be inappropriate to "apply factors such as health and wellbeing to a business". Castle Water and Business Stream also commented that customers who could be considered vulnerable will have a diverse array of needs, and that it would be impossible to legislate to cover all needs. Castle Water highlighted that it voluntarily already adopts an understanding approach to vulnerable customers and said that Retailers would continue to do this without additional protections being added to the Code. Water Plus said that the prevalence of vulnerable customers within the NHH market is significantly lower than within the domestic market, and as such do not believe broad protections would be appropriate.

Everflow told us that it was unclear what sort of protections would be offered to vulnerable customers, but if additional protections were granted, thought would need to be given to how this would impact the competitive market. As increasing the regulatory burden surrounding these customers could create additional costs to serve them, these customers could become less attractive to Retailers, which could prevent them from accessing the benefits of competition. It was suggested that adjusting cost to serve allowances could mitigate this risk.

Wessex said it is concerned that vulnerable customers do not receive the necessary level of protection in the market and are not being identified. It said there is an over-reliance on non-market wholesale mechanisms. It felt there is a need to create a specific requirement under the CPCoP to protect vulnerable customers through better identification and exchange of information between Retailers and Wholesalers.

CCW pointed to the Lending Standards Board and Money Advice Trust's report, particularly the finding that "People who run small businesses are no less likely to be in a vulnerable situation than personal customers". For example, periods of illness could reduce the ability of a small business owner to engage with the market. It also pointed out that other organisations such as charities or community centres face challenges that could make them vulnerable, such as not having the resources or time to engage in the market. It recommended Retailers should be required to operate in a manner that delivers fair outcomes for NHH customers in vulnerable circumstances, have specialist teams to help vulnerable businesses, and signpost to support organisations such as Business Debtline. Clear Business Water told us that it would support additional measures for vulnerable customers, which may include providing correspondence in accessible formats, providing additional information and time for independent decision making and allowing third-party account management. It also said financial hardship should be taken into account.

### 6.3 Our initial proposals

Following consideration of the views and evidence outlined above, we are minded to update the CPCoP in the following ways:

**f) Amend the CPCoP so that Retailers are required to develop a “Vulnerability strategy”, which sets out the processes a Retailer will use to identify vulnerable customers, what provisions it will put in place for them, and how it will monitor whether strategies are effective.**

This change takes inspiration from Ofwat's [existing work on vulnerability](#). It would require Retailers to develop a Vulnerability strategy which sets out the processes it will use to identify vulnerable customers, what provisions it will put in place for them, and how it will monitor whether strategies are effective. The issue of defining these customers is discussed in §6.4.

**g) Update the General Principle surrounding communication to read:  
“Communication with Non-Household customers shall be in clear and plain**

**language. Where a communication approach can be reasonably made more accessible for a specific customer, this should be used.”**

This change would make it explicit in the CPCoP that where Retailers can reasonably adapt their communication to make it more accessible for an NHH customer, they should do so. Retailers will have the discretion to decide what is reasonable.

## 6.4 Reasons for our initial proposals

### Vulnerability strategies

As described above in §6.1 above, we think research is clear that individuals associated with a NHH customer can be in a vulnerable circumstance, including on an intermittent or temporary basis. As the Lending Standards Board and Money Advice Trust's report outlined, if an inclusive service is not provided in these cases, the risk of physical, mental, or financial harm to an individual associated with the business or organisation is substantial. Given this risk, we think the CPCoP should be updated to guarantee protections for 'vulnerable customers' - those who are associated with an individual or people in vulnerable circumstances. We think the introduction of Vulnerability Strategies would help ensure all Retailers identify vulnerable customers and put in place appropriate measures to support them.

We recognise that the causes of vulnerable circumstances are complex and often multi-faceted, and that Retailers, in communication with customers, are therefore best placed to identify whether a customer should be considered vulnerable or not. Consequently, should the proposed change be implemented, we would expect Retailers to develop their own definition of a vulnerable customer. As guidance, we anticipate that a definition may incorporate the following:

*A vulnerable customer is a NHH customer who, due to the personal circumstances of a key individual associated with the customer, may require additional provisions beyond those typically provided to a NHH customer in order to access an inclusive service. The failure to provide such inclusive service could result in detriment to the performance of the business or organisation, as well as harm to the health, wellbeing, or finances of key individuals associated with the customer. Personal circumstances that could cause a customer to be vulnerable may include the likes of a key individual associated with the business experiencing physical or mental illness or being disabled. We recognise that ultimate responsibility for the financial situation of an NHH customer remains with that customer, and*

therefore we do not expect Retailers to include in their Vulnerability strategies support for NHH customers solely because a customer is in financial difficulties.

We do not think that it is appropriate for Ofwat to prescribe what support Retailers should provide in this context. As guidance, however, we suggest that Retailers could consider offering support including:

- Communicating with vulnerable customers with empathy and understanding;
- Allowing vulnerable customers more time to make decisions, including about Terms and Conditions of Supply;
- Signposting to external support for vulnerable customers such as Business Debtline or the Federation of Small Businesses;
- Adapting communications to make them more accessible, for example large text, font adjustments, or telephone communications for customers where the main interactor with Retailers has a visual disability;
- Working in collaboration with Wholesalers or other providers as relevant to fit new meter(s) in a location that is accessible to the customer where possible; and
- Adopting flexibility in relation to frequency of billing and debt repayment times where this is appropriate.

Vulnerable customers will need to be identified in order to receive the additional support offered by their Retailer. The Lending Standards Board and Money Advice Trust's report outlines that there is a trend for low self-identification of vulnerability, and as a result recommends proactive identification processes are used alongside reactive ones. At this stage, we are keen to hear from respondents what a sensible approach to identification may look like. We note that the spectrum of approaches could range from Retailers proactively approaching customers to ascertain their need for additional support, to asking customers about vulnerability at touchpoints such as contract renewal, to relying on customers to self-identify in bill inserts or on websites.

We note that this approach of Vulnerability Strategies for NHH customers in the Business Retail Market would align more closely with the protections offered to NHH customers who are not supplied by a Retailer<sup>11</sup> and household customers, including through Ofwat's work on a Customer Focused License Condition<sup>12</sup> and the introduction of protections for these customers in vulnerable circumstances. We recognise that this approach is novel and

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<sup>11</sup> In practice this means all but the largest business customers of Welsh companies, and business customers of new appointees in both England and Wales.

<sup>12</sup> In October 2023, we published a [consultation](#) on our plans to modify the Water Industry Act 1991 to introduce customer-focused principles for incumbent English and Welsh water companies and NAVs.

therefore we would be minded to conduct a Post Implementation Review two years following implementation.

### **Adapting communication**

Making it explicit in the CPCoP that, where reasonable, Retailers should adapt their communication approach to be more accessible for a specific customer will help support the aim of the General Principle (communication shall be plain and clear) and facilitate eligible customers in engaging with the market even when they require adapted communication approaches. It will be up to individual Retailers to determine what is reasonable. As guidance, we might expect a reasonable approach to include the likes of:

- Customers who require letters and bills in large fonts have letters and bills adapted appropriately;
- Customers who find it easier to communicate by email or phone have their communications in this way; and
- Customers who find it easier to receive physical copies of communications rather than digital copies are communicated with in this way.

We would not expect Retailers to adapt their communications in circumstances where the cost of the adaptation would be disproportionate – for example, employing a translation team to support customers who do not speak English.

### **6.5 Alignment with statutory duties and General Principles**

We consider these changes are consistent with our statutory duties, particularly our objective to protect the interest of current and future customers. Providing additional protections for vulnerable customers will minimise the risk that the health, wellbeing or finances of individuals in vulnerable circumstances associated with a NHH customer are harmed. Strengthening requirements on Retailers to ensure communications are accessible will help support customers in engaging with the market and furthers the General Principle that "Communication with Non-Household Customers shall be in plain and clear language."

### **6.6 Proposed implementation date**

We recognise that these changes would require substantial work from Retailers to develop Vulnerability Strategies and implement them, and it could take some time to identify customers in vulnerable circumstances. In our work on vulnerable customers outside the NHH market, we expected Wholesalers and NAVs to publish their vulnerability strategies eight

months after consultation closed. We therefore think it is appropriate to propose that these changes would be implemented nine months after the date of our decision. We are keen to hear from respondents any reasons and evidence why such a timeline may be inappropriate.

### **6.7 Consultation questions**

5. What are your thoughts on our plans to introduce additional protections for vulnerable customers? How should the issue of customer identification be approached?
6. If our plans for additional protections for vulnerable customers were implemented, what, if any, cost implications would there be?
7. What are your thoughts on our plans to amend the General Principle regarding accessible communications?

## 7. Emergency and unplanned events

This chapter considers if the CPCoP should be updated with provisions to support effective responses to emergency and unplanned events. It outlines our initial plans to stipulate in the CPCoP minimum information Retailers must collect from all customers and sensitive customers so it is readily available to Wholesalers if necessary in an emergency or unplanned event. It also sets out our plans to update the WRC with a definition of a "sensitive customer".

### 7.1 Adequacy of current requirements

The [Security and Emergency Measures Direction 2022 \(SEMD\)](#) requires that in preparing its plans to deal with emergency events, companies (both Wholesalers and Retailers) must have regard to the needs of non-domestic customers, and must identify "sensitive customers".<sup>13</sup> The WRC stipulates that Wholesalers must issue guidance to Retailers on how these customers should be defined. Retailers must flag sensitive customers in CMOS<sup>14</sup> and ensure these flags remain up-to-date. Wholesalers must take the needs of sensitive customers into account in their emergency planning.

In our 2018 [Out in the Cold Review](#), which explored water companies' responses to supply issues caused by cold weather in winter 2018, we found that "there was confusion and poor information sharing between Retailers and Wholesalers." Wholesalers often failed to give Retailers up-to-date information or did not contact them at all, some Wholesalers were unable to contact business customers out of hours, and some customers were passed between Retailers and Wholesalers in the process of seeking information.

Since our 2018 review, work has been done to co-ordinate information sharing between Wholesalers and Retailers, such as the publication of the [RWG Good Practice Guide to Unplanned Events and Incidents](#), which standardised the language used to describe events and clarified the roles of Wholesalers and Retailers. Additionally, as part of ongoing work to update the Bilateral Hub, there are plans for Retailers to receive SPID-specific push notifications through the Hub about unplanned and emergency events, which will facilitate the sharing of information with customers. However, we remain concerned that better

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<sup>13</sup> The SEMD actually refers to "vulnerable customers", but the WRC refers to the same customers as "sensitive customers". To avoid confusion with customers in vulnerable circumstances we discussed in Chapter 6, we use the language of "sensitive customers" to refer to the customers discussed in this chapter. Sensitive customers are those who may be particularly affected by an unplanned or emergency event, such as hospitals or prisons.

<sup>14</sup> CMOS – the Central Market Operating System which among other things enables settlement of charges between Wholesalers and Retailers at the granular level of customer premises and supply point (SPID)



information sharing between Wholesalers and Retailers is necessary in unplanned and emergency scenarios for the protection of both typical NHH customers and "sensitive" ones.

In November 2021, we rejected [Change Proposals CPW110/CPM041](#) which proposed Retailers be able to submit emergency contact details for customers into CMOS. We rejected the Change Proposals as the emergency contact details field in CMOS would be optional, and we believed uptake would likely be low. However, we outlined our view that "the concept of standardising the process and frequency for the exchange of emergency contact information does have merit" as it could potentially provide a more efficient way for Wholesalers to obtain relevant customer contact information in an emergency or improve market resilience by identifying where significant gaps in data exist where action should be prioritised to obtain customers' emergency details.

## 7.2 Evidence and views considered

Water Plus, Wave and Pennon Water Services said that amending the CPCoP was unlikely to have any impact on outcomes for customers in emergency events as responses are led by Wholesalers. However, Wave suggested that the RWG Good Practice Guide could be strengthened into a separate Code of Practice. It also said it could be useful to provide a definitive list of sensitive customer classifications. Castle Water said that "if retail licensees comply fully with the requirements of their licences, and Wholesalers with theirs, no further special provision is needed."

MOSL told us it would support exploring additional requirements around events such as supply outages, particularly as many Retailers do not have a 24/7 presence in the same way Wholesalers do when liaising with customers in such events. Affinity Water similarly told us it would be helpful if Retailers were required to collect and maintain more granular information about customers, particularly sensitive ones, to support prioritisation in emergency events. It also said a "clearer understanding of what type of information, how it should be stored and shared would be beneficial". Yorkshire Water said the CPCoP should be strengthened to reinforce the expectation that Retailers will maintain customer contact information and make this available to Wholesalers, and suggested the CPCoP could make reference to the RWG Good Practice Guide. Thames Water argued for a requirement in the CPCoP for Retailers to ensure their customer needs and requirements are documented and proactively shared with the Wholesaler. Particularly, up-to-date site/operational details of customers need to be accessible to Wholesalers. It said to ensure common standards and enable adequate data control, contact details would be best held within market systems.

United Utilities said that there should be day-to-day collection of data such as contact details and how sensitive a customer is, and this information should be collated before an event occurs. It suggested that the CPCoP reiterate the obligation on Retailers to collect data about sensitive customers and share this with Wholesalers. It added that the CPCoP should strengthen obligations for Retailers to establish with customers details of critical functions and the level of built-in resilience they have, which should be shared with Wholesalers, so that proportionate responses can be developed. Proportionate responses might be being aware of location of the site so it can be factored into incident response planning, or a bespoke arrangement.

Business Stream acknowledged that there is an issue with getting information to customers in an emergency, but highlighted that the RWG is working on this and suggested consideration should only be given to amending the CPCoP after this work is completed. It said if Ofwat feels changes are needed for sensitive customers such as hospitals, it should propose changes to the Market Terms to ensure Wholesalers take responsibility for this group of customers through the SEMD.

Water2business argued against any change to the CPCoP, as the SEMD already clearly defines the need of measures for sensitive customers. However, it noted that any additional requirement on Retailers to store emergency contact details for all customers "will likely cause an impact on systems/resourcing/costs".

Waterscan said the CPCoP should be strengthened to deal with emergency events as currently Wholesalers set their own response times and compensation is not proportional to the disruption experienced by the customer.

Welsh Water suggested the CPCoP could be strengthened to facilitate a more accurate and targeted (not generic) response to emergency events based on the location and impacts of the event and the impact it has on different customers. This would avoid "non-impact" events being communicated to certain customers. Regular updates during live events should also be encouraged.

CCW suggested that the CPCoP could set out minimum standards for communications between Wholesalers and Retailers in emergency events.

### **7.3 Our initial proposals**

Following consideration of the evidence and views outlined above, we are minded to update the CPCoP in the following ways:

**h) Stipulate in the CPCoP the minimum information that Retailers must collect from all NHH customers.**

This change would clearly set out in the CPCoP the minimum information that Retailers must collect from customers. This information will be shared with Wholesalers in an unplanned or emergency event where appropriate.

In practice, we would expect Retailers to collect the minimum information from customers, upload this to a secure central location, and Wholesalers would be able to access relevant information from this central location in an emergency or unplanned event. This is discussed further below.

**i) Stipulate in the CPCoP the minimum information that Retailers must collect from “sensitive customers”.**

This change would clearly set out in the CPCoP the minimum information that Retailers must collect from "Sensitive Customers". This information will be shared with Wholesalers in an unplanned or emergency event where appropriate.

In practice, we would expect Retailers to collect the minimum information from customers, upload this to a secure central location, and Wholesalers would be able to access relevant information from this central location in an emergency or unplanned event. This is discussed further below.

**j) Update the WRC to define a “sensitive customer”**

This change would require Ofwat to bring forward a WRC Code Change proposal to introduce a standard definition of a "Sensitive Customer". Ofwat would develop this definition with regard to current definitions of sensitive customers used by Wholesalers.

## **7.4 Reasons for our plans**

In an emergency or unplanned event, it is critical that Wholesalers are aware of the effect the event may have on customers – particularly sensitive ones - and are able to contact affected customers. As we found in our 2018 Out in the Cold Review, current arrangements do not guarantee this, as Wholesalers are not always able to contact Retailers, and Retailers do not necessarily hold all the information a Wholesaler requires. We think that stipulating in the CPCoP the minimum information that Retailers must collect from their customers would help

ensure Wholesalers can access the right information to contact and support customers when an emergency or unplanned event occurs. We think that there is merit in differentiating the information requirements for customers who are defined as being 'Sensitive Customers' given the potential for these types of customers to need specific or targeted communications.

We would welcome responses to this consultation with thoughts on what the minimum information requirements should be. At this point, we think the following minimum information should be collected by Retailers about their customers:

- 24/7 contact details; and
- Site details, including site location.

We think the following additional minimum information should be collected by Retailers about Sensitive Customers:

- Detail of business critical functions;
- If supply interruptions could cause a risk to life;
- Number of people on the premises likely to be affected by an unplanned outage or emergency;
- Details of any livestock on the premises;
- Normal water usage (per day/year);
- Water storage capacity, and levels of built-in resilience.

As we outlined in our CPW110/CPM041 decision, we see merit in customer information being stored in a central location for ease of access in case of an emergency or unplanned event. We recently approved a WRC Code Change proposal, [CPW137](#), that enabled customer data to be stored in a central location on the MOSL SharePoint and shared with an Interim Supplier following a Retailer failure. Our preference is for a similar process to be adopted so as to provide a centralised location for the minimum information requirements that would be readily available and accessible to Wholesalers in emergency or unplanned events. Should we take these plans forward, we will work with MOSL to explore this.

We acknowledge that these changes could have cost implications and we are keen to understand the potential scale of such costs in response to this consultation, including evidence where possible. However, our view is that if poor or inconsistent communication with customers in emergency or unplanned events were to continue, then the potential negative impact on customers could be high, such as damaged premises, financial loss, and operational issues. We think this is likely to justify the additional costs.

Updating the WRC to define "Sensitive Customers" would standardise this classification across the market and ensure all sensitive customers are covered. We would discuss and consult on the definition in a separate WRC Code Change Proposal.

We acknowledge CCW's suggestion that the CPCoP could include minimum standards of communication between Wholesalers and Retailers. However, as we have discussed elsewhere in this consultation<sup>15</sup>, we do not think it is appropriate to place obligations on Wholesalers in the CPCoP due to its purpose of setting standards for Retailer-Customer interaction and our lack of powers to enforce Wholesaler compliance with the CPCoP. We welcome the extensive use of the RWG's good practice guide by Trading Parties, which promotes minimum communication standards between Wholesalers and Retailers. We note Wave's suggestion that the guide could be strengthened into its own Code, but do not think this is necessary given the guide is already used extensively by Trading Parties.

### **7.5 Alignment with statutory duties and Code Principles**

We consider these changes are consistent with our statutory duties, particularly the consumer objective, to protect the interest of current and future customers. It is essential that customers are communicated with in an emergency event, and Wholesalers must be clear on the needs of sensitive customers. If current levels of communication and understanding are not improved, customers are at significant risk of damaged premises, financial loss, and operational issues.

### **7.6 Proposed implementation date**

We recognise that these changes may require Retailers to adapt their approaches to data collection, and therefore we are minded to propose that these changes would be implemented three months after the date of our decision. We would expect Retailers to collect data from existing customers on an ongoing basis at points of contact, such as a contract renewal.

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<sup>15</sup> See section 4.4

## 7.7 Consultation questions

8. What are your thoughts on our plans to update the CPCoP to improve information-sharing in advance of emergency or unplanned events?
9. What minimum information should Retailers be required to collect from (1) all customers, and (2) sensitive customers?
10. If our plans for improved information-sharing were implemented, what, if any, cost implications would there be?

## 8. Customer service

This chapter outlines our plans to improve access to customer service arrangements through increasing the transparency of Retailer complaints processes.

### 8.1 Adequacy of current requirements

One of the General Principles of the CPCoP is that "Customer service arrangements and processes shall be accessible to and effective for Non-Household Customers." It also requires Retailers to have a complaints process, and contains detail on minimum standards for this process. In addition to the CPCoP, NHH customers are protected under the [Guaranteed Standards Scheme \(GSS\)](#), which sets minimum standards of customer service all customers are entitled to. Where Retailers do not meet the standards, they are required to issue a payment to the customer.

Despite these protections, CCW's 2022 [Testing the Waters research](#) found that between January and July 2022, 30% of NHH customers were not satisfied with their retail services. Of this group, 44% cited poor customer service as a reason for their dissatisfaction, and 24% mentioned service inefficiencies and issues not being resolved. The same research found that of those NHH customers who contacted their Retailer to make a complaint, only 53% were satisfied with the outcome.

Section 10.4 of the CPCoP stipulates that Retailers "shall have in place or participate in a Redress Scheme that is readily accessible to and effective for its Non-Household Customers." In practice, two Alternative Dispute Resolution (**ADR**) schemes are currently in use, with a Retailer electing to use one or the other. Both schemes aim at enabling resolution of a dispute and redress for a customer, but any such resolutions and redress (where reached) are binding only on Retailers. These schemes are therefore unable to resolve disputes that also involve a Wholesaler. This may pose a serious problem, as [CCW research](#) found that over a 12 month period, one of the schemes saw three quarters of NHH complaints involve the Wholesaler. However, this scheme only accounted for 12% of all business customer complaints to CCW in 2021-22. We therefore have limited insight into the scale of this issue.

### 8.2 Evidence and views considered

In response to our April CFI, Waterscan described complaint handling as "currently a key area of performance failure across the market". It recommended clear and consistent timelines and escalation processes needed to be in place for handling unresolved disputes, and it

should be clear who should step in at what stage. It also said the use of ADRs should be encouraged.

Water2business told us that there are inconsistencies across the market around the timescales a customer can expect each step of the complaints process to be completed. It suggested exploring the whether the CPCoP should be updated to reflect the [RWG Good Practice Guide on complaint handling](#).

Wave said that all Retailers should be required to use Trust Pilot to provide customers with clear and accessible information on levels of customer satisfaction. It also said that the CPCoP could require Retailers to "resolve complaints in a timely and efficient way". It expressed concerns that "there may not be consistency across all Retailers in terms of how they report Customer complaints received, which may not be creating a level playing field for Customers. The CPCoP could usefully include how complaints are expected to be reported."

CCW said that "the CPCoP should be explicit that each Retailers' complaints process must highlight the right of customers to refer unresolved complaints to CCW." It pointed out that this is necessary as the Code's mention of redress schemes is ineffective in some situations, as ADR schemes are only binding on Retailers. It said it believes that ultimately, "the ADR scheme needs to be overhauled to place responsibility on both Retailers and Wholesalers in order for there to be a comprehensive, effective, solution for customers."

### 8.3 Our initial proposals

Following consideration of the evidence outlined above, we are minded to update the CPCoP in the following ways:

**k) Add a requirement that Retailers must publish the details of their complaints process on their website, so that customers are clear on (1) the steps in the complaints process, and (2) the expected timelines at each stage.**

This change would require Retailers to publish more granular information about their complaints process on their website. The published information must include each stage of the complaints process and expected timelines at each stage.

**l) Add a requirement that a Retailer's Complaints Handling Process must describe the right of customers to refer a complaint to CCW**



This change would require Retailers to outline in their Complaints Handling Process that customers have a right to refer complaints to CCW.

#### 8.4 Reasons for our proposals

Customers are more likely to have a positive experience of the market – where they have complaints or disputes – if they receive efficient and effective complaints resolution from their Retailer. It is therefore disappointing that CCW's research has shown that nearly half of NHH customers who complain to their Retailer are dissatisfied with the complaint outcome. We think that our proposed changes would contribute to increased transparency around the complaints process for customers. While we think this is unlikely to directly lead to substantially improved levels of customer satisfaction with Retailers, we think the changes would help increase customer awareness of their rights in the disputes process and the options available to them if they are not satisfied with a Retailer's complaint response. Ultimately, this has potential to result in more satisfactory outcomes for customers who raise complaints, and encourage complaints where customers are dissatisfied.

We recognise the concern that current ADR provisions may not be working for customers where their complaint is related to a Wholesaler, and we take the view that the ADR process is therefore in need of review. However, given the subject of the CPCoP is the Retailer relationship with customers, we do not think there is an appropriate way to amend the CPCoP to involve Wholesalers in dispute resolution. In the longer term, we will work with CCW to explore options for addressing this issue. In the meantime, requiring Retailers to describe the right of customers to refer a complaint to CCW in their Complaints Handling Process should encourage customers to seek CCW's help where an ADR would be unsuitable for their complaint.

We note the point made by Waterscan and Water2business concerning inconsistencies and opacity regarding complaint handling timescales. We think that there are already clear timeline measures in place for complaint handling, such as through the GSS and the RWG Guide, and therefore no CPCoP amendments are needed in this regard. We acknowledge the point made by Wave that all Retailers should be required to use TrustPilot, however we note that, as anyone can write a review, there are significant concerns over the authenticity and legitimacy of feedback provided on such sites.<sup>16</sup> We also note Wave's concern over complaint reporting consistency, but highlight that [CCW has published comprehensive guidance](#) on how complaints should be reported.

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<sup>16</sup> See, for example, [Which?'s 2022 investigation into fake reviews](#), including on Trustpilot.

## 8.5 Alignment with statutory duties and Code Principles

We consider these changes are consistent with our statutory duties, particularly the consumer objective, to protect the interest of current and future customers. We think increased transparency in the complaints process will benefit customers by increasing their awareness of their rights in the process and alternative options if they are dissatisfied with a Retailer's handling of their dispute.

Additionally, we consider these changes are consistent with the following General Principles:

- Retailers shall be fair, transparent and honest; while putting the customer at the heart of their business;
- Communication with Non-Household Customers shall be in plain and clear language;
- Any information provided to Non-Household Customers shall be complete, accurate and not misleading;
- Customer service arrangements and processes shall be accessible to and effective for Non-Household Customers.

Improving transparency around the complaints process will ensure customers are given transparent, complete, and accurate information, and will improve accessibility of the complaints process.

In proposing these changes, we have regard to the Government's [Strategic Priority Statement](#) for Ofwat, which sets out the expectation that Ofwat "should push water companies to provide a better and fairer water service for all, by improving customer services and complaints handling".

## 8.6 Proposed implementation date

We consider these changes would require Retailers to make minor changes to the information available on their websites. Therefore, we are minded to propose that the implementation date for these changes would be one month after the date of our decision.

## 8.7 Consultation questions

11. What are your thoughts on our plans to improve the transparency of the complaints process?

## 9. Improving customer awareness of the market

This chapter outlines our initial proposals to increase customer awareness of the market through requiring Retailers to include switching information on customer bills and their websites.

### 9.1 Levels of customer awareness of the market

Our [2021/22 State of the Market report](#) highlights that in 2021/22, only 48% of NHH customers were aware that since April 2017 eligible customers have been able to switch their water and wastewater retail supplier or re-negotiate a better deal with their existing supplier. This compares to 43% in the 2020/21 survey and 58% in the 2019/20 survey. Historically, larger customers have tended to be more aware of the market than smaller ones, but in 2021/22, there was limited awareness from all types of customer (57% of large businesses, 51% of SMEs, and 48% of micro-businesses).

It is fair to assume that lack of awareness of the market is consistent with less engagement with the market. Our [2021/22 State of the Market report](#) detailed that only 9.9% of customers were active in the market in 2021/22, meaning they switched or renegotiated their contract, were in the process of doing so, or considered it. Our [2022/23 State of the Market update](#) noted that "the switching rate of SPIDs remains below the rate seen in each of the first three years of the market".

If customers are unaware of the existence of the market, they will not realise the possible benefits of participation, such as the potential to find a better deal or improved customer service. In our 2022 [Review of the Retail Exit Code decision](#), we set out that we think there is a need to explore demand-side initiatives to encourage greater market engagement from NHH customers. We noted the possibility of using the CPCoP to increase customer awareness, including by requiring all Retailers to inform their customers, such as on bills or on their website, that they can switch supplier and reviewing the content of the Open Water website to ensure it is up to date.

### 9.2 Evidence and views considered

MOSL, CCW, and Water2business expressed support for Ofwat's ongoing review of the Open Water website and stressed the importance of the website having up-to-date information to support customer engagement. CCW suggested the Open Water website could include a step-by-step guide to switching. Pennon Water Services expressed the view that it would be positive if Ofwat

shared information with the market about the behaviour of visitors to the Open Water site, such as the number of visitors. Additionally, it said that Ofwat might consider Ofgem's initiative of working with Citizens Advice to "shape the creation of new and updated information on the Citizens advice website, enabling micro-businesses to have access to up-to-date guidance and advice as well as wider communications to boost consumer awareness about the market and consumer rights." However, Clear Business Water commented that publishing information on switching online is likely to only reach customers who are already engaged, and that it would be better to look at non-price protections in the Retail Exit Code ([REC](#)).

Everflow, Wessex Water and CCW suggested that bill statements could include information about switching, such as directing customers to the Open Water website. CCW said the information on bills should include some of the potential price and service benefits of switching, pointing to examples from the energy sector such as the annual Cheapest Tariff Message. However, Affinity Water told us that their research has shown customers prefer limited information on bills, and therefore it does not support putting more information on them. Wave argued that mandating that switching information is also included on bills will be challenging and costly to achieve. It noted that in the energy market, there is no requirement to include switching information on every bill. Alternatively, MOSL proposed that there should be an additional obligation on Retailers to tell customers they can switch away when taking them through a gap site or direction to supply.<sup>17</sup>

Waterscan said that the CPCoP should encourage water companies to seek customer input on issues such as service improvements and investment plans. It also suggested that the CPCoP should set out how Retailers collect and incorporate feedback from customers.

Castle Water said that Ofwat should create an environment where customers are made aware of the advantages and disadvantages of engagement. It said Ofwat should publish its recent findings on the financial resilience of Retailers (collected in a [May 2023 Request for Information](#)) and outline what elements customers should satisfy themselves with before switching. Ofwat should also adopt a more stringent approach to both the granting of licences and the regular monitoring of licensees' financial robustness.

Everflow said that a new obligation should be introduced to the CPCoP to engage deemed customers. It said there could be a requirement "for all retailers to include a statement on deemed customers' bills to inform them of their out of contract status and of their ability to

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<sup>17</sup> A gap site is a premises which has been identified as eligible but is not registered in the market, and a direction to supply is a direction to a Retailer to supply such premises.

switch Retailer at any time or negotiate a better deal with their current supplier." It noted that similar provisions exist in Scotland under the Deemed Scheme.

In addition to considering CFI responses, we asked a number of Retailers to provide us with sample bills so we could consider the sort of information customers are currently receiving and how space is used. We noted that of the sample, all bills were at least three pages long, and contained additional information to the minimum information requirements stipulated in the CPCoP. No bills in the sample included information that customers could switch or that water was a competitive market.

### 9.3 Our initial proposals

Following consideration of the evidence outlined above, we are minded to update the CPCoP in the following ways to further customer awareness of the market:

**m) Amend the CPCoP so that Retailers are required to include on all bills, in a prominent location, general information that water is a competitive market and customers may be able to switch Retailer or renegotiate their terms of supply with their current Retailer and may benefit (including financially) from doing so. There should be a link to the Open Water website.**

This change would require Retailers to include general information on all bills that water is a competitive market and customers may be eligible to switch or renegotiate their terms of supply and a link to the Open Water website. The precise wording of the messaging will be at the discretion of the Retailer. The information should be displayed in a prominent place on the bill, so that it is clear to customers.

**n) Amend the CPCoP to require all Retailers to display, in a prominent place on their website, that water is a competitive market and customers may be able to switch Retailer or renegotiate their terms of supply with their Retailer and may benefit (including financially) from doing so. There should be a link to the Open Water website.**

This change would require Retailers to include general information on their website that water is a competitive market and customers may be eligible to switch or renegotiate their terms of supply and a link to the Open Water website. The precise wording of the messaging will be at the discretion of the Retailer. The information should be displayed in a prominent place on the website, so that it is clear to customers.

## 9.4 Reasons for our initial proposals

Engagement with the market could bring benefits to customers including lower bills and access to better customer services. However, customers will not be able to engage with the market if they are unaware of it. Our research has shown that nearly half of eligible customers are unaware of the market, and therefore will not engage with it and reap any possible benefits. It is therefore clear that more work is needed to improve customer awareness.

Research has shown that customers welcome information on switching in the context of utilities bills. In 2017, Ofgem published its [Consumer First Panel Report](#), which published findings of consumer research into customer interaction with bills. The research found that "When asked about information needs [on bills], over half the Panellists spontaneously mentioned they wanted to know more about how switching could help reduce their energy bills. The majority were then pleasantly surprised to see this information on their bill – having never before had their eye drawn to this. Those who had engaged with this before had been encouraged by the information to reflect on their current supplier's tariff prices." It also noted that framing switching information around saving money was more likely to draw attention.

In light of this research, alongside the insight gained from the CFI responses, we think it is sensible to amend the CPCoP to require Retailers to include switching and contract negotiation information on bills. We think the inclusion of this information could lead to an increase in customers' awareness of the market without requiring new forms of communication with customers and the additional cost this could entail.

We recognise the point that many customers prefer limited information on bills. However, further to the research outlined above, we think customers may welcome the proposed additional information given it could lead to financial benefits and an improved customer experience through switching or contract negotiation. The proposed change gives Retailers discretion regarding the exact wording of the additional information to enable them to keep wording short if they see this as preferable. However, we are also keen to hear from stakeholders if any of the current Minimum Information Requirements for bills could be removed to create additional space for switching and contract negotiation information, such as Ofwat's contact information.

We think requiring all Retailers to display information on their website about switching or contract negotiation can further contribute towards increasing customer awareness of the market.

We are aware that the proposed changes may have cost implications from Retailers and would encourage respondents to this consultation to elucidate on possible or likely costs with evidence where possible.

We think that our proposed changes will address many of the points raised by CFI respondents outlined above. We note CCW's suggestion that we should follow the approach taken in the energy market by introducing additional messaging such as an annual Cheapest Tariff Message. However, we consider that measures such as these should only be considered at a later stage, after it has become clearer if our initial proposals, if implemented, influence customer awareness and engagement.

If implemented, we plan to assess the impacts of this change 12-18 months following implementation to review its effect on market awareness and any need for further regulatory intervention.

### **9.5 Alignment with statutory duties and Code Principles**

We consider these changes are consistent with our statutory duties, particularly the consumer objective, to protect the interest of current and future customers through the promotion of competition where appropriate. We think adding switching information to bills and Retailer websites could contribute to increased customer awareness and therefore the potential for more customers to benefit from engaging with the market, such as through reducing costs or accessing improved services.

Additionally, we consider these changes are consistent with the General Principle that "Retailers shall ensure they provide appropriate and timely information to Non-Household Customers to enable them to make informed choices". Providing customers with more information about their possible ability to participate in the market will enable more customers to make informed choices about the most appropriate Retailer for their needs.

### **9.6 Proposed implementation date**

We recognise that these changes may require Retailers to change the format and presentation of their bills and websites. To allow Retailers appropriate time to do this, we are minded to propose that the implementation date for these changes will be three months after the date of our decision.

## 9.7 Consultation questions

12. What are your thoughts on our plans to increase customer awareness through requiring Retailers to include switching information on bills and their website?
13. Should any of the current Minimum Information Requirements for bills be removed or amended? Please give reasons for your answer.



## 10. Third Party Intermediaries (TPIs)

Third Party Intermediaries (TPIs) can play an important role in improving customer engagement with and experience of the market; for example, through helping customers identify good deals and services. However, we are concerned that customer interaction with some TPIs is not always positive and can result in customer harm. To prevent this, in this chapter we outline our thoughts on requiring Retailers to only work with TPIs who adhere to stipulated principles of good practice.

Separately, we are concerned that some Retailers do not co-operate with TPIs, such as by withholding information from them, restricting customers from the benefits of TPI use. We therefore also outline our plans to require Retailers to co-operate with TPIs unless they have good reason not to do so.

### 10.1 Adequacy of current requirements

Ofwat does not have the power to regulate TPIs directly. However, the CPCoP places requirements on Retailers regarding their interactions with TPIs. These include:

- A provision that where Retailers use TPIs to represent them in sales and marketing activities, they shall take responsibility for the actions of the TPI and shall take steps to ensure that the TPI is aware of, understands and complies with, the CPCoP; and
- A requirement that where a customer uses a TPI, a Retailer must receive a Letter of Authority (**LOA**) from the customer which outlines who is acting on their behalf and the extent of the authority granted to that representative. Microbusinesses must use a [template](#) Letter of Authority issued by Ofwat (see Appendix 3).

In 2017 we published a set of [voluntary principles for TPIs](#) (see Appendix 4). This gave TPIs the opportunity to demonstrate to NHH customers that they offer clearly established standards of conduct, as well as offering the same commitments on customer protection as licensed Retailers. However, it is not clear that these voluntary principles have been embraced and embedded by TPIs and the Retailers who work with them.

We have become concerned, following engagement with Retailers and TPIs, that there can be poor practice and friction between Retailers and TPIs that can contribute to poor customer outcomes. Several Retailers have communicated with us concerns including:

- Experience of Retailer-led TPIs mis-selling and misrepresenting other Retailers, or comparing prices inaccurately, thus misleading customers.
- TPIs communicating with customers in a way that is unclear or conveys limited understanding of the market, undermining customer confidence.
- TPIs charging high commission rates, sometimes in excess of the savings a customer can gain from switching, and sometimes in ways that are not visible to customers; and
- Customers being transferred to a new Retailer through a TPI without their consent.

We have also noted concerns from TPIs that some Retailers can be difficult to co-operate and engage with.

## 10.2 Evidence and views considered

In response to our April CFI, Pennon Water Services said that it had concerns about the practices of some Retailers and their engagement with TPIs and had previously identified instances of mis-selling. It said that the Code could include key information that TPIs should provide to customers before they sign up to use TPI services. Castle Water told us that the CPCoP's provisions concerning sales and marketing should be strengthened to ensure fairness and transparency and constrain the use of misleading information by some TPIs. It held the view that it is not enough to require Retailers to provide adequate information to TPIs and make them aware of the Code, but rather that Retailers should be required to ensure that they neither engage, nor allow others to engage on their behalf, in inaccurate or misleading claims about their price and service offerings. Wave said that Retailers should not be held accountable for the behaviours of TPIs but should be entitled to choose whether to work with a particular TPI or not. They cited instances where TPIs deliberately misled customers, such as by using Retailer logos to falsely imply that they had obtained pricing from the market when they had not and had no right to use the logos.

Water Plus said that many of its customers found the LOA process arduous and too detailed. It thought there was scope for the existing LOA arrangements to be updated, to streamline the process and ensure that the requirements are focused and customer friendly. Business Stream suggested that the CPCoP should provide guidance on what a LOA should contain without it having to be templated by Ofwat. Everflow said that the LOA arrangements should be kept as simple and concise as possible to make it easy for customers to engage, and they suggested that verbal authorisation should be accepted, provided that it can be evidenced with audio recordings. Affinity Water said it would encourage and welcome any form of standardisation, and Clear Business Water said that having one clear and straightforward process in the CPCoP, covering all scenarios for which a LOA would be required, would help customers better engage with the market. They suggested removing the current provisions

from the CPCoP and replacing these with clarification of the minimum requirements of a LOA that must be accepted by Retailers.

Castle Water noted the approach of the energy sector to TPIs, including a TPI Code of Practice and a standard LOA template. It said Ofwat should adopt a similar approach to Ofgem. The Utilities Intermediaries Association said that as a result of Ofgem's Microbusiness Strategic Review, certain suppliers now refuse to engage with TPI's even where they have a LOA from the customer. They made the point that any measures deployed must be non-invasive and proportionate and TPIs should be able to call out to Ofwat practices that are deemed onerous.

### 10.3 Our initial proposals

Further to the views and evidence outlined above, we are minded to:

**o) Amend the CPCoP to include principles of good practice for TPIs and require Retailers to only work with TPIs who operate in accordance with these principles.**

This change would see principles of good practice for TPIs added to the CPCoP. Retailers would be required only to work with TPIs who adhere to the principles. The principles included in the CPCoP would be built on the 2017 voluntary principles.

**p) Amend the CPCoP to stipulate that where customers have elected to use a TPI to represent them, Retailers must co-operate with the TPI unless they have good reason not to do so.**

This change would require Retailers to co-operate and communicate with all TPIs representing a customer, including answering requests for information in a transparent and timely manner. Retailers could only refuse to do this if they felt they had good reason, such as if it was believed the TPI was not acting in accordance with the principles of good practice, or a customer had not consented to a TPI representing them.

### 10.4 Reasons for our plans

TPIs have significant potential to improve customer experience of the market, such as through negotiating better deals for customers, making the market more accessible, giving them greater insight into their options, and saving them time. They can also play an important role in Retailers' marketing and acquisition strategies, and so help foster competition and rivalry, to the benefit of customers' business. However, we are concerned

that under current arrangements, and as noted by some respondents to our CFI, friction between Retailers and TPIs and instances of poor practice by some TPIs may be preventing or impeding the benefits of TPIs from being fully realised and causing customer harm. As a consequence, customer trust in TPIs may also be undermined. We consider that smaller customers may be at particular risk of harm, as their size and possible lack of expertise may make them more vulnerable to inappropriate TPI behaviour.

We think that requiring Retailers to only work with TPIs that operate in line with principles of good practice will limit the risk that customers experience harms such as misinformation, unclear pricing, and unfair commissions or broker fees. We think limiting these risks may increase customer confidence in TPIs and encourage their use, which could make the market more accessible to many customers. In considering this change, we note that, in the last year, Ofgem has amended and strengthened the standard Electricity and Gas Supply Licence Conditions relating to micro-business protections, especially surrounding the provision of principal contractual terms to ensure consumers receive key information, such as Third Party Costs. In addition, the Retail Energy Code has been amended to include a [TPI Code of Practice](#).

In drafting principles to add to the CPCoP, we intend to build on the 2017 voluntary principles, which are contained in Appendix 4. In addition to these principles, we are also keen to consider adding new areas to address issues that have come to light since 2017. For example, we would consider a requirement that TPIs can only be granted authority to work on behalf of a customer in the water retail market if they have received a specific contract to do this, which must be separate to any contract regarding services provided in relation to other sectors and markets. This may help address a concern that some TPIs offer services in the water retail market as an insufficiently considered 'add-on' to their services in other utilities markets. We would welcome views on the drafting of the existing voluntary principles and suggestions for any additional principles that should be included, should we decide to bring these within the scope of the CPCoP.

We note the comments made in some CFI responses that a TPI accreditation scheme should be pursued. Ofwat does not have legal powers to undertake accreditation of TPIs. We do not therefore propose to pursue an accreditation scheme at this time.

We recognise that many customers may benefit from using a TPI when engaging with the market for the reasons outlined above. However, TPIs acting on behalf of customers will only operate effectively if Retailers co-operate with them and provide them with any necessary information. We think requiring Retailers to co-operate with any TPI representing a

customer, unless they have good reason not to, may help ensure that TPIs have access the information they need to serve customers effectively and allow them to benefit from TPI use.

We note the comments made in some CFI responses that the current LOA template is too rigid and restrictive and not meeting customer needs. Whilst we think the LOA template should maintain some degree of rigidity to ensure customer consent is clearly received, we are open to the idea of updating the template and streamlining it to make it easier to use and adapt to customer circumstances. We are keen to hear further from stakeholders how precisely the LOA may be amended to better serve customer needs.

### **10.5 Alignment with statutory duties and Code Principles**

We consider these changes are consistent with our statutory duties, particularly the consumer objective, to protect the interest of current and future customers, wherever appropriate by promoting effective competition. Ensuring Retailers only work with TPIs who adhere to principles of good practice will help minimise the risk that customers who engage with TPIs receive misinformation, unfair pricing, or opaque communication. We think limiting these risks will increase customer confidence in TPIs and encourage their use, thus making the market more accessible. We think ensuring Retailers co-operate with TPIs, unless they have good reason not to, should enable TPIs to provide better, well-informed services to customers in a way that also encourages switching and market engagement.

In addition, these proposals facilitate the General Principles of the CPCoP that Retailers shall be "fair, transparent and honest" with customers and that "any information provided to Non-Household Customers shall be complete, accurate and not misleading", through providing accurate and transparent information to them via TPIs.

### **10.6 Proposed implementation date**

We recognise that these changes will require Retailers to give thought to the TPIs they work with, and possibly seek assurance from TPIs that they are operating in line with the principles of good practice. To allow Retailers appropriate time to do this, we are minded to propose that the implementation date for these changes will be three months after the date of our decision.

## 10.7 Consultation questions

14. What are your thoughts on our plans to require Retailers to only work with TPIs which operate in line with principles of good practice set out in the CPCoP?
15. If we were to go ahead with these plans, we would draft the principles with reference to Ofwat's 2017 voluntary principles of good practice for TPIs. What are your thoughts on the 2017 principles, and do you think any additional principles are necessary?
16. What are your thoughts on our plans to require Retailers to co-operate with TPIs unless they have good reason not to do so?
17. Do you think to LOA template should be amended, and if so, in what specific ways?

## 11. Contracts and switching

In this chapter, we set out our thoughts on how customers may be better supported in switching Retailer through only allowing automatic contract renewal where a customer has explicitly consented, and placing an obligation on Retailers to support customers who have a switch attempt blocked.

### 11.1 Adequacy of current requirements

#### Contract renewal

The CPCoP currently provides that at least 30 days prior to the expiry of a contract, Retailers are required to write to the customer with information on their options. If the customer does not respond, they will be moved onto a Scheme of Terms and Conditions (if the customer is in a retail exit area) or the Retailer's default Terms (if the customer is not in a retail exit area). Special protections apply to micro-businesses, where automatic contract renewal is prohibited unless the customer has consented to this during the 30 day period prior to the expiry of the contract. Micro-business customers who agree to automatically renew their contract can terminate the renewed contract early at no charge.

A 2023 [MOSL report](#) into Transfer Behaviours found three Retailers have clauses within their contracted terms and conditions that at the end of a fixed term contract, should no new contract be agreed, a customer will continue on the same terms and conditions as were within their fixed term. We note potential concerns that such practices could result in the need for a customer to provide a termination notice to switch Retailers or end their contract even when they had exited the original fixed term contract. We consider among other things that this could pose a barrier to switching or contract renegotiation.

#### Switching

In some circumstances, Retailers have the ability to block requests from a customer to switch to a different Retailer. This may include situations where the customer is in debt to their current Retailer or has attempted to switch while in a fixed term contract. The CPCoP stipulates that in the event a Retailer blocks an attempted switch, it should write to the affected customer explaining the reason for the block.

We are concerned that a requirement to simply notify customers of the reason a switch request is blocked may not support the customer in resolving the cause of the block and eventually switching successfully.

## 11.2 Evidence and views considered

### Contract renewal

In its response to our April CFI, Business Stream argued that the CPCoP should be amended to ensure that a Retailer's terms and conditions do not require a termination notice unless the customer is on a fixed term contract. It noted MOSL's 2023 report and said: "While there may be commercial considerations during the fixed-term contract we do not consider clauses requiring a termination notice post-contract to be fair or in the spirit of a competitive market."

Pennon Water Services and Wave said that the current CPCoP requirement that customers are notified 30 calendar days before the end of a contract is sufficient. Pennon Water Services noted that 30 calendar days is comparable to subscription services, and customers on a contract have already actively engaged with the market. CCW said that while 30 days was appropriate, a reminder after 15 days would be welcome. Affinity Water said 30 days seems short, and 60+ days may be more suitable.

Castle Water, Water2business, Everflow and Water Plus said the CPCoP does not need to be strengthened with regards to the information Retailers provide on contracts and Terms and Conditions of supply. Clear Business Water argued that the current requirements "already go 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".

### Switching

In its response to our April CFI, CCW told us that many customers, particularly SMEs, experience perceived barriers to switching, including a belief that the cost would outweigh any benefits, the market was too complex to engage with, or businesses did not have the time necessary to switch. Of customers who switch or attempt to switch, one of the main areas of complaint it sees is where the Retailer has blocked the switch. It noted that in many cases, this is in relation to outstanding debt on the account, which some customers dispute the legitimacy of. It said there should be a requirement in the CPCoP "for the existing Retailer to set out how they intend to work with the customer to achieve a resolution to any dispute" to allow customers to switch in the future.



Clear Business Water argued that the CPCoP should be modified to make the switching process easier and faster for customers. Particularly, it said it had noted disproportionately long or restrictive (for example, within a certain period of time from the contract end date) notice periods across Retailers. It argued that customers should be able to give notice at any point in a fixed term of their supply that they would like to terminate at the end of the term, and 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). It also noted that it is not a common position among regulators to provide non-domestic customers with a cooling off period when agreeing contracts for their business services. It said such conditions have been replaced with 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 transfer period and for faster switching to take place.

Wave said that outgoing Retailers can face challenges when relying on incoming Retailers for transfer reads. If reads are not provided, it is difficult for the outgoing Retailer to meet the CPCoP requirement that final bills be issued within six weeks. The respondent noted that this issue is being looked at by the Metering Committee and said the CPCoP should be reviewed in light of the outcome of this work. CCW said that it is poor that customers have to wait up to six weeks to receive a final bill, and four weeks would be preferable.

### 11.3 Our initial proposals

Following consideration of the evidence outlined above, we are minded to update the CPCoP in the following ways:

**q) Amend the CPCoP so that NHH customers, except for micro-businesses, are required to request or consent, in writing, to the automatic renewal of Terms and Conditions of Supply. This consent can be served at the point at which the contract is agreed or any point thereafter.**

This change would mean that for NHH customers who are not micro-businesses, relevant Terms and Conditions of Supply may not be renewed automatically without written consent. This consent can be given at the point at which the contract is agreed or any point thereafter. The current additional protections offered to micro-businesses will remain in place. Retailers will still be required to issue customers with a Renewal Notice containing the information outlined in Section 7.1.4 at least 30 calendar days prior to the expiry of the contract.

**r) Amend the CPCoP to place a general obligation on Outgoing Retailers to ensure customers wanting to switch are supported in doing so, and an obligation that they will work with customers who have a switch blocked, and the incoming Retailer, to resolve the issue.**

This change would place general obligations on Retailers to support customers who wish to switch Retailer and work with customers who have a switch request blocked to help to resolve the cause of the block. More detail about how Retailers would be expected to meet these obligations are covered in the following change.

**s) Amend the CPCoP so that if an Outgoing Retailer blocks a switch request, in addition to writing to the customer to explain the reason for the block, the Retailer must also set out (1) the steps the customer can take to resolve the issue, and (2) how the customer can make a complaint if they believe the reason for the block is invalid. The Retailer must write to the customer to set this out as soon as possible.**

This change would require Outgoing Retailers to provide more information to customers about how they can resolve an issue that has caused a switch attempt to be blocked, and how they can make a complaint if they feel the reason for the block is illegitimate, including escalation to CCW if appropriate. Outgoing Retailers would be expected to provide this information as soon as possible.

## 11.4 Reasons for our proposals

### Contract renewal

We note the findings of MOSL's 2023 report that some Retailers have clauses within their contracted terms and conditions that at the end of a fixed term contract, should no new contract be agreed, a customer will continue on the same terms and conditions as they were within their fixed term. We share the report's concern that this could act as a barrier to switching and the development of a competitive market. At the same time, we recognise that some customers may prefer the option of automatic contract renewal – for example, some may not have the time or resource to engage in contract negotiation, or had specific terms and conditions agreed in their contract that they wish to carry forward. For this reason, we are not considering a ban on the automatic renewal of contracts. However, we think it is appropriate to require Retailers to obtain the express consent of customers that they wish a contract to be automatically renewed. We are satisfied that micro-business customers are already sufficiently protected in this regard under the provisions laid out in Section 7.3.1 of the CPCoP, but think action is needed for other NHH customers.

Amending the CPCoP so that Terms and Conditions of Supply can only be automatically renewed if a customer has given their explicit consent will help ensure customers are not inadvertently locked in to fixed term contracts as the result of an automatic renewal, which can help to support switching and the development of a competitive market. Allowing consent to be granted at any point from a contract being agreed should minimise any inconvenience this change may cause customers who would prefer their contract to automatically renew. Retailers will still be required to provide a Renewal Notice, which should ensure that customers who agree to automatic renewals are reminded they can terminate a contract before renewal should they wish to do so.

Under the current CPCoP, micro-businesses who have a contract renewed automatically are able to terminate the renewed contract without charge. We are not minded to extend this protection to all NHH customers as we have concerns this could have substantial financial planning and cost implications for Retailers, and by extension may reduce the set of offers and deals available to customers. However, we are keen to hear from respondents to this consultation on whether there is a case to consider this further, or if we should reconsider the necessity of this protection for micro-businesses.

We also note Clear Business Water's concern that it has seen disproportionately long or restrictive notice periods across Retailers. We would welcome more information on this and possible steps we could consider in consultation responses.

We note CCW's point that four weeks would be preferable for final billing. However, we are mindful that other respondents have highlighted difficulties in meeting the current six-week timeline. At this stage, we think reducing the wait for a final bill to four weeks would present considerable challenges and complexities for limited customer benefit. We note that the Code Change [CPW148](#), which seeks to improve the customer experience of transfers, is currently being taken through the WRC change process.

## **Switching**

Customers who wish to engage with the market and switch Retailer should be able to do so with ease. This supports the development of a competitive market. It is therefore disappointing that a main area of customer complaint among those customers who switch or attempt to is that they have been blocked from doing so. We think placing general obligations on Retailers to support customers who wish to switch and work to resolve switch blocks can help to support an improved customer experience in this area. Requiring Retailers to write to customers who have a switch blocked to set out steps for resolution and options for complaints will support these general obligations being met and provide customers with

practical steps to facilitate a future switch. For example, if a customer had a switch attempt blocked due to being in debt to their Retailer, we would expect the Retailer to write to the customer and set out:

- That the customer's switch attempt has been unsuccessful because they are in debt to their Retailer;
- The amount owed and how the customer can pay;
- That once the debt has been paid, they will be eligible to switch; and
- If they believe the debt is illegitimate or the switch has been blocked incorrectly, they should issue a complaint to the Retailer in the first instance, and escalate to CCW if they are not satisfied with how their complaint is dealt with. CCW's contact details should be included.

### **11.5 Alignment with statutory duties and Code Principles**

We consider that these changes are consistent with our statutory duties, particularly the consumer objective, to protect the interest of current and future customers through the promotion of competition where appropriate. These changes can help to facilitate good customer experience and encourage competition through switching, either by preventing customers from inadvertently being locked into contracts that are difficult to leave, or by improving the experience of customers who wish to switch.

Additionally, we consider the changes related to switching are consistent with the General Principles that "Retailers shall ensure they provide appropriate and timely information to Non-Household Customers to enable them to make informed choices" and "Customer service arrangements and processes shall be accessible to and effective for Non-Household Customers." This is because the changes will ensure customers are provided with clearer and more useful information about how to act in the event of a blocked switch.

### **11.6 Proposed implementation date**

We think change (r) will have little immediate impact on the operation of Retailers, and therefore are minded to propose it is implemented one month after the publication of our decision.

We recognise that changes (q) and (s) may require Retailers to make adaptations to their contract agreement and switching process, and therefore we propose these changes are implemented three months after the date of our decision.

### 11.7 Consultation questions

18. What are your thoughts on our plans in relation to automatic contract renewals?
19. Should we consider introducing requirements to the CPCoP regarding contract termination notice periods, and if so, why?
20. What are your thoughts on our plans in relation to supporting customers who have a switch attempt blocked?

## 12. Assurance of compliance

This chapter explores how we can increase our assurance of Retailer compliance with the CPCoP, such as through an annual Statement of compliance and an increase in gathering evidence of compliance.

### 12.1 Adequacy of current requirements

All holders of a Water Supply and/or Sewage Licence with a retail or restricted retail authorisation are required, under [Standard Licence Condition B \(2\)](#), to comply with the CPCoP. Each licensee is required to submit an annual Certificate of Adequacy (**COA**) to Ofwat to certify that it has all the arrangements and resources needed to meet its licence obligations, including compliance with the CPCoP.

To date, we have not routinely collected further assurance or evidence from Retailers that they are compliant with the CPCoP beyond their annual COA. However, while COA submissions provide useful self-assurance from Retailers about their ability to meet the obligations of their licence, our [recent work](#) in relation to monitoring the financial resilience of Retailers has highlighted shortcomings in the accuracy, and therefore reliability, of some COA statements. We therefore consider that our sight of Retailer compliance with the CPCoP should be expanded.

Additionally, in our [Business Retail Market Update 2022-23](#) we set out our intention to review our overall approach to market monitoring in 2023-24 to ensure our ongoing monitoring targets relevant areas of the market and continues to align with, or complements, industry objectives.

### 12.2 Evidence and views considered

CCW said that Retailers should be required to submit annually written assurance that they will comply with the CPCoP, supported by evidence. This evidence could include, for instance, complaint responses or examples of contracts with terms and conditions. It also said Ofwat should set out what will happen in cases of non-compliance, and that Ofwat should assess compliance with not only the standards in the CPCoP, but also with the General Principles. Everflow also supported an annual evidenced statement and said that such a statement could be made alongside REC compliance statements or statements on financial resilience. Water2business suggested that evidence of compliance with the CPCoP such as contracts or complaint responses could be provided as supporting documents to the annual CoA.

However, Wave said additional assurance processes would "unnecessarily increase the regulatory burden and associated costs onto Retailers instead of facilitating the development of a 'flourishing market'." It did say that one area which could benefit from additional assurance is in relation to tenders, where "we observe that some Retailers make over inflated, unsubstantiated and inaccurate claims around the services they offer, particularly on bill accuracy and query management. The CPCoP could make it clear that when tendering, Retailers need to provide accurate claims and be able to substantiate these." Water Plus said Ofwat should focus on "specific investigations and inquiries where a concern has arisen" rather than introducing ongoing data requests of general compliance.

The Utilities Intermediaries Association told us that Ofwat and CCW could do more to promote the CPCoP so that customers and TPIs acting on behalf of customers are aware of the minimum requirements placed on Retailers. It said customers and their representatives should be provided with means to report poor practice to enable monitoring and the spotting of patterns of bad practice. It suggested 'secret shopper' techniques could be used in measuring compliance.

### 12.3 Our plans

Following consideration of the evidence outlined above, we are minded to propose to update the CPCoP in the following way to increase assurance of compliance:

#### **t) Require the Board of each Retailer to submit an annual Statement of Compliance in relation to the CPCoP**

This change would require the Board of all Retailers to submit an annual Statement of Compliance in relation to the CPCoP, similar to how they are required to submit an annual Statement of Compliance with the REC. This statement should be submitted by the end of June each year, to align with the timeline of REC Statements of Compliance. The Statement should include:

- Confirmation that the Board and relevant employees of the Retailer are aware of the provisions of the CPCoP and have, in the last 12 months, carried out their functions with regard to the provisions of the CPCoP;
- Confirmation that the Board and relevant employees of the Retailer intend to carry out their functions in the upcoming 12 months with regard to the provisions of the CPCoP; and
- Confirmation that the Retailer has the resources and capacity to carry out its functions in a way that is compliant with the CPCoP in the upcoming 12 months.

In addition, each Retailer should submit evidence that it has obtained approval and sign off from its Board regarding the accuracy of, and assurance processes underpinning, its Statement of Compliance.

In addition to a targeted Statement of Compliance, we plan to collect evidence of compliance with the CPCoP from a random sample of Retailers on an annual basis. Each year, Ofwat will determine an appropriate number of Retailers to sample and what evidence to request. We anticipate evidence may include material like sample customer bills, examples of complaint handling, or examples of contracts.

#### **12.4 Reasons for our initial proposals**

Retailer compliance with the CPCoP is essential in ensuring customers receive good levels of service and are protected from harm. Our work in relation to Retailer financial resilience has highlighted some shortcomings in the accuracy, and therefore reliability, of some COA statements. Additionally, as we do not collect any further assurance of Retailer compliance with the CPCoP beyond the COA, we are reliant on being sighted of any compliance issues by Trading Parties, customers, CCW, or any other interested parties. We therefore think we should strengthen the CPCoP to reduce this reliance and provide us with greater overall assurance of compliance.

We recognise that requiring an annual Statement of Compliance is an increase in the regulatory burden. We have therefore sought to limit the information we require Retailers to provide in their Statement of Compliance. We have opted to use a random sampling approach to collect evidence of compliance, as this will enable us to gain insight into levels of compliance while minimising the regulatory burden on Retailers and the resource burden on Ofwat.

We note CCW's view that we should set out the enforcement action we would take if a Retailer were found to be in breach of compliance with the CPCoP. We highlight that our [approach to enforcement](#) is publicly available, and enforcement penalties can vary substantially depending on circumstance. CPCoP compliance is a condition of a Retailer's license and therefore we have extensive options for pursuing enforcement action, including fines and, in the most serious of cases, revocation of a license. We also note The Utilities Intermediaries Association's comment that we should go further to increase customer awareness of the CPCoP. This is an issue we have addressed in Chapter 14.

#### **12.5 Alignment with statutory duties**



We consider these changes are consistent with our statutory duties, particularly the consumer objective, to protect the interests of current and future customers. We think that the introduction of Statements of Compliance and evidence collection will increase our assurance that Retailers are compliant with the CPCoP and are therefore treating customers fairly. We also think it will provide us with greater sight of levels of compliance so that we can take action to protect customers if necessary.

### **12.6 Proposed implementation date**

As outlined, we would expect to collect annual Statements of Compliance from Retailers by the end of June each year. Retailers who we select to provide additional evidence of compliance (ie. over and above that provided in the Statement of Compliance) would be expected to provide this material at a similar time. We are therefore minded to propose that the change would be implemented one month after our decision, with the first round of Statements and evidence being collected by the end of June 2024.

### **12.7 Consultation questions**

21. What are your thoughts on our plans to increase our assurance of compliance with the CPCoP?

## 13. Meter reads, billing, and refunds and repayments

A number of respondents to our April CFI told us that the CPCoP should be amended to address issues related to refunds, repayments, meter reads and billing. This chapter will outline issues and ideas raised in CFI responses, and our thoughts on whether we think CPCoP changes could be appropriate.

- **(u) Amend Section 9.3.3 to state that refunds made to customers should be made as soon as possible**

Section 9.3.3 states that if a Retailer receives a payment from a Wholesaler as a result of a Retrospective Amendment, it must pass this refund on to the customer. CCW argued that additional wording should be added to say this refund should be made as soon as possible.

We think this is a sensible change that could improve the customer experience with minimal increase in the regulatory burden. We are therefore minded to propose this change, and propose it be implemented one month after our decision.

- **(v) Amend the repayment period for a back-bill**

Section 9.3.2 allows micro-business customers subject to a back-bill to access a reasonable repayment plan, where they can spread repayments over a period of time. Customers are responsible for determining how long the repayment period should be, but the maximum it can be is 12 months. In response to our April CFI, CCW argued that the "reasonable period" for repayment of a back-billing amount should be up to 24, rather than 12, months. This would allow greater flexibility for micro-business customers affected by the unexpected bill shock of a backdated bill. It also argued that as Retailers are permitted, in some limited circumstances, to back-bill customers up to 24 months, it is reasonable that customers have the same period of time to repay. CCW told us that this option "should be open to SMEs as well as micro-businesses since many of these smaller businesses may struggle to cope with a significant additional payment."

We recognise the potential harm of bill-shock to customers, and support access to repayment plans for micro-businesses to minimise the risk of harm. However, we are concerned that extending the reasonable repayment plan period to 24 months could incur significant risks and costs for Retailers. Instead, we think the CPCoP should be

amended to allow Retailers to extend the repayment period to 24 months at their discretion. We think this approach would add greater flexibility to the Code to support Retailers in offering a more generous service to customers, without mandating it. As this change would not demand change to Retailers' operations, we are minded to propose it be implemented one month after our decision. We note CCW's comment that this option should be extended to SMEs. This would be subject to our decision on whether the current protections for micro-businesses are rolled out to small businesses, as discussed in Chapter 5.

- **(w) Increasing frequency of meter reads**

Section 9.2.1 of the CPCoP requires Retailers to issue one accurate bill per year, using a meter read where the premises is metered. CCW argued in its response to our April CFI that two meter reads per year should take place as this will allow customers to better monitor consumption, control their costs, and encourage water efficiency. A requirement for more frequent billing could also drive Retailers to place more emphasis on ensuring they collect regular meter readings and take steps to address long unread meters.

The vast majority of customers receive at least two meter reads per year, as data from [MOSL's Metering Dashboard](#) show that approximately 98% of meters in the market are designated as twice-yearly read meters, required under industry codes to be read twice per year. As a result, in our 2022 [Review of the Retail Exit Code decision](#), we based our meter reading cost allowance determination on the assumption that a Retailer reads a Group One customer's meter twice a year where there is a metered water service. We also note that Retailers can accept reads taken by customers as per 9.2.2. In light of this, we think it is worth considering amending the CPCoP to require all or some customers receive at least two accurate bills per year based on an actual meter read, noting the benefits this could have for customers in terms of increasing billing accuracy, reducing the risk of bill shock, and allowing monitoring of consumption. However, we require more information on possible implications such a change could have and whether the benefits of this change would justify possible increased cost for Retailers, especially in the case of smaller customers. We therefore invite respondents to this consultation to outline any implications such a change could have, with evidence where possible.

- **Awaiting Transfer Reads or delayed Transfer Reads**

Section 9.2.5 states that "any final bill to be issued to a Non-Household Customer shall be issued within six weeks of the earlier of the Transfer or the termination or expiry of the Terms and Conditions of Supply." In response to our April CFI, Water Plus argued that in the case of a Transfer, if the Incoming Retailer's Transfer Read is delayed or estimated and subsequently amended beyond the six-week window for a final bill to be issued, an Outgoing Retailer will incur any additional Wholesale charges as it remains within the RF (final settlement run) window. Water Plus suggested including an exception to 9.2.5 when an incoming transfer read has not yet been entered.

We are concerned that such a change could cause substantial delays for customers in receiving a final bill. We therefore do not intend to amend the CPCoP in this way.

- **Post RF (final settlement run) correction**

Some respondents to our April CFI said if a change to market data is made shortly before the RF, then a Retailer will receive charges from the Wholesaler based on the RF, but it does not have enough time to pass those charges on to the customer. Introducing a lag or a back-billing allowance could solve this issue.

MOSL is currently leading a review of the Settlement Run process, and therefore we consider that making amendments to the CPCoP at this point risks being duplicative and inefficient. Should the review raise a need for the CPCoP to be amended, we will respond accordingly.

- **Meter access**

Some respondents said §9.2.1 should be amended so there is an exception for Retailers who cannot issue an accurate bill every year for reasons beyond their control; for example, if a customer is insufficiently cooperative and prevents a meter being read, or a Wholesaler, who is responsible for meter maintenance, has not ensured a meter can be read.

We recognise that Retailers can only read meters where it is possible to do so. However, ongoing work to [reform the Market Performance Framework \(MPF\)](#) will consider the issue of Retailers being unable to read meters. We think this work should conclude before any adjustments are made to market codes. We also note the current requirements may encourage innovation where meters are not accessible – for example, increased rollout of smart meters so customers' premises do not have to be entered in order for a meter to be read.

- **Section 9.3 and Retrospective Amendments**

Business Stream argued that §9.3 of the CPCoP is unclear about whether a catch-up read should be differentiated from a back-bill of consumption. It said a "catch-up read" occurs when a meter has not been read for an extended period of time and estimations of consumption are much lower than actual use. A catch-up read may need to occur due to customer behaviour, such as a customer not permitting site access for a meter to be read or obscuring access to the meter. Business Stream told us that some customers argue that such "catch-up reads" are instances of back-billing, which are subject to the retail charges of consumption limited to a billing period within the RF settlement process. If the catch-up read extends beyond the RF settlement period, there can be misalignment between Wholesale charges (which cover the entire affected period) and the amount the Retailer can recover from customers (which covers only the billing period within the RF settlement process).

We think that the CPCoP is clear on the definition of a back-bill, which is set out in §1.1 as "a recalculated bill or invoice for water supplied and/or services provided in the 24 Months preceding the date of that bill or invoice". We consider that the definition of a back-bill therefore includes the situation where a retailer revises and reissues a customer's bill owing to a catch up read. We consider that it would be inappropriate to amend the substance of this definition, as it could result in a risk of substantial bill-shock for customers and have implications for other market codes. However, we recognise that retrospective charging is a complex topic, and would therefore welcome suggestions of alternative ways the CPCoP could be worded to provide clarity without overhauling current practices. We also note that, as outlined above, issues relating to accessing meters are being considered as part of the ongoing MPF reform work, and current requirements may encourage innovation where meters cannot currently be read (such as increased use of smart meters). We also highlight that Retailers can choose accept reads taken by customers.

22. What are your thoughts on amending 9.3.3 to require refunds be made to customers as soon as possible?

23. What are your thoughts on our plans to allow Retailers to extend the Reasonable Repayment plan period for a back-bill to 24 months at their discretion?

24. What are your thoughts on amending the CPCoP to require Retailers to issue two accurate bills per year? Please support your answer with evidence where possible.

## 14. Other issues

This section discusses issues relating to the CPCoP that were raised by respondents to our April CFI which have not been covered in other chapters.

- **(x) Improving customer awareness of the CPCoP**

In its response to our May CFI, Welsh Water said that "Regular and visible communications to customers [should] include reference to CPCoP, raising awareness".

We agree that raising awareness of the CPCoP among customers could have a positive influence on their experience of the market and their confidence to engage with it. We are therefore minded to amend the CPCoP to require Retailers to provide a copy of a short-form, customer-friendly version of the CPCoP to customers whenever they issue a new contract or renew an existing one. Ofwat will publish this document and will upload it to its website and the Open Water website. We also plan to publish a short, customer-friendly video that outlines the rights of customers under the CPCoP.

As Retailers may need to adapt their communication approaches to issue the customer-friendly CPCoP document, we are minded to propose that this change be implemented three months after our decision.

- **(y) Update the definition of a Renewal Notice to refer to Section 7.1.4**

Section 1.1 of the CPCoP defines a 'Renewal Notice' as "a notice to renew Terms and Conditions of Supply issued by a Retailer containing the information set out in Section 7.1.3(a) to (g) inclusive". This is a drafting error as the reference should be to Section 7.1.4(a) to (g) inclusive. For clarity, we think the definition should be amended to refer to the correct section of the Code.

- **Placing an obligation on Retailers to enter updated information into CMOS immediately**

CCW told us that when accepting a new customer, some Retailers fail to update CMOS with up-to-date information (if, for example, the business name has changed). CCW suggested that Retailers are mandated to ensure that any change of SPID information they are made aware of is immediately entered into CMOS.

On this point, we would note that there are already obligations on Trading Parties to keep CMOS up to date contained within the Market Terms. We believe that that WRC is a more appropriate place to contain obligations with regards to the maintenance of data held in CMOS, as it applies to Wholesalers and Retailers respectively.

- **Customer credit balances**

In January 2022, we published our [CP0010 decision](#) which introduced protections for NHH customers who have accrued credit against their accounts. Our interventions were aimed at increasing customer awareness of any credit balance and ensuring that credit balances are repaid to customers upon the closure of their account in a timely manner. In our April CFI, we sought views on whether and how the CP0010 changes have impacted customers and delivered on our intended aims and in May 2023, we issued a [Request for Information on Credit Balances](#) to Retailers seeking data on customer credit balances and credit refunds. On 1 December, we issued follow up questions on credit balances and credit refunds to Retailers.

We are in the process of conducting our analysis of credit balances in the business retail market. A full assessment and an update on proposed next steps will be taken forward separately from this consultation during 2024.

25. What are your thoughts on our plans to require Retailers to supply customers with a short-form version of the CPCoP upon issuing a new contract or renewing an existing one?



## 15. Next steps

We invite responses to this consultation by **5pm on Wednesday 14 February 2024**. Details of how to respond are given in §2.3. Following careful consideration of responses to this consultation, we plan to publish our finalised Tranche 2 Change Proposals for consultation in the first half of 2024. This will be followed by a decision later in 2024.

## Appendix 1: List of all initial proposals

Topic	Page no.	Change ref.	Possible change	Proposed date of implementation
<b>Principles of the CPCoP</b>	16	a	Split Section 4 of the CPCoP into two parts: "General Principles" and "Principles of Retailer–Customer Interaction". Rename the current General/Code Principles to "Principles of Retailer–Customer Interaction".	One month after decision
	16	b	Under the new "General Principles" part, add a 'Primary Principle' that the CPCoP shall be maintained, operated, or developed in a manner that best seeks to protect and promote the interests of existing and future NHH customers.	One month after decision
	16	c	Under the new "General Principles" part, add two "Supporting Principles" of "Efficiency" and "Proportionality" that should be taken into regard in the maintenance, operation, and development of the CPCoP.	One month after decision
	17	d	Amend the change process so that CPCoP Change Proposals must contain an explanation of how the Change is consistent with the Primary Principle, and whether it is consistent with any of the Supporting Principles and Principles of Retailer–Customer Interaction	One month after decision
	17	e	Amend the change process so that when Ofwat issues a decision on a Change Proposal, the decision must include an evaluation against the Primary Principle and any relevant Supporting Principles and Principles of Retailer–Customer Interaction	One month after decision
<b>Customers in vulnerable circumstances</b>	27	f	Amend the CPCoP so that Retailers are required to develop a “vulnerability strategy”, which sets out the processes a Retailer will use to identify vulnerable customers, what provisions it will put in place for them, and how it will monitor whether strategies are effective.	Nine months after decision
	27	g	Update the General Principle surrounding communication to read: “Communication with Non-Household customers shall be in clear and plain language. Where a communication approach can be reasonably made more accessible for a specific customer, this should be used.”	Nine months after decision
	35	h	Stipulate in the CPCoP the minimum information that Retailers must collect from all NHH customers.	Three months after decision

<b>Emergency and unplanned events</b>	35	i	Stipulate in the CPCoP the minimum information that Retailers must collect from “sensitive customers”.	Three months after decision
	35	j	Update the WRC to define a “sensitive customer”	N/A
<b>Customer service</b>	40	k	Add a requirement that Retailers must publish the details of their complaints process on their website, so that customers are clear on (1) the steps in the complaints process, and (2) the expected timelines at each stage.	Three months after decision
	40	l	Add a requirement that a Retailer's Complaints Handling Process must describe the right of customers to refer a complaint to CCW	Three months after decision
<b>Customer awareness of the market</b>	45	m	Amend the CPCoP so that Retailers are required to include on all bills, in a prominent location, general information that water is a competitive market and customers may be able to switch Retailer or renegotiate their terms of supply with their Retailer and may benefit (including financially) from doing so. There should be a link to the Open Water website.	Three months after decision
	45	n	Amend the CPCoP to require all Retailers to display, in a prominent place on their website, that water is a competitive market and customers may be able to switch Retailer or renegotiate their terms of supply with their Retailer and may benefit (including financially) from doing so. There should be a link to the Open Water website.	Three months after decision
<b>TPIs</b>	51	o	Amend the CPCoP to include principles of good practice for TPIs and require Retailers to only work with TPIs who operate in accordance with these principles.	Three months after decision
	51	p	Amend the CPCoP to stipulate that where customers have elected to use a TPI to represent them, Retailers must co-operate with the TPI unless they have good reason not to do so.	Three months after decision
<b>Contract renewal and switching</b>	57	q	Amend the CPCoP so that NHH customers, except for micro-businesses, are required to request or consent, in writing, to the automatic renewal of Terms and Conditions of Supply. This consent can be served at the point at which the contract is agreed or any point thereafter.	Three months after decision
	58	r	Amend the CPCoP to place a general obligation on Outgoing Retailers to ensure customers wanting to switch are supported in doing so, and an obligation that they will work with customers who have a switch blocked, and the incoming Retailer, to resolve the issue.	One month after decision
	58	s	Amend the CPCoP so that if an Outgoing Retailer blocks a switch request, in addition to writing to the	Three months after decision

			customer to explain the reason for the block, the Retailer must also set out (1) the steps the customer can take to resolve the issue, and (2) how the customer can make a complaint if they believe the reason for the block is invalid. The Retailer must write to the customer to set this out as soon as possible.	
<b>Assurance of compliance</b>	63	t	Require the Board of each Retailer to submit an annual Statement of Compliance in relation to the CPCoP	One month after decision
<b>Meter reads and billing</b>	66	u	Amend the CPCoP to state that refunds made to customers should be made as soon as possible.	One month after decision
	67	v	Amend the CPCoP to allow Retailers to extend the reasonable repayment period for a back-bill up to 24 months at their discretion	One month after decision
	67	w	Amend the CPCoP so that Retailers are required to issue two accurate bills per year based on an actual meter read.	Nine months after decision
<b>Other</b>	71	x	Amend the CPCoP to require Retailers to send a copy of a short-form, customer-friendly version of the CPCoP to customers whenever they issue a new contract or renew an existing one.	Three months after decision
	71	y	Update the definition of a Renewal Notice to refer to Section 7.1.4	One month after decision

## Appendix 2: List of all consultation questions

1. What are your thoughts on our plans to rename the General Principles of the CPCoP, introduce a Primary Principle and Supporting Principles, and amend the change process?
2. What are your thoughts on extending the protections currently offered to micro-businesses in the CPCoP to all small businesses (ie. those with fewer than 50 employees)?
3. If the protections currently offered to micro-businesses in the CPCoP were extended to small businesses, what, if any, cost implications would there be? If you are a Retailer, can you give an indication of how many of your customers would be covered under any such extension?
4. If the protections currently offered to micro-businesses in the CPCoP were extended to small businesses, how long would it take Retailers to identify their existing small business customers and extend additional protections to them?
5. What are your thoughts on our plans to introduce additional protections for vulnerable customers? How should the issue of customer identification be approached?
6. If our plans for additional protections vulnerable customers were implemented, what, if any, cost implications would there be?
7. What are your thoughts on our plans to amend the General Principle regarding accessible communications?
8. What are your thoughts on our plans to update the CPCoP to improve information-sharing in advance of emergency or unplanned events?
9. What minimum information should Retailers be required to collect from (1) all customers, and (2) sensitive customers?
10. If our plans for improved information-sharing were implemented, what, if any, cost implications would there be?
11. What are your thoughts on our plans to improve the transparency of the complaints process?

12. What are your thoughts on our plans to increase customer awareness through requiring Retailers to include switching information on bills and their website?
13. Should any of the current Minimum Information Requirements for bills be removed or amended? Please give reasons for your answer.
14. What are your thoughts on our plans to require Retailers to only work with TPIs which operate in line principles of good practice set out in the CPCoP?
15. If we were to go ahead with these plans, we would draft the principles with reference to Ofwat's 2017 voluntary principles of good practice for TPIs. What are your thoughts on the 2017 principles, and do you think any additional principles are necessary?
16. What are your thoughts on our plans to require Retailers to co-operate with TPIs unless they have good reason not to do so?
17. Do you think to LOA template should be amended, and if so, in what specific ways?
18. What are your thoughts on our plans in relation to automatic contract renewals?
19. Should we consider introducing requirements to the CPCoP regarding contract termination notice periods, and if so, why?
20. What are your thoughts on our plans in relation to supporting customers who have a switch attempt blocked?
21. What are your thoughts on our plans to increase our assurance of compliance with the CPCoP?
22. What are your thoughts on amending 9.3.3 to require refunds be made to customers as soon as possible?
23. What are your thoughts on our plans to allow Retailers to extend the Reasonable Repayment plan period for a back-bill to 24 months at their discretion?
24. What are your thoughts on amending the CPCoP to require Retailers to issue two accurate bills per year? Please support your answer with evidence where possible.

25. What are your thoughts on our plans to require Retailers to supply customers with a short-form version of the CPCoP upon issuing a new contract or renewing an existing one?

## Appendix 3: Template Letter of Authority

### Customer Protection Code of Practice for the Non-Household Retail Water Market

#### Template for Third Party Intermediary ‘TPI’ letter of authority

This template is a requirement under CPCoP for micro-business customers.

*[Insert name and address details of TPI to whom letter is addressed][1]*

*[insert date][2]*

Dear Sir/Madam, Letter of Authority

Further to the agreement entered into between us, I/we [3] understand that you, *[name of TPI]* of *[insert details sufficient to identify the TPI i.e. full designation, company number, registered address]* [4] need written confirmation from me/us, in the form of this letter, so that you can provide (and show relevant service providers that I/we want you to provide) the services we have agreed. Therefore, for the purpose of you dealing with water supply and/or wastewater services retailers on my/our behalf, I/we confirm that you are authorised to carry out the following activities in relation my/our water supply and/or sewerage services arrangements to the extent indicated below: [5]

Activity	Confirmation of authority	Confirmation of authority with restrictions
Request and receive current and historical information relating to premises registered in my/our name including, without limitation – consumption history, meter numbers, contract end dates and termination fees		
Request and receive current and historic information about my/our billing, consumption, meter details, tariff and debt information held by my/our current and/or previous water supply and/or sewerage service providers.		
Request, receive and negotiate quotes from providers of water supplies and/or sewerage services		
Negotiate contract terms with providers of water supplies and/or sewerage services		
Issue contract termination notice(s) in relation to my/our existing water supply arrangements and/or sewerage services arrangements		



Agree and enter into new water supply and/or sewerage services arrangements		
Agree changes to my water supply and/or sewerage services arrangements including, without limitation, adjustments to bill amounts, refunds or changes to payment methods		
Receive bills and make payment		

I acknowledge that we have discussed and agreed your charges and how you are to be paid and therefore I understand that [**delete as appropriate**][7]

[the bill I receive will reflect the charges of the relevant water supply and/or sewerage services provider plus your charges]

[I will receive a separate bill for your charges and the charges of the relevant water supply and/or sewerage services]

[other – please specify].

This Letter of Authority shall remain valid until [**insert date**] [8] unless I/we tell you otherwise in writing..

Yours faithfully

Signed .....

Print Name .....

Director/Authorised Signatory (delete as appropriate)

For and on behalf of:

Customer name.....

Customer address .....

Contact name .....

Contact telephone number.....

Contact e-mail ..... [9]

**SPID number if known**

**Submitted to [name of retailer]**

### **Explanatory Note**

The Customer Protection Code of Practice requires that where micro-business business customers have any third party acting on their behalf, retailers are required to obtain written confirmation in the form of a template letter of authority (LOA) setting out the name of the third party, the extent of the third party's authority and how the third party's fees are being paid. Ofwat can publish a template LOA and revise it from time to time.

We do not intend that the template LOA is the only agreement between the parties. We know that some TPIs will have detailed contracts with customers, some of which will be carefully negotiated and others which will have been accepted through checking a box confirming acceptance of online terms. The purpose of the template LOA is to set out in clear terms the authority that the customer will have granted to a TPI so that we and relevant retailers can be confident that the customer understands certain key terms in its TPI arrangements and is happy for retailers to deal with a TPI on its behalf.

Ofwat has received constructive feedback from stakeholders in relation to our proposed form of LOA and the attached template reflects that feedback. We understand that TPIs may have their own form of LOA which may be used across multiple sectors. Therefore, we remain open to receiving further comments and/or suggested templates so that we can consider if we should issue a revised template or templates.

The purpose of this note is to explain how the template should be used and how it can be completed. The numbers below correspond to the numbers in [ ] on the template provided.

1. The template letter of authority is written by the customer to their chosen TPI. The details of the relevant TPI should be added. The TPI can then use the template to demonstrate to retailers that it can deal with them on behalf of the named customer.
2. The date of the letter should be inserted. We expect this to be the date from which authority is granted.
3. Customers should delete as appropriate "I" or "we" depending on whether the customer is a legal entity, like a company, or an individual sole trader.
4. The name and details of the TPI should be inserted.
5. Customers should tick the box next to the activity which the TPI is authorised to provide. The list has been compiled from template letters provided to us by TPIs and, therefore, we think that it reflects a reasonable list of the services a TPI is likely to provide. As a minimum, we would expect a TPI would need authority to obtain information about the customer and obtain quotes from retailers.
6. We do not wish to exclude other services and, have provided for "other" activities to be included.
7. We consider it important that the customer understands how the TPI is paid. We do not expect the LOA to disclose confidential information about the level of a TPI's commission. However information from other sectors suggests it is important that the customer understands at the outset what its bill will contain. Therefore, the template letter sets out whether the bill will add on the TPI's fees or if it will be charged separately. We do not rule out other payment structures and, therefore have provided for "other" payment structures to be included.
8. The customer should consider how long it wishes the letter of authority to remain valid and insert an appropriate date as well as how any authority could be revoked.
9. Details for the customer should be inserted. We expect that it will be useful for retailers to be able to contact a customer directly if they are in doubt about the authority granted.

## **Appendix 4: Voluntary principles of good practice for TPIs (published 2017)**

1. TPIs shall be fair, transparent and honest.
2. Communication with customers (business, charity and public sector) shall be in plain and clear language.
3. All information provided to customers by a TPI shall be reliable, accurate, complete, timely and not misleading. Such information shall be made through appropriate channels and enable customers to make informed choices.
4. TPIs shall not offer products that are unnecessarily complex or confusing.
5. TPIs shall not sell a customer a product or service that is not fully understood by that customer, nor sell a product or service that is inappropriate for that customer's needs and circumstances.
6. TPIs shall not exaggerate the savings that could be achieved by switching, but shall be as accurate as possible.
7. TPIs shall inform any micro-business customers that they have a 14 day cooling off period.
8. TPIs shall cancel any mis-sold contract without penalties.
9. TPIs shall respond to customers in an appropriate and timely manner.
10. Customer service arrangements and processes shall be accessible to and effective for customers.

**Ofwat (The Water Services Regulation Authority)  
is a non-ministerial government department.  
We regulate the water sector in England and Wales.**

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