

Open Market

The Essentials Guide

A ten point guide to the English water market opening



1 What is changing?

Water supply is currently dictated by location, with very few opportunities for customers to switch suppliers or negotiate pricing.

In April 2017, as witnessed already with the transformation of the gas and electricity markets, water supply is set to become a competitive retail market as opposed to the current monopolistic approach. This will give commercial and non-residential customers the option to switch to the supplier who will give them the best price and service level.

2 Why is the market opening up?

Many of England's water companies have a well reported notoriously bad customer service record and billing performance.

There have been frequent stories of overcharging, issues with billing accuracy and poor data/meter management. Add to this, a lack of efficiency in the supply system and overriding concerns about water scarcity with the UK's burgeoning population, and the water industry has become a prime target for an overhaul.

3 Are prices likely to reduce as a result?

In theory, yes.

The current prediction is that a margin of 6-7% will be available to retailers, a proportion of which will be passed through to customers. However, greater efficiencies will drive lower costs and, as with all competitive markets, it's important to do your homework. In Scotland, where a similar change came into force in 2008, independent industry consultant Waterscan has enabled its client base to realise average cost reductions of 20%.

4 But what about the hidden cost of additional admin time?

Again, in theory, it should be the opposite.

For multi-site businesses who may be dealing with anything up to 27 separate water supply companies, switching to a single supplier should consolidate billing, saving administration time and effort.

5 So, does this add up to a profit boost, or will it be the water companies who will see a bottom-line benefit?

The push for the Water Act and retail competition is focussed on the customer and all the benefits of a competitive market as opposed to a monopolistic approach.

To fully benefit however, you do need to prepare by getting your house in order. Understanding current usage and having high quality data to use for negotiations is a pre-requisite to making the most of this opportunity. On an ongoing basis, a proactive approach to water management through real-time consumption metering and the use of water reducing technologies will enable improved forecasting, billing accuracy and cashflow management.



6 Sounds good. Are there any other benefits?

Of course. Saving money is an important consideration but there are significant environmental benefits expected too.

We are all aware of the changes to our climate which regularly cause droughts and flooding, highlighting the need to treat water consumption with care. Add to that our booming population which is expected to reach in excess of 73 million by 2037, and the need to conserve becomes clearer. As businesses act more responsibly, and consumer knowledge around water increases, water management could become an important factor in corporate reputation management too.

7 Hang on! Hasn't Scotland already introduced this?

Yes, Scotland forged ahead in 2008 and it has been shown to be effective.

However, significant discounts have only been delivered in the last 2 years! Customers have reduced water use by 17 billion litres, saving £35 million. What's more, customer satisfaction has improved by 26% says Ofwat.

8 What are English businesses expected to do, and by when?

English businesses don't actually have to do anything – it's not a legal requirement to act – but it could be a costly mistake if you don't.

Taking no action is likely to mean that customers will be put on 'default tariffs' by their existing supplier, which, as experience has shown in the gas and electricity sector, is usually more expensive.

Whilst some businesses are already proactively preparing, others are waiting to see what happens. As an independent industry consultant, Waterscan's advice to organisations is to act now. The market opening is planned for April 2017 but negotiations are scheduled to commence in October 2016. To maximise the opportunity that the Water Act offers, 12 months of good quality data and a thorough understanding of water usage throughout the organisation is needed. That clock is already ticking.

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9 What does Waterscan advise companies to do at this stage?

- **Get prepared:** Conduct a review of your existing situation to ensure current billing and charging is correct. If not (or you're not sure), work to rectify it now before switching supplier. This will ensure any retrospective issues are resolved with refunds/rebates maximised with your existing supplier.
- **Wise up:** Get a good understanding of your current operational water footprint: how much do you use, where and when? This is likely to highlight several water saving initiatives like greywater recycling, which can be put into place over the next 12 months.
- **Deal with data:** Begin collating good quality, accurate usage information. Automated Meter Reading (AMR) meters are a sensible solution and they can often be leased so you're not tied into a long term contract or have to make a high capital investment.
- Businesses with a presence in Scotland could consider using the Scottish market as a testing ground to get systems and process in place. You may even consider a procurement exercise for sites in this region.

10 Where can I get more information?

Waterscan conducts a free Water Check analysis for commercial operations which will help you to understand your organisation's operational water footprint and how this compares to industry norms.

If you have any concerns regarding the future market and its structure, such as the impact of retailer exit, please contact Waterscan who will gladly provide some support and clarity.

Call: **01243 839 880**

Email: **info@waterscan.com**

For regular updates you can also visit:

waterscan.com/content/water-market-reform-updates

