

FALL FORWARD

Autumn's Self-Supply Users Forum from Waterscan reflected on the water market's journey so far, and looked forward to what's coming next.

Defra plans to review progress on the benefits of water market opening through its post implementation review of the Retail Exit Regulations, Oscar Watkins, head of economic regulation in the water services team at Defra, told delegates at September's Self-Supply Users Forum, convened by Waterscan. He was giving an update on Defra's view of the state of the water retail market today, and the Government's vision for it in the future.

Watkins said Defra will be able to share more information on the review in the Autumn, but noted that the retail market is still in its infancy, and "it has not yet delivered against our objectives" of net benefits of £200m over 30 years. "Government always knew it would take time," he continued, asserting: "We want a strong and vibrant retail market that works for everyone, improves performance and delivers the best value for money for customers."

He urged everyone involved to work together to deliver on Government ambitions for water – which prominently feature legislative ambition for the environment through the Environment Bill – and the water market itself. Watkins pointed the self-supply community to Defra's recent draft Strategic Policy Statement (SPS) for Ofwat, to get an idea of Government ambitions for the next price review as far as the retail market is concerned.

According to his slide, Defra wants the water market to:

- "Play a part in net zero target.
- Plan for future demand and improving water efficiency.
- Improve customer engagement and collaborate with wholesalers to enable them to meet customers' expectation and deliver social and environmental value to the communities they serve.
- Improve customers services and com-

plaints handling, and protecting vulnerable customers.

■ Manage customer debt by raising awareness of the support available and effectively targeting support offerings before customers fall behind on their payments.

■ Work collaboratively to resolve market frictions so that the market can deliver improved outcomes for customers, society and environment."

One self-supplier questioned Defra's treatment of customer service and complaint handling in the SPS. He said of CCW: "They have too many restrictions to raise a complaint, which in my opinion puts off the customer from raising a complaint." He said he would also like to see more specific improvement targets. "I would have preferred a statement along the lines of improve by x%, as to improve anything sometimes doesn't take a lot to do. Take one extra call or answer one more letter is an improvement."

Continuing the theme of the future of the market, Waterscan's operations director Barry Millar shared his views on performance at three stages of the market's life so far: infancy, pandemic operations and now the recovery phase (see charts). From the difficult early days for the wider market, Millar saw a "general trend towards the positive" during pandemic operations, including widespread acceptance of data issues; lots of work on long unread meters; and credit – to the point the credit situation now is "unrecognisable" from in the market's infancy. Millar, who has also just taken over as chair or the Retailer Wholesaler Group's Water Efficiency Subgroup, said of collaboration: "That's what I want to work on."

Strategic Panel

Elsewhere at the Self-Supply Users Forum, there was real evidence that the market is becoming increasingly attentive to customer needs and wants, helped somewhat by the self-supply community's ongoing engagement with important consultations and change proposals.

Trisha McAuley, chair of the Panel for a year and newly appointed to chair the just-created Strategic Panel, explained. A review of governance had revealed a "strategic gap" between the day to day business of the Panel (inwardly focused on code change specifics) and what is important to both customers and trading party leaders.

Creating a Strategic Panel separate from a Code Change Committee seeks to address this mismatch. McAuley said to make a success of the new situation, the new Strategic Panel will need to engage effectively with stakeholders in a two-way process via a structured engagement plan. "We cannot risk becoming detached from stakeholders," she warned. Close liaison with the Code Change Committee will also be vital, as will monitoring the impact the Strategic Panel is having. This was not done with the old Panel. While she pointed out the new arrangements are "not a panacea... we will remain a creature of codes," she also revelled in the fact that her job description demands "unrelenting focus on customer benefit" which she said would keep customers absolutely front of mind.

Strategic Panel members will be selected rather than elected. Waterscan managing director Neil Pendle pointed out there was an opportunity for self-suppliers to put themselves forward for consideration, embedding the say the community has in the market at the highest level.

Regulatory update

Shaun Kent, principal economist at Ofwat, continued the theme of advancing the customer interest. Along with the governance revamp and the introduction of a "primary principle explicitly focused" on customers, Kent detailed work to improve the incentive regime to induce better customer outcomes. This included, coming up this Autumn, the Market Performance Framework (MPF) subgroup's plan to publish a consultation on the future MPF; a B-MeX working group as a sub-group of the Market Performance Committee to work on developing a pilot B-MeX survey by April 2022; and results expected this month on the latest round of R-MeX surveys. He pointed too to the £11m compensation package Ofwat recently agreed with Thames Water because of the poor quality of data the wholesaler put into the market. Had Ofwat issued a fine, that money would have gone to Treasury rather than into the

pockets of affected businesses and retailers. Kent said the case highlighted that data quality is not "at a level that really supports effective market functioning" and despite positive MOSL action to tackle it, poor data quality "does remain a key concern".

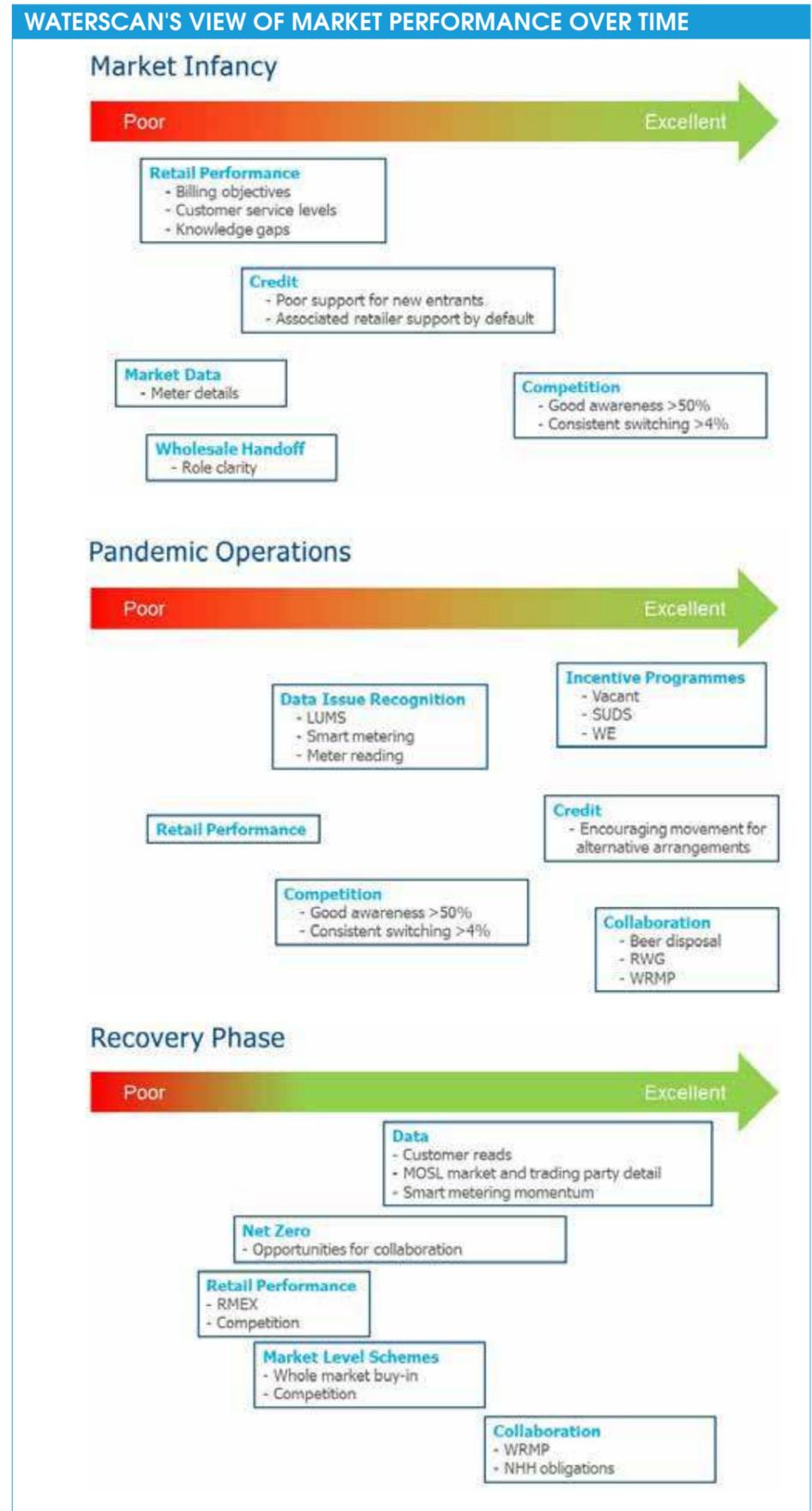
Among work coming up from Ofwat over the next few months is: a consultation on proposed adjustments to the REC price caps to deal with bad debt, to take effect from April 2022; its annual State of the Market report (delayed from September until later in Autumn); the full review of REC price caps, with publication by December 2021 of a consultation on the approach for revisions to be implemented from April 2023; and on 6 October, the next meeting of the Senior Water Demand Reduction Group working on water efficiency.

Waterscan director Claire Yeates told the self-supply community that she is on the MPF review subgroup and that its consultation will be about outcomes for customers rather than operational or transactional matters, and again encouraged self-suppliers to get involved and have their say.

Benchmark-beating performance

Waterscan's commercial director Nick Hayes gave the Self-Supply Users Forum an update on the community's recent performance. This was unequivocally impressive, featuring among other things: market performance scores of over 99% for the past two months and 98.55% for the May-July quarter overall (Pendle called this "remarkable"); long unread meter rates continuing to fall, to just 1.9% of all self-supply meters at the end of August; a growth in Waterscan's AMR estate with communication rates up from 95% last quarter to 97%; and a return of meter reading and water audit numbers to more normal levels after being very high when sites began reopening in June.

The only real blight in the report for the community was an ongoing problem with the credit arrangements offered by South West Water. One self-supplier had been to the Disputes Committee about the issue, but that had fallen back on a "technical interpretation of the wording" and found in South West Water's favour, though did note the wholesaler is obliged to conform to competition law. Pendle called the issue "frustrating...it's the last thing on credit we need to resolve". Waterscan is likely to escalate the matter to Ofwat.



We cannot risk becoming detached from stakeholders

Trisha McAuley, chair, Strategic Panel