

## Strategic Panel Roundtable

### Developing a Roadmap to a Flourishing Market

This report provides a summary of the discussions from the Strategic Panel roundtable held on **15 May 2023** via MS Teams.

#### 1. Panel Members in Attendance

- Trisha McAuley (TM), Strategic Panel Independent Chair
- Andrew Beaver (AB), Strategic Panel Wholesaler Member
- Rick Hill (RH), Independent Strategic Panel Member
- James Cleave (JC), Strategic Panel Retailer Member
- Mike Keil (MK), Customer Representative Strategic Panel Member
- Dan Mason (DM), Affiliate Strategic Panel Member, Ofwat
- Shaun Kent (SK), Affiliate Strategic Panel Member, Ofwat
- Adam Richardson (AR), Strategic Panel Secretary

#### 2. Other attendees

The full list of attendees (other than Panel members) can be found in the Appendix to this report.

#### 3. Introduction

- TM welcomed all participants and thanked all for their attendance, noting that the aim of today's discussion was to engage with stakeholders as early as possible on the journey to developing the roadmap to a flourishing market ("market roadmap").
- Following Ofwat's decisions on the Retail Exit Code ("REC") and PR24, the market has a firm view of the regulatory landscape. The Panel believes that it is the right opportunity to explore what a flourishing market should look like for all its customers (and how we might get there), working collaboratively as an industry with Ofwat and Defra.
- The Panel has been reflecting on its [2022 Priorities](#) and areas of focus in light of the work it has undertaken over the last year, with a view to publishing the 2023 Priorities document by early Autumn 2023.

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- At the Strategic Panel meeting held on 10 May 2023, the Panel agreed to commission two reports (on Customer View and on Comparisons with Other Markets) to inform the development of the market roadmap. [The Headline Report](#) from the May Panel meeting is available on the Panel’s publication page on the MOSL website.

### 4. Definition of a ‘Flourishing Market’

- AB provided an introduction, highlighting some of the elements considered by the Panel in these early stages to developing a market roadmap, including for example:
  - “Top level Market Health considerations”, such as: “what characteristics does a competitive market have?”; “what are the measures of customer engagement?”; “what are the barriers in the non-household market?”; “what are the measures of customer protection?”.
  - Market Health Indicators (as tracking the extent to which the “market is flourishing” implies the use of some form of indicators).
- AB noted, for example, some of the challenges currently facing the market, in particular for smaller customers.
- He also commented on some of the key changes (such as the REC) and areas of work which were currently in progress (e.g. the MPF Reform and the new Wholesaler incentives through PR24) which would have a significant impact on the market.

### 5. Workshop 1: Defining ‘flourishing’

- RH opened the discussions in Workshop 1 (How to define “flourishing”?).

#### **Stakeholder summary of discussions:**

- A flourishing market is a sustainable market. Factors that would contribute to a sustainable market include, for example, improved quality available for meter data; a resilient market; cost effective price regulations; cost efficient market operations; a balance of risk and reward between Wholesalers and Retailers; and environmental outcomes, such as water efficiency, water resilience and customer incentives. There needs to be obligations as well as collaboration between Retailers and Wholesalers.
- A flourishing market is one that is accessible by all customers and that enables all customers to benefit from that market. Those benefits could be in different forms, such as reduced prices, additional value for money, enhanced service levels, access to water efficiency advice. One of the current challenges is that the market currently benefits larger customers. Therefore, for the market to be defined as fully

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“flourishing”, a set of circumstances that makes it attractive for other customers to engage (if they choose to) must be created. In order to help those smaller customers to engage with the market, we first need to definitely understand why they are not.

- Market resilience and water efficiency are paramount (and comes above what customers might think is the right thing for them). The market also has a responsibility to the environment.
- A flourishing market is one that delivers positive customer outcomes and having informed customers is key to that. It was important to remind ourselves of how much the market has improved since market opening, but one area for improvement, is around smaller customers. The focus of conversations (such as these) should center on understanding what customers might want out of the market.
- Having well informed customers is key to a flourishing market, incentives have to be more present for both Retailers and Wholesalers. For example, for Retailers, the margins are low and the risks are high. Therefore, it is difficult to innovate.
- What actions could be taken now for the benefit of customers rather than getting caught up on what is a flourishing market versus what is not.
- It is essential to be able to provide customers with a high-quality basic service, such accurate bills, reliable meter reads; this was paramount. The second tier to this was water efficiency and innovation, as customers want those things, but high-quality basic services take precedence.

### 6. Workshop 2: Defining ‘market’

- RH opened the discussions in Workshop 2 (“What is meant by “Market”?”).
- In the context of segmenting the market by customer groups (Group 1,2 and 3), AB noted that it may be helpful to approach this question in the context of why the different groups of customers engaged or not engaged with the market, and what the characteristics of those customers could tell us about their ability and appetite to engage.

#### **Stakeholder summary of discussions:**

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- Segmenting the market by customer groups (Group 1,2 and 3) was adequate and to segment by service offering could be quite challenging. It was also important to consider the market as a whole, but also how the customer experience may differ in terms of their local or regional interactions.
- There is value in not focusing too much on the three segments [Group 1,2 and 3] and more about the different motivations and different opportunities for customers.
- For Retailers the profit is small in terms of small customers and the risks associated with those customers are high. It would be good to talk about not only segments, but also the financial value of customers.
- Setting the desired conditions and behaviours is also important. This is because, the market includes the people who are working in that market (i.e., those who are making the decisions in the stakeholder organisations and in the companies as well as in the customers themselves).
- It was important to look to focus on the areas where we think the main problems are (for example, Group 1 customers) where's lower engagement and lower level of switching, and actually understanding what the characteristics are within that group what it was needed to make the market work for those customers.

### 7. Workshop 3: Defining 'roadmap'

- RH opened the discussions in Workshop 3 ("What could a roadmap look like?")

#### **Stakeholder summary of discussions:**

- A good roadmap model provides milestones, actions to be undertaken, and regular reporting on progress against those actions. Looking to avoid discussions over semantics.
- Getting the basics right is a pretty clear indication that we are on the "right track" and focusing on the more important things. The Panel was urged to "keep it simple".
- MOSL and the Panel have been empowered to "get on" and to do things. MPF is a great opportunity for this.
- Whilst it was important to "get on" and to do things, it was essential to consider "what does good look like" and how do we get to that flourishing market? What are the

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milestones to get there? How do we move from the current heavily regulated competitive market to one that is less regulated and more like a truly functioning competitive market. What do Retailers and Wholesalers effectively need to do to get there?

- There needs to be clarity regarding at what point the current regulatory constraints will be removed and whether they will be removed entirely or will it be a gradual process.
- It may be worth separating out what the main issues currently are for Retailers and for Wholesalers.

### 8. Next Steps and close

- TM thanked all participants for their invaluable comments and input which would markedly contribute to the development of the market roadmap.
- The feedback from today's discussion was noted, including that the market needs a clear destination, but it would also benefit from taking some actions now and this was one the current challenges for the Panel.
- In terms of next steps:
  - The Panel is currently on Stage 1 ("Baselining") of the roadmap which entails looking at what information and knowledge is available and where the gaps are, and to that end the Panel is looking to commission the two reports mentioned above.
  - Over the Summer, the Panel will move to Stage 2 (Scope/Ambition) and the plan is to have an initial roadmap in the Autumn 2023 (Stage 3).
  - The aim is to have a final roadmap in May 2024 (Stage 4).
- The next Strategic Panel roundtable would be held on 24 May 2023, and it would focus on water efficiency and metering roadmap, and these would remain a key strategic priority for the Panel. TM encouraged all to attend, if possible, or to send someone along from their organisation. In addition, the Panel is looking to host an Open Forum in September 2023 and an invitation would be issued soon.
- Trading Parties are welcome to send any further thoughts or comments that they may have and would like to share outside of this session via [Panel.secretariat@mosl.co.uk](mailto:Panel.secretariat@mosl.co.uk).

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### Appendix – List of Attendees

Please see below the full attendees' list. Please note that this list excludes Panel members, as they have been listed under section 1 "Panel Members in Attendance".

- Andy Hughes, Water Plus
- Carol Sgamaro, MOSL
- Caroline Cooper, South Staffs Water
- Christopher Wright, Castle Water
- David Hinton, Southeast Water
- Don Maher, Anglian Water
- Emma Clancy, CCWater
- Fallon Wilkinson, Water Plus
- Gerard Lyden, Thames Water
- Iain McGuffog, Bristol Water
- James Higgins, MOSL
- Jo Dow, Business Stream
- Jude Burditt, Jude Burditt
- Karen Campbell, Heineken
- Karma Loveday, The Water Report
- Katy Taylor, Southern Water
- Lyvia Nabarro, MOSL
- Markus Lloyd, MOSL
- Matthew Rix, Yorkshire Water
- Max Langford, SES Business Water
- Mike Gauterin, United Utilities
- Neil Pendle, Waterscan
- Nicci Russell, Waterwise UK
- Paul Anderson, Heineken
- Paul M Tate, Water Level
- Phillip Mills, UK Water Retailer Council (UKWRC)
- Richard Lavery, Scottish Water
- Rupert Redesdale, The Water Retail Company
- Sally Mills, Pennon Water Services
- Sean Larkin, Yorkshire Water
- Sian Robinson, Dwr Cymru Welsh Water
- Stuart Boyle, MOSL