

Appendix J

Market health indicators

This Appendix supports the Flourishing Market Roadmap and provides the detail around the Market Health Indicators which the Strategic Panel will use to assess the market's progress against key metrics.

As a baseline view, the average engagement scores are trending slightly upwards, mainly driven by the small and micro businesses catching up to the level of medium businesses.

The Strategic Panel noted that micro businesses care most about price, SMEs care most about the quality of customer service and large businesses care most about the quality of billing services.

The evolution of completed and cancelled switches shows no clear upward or downward trend.

The overall satisfaction score for retail services across England and Wales has remained relatively stable around 70% since 2018.

The median level of complaints per 10,000 SPIDs has been slowly coming down in the last two years. However, the third quartile line seems to remain stable.

The average R-Mex score of overall service has been relatively stable with a slight upward trend.

It appears that consumption is trending upwards in 2022, away from the reduction target.

The proportion of each settlement run based on actual reads has been on a slight upward trend since 2018.

The great majority of SPIDs (78.6%) have settled on meter reads at RF (either on actual reads or on estimates based on previous reads). 19.8% of SPIDs have been on unmetered or assessed tariffs.

The consumption rate measured via smart meters is 2.9% as of September 2023. The current proportion of SPIDs with access to a smart meter ranges from 0 to 23%.

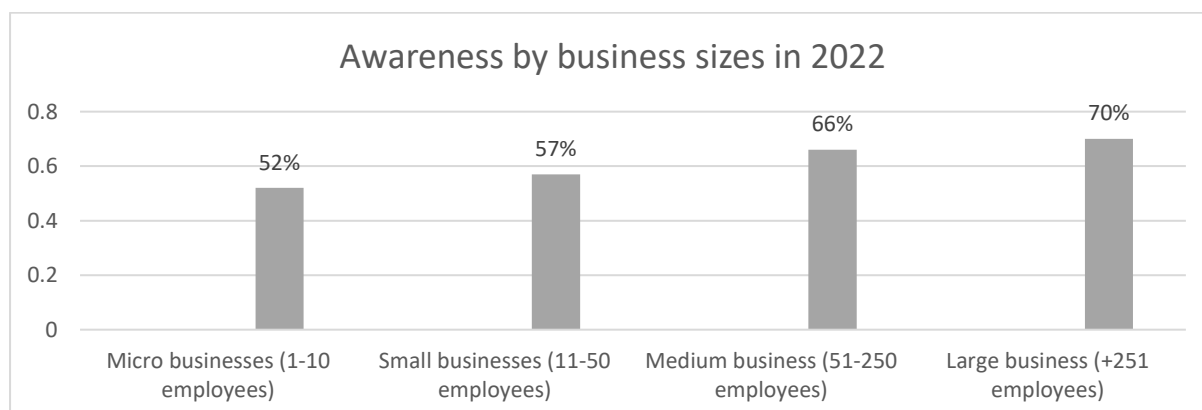
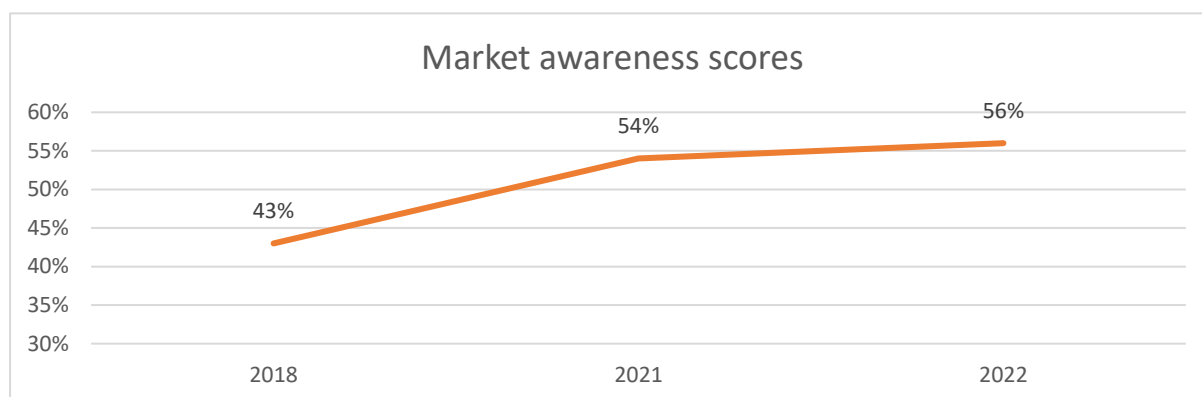
Summary of indicators

Metric	Most recent year available	Source
Awareness scores	2021-2022	<i>Business Customers' Experience of the Water Retail Market - Five Year Review</i> , by CCW
Measure of services most important to customers	2021-2022	<i>Five years open for business: taking stock</i> , by Ofwat
Engagement scores	2021-2022	<i>Five years open for business: taking stock</i> , by Ofwat
Number of switch requests rejected	2023	MyMOSL dashboard and CMOS data
Customer satisfaction scores	2022	<i>Testing the Waters 2022</i> , by CCW
Median complaint numbers	2022-2023	Various business customer complaints reports, by CCW
B-Mex scores	Not available	Not available
R-Mex scores	2023	MOSL dashboard
Consumption against 9% target	2022	MyMOSL dashboard
Consumption and SPIDs - proportion with access to smart meter data	2023	CMOS data and draft WRMPs
Proportion of consumption based on actual reads, by settlement run	2022-2023	MOSL dashboard
Proportion of SPIDs settled on different methods	2022	CMOS data
Number of entrants and exits	2023	Ofwat's website
Market share of retailers and Herfindahl-Hershman Index	2023	MyMOSL dashboard
Total settled value	2022	CMOS data
Split of profit-making and loss-making retailers	2022 and 2023	Companies House accounts submissions
Split of retailers with net asset/liability	2022 and 2023	Companies House accounts submissions

1. Value Creation

a. Awareness scores

The awareness scores appear to be moving up slowly. It is worth pointing out the differences in awareness between different customers sizes.

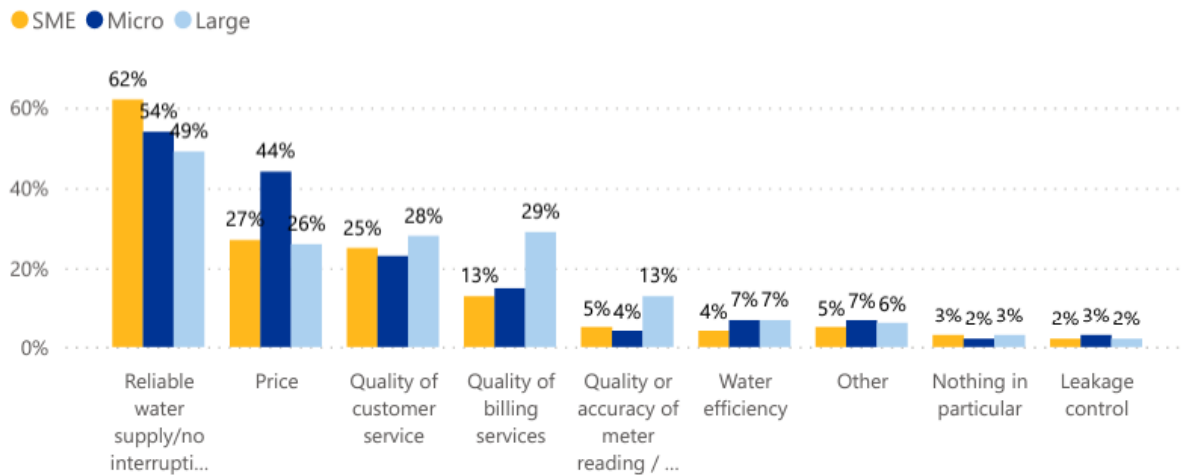


Source: [Business Customers' Experience of the Water Retail Market - Five Year Review](#), by CCW.

b. Measure of services most important to customers

The most important service to customers of all sizes is a reliable water supply. The service that comes in second place depends on customer size: micro businesses care most about price, SMEs care most about the quality of customer service and large businesses care most about the quality of billing services.

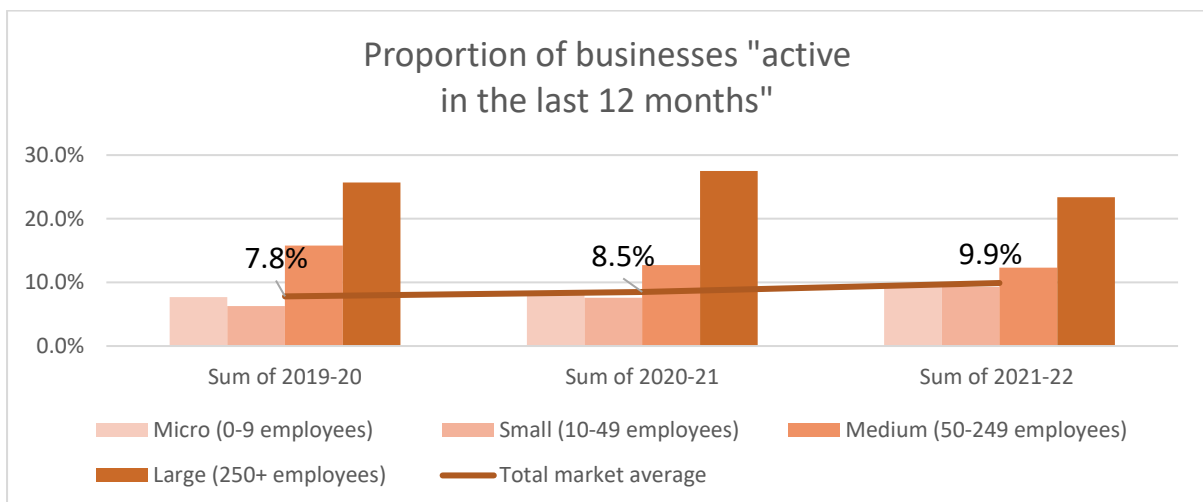
What is important to water customers by customer size



The initial metric considered was a measure of customers switching to access new service offerings. This metric isn't available in CCW nor Ofwat's research. This metric aims to assess two aspects of the market: what services are important to customers, and whether those services are driving competition. The current information available in Ofwat's [Five years open for business: taking stock](#) enables us to assess only the first aspect.

c. Engagement scores

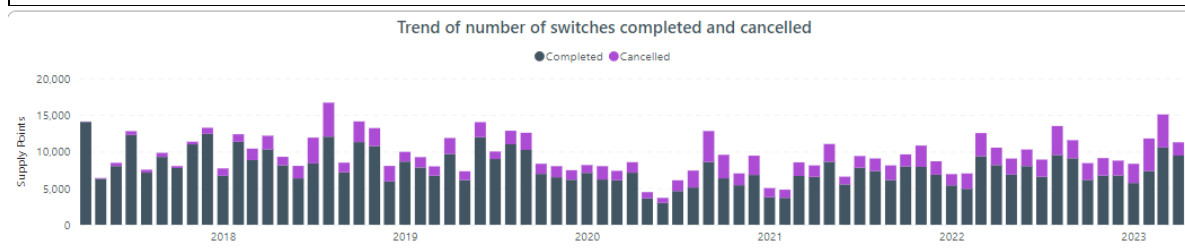
The average engagement scores are trending slightly upwards, mainly driven by the small and micro businesses catching up to the level of medium businesses.



The evolution of engagement is available through Ofwat; activity includes all customers who have switched or re-negotiated, actively considered switching or re-negotiating, those that have tried to switch or re-negotiate, those in the process of switching, and those who had considered switching or re-negotiating but had decided not to. (Source: [Five years open for business: taking stock](#), by Ofwat).

d. Number of switch requests rejected by outgoing/incoming retailer

In the year 2022-23, 3.49% of SPIDs (90,417) have switched retailer. That is slightly higher than the proportion of SPIDs that switched in 2021-22. The evolution of completed and cancelled switches shows no clear upward or downward trend. A measure of cancelled switches is being considered as a metric in the MPF Reform Programme.



The data for switches completed and cancelled per period is available in MyMOSL's [switching dashboard](#) (switching efficiency tab).

2. Customer Service Excellence

a. Customer satisfaction scores

The overall satisfaction score for retail services across England and Wales was 70% in 2022. This score has remained relatively stable since 2018. Customers in Wales were a lot more likely to be satisfied with their retail services (85%) than customers in England (66%).

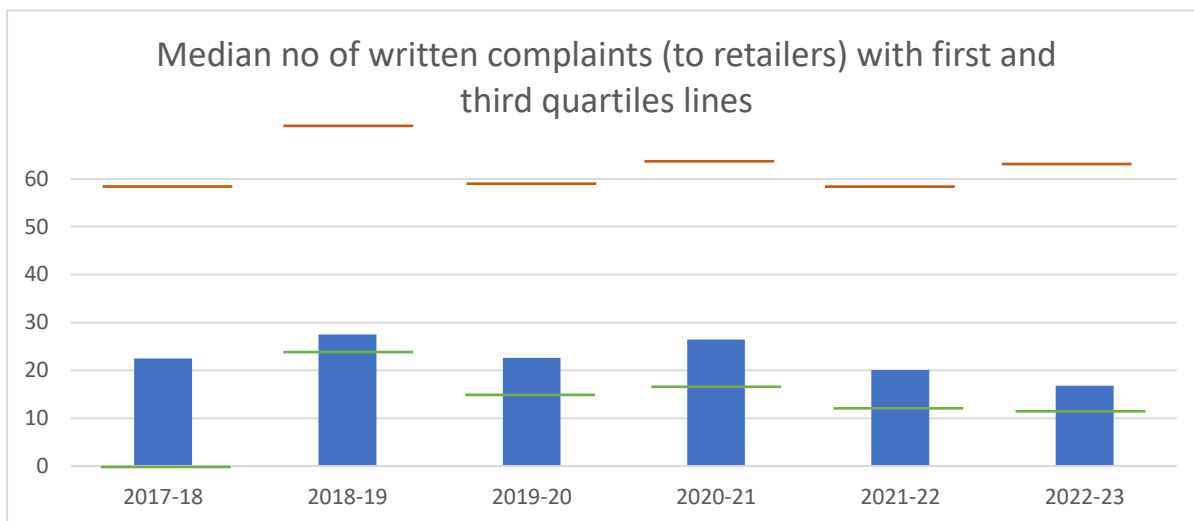
There were no significant differences in satisfaction with retail services by business size in the 2022 survey.

For those who have switched, 31% say they have since received better service and 63% better value for money. For those who have renegotiated, 22% say they have since received better customer service, and 73% better value for money.

These figures can be found in the highlights report of CCW's [Testing the Waters 2022](#).

b. Total complaint numbers by retailer and by wholesaler

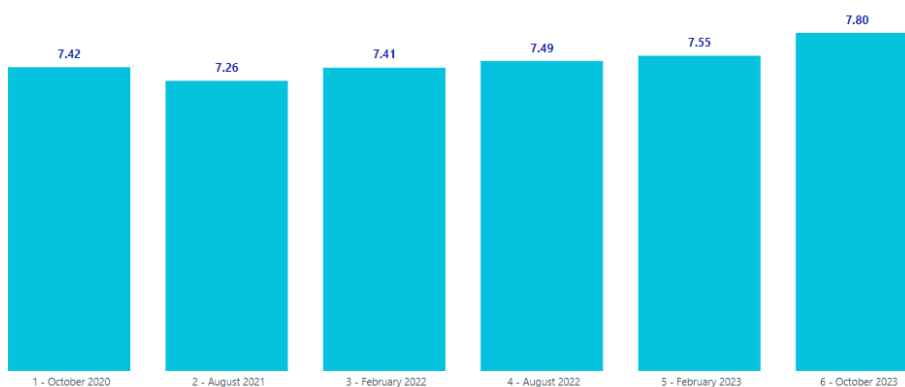
The median level of complaints per 10,000 SPIDs has been slowly coming down in the last two years. However, the third quartile line seems to remain stable.



The yearly trend of complaints to retailers and to CCW can be found in CCW's [Business Customer Complaints report](#) of 2022-2023. The first quartile, median and third quartile of complaints level for each year can be found in the different years' business customer complaints reports.

c. R-Mex scores

The average R-Mex score of overall service has been relatively stable with a slight upward trend.

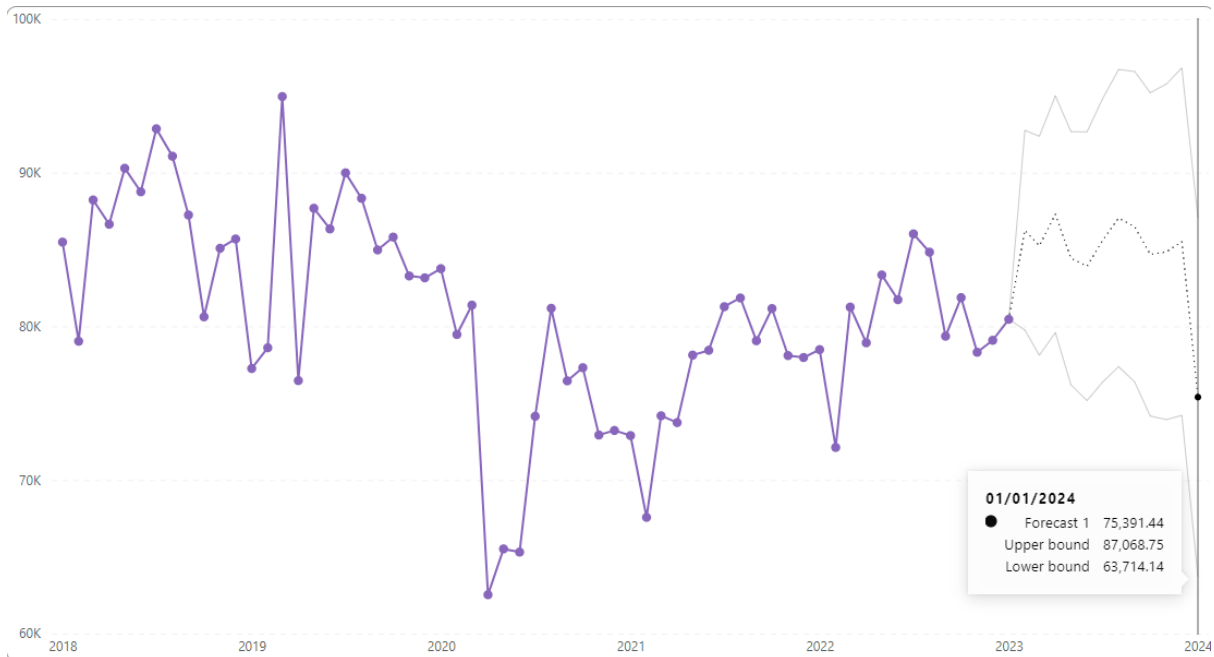


The score trend of overall service can also be found on the R-Mex [dashboard](#) on the MOSL website. This chart also includes the minimum and maximum score achieved by one wholesaler.

3. Water Efficiency is Core

a. Consumption against 9% target

It appears that consumption is trending upwards in 2023, counter to the expected reduction in demand

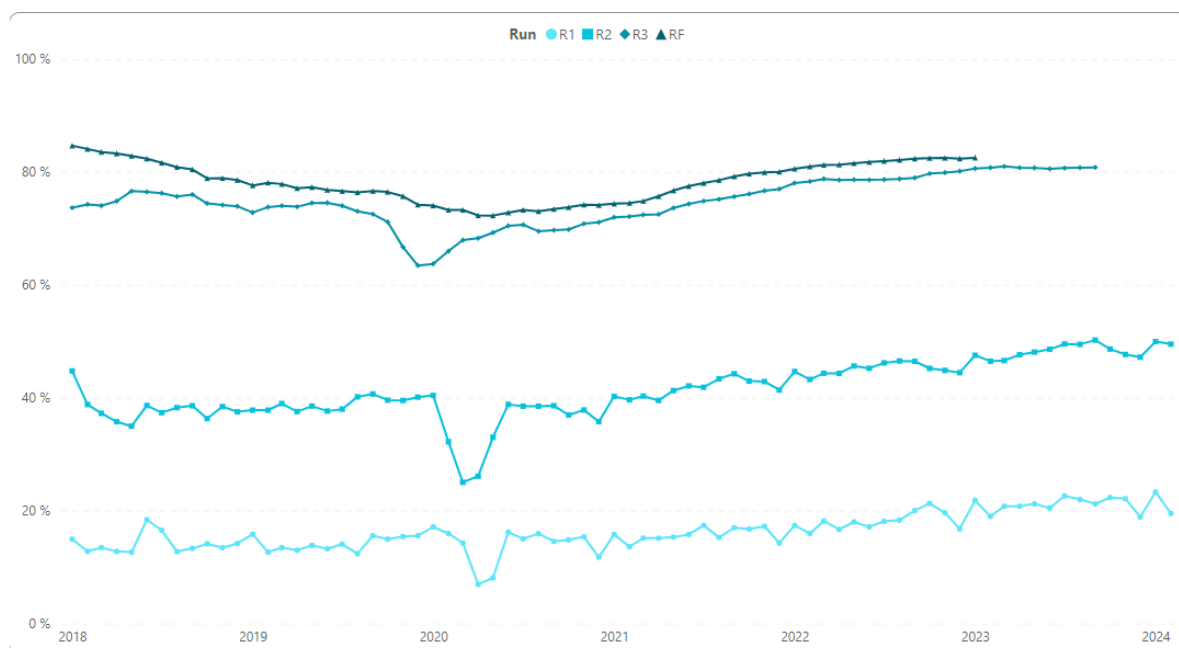


This graph shows the monthly consumption in the market against the target consumption to achieve the 9% target set by Defra. In the absence of more specific data, the reduction was forecasted as linear. This graph is available on MyMOSL's [demand reduction dashboard](#).

b. Consumption based on actual reads, by settlement run

The proportion of each settlement run based on actual reads has been on a slight upward trend since 2018 which is positive.

Proportion of volume settled on actual reads

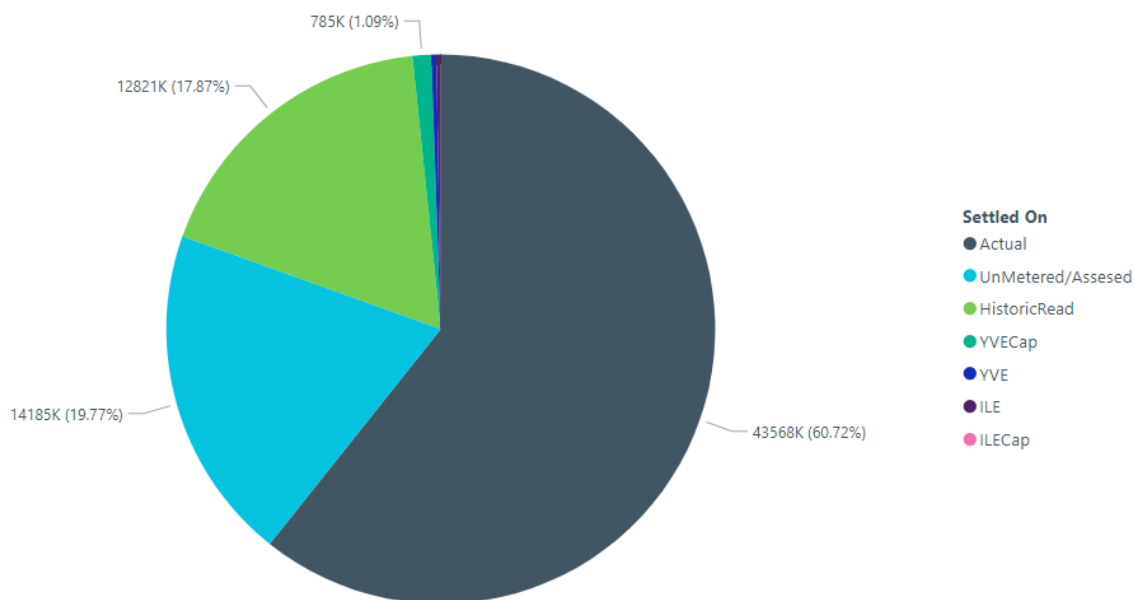


This data is available through the [settlement-based consumption dashboard](#) on the MOSL website.

c. Proportion of SPIDs settled on different methods

The great majority of SPIDs (78.6%) have settled on meter reads at RF (either on actual reads or on estimates based on previous reads). 19.8% of SPIDs have been on unmetered or assessed tariffs. The remaining 1.6% is split between SPIDs settled on YVE caps, YVEs, ILEs and ILE caps.

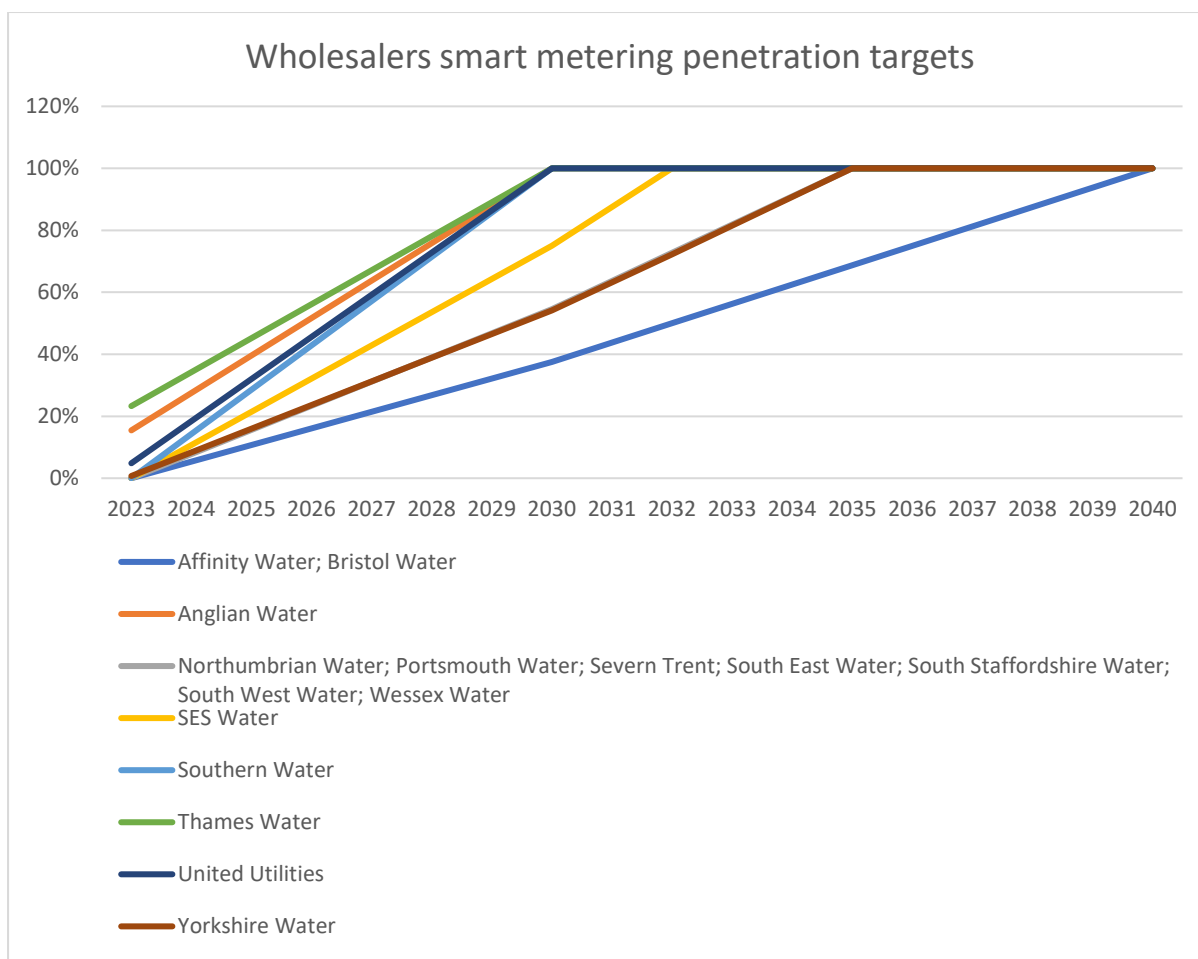
Meter Settlement Type by Meter count



This graph contains [CMOS data](#) for RF settlement since market opening. MOSL will work towards creating a monthly view of this data.

d. Consumption and SPIDs - proportion with access to smart meter data

The consumption rate measured via smart meters is 2.9% as of September 2023. The current proportion of SPIDs with access to a smart meter ranges from 0 to 23%. Progress against WRMPs commitments will be monitored going forward.



Wholesalers set out plans of smart meter roll outs in their draft WRMPs. The graph below shows their different target paths. We can monitor their progress against these paths in the coming years using the Remote Read Type field in CMOS.

4. Market Dimensions

a. Number of entrants and exits

Below is the list of market entrants from 2018 onwards (considering that retailers which entered the market in 2017, even after April, had started the process before market opening). The list is split between retailers that hold a self-supply licence and those who hold a retail authorisation. This information was retrieved from [Ofwat's website](#).

Retail entrants	Year of licence granted	Self-supply entrants	Year of licence granted
Smarta Water	2018	Blackpool Borough Council	2018

		British Telecommunications Plc	2018
		Coca-Cola European Partners	2018
		Elis UK Ltd	2018
		Heineken UK Ltd	2018
		Stonegate Pub Company Ltd	2018
Olympos Water Ltd	2019	John Lewis Plc	2019
		Kellogg Company of Great Britain	2019
		Nottingham City Council	2019
ConservAqua Limited	2020	David Lloyd Leisure Ltd	2020
		Sefton Council	2020
		J Sainsbury Plc	2020
		Arla Food UK Plc	2021
		Boots UK Ltd	2023

There is another upcoming entrant, One Business Water. We are expecting them to get their licence in the next few months.

Below is the list of retailers who had their [licence revoked](#) from April 2017 onwards.

Cobalt Water Ltd	2017
Aquaflow Utilities Ltd	2019
South East Water Ltd	2019
SSWB Ltd	2019
NWG Business Ltd	2020
POD53 Ltd	2020
Three Sixty Water Ltd	2020
Tor Water	2020
Utility Bidder	2020
Water 71 Ltd	2020
Regent Water Ltd	2022
Water Plus Select Ltd (formerly Severn Trent Select Ltd)	2023

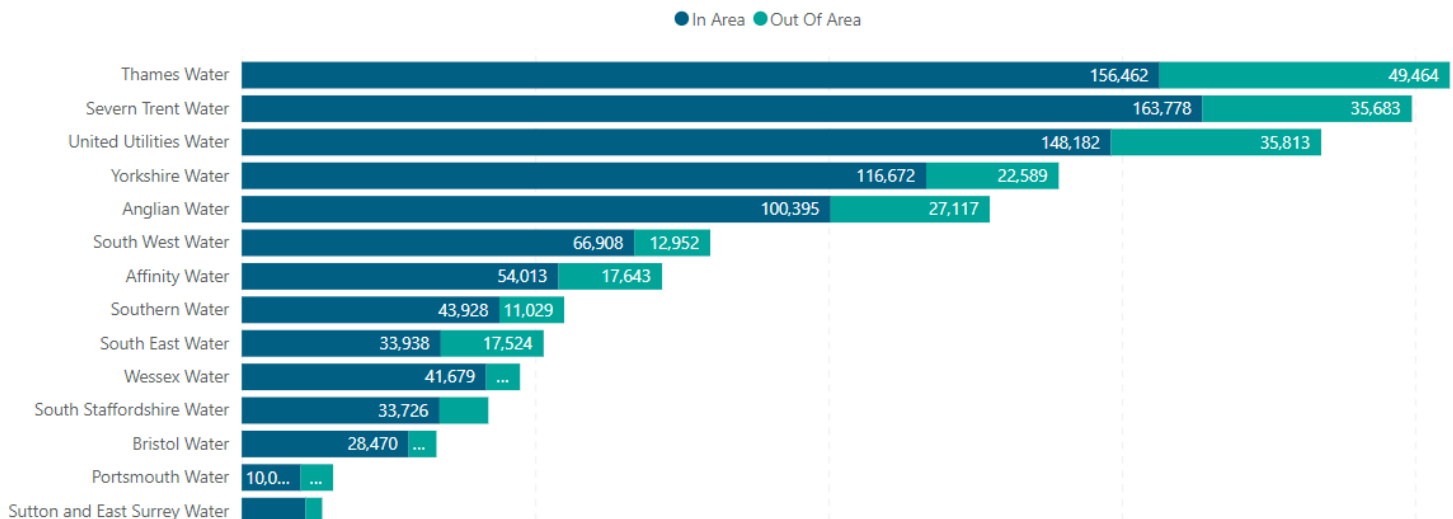
b. Market share of retailers

Excluding self-suppliers, as of the 1st January 2024 the spread of SPIDs was as such:

Retailer Name	% Total SPID Count	SPID Count
Water Plus Select	27.67%	709,956
Castle Water	19.01%	487,582
Business Stream	15.33%	393,214
Wave	15.23%	390,750
Water2business	6.88%	176,556
Everflow	6.01%	154,308
Pennon Water Services	6.01%	154,298
SES Business Water	1.49%	38,141
Clear Business Water	1.04%	26,758
First Business Water	0.43%	11,001
ADSM	0.29%	7,425
Smarta Water	0.29%	7,398
ConservAqua	0.12%	3,018
The Water Retail Company	0.05%	1,293
YÜ Water	0.05%	1,185
Independent Water Networks	0.04%	973
Veolia Water Retail	0.02%	638
Leep Water Networks	0.02%	404
Waterscan	0.01%	312
Dwr Cymru Welsh Water	0.00%	123
Albion Water	0.00%	51
Icosa Water	0.00%	31
Hafren Dyfrdwy	0.00%	13
Albion Eco	0.00%	1

As a result, the Herfindahl-Hershman Index (HHI) for the market by SPID (excluding self-suppliers) is 1717 which would indicate a market that is only moderately concentrated. As reference, the UK gas market had a HHI calculated at 1400 in May 2023.

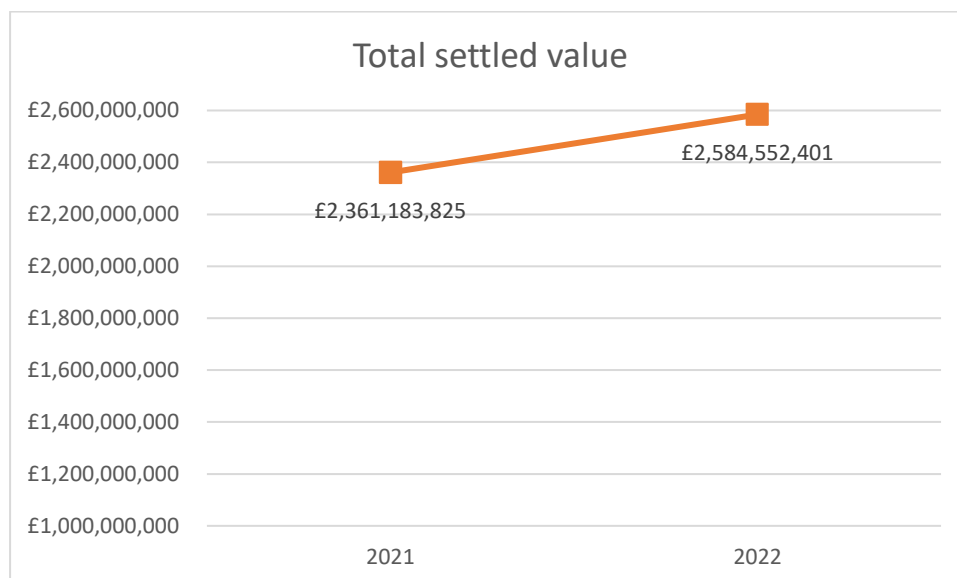
However, if we look at the spread of SPIDs within each wholesaler region we find that the large majority of water SPIDs are with their incumbent retailer and that there are almost “regional monopolies” in retail services.



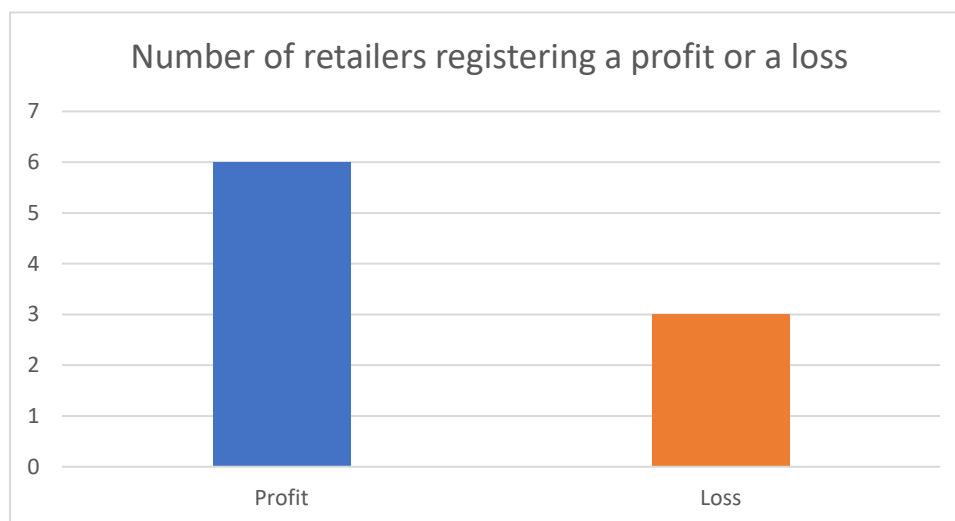
The market share by SPID is available via the [Supply Points dashboard](#) on the MOSL website and the market share by consumption can be retrieved from the [Market Health dashboard](#) on MyMOSL. The chart with the spread of water SPIDs per wholesale region is also available in the [Market Health dashboard](#) on MyMOSL, in the In/Out Area tab.

c. Total settled value

The total settled value for the last two full years was:



d. Split of profit-making and loss-making retailers



This graph only includes the top 9 retailers in terms of SPIDs as smaller retailers are exempt from the obligation to share their profit and loss account with Companies House. Due to the different timelines of publications, some retailers are assessed based on 2022 data and others on 2023 data.

e. Split of retailers with net asset/liability



The graph shows:

- the number of retailers with a net asset/liability, which comprises of long-term, physical assets and long-term debt for example;
- the number of retailers with a net current asset/liability, which comprises of assets used in the day-to-day operations of a business and short-term debt for example.

As for profit and loss, the graph includes only the top 9 retailers and includes data from 2022 and 2023 accounts.

5. Market Conditions

These market health indicators are represented in the section titled “Overview of actions for the market to flourish” within the Flourishing Market Roadmap document and in Appendix I - Market Actions, Benefits and Complexity Scoring.