
Roadmap to a Flourishing Market - Appendix K Full Consultation Responses

This Appendix provides the verbatim responses received during the consultation phase of the development of the Roadmap to a Flourishing Market.

In addition to feedback received at the Strategic Panel Roundtable on 30 July 2024 (a full recording and summary of which can be [accessed here](#)), 20 written responses were received.

A copy of these consultation responses are presented in full as below.

- Anglian Water
- BT
- Business Stream
- CCW
- Clear Business Water
- CIWEM
- Dorchester Living
- Dwr Cymru
- Everflow
- Severn Trent
- South East Water
- South West Water
- UKWRC
- United Utilities
- Water Plus
- Waterwise
- Wessex Water
- Yorkshire Water

Anglian Water

Q1: Overall, to what extent do you support the approach to the draft roadmap?

Supportive

Q1a: Please explain your answer.

In general we are supportive of the roadmap, however, we believe the timing as outlined in the roadmap requires further consideration. A number of elements appear to be far too late in the map/AMP. The roadmap needs to reconsider elements such as business demand where an ODI will come into effect in April 2025. In addition smart metering is already present in the market. Leaving this and the benefits until the latter part of the plan will mean individual approaches are created and early benefits for what is a positive approach. These aspects need to be brought forward to reflect that the Roadmap needs to be in front and not behind to help deliver the innovation required for customers and the market.

Q2: Do you believe the conditions will drive the desired customer behaviours and therefore outcomes? Please explain why

Overall, Yes. The conditions may benefit from highlighting which customer groups will be directly impacted demonstrating a priority for Group 1 customers. This would allow impacts to be tracked directly for this group.

Q3: Are there any conditions you think should not be included? If so, please use the reference code(s)

IC5 05 Wholesale Fairness framework. Ofwat have introduced BR-MEX which will have 50% weighting on services directly to Business Customers. Retailers views will also be considered as part of BR-MEX. This incentivises behaviour in the interests of customers. Wholesalers are also subject to CA98 obligations as a regional monopoly provider.

Q4: Are there any conditions that should be added or changed? If so, please use the reference code(s)

IC 5 04 Retailer and TPI fairness framework. While we agree information on bills is a positive step and indeed customer protection, this market should be guided by competitive market forces generally. We believe that it would be beneficial to adjust the terminology here.

IC6 P1 it isn't clear to us what would change from today. MOSL and Ofwat already publish information.

RC1 Smart metering or at least the different pace of rollout are likely to mean that tariff structures will develop differences. Efforts to harmonise may in fact decrease the benefits to drive behaviour change. In reality Retailer innovation from smart meter tariffs needs to drive benefit for customers

Q5: Do you believe the actions outlined will deliver the conditions?

Covered above.

Q8: Is there any other feedback you would like to provide on the draft roadmap?

As per question 1, timing needs to be brought forward to reflect the sector changes that will take place from AMP 8.

BT Consultation Response

Q1: Overall, to what extent do you support the approach to the draft roadmap?

Supportive

I would also echo other comments about the timing of some of the actions, we really need to be bolder.

Q2: Do you believe the conditions will drive the desired customer behaviours and therefore outcomes?

The data needs to be improved and from here it should give the opportunity to evaluate the added value a retailer can offer, i.e. savings from a consolidated invoice or savings from a tariff review or savings from accurate readings or savings from site audits/comparisons.

Q3: Are there any conditions you think should not be included?

Debt handling (Companies are using 3rd parties to handle the debt recovery now)

SPOC for queries and escalations with detailed process regardless of business size/usage

Q4: Are there any conditions that should be added or changed?

Third Party Intermediaries provide tools that inform customer decisions, I'm not clear on why you have restricted this to TPIs.

Q5: Do you believe the actions outlined will deliver the conditions?

We need to start promoting switch in the near term, have we consulted with people like Martin Lewis on how this could be promoted?

Q6: Are there any actions you think should not be included?

No, we just need to be more ambitious

Q7: Are there any conditions that should be added or changed?

Duplicate?

Q8: Is there any other feedback you would like to provide on the draft roadmap?

There is a culture issue, Retailers and not engaging with customers as a supplier, more like an authority.

Too many times do I get standard emails that want action now, but don't give the site address or the account number or a contact to respond to. For a multi-site business this is useless and impossible to respond to.

There are barriers to switching that take far too long to resolve:

Contract in place, issue caused by retailers' information, when there isn't a contract in place, but the retailer won't engage because of GDPR

Debt on account sometimes nearly impossible to resolve, because of errors in allocating payments correctly when you have a parent company and subsidiaries.

Lack of common sense, sometimes it just needs someone to not follow a script and think about the issue to get it resolved.

Loss of enthusiasm for change, we have been talking about most if not all of these actions for many years now and we run the risk of a lack of enthusiasm if we don't see pace in change.

Business Stream

Thank you for the opportunity to respond to the Strategic Panel's (SP's) Draft Roadmap.

We are appreciative of the considerable amount of thought and effort that has gone into preparing the draft for consultation. As you will be aware, we strongly support the concept of a Roadmap and the SP's intention that it should form the basis of the market's action plan for the coming years. We are aligned with the SP on the desired market outcomes and welcome the inclusion in this draft of the 'theories of harm' framework. However, we believe that further work is required to address some notable gaps within the draft, and to ensure that the actions proposed will address the most significant barriers to a flourishing market. It is important that we identify and clearly articulate the challenges we face in the market, and to prioritise and focus on actions that will address them and really make a difference.

The key challenge

The key challenge that we face in the NHH market is the awkward juxtaposition between the current regulatory framework and a competitive (flourishing) market. The consultation paper (p11) refers to "the Panel's challenge to Ofwat that price protections may be preventing the market from becoming truly competitive and 'self-regulating'". This is a fundamental issue. The market is stuck in a position where the regulatory framework is constraining competition, but the regulator is reluctant to relax regulatory constraints because of the lack of competition.

It is our view that we won't deliver a flourishing market for all customers unless we address this issue.

Barriers to a flourishing market and effective competition

How do we stimulate competition? The consultation recognises that customer awareness and engagement are key to competition. However, we don't believe that the actions proposed in the draft document will be sufficient on their own to drive customers to engage with the market. This will need retailers and TPIs to pro-actively approach customers with value propositions that offer genuine choice and stimulate their interest and engagement. Updating the Open Water website (O1), or defining mandatory fields on bills (O6) may be useful tools to help customers make decisions, but only once they are aware of the market and there are genuine choices available to them. There are a number of barriers to this at the moment:

- i. The price control framework effectively excludes a significant proportion of customers from the market*

The design and structure of the retail price control means that a significant proportion of customers are effectively excluded from the market, in that they are not currently commercially attractive to retailers, and so they will choose not to pursue their custom.

(a) Group 1: maximum price cap based on average costs.

The price cap for Group 1 customers is the maximum that retailers are allowed to charge per customer, but the level of the cap was set by reference to the average cost to serve of the retailers. By definition, this means that a substantial proportion of customers have a cost to serve above the average, and hence above the price cap.

As a very simple example:

- Customer A costs (purely hypothetically) £50 a year to serve – they pay by direct debit a month in advance, have a good credit rating, and use digital channels for billing and communication;
- Customer B is the same size but (again hypothetically) costs £100 to serve – they are billed quarterly in arrears (incurring working capital costs), regularly pay late (bad debt), receive paper bills, have more complex services including trade effluent, and prefer to speak to their retailer in person when they have an issue.
- The average CTS of these two customers is £75;
- If this average is set as the max price cap, customer A becomes a very attractive prospect to competitive retailers, but customer B would be unaffordable.

These ‘B’ customers are not commercially viable for retailers, so why would they approach them to engage in the market?

This problem also has a regional dimension in that it is exacerbated for customers whose business is located in wholesale regions with higher than average meter reading costs. Again, the meter reading allowance in the price control is set by reference to the average cost of meter reads across the whole market. Consequently, the price cap allowance is insufficient to cover the cost of reading meters in wholesaler regions where the costs are above average.

These customers are immediately at a disadvantage in the market.

(b) Group 2 controls.

- Whilst Group 2 retail price controls are much simpler than Group 1, the structure also leads to some customers being unaffordable and others very attractive, for example:

- at the bottom end of the 0.5-50MI category (where the vast majority of Group 2 customers sit), the retail margin is lower than for customers at the top end of Group 1;
- again, the 8% and 10% uplift allowed is based on an average across a huge spectrum of customers – a customer using 50MI looks very different to a customer using 0.51MI, but they do not cost 100 times more to serve. Hence customers at the higher end are significantly more attractive commercially than those at the bottom end, which explains why we have seen much more competitive activity for larger customers.

The complex diversity in customers' commercial viability is a key factor in why many customers have not been able to engage in the market. It is a huge constraint on retailer and TPI activity, and must be a significant deterrent for new entrants. Until we have a pricing framework that allows for cost-reflective pricing, customers whose cost to serve is higher than average will continue to be excluded from the market.

ii. *The market is not attractive for participants*

The market has attracted very few new entrant retailers, because of the difficulties for participating retailers. As well as the problems created by the nature of the price control highlighted at (i) above, the NHH water market is characterised by:

- poor returns, especially compared to other utility markets from which new entry had been expected;
- a heavy dependency by retailers on wholesalers for customer service quality in key areas (e.g. metering), but wholesalers have little meaningful incentive to deliver good outcomes for NHH customers; and
- policy and pricing differences between wholesalers, which mean the market remains regionally inconsistent for similar customers, and costly for retailers where nonstandard solutions or specialist knowledge are required to navigate the differences (e.g. in the complexity of retail pricing tools required, or the application of trade effluent policies and charges etc., and even in relation to settlement).

It would be interesting to know whether the Strategic Panel has received any input from new entrants to understand any difficulties they have experienced in competing effectively, or indeed from potential new entrants to understand why they have not entered the water market¹. As a retailer, our assessment would be that the market is largely unattractive to

¹ It might also be useful to obtain the views of some of the larger, reputable TPIs, such as Schneider, Mitie, Inspired and Inenco.

new entrants because, compared to other markets, the inefficiencies, costs and risks of the market currently outweigh the potential for return, and there is little opportunity to differentiate – see below.

(iii) The market inhibits differentiation and innovation

In the way that customer awareness needs retailers and TPIs to actively contact customers to make them competitive offers, greater customer engagement in the market will be dependent on there being genuine choice available – not just between retailers offering the same product, but between different value propositions, offering differentiated or new services. The opening paragraph of the consultation paper reminds us that in addition to lower bills, the aim of opening the market was, and remains, to deliver “...improved services, help businesses use less water and see new propositions emerge.” Whilst we have seen some service diversity and new products emerge, the current framework is not generally conducive to innovation or differentiation. For example:

- wholesale tariff complexity creates risk that prevents retailer tariff consolidation and innovation²;
- the non-price restrictions in the REC are backward looking, using as a service benchmark the monopoly provision of the wholesalers pre-market opening, to impose billing and payment constraints which conceptually encourage sameness and discourage change;
- for the reasons at (i) and (ii) above, there are no or limited numbers of new entrants to introduce new ideas or innovation from other sectors;
- there is insufficient commercial headroom for retailers to take risks or try new things;
- TPIs drive customers towards retailers who pay them the highest commission, not those who offer the best customer service or add customer value; and
- the regulatory framework does not support the delivery of water efficiency services by retailers to their customers.

The provision of water efficiency support for NHH customers was always envisaged as an area that would allow differentiation between retailers, driving competition as well as helping reduce demand for water and customer cost savings. Whilst there are a number of challenges, including a lack of awareness and customer motivation, the regulatory framework is also a constraining factor and does not support the objective of making water efficiency a competitive differentiator. Whilst retailers have the relationship with customers and want to offer services and create competitive differentiation, the funding to support

² Action R4 for example would not be feasible without changes to key wholesaler policies and practices.

this ambition sits with the wholesalers. Ofwat's PR24 proposals do not provide sufficient incentives to drive meaningful wholesaler/retailer collaboration. As a retailer, we are concerned that wholesaler-driven water efficiency will effectively close down the opportunity for water efficiency to become a feature of the competitive market for another five years.

If we want to deliver against the original aims of the market, we need to tackle these issues too, and set out how to do so in the Roadmap.

In the section below, we have shared some thoughts on how we might tackle these three barriers to effective competition.

[Actions to tackle these core challenges](#)

There are some key actions missing from the Roadmap that we consider will be fundamental to tackling the barriers to competition that we've outlined above. There are other areas where we know action is already being taken and which, although referenced in an appendix, we believe should be incorporated into the Roadmap, to ensure that the Roadmap is a comprehensive picture, reflecting all areas of activity focused on delivering more effective competition.

(1) Review/replacement of the Retail Exit Code (REC)

As the name indicates, the Retail Exit Code (REC) was designed as a transitional instrument, to protect customers transferring from the monopoly wholesalers to the new licenced retailers at market opening. It was never intended to last this long; it was certainly never designed as a price control mechanism, and is no longer fit for purpose as such. As highlighted above, the REC has its roots in monopoly price controls, and is not conducive to a competitive market. Non-price conditions are backward looking and encourage sameness in core service provision. We recognise that regulatory protections are required, even in a flourishing market, but we need to replace the REC with a more appropriate framework that:

- gives all customers the opportunity to participate in the market, ensuring that they are all attractive to retailers/TPIs. This means allowing cost-reflective pricing, to avoid some customers being unaffordable and others subject to cherry-picking. Cost reflective pricing also gives us the opportunity to incentivise customers to be more efficient – both in terms of their water use, and their billing and payment behaviours;
- is more targeted – this does not simply mean more granular segmentation based on customer size, but protections for those customers considered most at risk of harm.

This was a key lesson we took from the Europe Economics work, where it can be seen in all of the markets studied that regulatory interventions are (or the CMA has recommended that they should be) focused on resolving specific issues or protecting specific groups of customers at risk of harm;

- is more flexible – so it can adapt to changes in the environment, such as increases/reductions in the cost of capital; and
- makes the market more attractive to new entrants and allows existing players to be more innovative, efficient and responsive to customer needs – e.g. removes billing and payment type restrictions.

The draft roadmap doesn't specifically refer to a review or replacement of the REC. Action O9 refers to reviewing the balance between regulation and competition, but this is not scheduled until 2028. The development of regulatory protections more appropriate to the market will be challenging, so we would like to see work start as soon as possible.

(2) Legislative changes

The new Government has indicated that new water sector legislation is on their agenda. This is an opportunity for us to consider whether there are legislative changes that would support the transition to a more effective competitive NHH market. For example:

- Competition: is the existing legislation sufficiently clear that all customers should benefit from a competitive market, and that regulatory protections should be a backstop only;
- Statutory protections: wholesalers have statutory protections (in terms of financial resilience for example) and statutory rights (rights of entry to customer premises for example). It is for consideration whether these protections and rights should be extended to retailers, given their role in the market. It may be especially important to ensure that the market, as well as its participants, are protected against the failure of wholesalers, as well as retailers;
- Metering: the rollout of smart metering will change the metering landscape for ever, raising issues about ownership of and access to consumption data. We may need to update the governing legislative framework to reflect this change; and
- Water efficiency: as discussed in section 3 below, there could be significant benefits from the introduction of a water efficiency levy, but this may need legislative provision.

We are aware that the UKWRC is working on a paper to review and make proposals for legislative changes, which, once socialised, could be incorporated into the Roadmap.

(3) Water Efficiency

At the end of 2023 the RWG Water Efficiency Sub-Group produced a Roadmap for the NHH sector which identified the water efficiency challenges facing the NHH sector and set out a series of actions to address them. We're aware that the Strategic Panel is working with the RWG Group on some of the key deliverables and hence suggest that the WE Roadmap is also incorporated into the overall market Roadmap, given the importance of WE to competition in the market.

At the round table session on 30th July, a number of parties suggested that action to deliver demand reduction in the NHH sector needed to be accelerated in the roadmap. We too are concerned that unless we make changes to the PR24 framework now, the opportunity for water efficiency to become a feature of the competitive market will be lost for the duration of AMP8.

The immediate issue was highlighted in the Strategic Panel's open letter issued in July, which urged wholesaler/retailer collaboration in the delivery of water efficiency support to NHH customers. Our concern as a retailer is that in the PR24 draft determinations that were issued subsequently, neither the incentive nor the guidance on what constitutes 'collaboration' will be sufficient to ensure that retailers and their customers have access to the water efficiency funding collected by wholesalers. The Strategic Panel may want to reiterate the messages from their open letter, and encourage Ofwat to strengthen the incentive in the final determination, as well as significantly broadening the definition of 'collaboration'.

A specific action worth highlighting from the RWG Water Efficiency Roadmap is the consideration of a water efficiency levy for NHH customers, akin to the climate change levy in the energy sector.

A levy on customer bills would help to raise awareness of the water scarcity issue, it creates an initial incentive on customers to take action, and raises funds that could be ring-fenced for access by customers, retailers and third-parties for water saving interventions³. Again, it would be sensible to start this work now, to ensure a fully fleshed-out proposal is considered ahead of the legislation that we believe may be required to give it effect.

(4) Reduce complexity

The RWG has and is doing some excellent work to drive greater alignment of wholesaler policies and practices so as to reduce complexity for customers, reduce costs for retailers

³ WE Levy funding could become particularly valuable to the competitive market if wholesalers' PR24 funding is not accessible by retailers/third parties for their customers.

and remove barriers to market entry. However, we know from experience that especially on difficult or controversial issues, they face a number of challenges. For example:

- where additional analysis or expertise is required to assess options or support a recommendation, funding (to employ consultants for example) is available only on an ad hoc basis, through an application to the MIF, which may or may not be granted;
- their legitimacy to recommend change may be challenged by the wholesalers, which can result in patchy, or inconsistent implementation; and
- where solutions to the issues under consideration have wider implications for policy areas outside the scope of the Group, which need input/leadership from other stakeholders, it can delay or halt progress.

We recognise that the work of RWG is referenced in an appendix to the consultation, but we believe that the output of critical RWG workgroups (tariffs, settlement, water efficiency for example) could be incorporated into the Roadmap. This would serve to highlight to the market areas in which recommendations for change should be expected, and to flag any actions from other stakeholders or funding required to support or speed up delivery.

Revising the Roadmap

We've flagged above some key issues and actions that we believe need to be included in the Roadmap if we are to 'shift the dial' towards a more competitive and effective market. They may not be easy issues to resolve, or to gain stakeholder buy-in for, but if we avoid them, we won't make the progress we need.

We believe the Roadmap would also benefit from being simplified, with a clear line of sight between the challenges facing the market and the actions that we need to take to address them.

The format of 31 conditions and 34 actions is overly-complex, it is currently unfocused and lacks this line of sight. The original SP Strategic Priorities was a useful framework for focusing action in the market and given that it remains entirely relevant, we suggest that this would be a more focused and simple framework around which to structure the Roadmap. Within each strategic priority area, the challenges could be articulated and aligned to the actions required to address them.

We would be happy to be more involved in the process to revise the Roadmap. It is important that all stakeholders are engaged in the process, so that we have a Roadmap to which there is widespread buy-in. Please let us know how we can help.

Castle Water

Strategic Panel's Roadmap to a Flourishing Market

Castle Water Limited's Response to July 2024 Consultation

Consultation questions

Q1: Overall, to what extent do you support the approach to the draft roadmap? (please indicate):

Unsupportive / Very unsupportive.

Q1a: Please explain your answer.

We cannot support a 'roadmap' that is not a roadmap, and so will not be likely to get us anywhere. The concept of a roadmap is one that has waypoints and a destination. These are largely absent from this document. This is evident from Figure 1, where the language to describe 'actions' consists largely of 'updating', debating, and 'reviewing'. Where specifics are mentioned there is no quantification or target (e.g. 'Wholesalers to have rolled out smart metering technology' at some unspecified point after 2030, notwithstanding the timeframe in fact begins with PR24.

'Review the balance of regulation and competition' by 2028 is similarly devoid of meaning. The Retail Exit Code should have been reviewed with effect from 2026 (the earlier of the two Ofwat dates) and there should be a clear route to deregulation (in particular price regulation) in the meantime.

This proposal is especially feeble given the Strategic Panel's well-informed response to the previous REC proposals and the Decker Report (among others).

We note the startlingly amateurish approach to competition, of which we are very unsupportive as it could prove positively dangerous. Examples: the references to retailers holding 'very high market shares' that 'risk concentration' (pp.8 and 10); the use of market shares as a 'key indicator'; use of the HH index as an important measure in its own right; and the misdirected Theory of Harm #1 (p. 14) all ignore the clear case law (*United Brands et seq.*) and the decisional practice of the Competition and Markets Authority (*Case ME/6575/15 et seq.*).

The measures proposed or adduced as contributing to a flourishing market should be examined against the key touchstone that regulation should be used only where competition has failed, and should be the minimum necessary to address specific market failures. Instead, it is accepted that (i) utility-style regulation is justified; and (ii) measures

such as many of those being taken forward in the MPF can be assumed necessary regardless of competition and commercial incentives. “Regulation has a role in a competitive market” (p12) – but only where competition has palpably failed, not where its reach and granularity have stifled it.

There are unexplained inclusions in the roadmap: “progress towards the 9% reduction target for 2038” is not an indicator of a flourishing market. It could be quite the opposite, given that this might be achieved through rationing (c.f. the known bans on new connections and new consumption). Reduction is not the same as water efficiency, but the two messages are mixed, and are frequently conflated by the lay person.

We would have expected some more substantive attention to be paid to the data issues and resultant market frictions that continue to bedevil the NHH market than is present on p2. R-Mex and BR-Mex are poor substrates for real action here: seven years after market opening it is shameful that this is still a major cause of customer disillusionment with and detachment from the market.

There are also striking omissions. There is no substantive reference to the fact that the pricing of water means it does not appear on most business customers’ agenda – even large corporates; still less small customers (bearing in mind that complaining about a water bill is not the same thing as recognising its value). Nor is there any reference to the NHH market being part of a wider market in water. It is as if the household market did not exist. A roadmap should at least acknowledge the case for revisiting (or, if not, to explain why not) liberalisation of the household market.

Market conditions

Based on the 31 market conditions outlined in section 5 of this document:

Q2 Do you believe the conditions will drive the desired customer behaviours and therefore outcomes? Please explain why

The conditions consist of no more than pious hopes for a given outcome and will not, in and of themselves, drive anything. Although they are therefore on the whole innocuous, there is a major disconnect between the actions that are suggested in section 6, and how these are calculated to achieve the conditions in section 5.

Q3 Are there any conditions you think should not be included? If so, please use the reference code(s)

N/A

Q4 Are there any conditions that should be added or changed? If so, please use the reference code(s)

EMP6: Change to “Customers should have access to impartial switching site(s) that they can trust”.

RC1: Change to “Wholesale tariff structures should be fair, simple and harmonised”.

DA6: Change to “Clear obligations support accurate data, and are reviewed, audited and enforced.

MSD1: Change this to “Clear market eligibility rules should be developed, applied and enforced”.

MSD2: Change this to “Data on a given customer’s consumption etc. should be available to that customer”.

IC7: Change to “Customers are incentivised to use water more efficiently through wholesale and retail price signals and advice.

Actions

Based on the 34 actions outlined in section 6 of this document:

Q5 Do you believe the actions outlined will deliver the conditions?

No. See response to Question 1a.

Q6 Are there any actions you think should not be included? If so, please use the reference code(s)

P2 – P5: Delete or turn into specific actions.

03: Delete. The CPCoP is a standalone enforceable document. Adding a ‘guide’ will confuse the status of the CPCoP.

M1: Delete. The MPF reform is to date completely failing in the aims ascribed to it. It will not be simpler, more effective, more flexible, have fewer more effective measures, be simple to understand or provide confidence in the market. See our response to Consultation 4 submitted on 2 August 2024.

Q7 Are there any conditions that should be added or changed? If so, please use the reference code(s)

P1: Replace with “Production on a specified timescale of a proper analysis of competition, identification of the market failures that need addressing and the appropriate mechanism for remedying them”.

O2: Change ‘Description’ to “Enforce Code obligations on Wholesalers”.

O5: The Wholesaler ‘fairness framework’ should be expressed as encompassing tariff fairness – e.g. abolition of RV tariffs.

O9: Change to “Review REC w.e.f. 2026, taking account of the outcome of action P1, the need to deregulate and to move away from requirements that belong in the pre-market opening or initial market opening period”.

W2: Change to “Incentivise Retailers to promote water efficiency”.

R4: Change to “Provide pricing headroom for Retailer tariffs to incentivise water efficiency”.

D3: Change “Make changes to Water Industry Act to permit SAR to be applied to Retailers that fail, and reduce or delete obsolete Retail Exit Regulations.

Q8 Is there any other feedback you would like to provide on the draft roadmap?

This document needs a thorough rethink, as outlined above.

CCW

1. Introduction

CCW (the Consumer Council for Water) is the independent voice for household and business water consumers in England and Wales. We welcome the opportunity to submit our views on this Strategic Panel consultation on the Roadmap to a Flourishing Market.

2. Key points

We are supportive of the development the roadmap. It is important that the industry collectively delivers change to make the market work better and delivers benefits for business customers of all sizes. In particular, we:

- are supportive of the approach taken in determining the barriers that exist to a flourishing market and identifying the market conditions that need to be met;
- agree with the need for clear actions and timelines to address the market conditions, and we would like to see some actions brought forward. One such example is the production of a plain English guide of the Customer Protection Code of Practice (action O3), which would benefit by being delivered in 2025;
- support many of the actions proposed, with a request for some actions to be changed. One such example is Third Party Intermediary accreditation (action C2), where the role of CCW should be amended to reflect the action we can take;
- are concerned about a proposed review on the appropriate balance of regulation to protect customers and promote competition. We would not want to see regulatory protections weakened for low water use customers in an attempt to stimulate competition; and
- welcome continuing to work with the Strategic Panel and trading parties in our common goal to create a market that delivers greater customer benefits.

3. Response to Questions

Q1) Overall, to what extent do you support the approach to the draft roadmap? (please indicate):

We are supportive of the approach that the Strategic Panel has taken in determining the barriers that exist to a flourishing market, identifying the market conditions that need to be met, and setting out the recommended actions and timeline.

We are particularly supportive of the clear focus on customers in the water retail market, which is evident in the three themes of customer engagement and choice; accurate and accessible data; and processes, capability and economics. It is key that customers can

exercise their choice in the market, yet are protected from malpractice and where they remain unaware or inactive. Accurate customer and market data is important to enable the market to develop and deliver good customer service. And we are supportive of smart metering for business customers, which should help customers to make informed decisions about the water they use and lead to more accurate customer bills.

Improvements in these areas formed the basis of many of the recommendations set out in our review of the 'Business Customers' Experience of the Water Retail Market'¹. It is positive there is alignment with the priorities outlined in the roadmap and many of our recommendations. CCW remains committed to working with key stakeholders to continue to drive improvements for customers.

Splitting the delivery of actions by stakeholder is also welcome. This should ensure there is sufficient clarity on responsibilities, enabling clear tracking of progress, with stakeholders being held to account. We welcome the recognition of the key role that CCW has to play in the delivery of these actions, and we look forward to working with the industry to delivering benefits for customers. We provide further comment on the proposed specific actions for CCW at question 7.

We support the roadmap's focus on water efficiency, as we agree that customers have a key role to play in conserving water, alongside retailers and wholesalers. Our Testing the Waters 2022 research provided evidence that many businesses had not proactively carried out water-saving activities, with 61% taking no action to save water in 2022, despite part of the research fieldwork occurring during the record-breaking summer drought.

Our Five-Year Review recommended that wholesalers and retailers must collaborate in order to both implement water efficiency services in water resource management plans, and to tailor advice to customers. It is clear that the market has a key role to help deliver this, so we support the actions in this regards.

In developing a flourishing market roadmap, we agree with the conclusion made that, *"...there must be a compromise between what can be delivered by a market, driven by market forces, and what must be driven by regulation/rules"*. We believe this needs to be determined by evidence of customer engagement and activity in the market, and their willingness to engage. Our customer research, and MOSL's switching data, continues to show that small customers with very low water usage are the least likely to engage in, or even be aware of, the retail market. We agree the aspiration for increased competition and self-regulation, as long as this will result in benefits for customers. However, this must not

¹ Referred to as the 'Five-Year Review' in this response

be done by weakening regulatory protections (such as price caps) in an attempt to meet this objective.

Where we are not currently aligned with the Strategic Panel roadmap, is the conclusion that Group 1 customers (those customers using less than 0.5 megalitres of water a year) should remain in the market. There is acknowledgment in the roadmap of the link between low water usage and low engagement, and we believe this group of customers' continued eligibility for the market should be determined by its level of engagement and satisfaction with retail services. One of our Five-Year Review recommendations called for Group 1 customers to be removed from the market if switching and contract re-negotiation levels fail to increase by 10% and 5% respectively from April 2023 to April 2025. We see this as clear evidence of customers exercising their choice and benefiting from being in the open market. We are carrying out our next round of tracking research to understand customers' views about the market and the services they receive from their retailers and wholesalers, which will be published in January 2025. This will give us the latest information on small businesses in the market. Based on this evidence, we will form a view as to whether Group 1 customers would benefit from remaining in the market. This will then influence our input to the developments of the roadmap for these customers.

Q2) Do you believe the conditions will drive the desired customer behaviours and therefore outcomes? Please explain why.

Ultimately, whether the conditions drive the desired customer behaviours and outcomes will largely depend on the clarity on and delivery of the associated actions. We will comment more on these later in our consultation response.

We agree that the condition on customer engagement and choice is key. It is important for customers to know who provides their services, and for them to be protected from malpractice given the impact if these conditions are not met. Our Testing the Waters 2022 research showed that 44% of businesses are unaware of the market, and there may be many who are finding it difficult to make an informed choice as to whether or not to engage. A dedicated website, and information on bills will potentially lead to better outcomes if subsequent engagement then leads to a good customer experience.

While we agree with EMP1 and C02 in principle, these will not benefit customers if existing regulatory protections in these areas are insufficient. For example, we recommended in our Five-Year Review that the interim supply process needs to be strengthened to guarantee a backstop supplier for customers. The industry needs to continue to work towards these improvements in order to create the conditions to successfully produce good customer outcomes and strengthened protections.

The conditions relating to accurate and accessible data should also lead to improved customer service and outcomes. As well as the proposed actions intended to deliver these, the on-going work to produce a revised Market Performance Framework should incentivise trading parties to maintain customer data as accurately as possible. We also agree that clear market eligibility rules should be applied consistently across regions. Our Five-Year Review recommended improvements in this area. CCW has already made good progress in gathering evidence on what is not working for customers and trading parties in the current eligibility guidance and developing proposed changes, which will be tested before recommendations are made to Ofwat.

We are supportive of the smart technology condition as the roll out of smart meters should ultimately lead to improved billing accuracy, and could also lead to customers engaging in water efficiency measures, if they have access to regular, understandable consumption data. Increasing the roll out of smart metering was again one of our recommendations and we see benefits of targeting customers with long unread meters, as a priority, given the improvements this should produce.

While most of the conditions have the potential to drive the desired behaviours across the market, it is important the roadmap is clear on the measure of success. Customer awareness of the market, and having readily available information, may be positive, but it will not necessarily result in increased levels of engagement. Our Testing the Waters 2022 research shows that even when the smallest businesses are aware of the market, just over 25% say they have insufficient time and resources to explore their options, and engage. Therefore, if the roadmap's measure of success across a number of actions is for customer engagement to increase, this needs to be clearer. As currently proposed, some actions could be achieved without customers becoming more engaged in the market.

Q3) Are there any conditions you think should not be included? If so, please use the reference code(s)

We welcome the 31 conditions and the clarity provided by separating them under three themes (which we respond to under question 1). We do not believe any proposed conditions should not be included. However, as stated above, the measures of success for customer engagement conditions needs to be clearer.

Q4) Are there any conditions that should be added or changed? If so, please use the reference code(s)

We have the following comments on a number of the conditions:

RC1 – Wholesaler tariff structures are harmonised across regions. We agree that harmonising these may benefit customers if it leads to a reduction in billing errors. Such errors can occur if tariffs are overly complex. However, any incidence effects resulting from existing tariffs changing need to be carefully managed, and potentially over a period of time.

EMP6 – Customers trust the switching process. We believe this should be amended so it is more reflective of customers’ experience of the switching process as a whole. There is little evidence in our research to suggest customers distrust the process itself, but we know from our complaints that some can be dissatisfied at being blocked from switching by the outgoing retailer and can also raise issues around contracts. Attempting to resolve these causes for complaint and improving customer communication, should be the main areas of focus.

There should also be a condition focussed on improving customer service delivery, in which CCW would lead a number of actions. We are keen to work with the Strategic Panel to develop the specific actions, including the description, market health indicator and harms.

The action should include CCW’s assessment of retailers’ complaints processes. Our pilot process of assessments began in May this year and will continue to be a key area of focus for CCW. This condition should also recognise the improvements to customer service delivery that will be made through BR-Mex and the reformed Market Performance Framework, currently featured under M1.

Q5) Do you believe the actions outlined will deliver the conditions?

We agree that the vast majority of actions will deliver the proposed conditions. However, while customer awareness may increase, we do not agree that engagement necessarily will, as stated in some of the Market Health Indicator columns.

In our answer to question 2, we said a significant number of smaller customers do not have the time or resource to explore market options, which may not change even with more available information. In addition, the limited monetary savings, particularly for low consumption customers, may still be playing a role in the low levels of engagement for this group. Therefore, while most actions will deliver the conditions, there needs to be a recognition that significant customer engagement, especially for Group 1 customers, may ultimately be unachievable. We are, therefore, gathering further evidence to understand if these customers are benefiting from the market in the same way as all other businesses.

Increased information sharing between wholesalers and retailers in the tariffs and water efficiency spaces is a positive aspiration. However, it does not necessarily follow that retailers will increase their offerings to customers (particularly those with low

consumption), nor will this same subset of customers be more motivated to engage in these spaces. This could either be because of the limited savings on offer, or being unable to afford to pay for value added services in this space. Therefore, the effectiveness of the actions and conditions relating to water efficiency may be partly determined by the size of customer, and generally increasing education of the importance of saving water.

In terms of the benefits for customers, we are particularly supportive of the following:

P4 - Review and refine market eligibility. Both market eligibility issues, and temporary building supplies, are subject to recommendations in our Five-Year Review. We will continue to work with stakeholders to improve the guidance on eligibility, and push for both code changes and legislative change to facilitate improvements regarding the use of water for temporary building supplies. We welcome working with the stakeholders identified in the roadmap to take these developments forward on behalf of businesses, and are pleased to see reference to the work of CCW now and going forward for this action.

O1 – Update the open water website. This action should deliver the condition of a “dedicated website providing customer guidance on the market”. First and foremost, it is vital that customers know who provides their services. We know from our research that 37% of micro-businesses are particularly unlikely to either not know who their retailer is, or incorrectly name their wholesaler. Therefore, having a single point of information on who provides their services, as well as information that may help them understand the market, is welcome. We also supported this in our previous responses to Ofwat’s review of the Customer Protection Code of Practice², and would like to assist Ofwat in the delivery of this action. In addition, we will continue our support of the CATRID delivery that was funded by the Market Improvement Fund. This will provide a search tool for customers to identify their suppliers, as set out under action M2 for MOSL.

O2 - Ofwat incentives on Wholesalers. Improving wholesaler performance and accountability in respect of business customers was a key theme in our Five-Year Review, with our recommendation around a customer measure of experience reflective of this. We agree with the proposed B-MEX element of this measure in the draft determinations as this will act as an incentive for wholesalers to improve their services to business customers, which we welcome. We will also continue working with wholesalers and retailers to encourage greater collaboration on services in the market.

M1 – A reformed Market Performance Framework (MPF). If the new MPF contains robust metrics and intervention tools, it should incentivise trading parties to deliver improved

² <https://www.ccw.org.uk/publication/our-response-to-ofwat-consultation-on-customer-protection-code-of-practice-tranche-2-changes/>

customer outcomes, and therefore deliver the stated condition. A new MPF that holds the right trading party accountable for poor performance, and contains strong incentives to improve, is one that we continue to push for in our involvement in its development.

R2 - Issue End Contract Notices. It is important for retailers to inform customers of their rights as they approach the end of their contracts, and we support this action. We do, however, want to see this delivered before 2026 and urge the Strategic Panel to bring this action forward.

D3 – Change the Water Industry Act (WIA) to strengthen Supplier of Last Resort. Our Five-Year Review recommended strengthening the Supplier of Last Resort process so customers are not left without a retailer in the event of their current one exiting the market. We, therefore, support this action for a legislative change, and agree it would result in customers being more confident they will be protected. Ofwat has also made its decisions clear on the steps that will be taken to improve the Supplier of Last Resort process this year and this should be reflected in the timeline and delivery.

C1 – Define mandated fields on bills. We fully support and agree with this action. We provided similar support in our response to Ofwat’s consultation on revising the Customer Protection Code of Practice³. More information on bills on the options to switch and re-negotiate should improve awareness of the market, and may lead to more customer engagement. We also believe that information on the different tariffs available could help to engage customers too. We welcome leading on this action and developing the mandated field on bills for the benefit of customers.

Q6) Are there any actions you think should not be included? If so, please use the reference code(s)

We do not believe any actions should not be included. However, we have set out some proposed amendments within our response.

Q7 Are there any conditions that should be added or changed? If so, please use the reference code(s)

P5 – Review the switching process. It is difficult to say whether or not this would deliver the condition as there is an implication that customers are distrustful of switching because they will lose regulatory protections under the Retail Exit Code (REC). We know customers have a number of perceived barriers to switching⁴, but none specifically related to the switching

³ <https://www.ccw.org.uk/publication/our-response-to-ofwat-consultation-on-customer-protection-code-of-practice-tranche-2-changes/>

⁴ [Synthesis of the Business Retail Market 2023 - CCW](#)

process itself. Where customers have switched, they are generally positive about their experience with the process, so it is, therefore, unclear whether there are any barriers within the process itself that may be impacting engagement rates. As stated in our answer to question 4, Condition EMP6 (which this action relates to) needs to be changed so it focuses on the actual barriers that are preventing customers from switching and the negative services at switching.

O3 – Produce plain English guide. In its current form, it would appear that the purpose of this action is to provide simplified guidance to new entrants, rather than customers. While we agree this would add value, we want a guide that is understandable for customers on the protections code. It is important that customers understand their rights. We, therefore, would like to see this action, and Condition IC2, changed so the purpose is not only to provide guidance to retailers, but also customers. We would welcome working with Ofwat on a customer guide to the Customer Protection Code of Practice. We would also want to see this delivered in 2025, ahead of the expected timeline of 2026.

O5 - Wholesaler 'fairness framework. A change to market codes and licence conditions is welcome in order to increase wholesalers' accountability to business customers. As part of the proposed 'fairness framework', it is worth ensuring that this is not too general, and addresses some specific gaps in accountability. In our Five-Year Review we recommended that wholesalers' licences are changed so they are subject to a final binding decision if a business customer progresses a complaint to alternative dispute resolution (ADR). Such a change could also be included in the licence change to introduce the proposed fairness framework (O5), and we would welcome the support of the Strategic Panel in this regard.

O8 - Develop and communicate ISA process including SoLR. This action may deliver the condition, but it will be largely dependent on action D3 also being delivered given the gaps in customer protection that currently exist in the interim supply process. Customers need to have confidence that they will be swiftly transferred to a new retailer in the event of an exit, which may not happen under the current process if no one has opted in. Addressing this issue, as well as protecting customer credit, will need to take place before this action will prove effective. In our Five-Year Review, we recommended that this process needs to improve, so we will continue to work with stakeholders to achieve this.

O9 - Review the balance of regulation and competition. We are concerned about a review on the appropriate balance of regulation to protect customers and promote competition. For as long as Group 1 customers remain in the market, we will continue to take the view that they should be subject to regulatory protections, which should not be weakened in an attempt to stimulate competition. Any segmentation of Group 1 customers' needs to be

carefully undertaken to ensure that the most vulnerable and least likely to engage in the market, continue to be protected. We do, however, support regulatory requirements for retailers to protect customers from disproportionately high standard variable rates at the end of their contracts. It is important that customers are not disadvantaged from switching in the first place.

C2 – Third Party Intermediary (TPI) accreditation. We are supportive of a framework to govern TPI behavior, set out under O4 (action for Ofwat). That said, we do not consider it appropriate for the consumer body to endorse a kitemark style accreditation. CCW could develop principles on how we would expect a TPI to behave, but we would not endorse or provide accreditation. It is important for the action to reflect this. We are happy to work with Ofwat on how we can make improvements in this area but we need the Strategic Panel to change this specific action relating to CCW.

Q8) Is there any other feedback you would like to provide on the draft roadmap?

On behalf of businesses customers, CCW wants to see the water retail market deliver benefits for businesses of all sizes. As progress is made to deliver the actions set out in the roadmap, we are keen to understand if the actions have delivered the expected benefits. As such we will continue our discussions with business customers directly and collect their views in our tracking research, carried out every two years, and through our complaints data. Where there are gaps in understanding the customer viewpoint, we would welcome working with the Strategic Panel to gain those important customer views.

Clear Business Water

Dear Sirs,

Clear Business Water Limited (“we”, “us”, “our”, “CBW”) is part of the Verastar Group. We have over 20 years’ experience of providing essential utility services to customers including: water, wastewater and trade effluent; gas; electricity; telecoms; payment services and insurance. We have been an active Retailer in the England Water market since it opened in 2017.

We agree that change is required in the England Water market to achieve the market aims of delivering lower bills and improved services and helping customers save water. We appreciate the work the Strategic Panel has undertaken as part of this review and have provided some high-level comments on the review below:

1. Market Outcomes

We broadly agree with the market outcomes identified under the review and that each of these outcomes has the potential to move the England Water market toward being a flourishing market.

2. Regulatory Framework

The regulatory framework set under the Retail Exit Code (REC) was not intended as an enduring mechanism for the market. The price protections set under the Retail Exit Code do not allow Retailers to offer meaningful savings to customers to encourage switching or for Retailers to earn a fair return, preventing innovation and investment.

In our experience, the key motivator for smaller customers is the service they are receiving and the price that they are paying. As identified by the review, a lack of switching/renegotiation does not necessarily mean a customer is disengaged. Under the price protections set by the REC, the benefit of switching is minimal compared to time and effort customers would expend in renegotiating their tariff or switching supplier.

Without a relaxation of current price protections in place for the majority of customers in the market, the proposed actions for the roadmap may not be able to demonstrate the perceived customer benefits (i.e. increased awareness and engagement, increased switching, demand reduction) to be able to assure Ofwat that customers will benefit from and remain protected in a self-regulated market.

Further, the averaged costs and allowances provided for under the REC are insufficient to cover the costs Retailers face in the market. In particular, the allowance for bad debt is

unrealistic when Retailers also lack options to limit their exposure to bad debt through the regulatory framework. Smart metering and improved data will go some way to helping prevent bad debt; however, there are limited options available to Retailers outside of disconnection and litigation action, which are lengthy and do not always result in payment of outstanding debt.

3. Market Actions

3.1 Supporting a move to self-regulation

In general, we consider that to support a move to a self-regulated market that supports competition, regulation should be based on principles that do not restrict or prohibit innovation or act as a barrier to entry for potential new entrants.

Some of the actions proposed, whilst we understand the intent, may be too prescriptive. For example, mandating certain information to be provided on bills (C1), introducing additional self-certification (R3) and introducing additional price protections (O9).

3.2 Smart Metering

We are supportive of actions to implement smart metering at the earliest possible time. Smart metering, in conjunction with other market conditions, will deliver benefits to both customers and Trading Parties.

However, our experience of the smart meter roll out in the energy sector has shown that installation on a large scale takes time and we question whether the delivery timescales of the associated actions are achievable. In particular, we would question whether the delivery timescales for the actions for smart tariffs (W3) and to share accurate, granular consumption information (R5) are possible when the delivery of a smart settlement process (M4) and installation of smart meters (W4) is not expected until 2029 and beyond.

3.3 Customer Protection Code of Practice

We are mindful of the work that is currently ongoing to update the Customer Protection Code of Practice (change proposal CP0013) which currently includes protections around end of contract notifications and mandated billing fields, which are also proposed actions under this review. We assume that any actions, even those that sit outside of Ofwat's actions, will no longer be considered necessary if implemented under CP0013.

Should you wish to discuss our response or have any questions, please do not hesitate to contact me.

CIWEM

As the Chartered Institution for Water and Environment professionals, we have concern over water, its usage, distribution and quality. We are presently engaging with government on these topics and others aligned closely to their new agenda. We are heavily active with the industry many of whom are our members and conduct research and thought leadership to represent the profession across the water industry.

As requested in your presentation, we have some concise feedback below that we believe ought to be considered as part of your final report:

Q1) We welcome the approach to the draft roadmap. With non-household water demand an increasing source of pressure on available resources, the role of MOSL and its partner organisations in encouraging improved water efficiency by customers will only increase. In general, we support the measures set out within the roadmap to improve data accuracy and availability, and information clarity as a means to embed a well-functioning market that can improve engagement with water efficiency messaging and incentives. However, given the extent of water demand pressure between now and 2050 we consider that water efficiency incentivisation needs to be driven more overtly across the roadmap as a whole and that MOSL must take more direct ownership of this.

Q2) To a point. However, some of the conditions are rather passive in relation to water efficiency. And on conditions relating to “customer engagement and choice” there are no direct references to customer engagement driving forward (e.g. through clear and proactive messaging) water efficiency and good wastewater practice. IA3, IA4 and IA8 could all be more proactive in terms of stating a clear outcome being improved water efficiency. DA2 is very passive – Retailers should offer water efficiency solutions to any customer (not “can offer”). There should be a clear expectation that retailers should be doing this.

Q3) No

Q4) Please see specific conditions identified which should be changed to include more explicit mention of water efficiency and wastewater / drainage sustainability.

Q5) We consider the actions should deliver improvements, however again on water efficiency and wastewater sustainability we are concerned that MOSL itself is too passive and hands-off. Actions in this space appear to be put onto Defra and wholesalers (though we welcome action M3) whereas we consider one of the potentially attractive aspects of a market could be retailers competing on the quality of information and support provided to customers on how they might save money on the supply or wastewater components of their bills.

Q6) No

Q7) Actions M1 and M2 could more overtly reference water efficiency as a strategic priority underpinning these actions.

We hope that you will find our feedback helpful and look forward to your final report

Dorchester Living

Dear Sir/ Madam,

Further to last week's Strategic Roundtable, I write on behalf of Dorchester Living to the Roadmap consultation.

I also note the underlying objective of the review; "To promote, challenge and lead the operation and evolution of the market for the benefit of business water customers".

With this in mind, I would reiterate the importance of the following matters going forward;

- Improved communication to customers
- Greater transparency from suppliers
- Clear and easy to understand guidance on best practice
- Collaborative approach to identifying / upgrading existing aging infrastructure
- Increased usage of smart metering
- More accurate billing, derived from more accurate consumption data

I hope this information is helpful.

I would also be grateful if you could keep me in the loop as the Roadmap moves forward.

Dwr Cymru

Q1: Overall, to what extent do you support the approach to the draft roadmap? (please indicate):

Very supportive

Supportive

Currently neutral

Unsupportive

Very unsupportive

Market conditions

Based on the 31 market conditions outlined in section 5 of this document:

Q2: Do you believe the conditions will drive the desired customer behaviours and therefore outcomes? Please explain why. **Yes – the conditions are comprehensive and appear to deal with issues that have been identified and what needs to change to make the market work better and deliver benefits for customers of all sizes.**

Q3: Are there any conditions you think should **not** be included? If so, please use the reference code(s) **No**

Q4: Are there any conditions that should be **added or changed**? If so, please use the reference code(s) **No**

Actions

Based on the 34 actions outlined in section 6 of this document:

Q5: Do you believe the actions outlined will deliver the conditions? **Yes**

Q6: Are there any actions you think should **not** be included? If so, please use the reference code(s)? **No**

Q7: Are there any conditions that should be **added or changed**? If so, please use the reference code(s)

We have an observation on W2. The description of this action includes text that “may require new or reformed frameworks or tariffs” with a short term delivery 2026. Given the timeframes for consideration of new tariffs / internal approvals / indicative tariff publication and the potential incidence effect of introducing new tariffs we question

whether the proposed timeframe is achievable. Should changes in tariffs due to efficiency be aligned to the changes proposed in tariffs in W3 and M4 which have a longer term delivery in 2029?

Q8: Is there any other feedback you would like to provide on the draft roadmap? **No**

Everflow

Overall, we are generally supportive of the approach to the draft roadmap, but there are some elements that we oppose.

Conditions

Our first comments relate to the themes. We initially struggled to understand how the themes were identified and how they connect with the original focal themes of the strategic panel – value creation, service excellence and water efficiency. As we have engaged with the roadmap we have connected the themes as follows:

Customer engagement and choice

We perceive that while the Panel's goal is to see **customer service excellence** in the market, its role in delivering that is to encourage greater competition by ensuring customers are able to engage more with the market and gain from the choice they have. The more that customers are aware of the market and the benefits of switching, the more switching will occur and this in turn will put pressure on water retailers to up their game on customer service and truly compete.

Accurate and accessible data





Data is such a critical underlying issue in the market that it is not hard to see why this was selected as a theme for the roadmap. We believe that improving and leveraging data, including by the introduction of smart meters, is the right focus for delivering **value creation**.

Process capability and economics














We find this theme to be unclear. We also note that the conditions that are attached to the theme all relate to delivering greater water efficiency in the non-household market. We therefore suggest that the overarching theme be revised to align more clearly with the third of the Panel's core objectives: **water efficiency is core**.

Our view of the conditions

We present below a visual summary of our view on the conditions using icons that indicate our position on each. The meaning of the icons is as follows:

	We agree that this is a condition we should be pursuing as a market
	We would support a condition along these lines but have concerns about the current expression
	We do not agree that this is a condition we should be pursuing as a market
	We question whether this is a relevant condition for the market to pursue

Customer engagement and choice – 16 conditions

Market condition	Ref.	
Customers and new entrants are aware of the market	IC1	
Plain English guidance on market structure informs decisions to join the market	IC2	
Smaller customers re-negotiate their contracts or switch suppliers to gain better value	IC3	
Provider behaviours are guided by a fairness framework not just market forces	IC4	
Potential new entrants have access to information on the state of the market	IC6	
Obligations on Third Party Intermediaries to protect customers from mis-practice	IC8	
Customers know they are protected from retailer/wholesaler failure	EMP1	
Customers trust the switching process	EMP6	
Customers understand the regulatory protections in the market	CO2	
Customers can easily identify their retailer and wholesaler	IA2	
Information must be provided on bills and in a way that customers understand	IA3	
Customers can take an independent interest in their meter reads	IA4	
Customers know when their contract ends and are free to switch or renegotiate	IA6	
Third Party Intermediaries provide tools that inform customer decisions	IA8	
A dedicated website provides customer guidance on the market	IA12	
Wholesaler tariff structures are harmonised across regions	RC1	

The theme title ‘customer engagement and choice’ rightly recognises the need to increase customer engagement with the market so that customers can fully benefit from choice. Not only will this enable individual customers who switch to benefit from a better service; it will put greater pressure on retailers to compete on service excellence. We support every

condition that aligns with this approach of driving greater competition as a means to delivering better service.

We do not support some of the conditions because we believe they would unduly undermine increased customer engagement or constrain the development of competition. Specifically:

- We do not think engagement is being harmed by customer concern over whether they are protected from wholesaler or retailer failure, and addressing this subject in a customer-directed way could actually deter customers from engaging with the market. For example, new entrant retailers may be perceived as more risky.
- While there is room for some regulation around what appears on customer bills, we are concerned that regulation is going too far on this. Driving homogeneity is unhelpful to customers who wish to compare retailers and billing is a key area of differentiation. The burden of regulation also falls most heavily on smaller new entrants and will not help toward attracting new players.
- TPIs play a vital role in helping customers to engage with the market. There is a need to achieve a balance between encouraging TPIs themselves to engage with the market and the a level of regulation that will deter TPIs from engaging with the market at all. We elaborate further on this in relation to the actions being proposed around TPIs.

We have marked several of the conditions on the list with a question mark because we do not think they are the right actions to support greater engagement and could be a misdirection of effort.

- The conditions that intend to encourage new entrants are unlikely to be effective, in our view as a (now established) new entrant. We perceive that the Panel needs to develop a better understanding of what deters new entrants from obvious sources such as adjacent markets, and to understand the experiences of new entrants that are in the market.
- We have neither evidence or experience to suggests there is a problem with customer trust in the switching process. We question whether this is a key area of focus to encourage greater engagement.
- We do not believe customer understanding of regulatory protections in the market is relevant to increasing engagement and choice.
- We do not agree that customers' ability to access their own meter readings is a key area of focus for increasing customer engagement with the market. This is more appropriately covered by conditions included under the other themes.

Accurate and accessible data - 8

Market condition	Ref.
Innovation in services is supported by accurate data	DA1
Data on customers is accurate	DA1.1
Accurate data supports market collaboration	DA4
There is clarity where correct customer data is held and who has access	DA5
Clear obligations support accurate data which can be reviewed and audited	DA6
Clear market eligibility rules are applied consistently across regions	MSD1
Customer data is available to all authorised stakeholders	MSD2
Trading party processes and behaviours support effective market functioning	EMP5

Processes, capability and economics – 7 conditions

Market condition	Ref.
Retailers can offer water efficiency solutions to any customer	DA2
Changes in consumption can be derived and compared from reliable data	DA3
The market framework supports water efficiency services by retailers	MSD5
Smart settlement and tariffs provide clear price signals to customers	MSD6
Sandboxing allows ringfenced innovation that could support wider change	MSD7
Customers are incentivised via retailers to reduce demand	IC7
Smart technology and settlement enable the roll out of smart tariffs	RC3

We support all of the conditions identified under the theme of ‘accurate and accessible data’.

We are not opposed to any of the conditions that relate to delivering greater water efficiency (or ‘process, capability and economics’) but we are concerned by some inconsistency between the roadmap and work being done on water efficiency elsewhere. For us to be supportive, some of the conditions need amending with a shift in emphasis.





- Retailers can already offer water efficiency services to any customer, and we have been able to do this with our SME customers. The significant barrier to water efficiency is that many customers are disengaged. This condition also connects with other wording in the consultation implying the reason retailers ‘can’t’ offer services to all customers is that wholesalers haven’t made services for customers available.

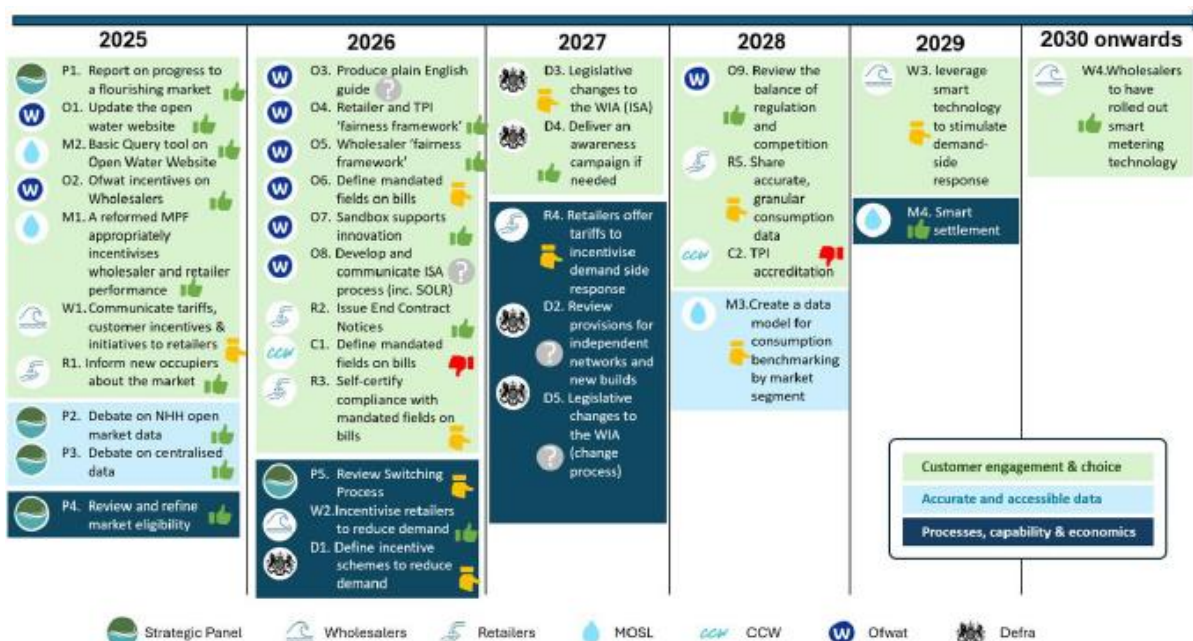
We do not agree – we think the underlying problem of customer apathy needs to be captured in the condition. Customer demand for services must be stimulated.

- We agree that customers need much stronger incentives to reduce demand. We also agree that the way charges currently apply sends the wrong signals – although correcting this will not be sufficient to incentivise customer engagement in our view. We are concerned by the condition that suggests it is up to retailers to incentivise customers. Retailers will not be able to create customer incentives on their own.

Actions

As with the conditions, we have applied icons to the action plan indicating our views on each action. The meaning of the icons is captured below:

	We agree that this is a priority action to support the development of a flourishing market
	We would support action along these lines but have concerns about the current expression
	We do not agree that this is an action we should be pursuing as a market
	We question whether this is a relevant action for the market to pursue



Timing of delivery

Alongside our view on whether the actions are right, there is a question of timing with the actions. We would like to draw out a few key actions that we feel need to be accelerated:

- Incentives for retailers and customers to reduce demand should be a top priority and accelerated to 2025.

- A review of the balance of regulation and competition should be given earlier priority.

Individual actions

Taking the action plan as a whole, we believe the actions needed to support the development of a flourishing market are present, but in our view there are a number of additional actions that will crowd the really important actions. Our views on the conditions will signal our opposition to some of the actions and our ambivalence to others. To summarise:

- While there is room for some regulation around what appears on customer bills, we are concerned that regulation is going too far on this. We are not opposed to some standardisation across all bills, and customers on deemed
- could particularly benefit from mandatory inclusion of a reminder on each bill that they are not bound by a contract and have the freedom to switch supplier. Customers in contracts are different in that they have already engaged with the market so it is less clear why they would need to be reminded of the market – although we would not be opposed to including appropriate messaging on the bills of customers in contract to support continued engagement. We think it important to recognise that driving homogeneity is unhelpful to customers who wish to compare retailers and billing is a key area of differentiation that could quite rightly be the incentive for a customer to switch. In addition, it must be recognised that the burden of regulation also falls most heavily on smaller new entrants and will not help towards attracting new players. We strongly oppose some of the ideas being put forward for standardisation on bills, such as the inclusion of a ‘best price’. Practically it would be difficult to accurately and fairly include this on bills, as business to business contracts are negotiated. But we are opposed to this idea in principle as well because it would simply drive a race to the bottom on price in the retail market; deterring new entrants and TPIs from engaging; and harming the development of service excellence and water saving as part of the service we offer.
- We are concerned that the only action in relation to water saving in 2025 is for wholesalers to tell retailers what they plan to do. There are several retailers who are working hard to take the lead on delivering water efficiency in the market and this first action suggests retailers will be passive or dependent on wholesaler initiation, which is certainly not our intention at Everflow. We do not think the market roadmap here is very aligned with the RWG roadmap on water efficiency and suggest that greater alignment is pursued.

- If Defra is to engage with the water retail market and take action to stimulate competition to enable a flourishing market, its actions should focus on what really matters to that end. We agree that there will be a great opportunity to deliver change through new legislation in the coming years but we are concerned that the market's own roadmap should point Defra towards actions that are top priorities for the market's development. At the moment we think the roadmap falls short in this area. We've been working with the UKWRC to develop priorities for key legislative change and would be pleased to see the Panel consider further what the roadmap needs to include in this vein.
- We agree conceptually that retailers should be able to incentivise demand reduction through their own tariff innovation, but it must be recognised that the market's approach to charging does not support this. We would welcome further exploration on how retailers could be given greater freedom to innovate on tariffs.
- We are concerned about a move towards stringent TPI regulation that will deter TPIs from engaging with the market altogether. It is perhaps taken for granted that TPIs play an active role in helping customers to engage with the water retail market but the reality is that we at Everflow have worked really hard to attract energy brokers into the water market. Although we recognise the need for some regulation to prevent damaging behaviour in the market, we believe the current overall position is that TPIs are bringing much more benefit than harm to customers and the market. We view the proposal for a kite mark as having the potential to cause TPIs to withdraw from the water market, as their incentives to engage are already very small and struggle to compete with the much stronger incentives to concentrate exclusively on energy.
- We agree that smart meter data must be leveraged to stimulate a demand side response, but in the non-household market we firmly believe that this is the role of the retailer and not the wholesaler.

Severn Trent

Q1: Overall, to what extent do you support the approach to the draft roadmap? (please indicate): Very supportive [] Supportive [x] Currently neutral [] Unsupportive* [] Very unsupportive* []

Q1a: Please explain your answer.

We are broadly supportive of the approach to the draft roadmap and feel that the majority is well founded and aims to move the NHH market forward to the benefit of customers. We do, however, have some reservations around specific points and the timelines for some of the actions.

Market conditions Based on the 31 market conditions outlined in section 5 of this document:

Q2 Do you believe the conditions will drive the desired customer behaviours and therefore outcomes?

We believe that the market conditions outlined will drive the desired customer behaviours, at least to the extent that the NHH market has control of that.

Please explain why

The conditions shown broadly address the current challenges within the NHH market for customers, many of which are well understood by those involved in the market, but which require change driven by parties outside the control of the collective market.

We believe that the conditions highlight the progress that has been made since the opening of the market, but also show those areas where there is still work to be done to ensure that the Non-Household Market delivers.

Q3 Are there any conditions you think should not be included? If so, please use the reference code(s)

CO2- We are not convinced that it is necessary for customers to fully understand the detailed regulatory protections in the market to feel reassured that there are appropriate protections in place. We do feel it is in the best interests of customers to have access to information to help them understand the basics of the protections in an easily accessible format, with full details available for the small minority who would wish to engage to that level.

Q4 Are there any conditions that should be added or changed? If so, please use the reference code(s)

IC3- Smaller customers engagement with the market might not always be in the form of renegotiating or switching retailers to gain better value from the opening of the market, especially as domestic customers (similar to our smallest customers in the water market) in other markets often find the value of their relationship with retailers in other areas than prices. As such we feel that this isn't necessarily a market condition which indicates success, although we feel there is some need for a measurable way of rating engagement of smaller customers.

IA2- We feel that it is critically important that customers understand not only who their Retailer and Wholesaler are, but also what the different responsibilities of the two organisations, especially since those differences will have an impact on customers selecting a Retailer, or indeed in rating the services of its Wholesaler via the B-MeX measure.

IA4- We feel it is as important for customers to understand their water consumption, rather than just having an understanding of their meter readings, although we recognise that they are also important in terms of checking billing accuracy.

IA8- Where there are additional services that customers require, we do not always feel that the provider of that service needs to be a third-party intermediaries.

Actions Based on the 34 actions outlined in section 6 of this document:

Q5 Do you believe the actions outlined will deliver the conditions?

We understand that the actions are aimed at delivering the conditions and we feel that broadly speaking they will deliver them, notwithstanding the comments on the conditions already made and the comments made below. We also have some concerns that the timescales might not be challenging enough to deliver the conditions in the most time efficient manner, we have noted those where we think there is a case for modification of the timescales below, including a rationale for them.

Q6 Are there any actions you think should not be included? If so, please use the reference code(s)

P1- As the Roadmap document itself acknowledges flourishing isn't an end-state so progress towards it is equally difficult to monitor in a meaningful way, especially as many of the benchmarks we might choose are also not fixed. Our comments on IC3 are relevant to this. Although we can see the logic of including a "progress" based measure, we are concerned that the definition flourishing might lead to progress, both that made already and in future being underestimated or missed.

Q7 Are there any conditions that should be added or changed? If so, please use the reference code(s)

P2- This bears further exploration to see what value can be derived for customers from this work, however there are questions of data ethics around who should be allowed access to what can be quite sensitive data. GDPR concerns about sole traders have not been addressed in the market as yet, although we feel this is an often-overstated issue it does need to be resolved. We think unless we are clear what we desire as an outcome, we cannot form an opinion as to whether this is worth it.

P5- We have a view that this timescale is overly long, we feel that this could and should be progressed more quickly. We also feel that we need to decide how will we measure confidence in the switching process? We agree that the switching process should be reviewed, there are aspects that have not been looked at that probably should be- including the rate of blocked switching and the way that the process works for larger customers with extensive portfolios, all the way through to single sites.

O3- We feel that this area is essential to move the dial on customer engagement with the market, although we think it could be achieved sooner than 2026 with some assistance from Trading parties and MOSL.

W2- This will require some significant work on the part of Wholesalers, especially when it comes to tariffs and methods of incentivisation to reduce demand. Work already going on to reduce PCC will inform the solutions to this, this is well underway in several wholesalers and sharing best practice will be important. The next phase would seem to be to determine which Tariff methodologies we, as a market, are willing to use in future- removal of falling block tariffs seem inevitable, but moving to rising block or some kind of capacity charge for large users will need to be considered. There could well be large incident effects on some customers, so a phased introduction might be more appropriate and the length of time this takes should be reviewed with those customers most affected being considered. The 2026 timescale might well therefore be ambitious.

W3- We are very supportive of smart metering solutions for customers and are committed to making the best use of AMI technology. However, while smart metering rollout will be underway in most wholesaler's areas at the beginning of the next AMP, it is not yet clear how much this will drive demand reduction, given the general trend in water consumption is very slightly upward. We feel that this is only a part of the picture to deliver the 9% demand reduction target set by Defra.

R-5- We have a question around whether Retailers have sufficient incentive/capacity to do this for customers. Several retailers are offering similar services at a cost at the moment, but

customers have chosen not to take up this offer. As there is a cost associated with this, how do we persuade customers this is better value than reducing their overall charges by negotiating that margin off the tariff.

Q8 Is there any other feedback you would like to provide on the draft roadmap?

We feel that there is an opportunity to move some of these actions along more rapidly than the timescales suggested in the document, especially with wider engagement with trading parties and working groups such as the RWG, UKWRC, WIG and Water UK.

South East Water

Dear Panel,

Thank you for sharing the presentation and for the helpful roundtable session to discuss the contents.

We would like to take the opportunity to provide our written feedback to aid the discussion and development of the road map. We have tried to group our response into categories raised in the slide deck, but at a high level as a Wholesaler we believe there are three overarching requirements that the market needs to deliver over the next period to create a flourishing market: Competition, Water Efficiency, Data Improvements. In our response we will aim to share insight into the data work that we have been undertaking and our views on water efficiency and competition

Competition

The road map seeks to classify customers into 3 groups based on water use. We feel this is a quite simplified view and categorisation. It is also important to understand that these groupings are not equal:

In terms of numbers for SEW:

- Group 1 - 83% of SPIDs fall into the <0.5Ml
- Group 2 - 16% of SPIDs fall into the 0.5 -50Ml category
- Group 3 - < 1% of SPIDs but consume 40% of the total volume

Group 1 represents the vast majority of SPIDs in the market, and as highlighted this group have limited understanding of the market, minimal switching and minimal margins for Retailers to provide a service differential to provide competition. The type of SPIDs in this category often have a largely domestic type of use, toilets and drinking water supplies, many are mixed use with an element of household use in addition to the business use (flat above a shop). This group may be missing out on opportunities offered by Wholesalers to receive water efficiency advice and devices.

We would propose that to provide competition for this group, customers should be able to choose to opt out of the Retail market, this will drive competition for this group and ensure Retailers do provide competitive service offerings for this group which currently feel overlooked.

Clearly this will put a challenge on current Retailer models and to offset this risk we would propose that we open the market to domestic customers. This could be undertaken in phases;

Phase 1 - within our supply area we have identified up to 25,000 properties in the household system with some element of business use. With diversification since Covid 19, holiday lets and local business based from properties have thrived, typically the majority of use will remain domestic and so on a complex eligibility assessment they would remain Household. We recommend we do away with the complex eligibility assessment and enable any mixed use property to enter the market.

Phase 2 – enable any household large user (group 1 or group 2) to enter the market. There will be relatively few of these but there remain blocks of domestic flats and social housing run by management companies and councils which meet this volume criteria. Management companies may have national coverage and so could benefit from the ability to select one Retailer and receive the dedicated water efficiency advice and information that some retailers can provide.

Phase 3 – provide choice to all domestic customers by enabling them to opt into the market. If we signal this approach now the market will become more attractive to large Retailers who want to offer multi utility billing solutions. We may consider the roll out of phase 3 to be aligned with smart meter roll out with meter reading being a potential blocker for market entry. It is important to signal the future market opportunities to create new market entrants.

The market will not flourish until there is competition for each group of customers.

Water efficiency

Each wholesaler will have targets to deliver water efficiency to NHH properties and the market will be used to assess the effectiveness of this delivery. These are stretching targets for Wholesalers and need all market participants to play their part in supporting initiatives and the delivery. As highlighted in the round table session starting the work in 2029 will not meet the ambitions and delivery targets of Wholesalers. This will lead to multiple different initiatives being delivered by Wholesalers in different regions to different NHH sectors. Retailers will struggle with potentially complex regional tariff structures which Wholesalers may choose to implement. It is important that the market and strategic panel play a role in co-ordinating and stimulating the discussion on water efficiency in the market, one of the key outcomes the competitive market set out to deliver.

The groupings set out can enable the benefits to be realised much earlier than proposed by targeting customers in the higher use groups. We strongly recommend that a review of the approach to water efficiency is considered in year 1 and 2 of the road map for customer groups 2 and 3. These two groups probably represent 80% of the total volume consumed, so by tackling this group the majority of the savings could be realised. This means changing the approach for these customer groups – enabling wholesalers to fully engage with them and offer advice and guidance to deliver efficiency savings.

Data

We have been undertaking a property mapping exercise using a third party system called Address Base to validate our SPIDs against. We are seeing that property changes (demolitions / separations / conversions) are not being identified. Retailers are reluctant to notify Wholesalers of demolitions as they lose control of the SPID if it becomes deregistered. Wholesalers no longer visit the properties to read the meters and therefore are not capturing key data about the premises like the type of use. We are looking to use address base to enable changes to SPIDs to be picked up through address base to enable us to effectively control these data sets.

It is important to understand that a SPID and a property are different. Through our data work we are creating a supply types for each SPID: Property NHH Bulk – where a supply feeds multiple addressable entities , Property NHH – where the supply feeds a single commercial entity, Field NHH – where the supply feeds a non-addressable entity like a trough, standpipe or irrigation supply. The use of the water is really important for all our priorities and so we think it is important that the segmentation of data fully considers the types of customer and water use for the market to flourish.

Currently we have about 51,500 SPIDs in the market, there are 75,000 addressable NHH properties in address base associated with these and several thousand non-addressable supplies. A large proportion of our SPIDs do not represent a single property or single supply point. Over a third could be defined as bulk supplies providing water to multiple addressable entities or ‘child supplies’ , many of these include properties where the majority of use is domestic. For example our largest consumption recorded against a single SPID is an MoD site which includes military housing and our second largest is a university campus containing student and lecturer accommodation. Understanding the use of the water and the properties connected to each SPID is essential to understand Water Efficiency and Data Improvements. In both of these examples these SPIDs would fit into the Group 3 customers, the account manager will be aware of the market and potentially even engaged in switching however with charges for water apportioned between the end users there is little to no

focus on water efficiency other than prevention of leaks. At the moment the market does not have dedicated fields to capture and record information related to these child supplies so changes will not be captured. This is really important to be able to assess water efficiency. If the university campus builds extra accommodation their consumption will go up. In the market under the current assessment this will look like our NHH PCC has increased, clearly this would not be the case.

We need to capture how and where the water is being used and that means capturing these child supplies in the market. This will also ensure that the market includes all supplies and prevent gap sites.

We hope you find the above of interest and we would be happy to have a more detailed discussion with you on the work we are undertaking to ensure we can work together to create a flourishing market.

South West Water

Many thanks for the opportunity to comment on the Strategic Panel's consultation on the Roadmap to a flourishing non-household retail market in the water sector. We recognise the thought that has gone into the roadmap, the supporting evidence provided, and the review of the market landscape and its infrastructure.

There are many aspects of the 34 actions identified that we support and as a whole we are confident that the roadmap will help to provide the right conditions for a flourishing market. We particularly like the clear allocation of actions by stakeholder, and we respond here with a view covering the actions that are suggested for wholesalers and retailers.

From a wholesaler perspective, we agree that it is important to communicate tariffs, customer incentives and initiatives to retailers, one of the key steps identified for 2025. In our case we are undertaking an innovative trial of seasonal tariffs starting this year that includes non-household as well as household customers. This is part of our ambition to make charges fairer for all customers. We see our engagement with retailers and communication on this important ambition as a good example of how change in the sector can be enabled in a way that also supports the non-household retail market. As we develop new tariffs, there are opportunities to share our learnings and experience, and to consider where this may support the open data parts of the roadmap.

We agree with the roadmap that smart metering and new technology are ambitions to take advantage. Targets and ambition to see the roll out of smart metering substantially completed by 2035 that enable this are welcome and reflected in PR24 plans in line with government ambitions.

As a wholesaler we believe there are many ways of encouraging water use and efficiency. There may be competitive market opportunities in the future for retailers. Our Flexible Water Supplies Ofwat innovation project with Castle Water and others provides a pilot of one possibility where there is spare water that can be treated and supplied through the business retail market. Ofwat are currently consulting on the licence change for Castle Water to enable the commercial model as part of this pilot. This may be an area where the roadmap can adapt further in the future, perhaps as part of Ofwat's review of the balance of regulation and competition in 2028.

From a retailer perspective, it is important to bear in mind that it is a low cost to serve as well as choice of customer service and offerings that will protect customers as a whole in the retail market. For actions aimed at retailers, it is important that this is kept to a minimum in order to allow the competitive benefits of the market to flourish. The greater

the benefits, and lower the costs, the more chance that the market will flourish for retailers and their customers. We believe the roadmap should be kept under review using measures of the regulatory burden on retailers and the cost to serve, when considering measures that are designed to encourage switching. Regulation has a role in a flourishing competitive market, but the market will only flourish with an efficient regulatory burden. For the smallest customers, the cost of increasing awareness in the market has to be minimised.

One limitation with surveys of market awareness is that if customers generally receive a good service and this is a major driver of switching, then awareness may remain low. It is important that a distinction is made between effective retailers, who consistently provide a good service, and where there is a persistent cause of poor service that affects confidence in the market. A proportionate approach based on retailer track record could be an option to consider where choosing between burdens on all retailers, and indicators of where targeted interventions from the roadmap may be beneficial. We would note a difference between the water retail market and other examples mentioned in the roadmap (such as the retail banking market). For most business customers, a poor retail market will not interrupt their business – they will continue to receive the wholesale supply. This may not be the case in comparator sectors. For instance, poor retail banking can easily directly affect business' ability to operate. The cost of encouraging interest in the market must be of concern for water business retail, because the impact of the potential harm is different in water to other sectors – there are fortunately very few circumstances where wholesale services are at risk.

The roadmap usefully lists out some of the key indicators for a flourishing market. We believe that measures of customer satisfaction with water service and data on the process should be of primary focus, compared to a focus on market share and switching. We think this is the intention with the data that will be used to monitor the market, although this is less clear in terms of the description of the actions proposed in the roadmap. The market was never likely to see significant switching, given the low proportion of the bill retail activities provide. We think that freedom on tariffs with a focus on water efficiency will best meet the original objectives of the market (from the original Cave review), which saw the potential for innovation in service offerings for water use as of greater economic value than the likely (but still important) customer service benefits from choice. Given this, market choice is more likely to remain attractive for larger business users. For smaller users, who are more vulnerable to changes in their water bill, market interest is likely to be low because water bills remain less significant than other utility costs such as electricity. Making switching easy in these circumstances is best supported with a low cost to serve for retailers, and protection that is proportionate to the risk.

We comment on the specific questions in the consultation in an appendix to this letter.

Q1: Overall, to what extent do you support the approach to the draft roadmap?

We are supportive overall. We believe it is important that there is a roadmap to a flourishing market and that this is kept under review, including the detailed evidence that support the roadmap being refreshed over time.

Our comments in our covering letter suggest that there may need to be a clear focus on the cost to serve when considering specific elements of the roadmap, and that the theories of harm should bear in mind the specifics of the water market, and its economics. A focus on customer satisfaction with retail service, rather than switching and market concentration, will ensure that water efficiency benefits are maximised. As we explain in our letter, we think the risk to small water business consumers and their appetite and importance of switching is fundamentally different to other sectors, such as the retail banking market. The wholesale service is protected and should hardly even prevent business operations. Where there are exceptions, both the wholesaler and retailer can and are held to account, with trends identified through both satisfaction and the Market Performance Frameworks.

Q2. Do you believe the conditions will drive the desired customer behaviours and therefore outcomes

Accurate data, the potential for customer engagement and the efficient and economic processes are important market conditions. We would make a distinction between the market condition and the outcome – the objective to contribute to water scarcity, and innovation (e.g. in tariffs and water efficient services) is an opportunity, rather than a market condition. The market conditions need to focus on efficient market processes and a efficient cost to serve for retailers in the first instance. From this platform, market opportunities for retailers will arise. Where wholesalers are innovating in tariffs, there is an opportunity to look at how the market can support this change, but it requires an efficient cost to serve and regulatory conditions for retailers that provide them with the ability to support these innovations. We would suggest separating out the conditions for an efficient and effective market, from the outcomes such as innovative solutions.

Q3 Are there any conditions you think should not be included?

We are concerned that IC4 “Provider behaviours are guided by a fairness framework not just market forces” will need careful definition in practice. Whilst we understand the importance of fairness, it is a perception and will need to be carefully defined. This is more of an activity rather than a market condition.

We disagree with RC1 that “Wholesaler tariff structures are harmonised across regions”. This has been a consistent view over time and with the various related consultations such as

from the Retail Wholesaler Group (RWG). Water efficiency and tariff innovation will be constrained by harmonisation of tariff structures. Given the potential for open data and technology, we think this will not support achievement of the market objectives. It is defining a solution rather than being a market condition.

Q4 Are there any conditions that should be added or changed?

We would add a market condition specifically related to ensuring that market conditions enable an efficient cost to serve for retailers.

Q5: Do we believe the actions outlined will deliver the conditions?

Overall, we support the actions, assuming our amendments to the conditions we suggest above are considered.

Q6: Are there any actions you think should not be included?

O2: “Ofwat incentives on wholesalers”. This implies that Br-MeX incentives (Ofwat’s approach that combines features of R-MeX and B-MeX at PR24) relates to market concentration (HHI). We do not see the link here. We find it unlikely that existing retailer and customer satisfaction with wholesaler services will impact retailer decisions to enter the market. The market should enable retailers to enter the market to provide new services and irrespective of whether satisfaction with wholesalers is high or low. It is a relative measure of wholesaler performance, so is unlikely to relate to a national market and scale sufficient to attract new retailers.

Q7: Are there any actions that should be added or changed?

O5: “Wholesaler fairness framework” This action is clearer than the IC4 market condition that the fairness framework relates to wholesalers. We would suggest this is combined with O2 as an action – the information within BR-MeX should inform further development of the roadmap, rather than this separate framework. We would suggest further consideration of what this framework is designed to deliver, and whether it is wholesalers, retailers or both that may need such a framework. The purpose was not clear based on our review of the roadmap.

O9: “Review the balance of regulation and competition”. This suggests greater regulatory requirements in its wording and therefore we believe this should be replaced with a review of the impact of the balance of regulation and competition on the cost to serve for retailers, and the achievement of the wider objectives (such as encouraging water efficiency) of the market.

W1: “Communicate tariffs, customer incentives and initiatives to retailers”. We strongly support this action, and suggest it should be extended to include tariff innovation. Similar references should be included in W2 “Incentivise retailers to reduce demand” and W3 “Leverage smart technology to stimulate demand-side response”. W4 “Wholesalers to have rolled out smart metering technology” should explicitly link to Government targets for smart meter roll-out.

UKWRC

Thank you for the opportunity to respond to the Strategic Panel Draft Roadmap, and for taking the time to meet with members of the UKWRC to discuss.

We remain supportive of the aims of the roadmap - 'to provide Ofwat with sufficient confidence that customers will remain protected and could benefit from a move to more self-regulation and increased competition' and the Market Outcomes listed in Section 4.1 are clearly aligned with the UKWRC vision. However, as discussed when we met, we do not think the actions currently outlined in the Roadmap will achieve these aims as these do not address the fundamental issue 'that price protections may be preventing the market from becoming truly competitive and "self-regulating."'

As set out in the Roadmap, many of the aims of the market 'to help deliver lower bills, improved services, help businesses use less water and see new propositions emerge' are yet to be fully realised. However, the market is currently operating in a position where the regulatory framework does not allow competition to deliver, but Ofwat is reluctant to reduce regulatory constraints due to lack of competition. Unless and until the regulatory framework is addressed, the market will not, therefore, be able to deliver fully on its aims.

The Retail Exit Code (REC) was designed as a mechanism for the transition of customers from Wholesalers to Retailers at market opening, not to be a permanent price control mechanism for the market (this has been acknowledged in discussions we have had with Defra). It is backward looking, requiring retailers to offer prices and services linked to what the exiting Wholesaler offered seven years ago and restricting differentiation.

The REC is not conducive to regulating a competitive market, and needs to be replaced with a more appropriate regulatory framework designed to address theories of harm (rather than taking a blanket approach).

A more appropriate regulatory framework would:

- Move away from the use of average costs as a means of setting maximum prices, to one that allows cost reflective pricing, thus allowing all customers the opportunity to participate in the market.
- Be targeted towards customers who are at risk of harm, as is the recommended approach of the CMA.
- Be more flexible to respond to changes in economic conditions (such as the recent increase in interest rates, which the REC has not been updated to reflect).

- Remove the legacy constraints on billing and payment so as to allow more innovation, new customer service offerings and smarter tariffs to incentivise demand side response, as suggested in action R41.
- Make the market more attractive, encouraging new entrants to the market.

A review of the regulatory framework is fundamental to delivering market success, and cannot wait until 2028 (when a review of the balance of regulation and competition is proposed in the roadmap). We would welcome working with you to further develop the roadmap in this area, and on a review of the regulatory framework.

United Utilities

United Utilities Water welcomes the opportunity to comment on The Strategic Panel's consultation on the Roadmap to a Flourishing Market.

We are supportive of the important work that the Panel is doing to focus the market on the activities and changes required for the delivery of great outcomes for businesses of all sizes.

Consultation response Question 1: *Overall, to what extent do you support the approach to the draft roadmap?*

Response: We are very supportive of the approach.

Question 1a: *Please explain your answer.*

Response: We welcome and support the Panel's role and activities to date in providing clear direction for the market and helping to make progress in key areas such as the development of a national smart metering strategy. We welcome the outcome-driven approach and support the condition and actions identified.

Market Conditions: Based on the 31 market conditions outlined in section 5 of this document:

Question 2: *Do you believe the conditions will drive the desired customer behaviours and therefore outcomes? Please explain why.*

Response: Yes. The conditions provide clarity of what a flourishing market looks like and provide the necessary context and validation for the associated actions. They make a clear connection between the desired market outcome and the activities that make up the plan.

Question 3: *Are there any conditions you think should not be included? If so, please use the reference code(s).*

Response: No

Question 4: *Are there any conditions that should be added or changed? If so, please use the reference code(s).*

Response:

To be added:

We believe that accessibility for customers is key to a flourishing market and would therefore propose the addition of a condition that captures this, i.e.:

- “Customers can easily compare deals and prices” – this is critical to effective switching and is a staple of more mature retail markets.
- “Customers can easily compare retailer performance and make informed choices” – this relies on publicly available and simple comparative performance measures.
- “Customers can switch easily” – this may be covered under EMP 6 but switching needs to be slick enough to encourage customers to change supplier should they wish.

Changed:

RC1: Add – “Tariffs are simple” – standardisation and simplicity, where achievable, is key to support active switching and price comparisons.

Changed:

- IC3: A good outcome would be that a customer receives a better service, even without renegotiating.

Actions - Based on the 34 actions outlined in section 6 of this document:

Question 5:

Do you believe the actions outlined will deliver the conditions?

Response:

Yes – subject to observations shared under Q7

Question 6:

Are there any actions you think should not be included? If so, please use the reference code(s)

Response:

No

Question 7:

Are there any actions that should be added or changed? If so, please use the reference code(s)

Response:

Changed:

W3. Leverage smart technology to stimulate demand-side response

We have a concern over timing - whilst the tariff innovation elements of this action are probably appropriately earmarked for 2029, this is too late in the AMP for the use of smart data to support demand reduction action more broadly. To meet demand reduction targets, immediate action is needed. This includes making use of smart data to inform demand reduction interventions as soon after smart meter installation as possible. Some smart programmes are well underway, others will commence soon after 1 April 2025. Water security rightly identified as a priority - activities need to reflect the urgency.

Changed:

R5. Share accurate, granular consumption data

As with W3 above – this activity is required earlier in the AMP – aligned to smart roll-out plans. Benefits realisation relies on driving value from the data – not just upgrading the meter.

Changed:

O9. Review of balance of regulation and competition

This action should include a follow-up review of retailer margin. It would be sensible to review the REC, with consideration of progress made, and better understanding of the impact of, market frictions.

To be added:

In terms of data priorities in year 1 – collective action should be focused on cleansing / improving data quality more generally. This comes before questions of open data in terms of its criticality to good customer outcomes. It may be covered under the list of current activities, but we

feel it is important to have a single plan with visibility of all key actions and activities.

To be added:

Tariff simplification, where possible with consideration of broader charging obligations on wholesalers, is key to an efficient market and a key enabler to improved choice and simplicity of switching. It may be covered under the list of current activities, but we feel it is important to have a single plan with visibility of all key actions and activities.

To be added:

Year one priority – We feel that it's important to have appropriate levels of alignment and standardisation in the way smart meter data is shared across the market. This is required early in the AMP to align to smart metering rollout plans. It may be covered under the list of current activities, but we feel it is important to have a single plan with visibility of all key actions and activities.

To be added:

Year one priority - Continuing to improve the way that we support customers through unplanned incidents and events, in particular our ability to communicate with them. It's right that wholesalers take ownership of unplanned incident and event response to ensure speed of resolution and action. The effective management of unplanned events is dependent on the functioning of the market, in particular the capture and sharing of up-to-date customer contact information. It should be visible in this plan to ensure it gets the appropriate level of focus.

Visualisation of incident and event information for retailers may also be a requirement building on the work to get all of this info into the Hub.

There is a general theme missing which is that market activities compliment and support the effective delivery of

core water and wastewater services activities and the need to safeguard human health.

To be added:

Year one priority - Embedding joint demand reduction activities - aligned to AMP 8 / WRMP plans. It may be covered under the list of current activities, but we feel it is important to have a single plan with visibility of all key actions and activities.

To be added / is missing:

A central, common method of assessing data quality. It may be covered under the list of current activities, but we feel it is important to have a single plan with visibility of all key actions and activities.

Question 8:

Is there any other feedback you would like to provide on the draft roadmap?

Response:

We fully support the aims of simplification and harmonisation of tariffs; however, this can only be achieved where there is no conflict with other obligations such as charging rules and principles of cost reflectivity.

We welcome the aims of providing incentives for retailers and end user customers to encourage water reduction initiatives once the data is available to support this activity. We would appreciate early clarity on any proposals for these incentives to ensure that they can be delivered within the timescales required.

Water Plus

Consultation questions

Q1: Overall, to what extent do you support the approach to the draft roadmap? (please indicate):

Very supportive []

Supportive []

Currently neutral [✓]

Unsupportive* []

Very unsupportive* []

Q1a: Please explain your answer.

Water Plus broadly supports the direction of the proposed roadmap to a flourishing market, however we believe there are core messages that will need to be strengthened or more clearly stated to ensure the market is placed in a position to thrive.

Whilst we believe the aims listed within the documentation are positive, there is currently insufficient focus on ensuring the sufficiency of margin to enable competition to thrive and ensuring the sustainability of efficient market participants. Fundamentally, until regulatory restrictions are relaxed and pricing is more reflective the market will be unable to deliver the benefits it was set up to deliver.

The roadmap to a flourishing market must clearly establish a pathway to competition, which is currently limited by the existing regulatory framework in the Retail Exit Code. For competition to be enabled across the market, it is crucial that a fundamental review of the Retail Exit Code is undertaken to assess the appropriate approach to customer pricing protections in a competitive environment.

Market conditions

Q2 Do you believe the conditions will drive the desired customer behaviours and therefore outcomes? Please explain why

No

The currently proposed roadmap does not detail a clear trajectory towards all eligible customers appearing within a range of competition, where there is sufficient margin available to enable switching and contracting below regulatory protections. The conditions

listed are likely to improve the efficacy of the market, but will not stimulate all of the required outcomes for a competitive market.

Q3 Are there any conditions you think should not be included? If so, please use the reference code(s)

EMP1: We do not necessarily believe that the condition to 'protect customers in the event of retailer failure' is necessarily appropriate in the current format, whilst customers should be protected from factors outside of their control (e.g. Wholesale failure) where a customer elects to enter in to payment in advance terms (due to potential price savings) at a slight risk the cost of this should not be protected. Provided that any such arrangements are transparent, we believe this is a legitimate market dynamic.

Q4 Are there any conditions that should be added or changed? If so, please use the reference code(s)

An additional condition should be included that reflects the market undertaking a movement towards a 'backstop protection' on pricing, rather than regulated pricing approach currently contained within the Retail Exit Code. Such a change would represent a better balance of ensuring customers are protected from potential excessive charging whilst also enabling competition to thrive.

MSD2 (Customer data available to all authorised stakeholders) - We do not believe there is currently clarity on what would be included within such data availability, and how widely data will be made available. As data can be personally sensitive to the individual customer or commercially sensitive to market participants, a more detailed industry discussion will be required before we can support this condition.

Actions

Q5 Do you believe the actions outlined will deliver the conditions?

We broadly believe the actions listed will step towards the conditions listed, however there are several individual actions that we do not see a clear value for. See questions 6 and 7.

Q6 Are there any actions you think should not be included? If so, please use the reference code(s)

Action R2, the currently listed detail is not functionally possible to deliver on current billing systems. Where Retailers retain such information in separate systems, this would represent a non-trivial change with limited benefit to the customer and as such may not meet a cost-effectiveness threshold.

Action R4, Retailers are not in a position to offer incentive tariffs unless this is at their own risk / cost or through wholesale charging. There are currently no financial incentives or financial remuneration for Retailers incurring such additional risk, and there is insufficient headroom in the current REC to enable such activity. We believe Retailers will have a key role to play in delivering Water Efficiency, and as such believe it is critical to ensure that Retailers are enabled to engage in such activities including incentivisation and ensuring sufficiency of margin to enable this behaviour.

Q7 Are there any conditions that should be added or changed? If so, please use the reference code(s)

O9: Whilst we believe that a review of the balance of regulation and competition in the market is absolutely required, there is currently too high a focus on the impact of rolling off of contracts rather than a central message of ensuring sufficiency of margin. We believe this should be more clearly targeted towards a movement towards a backstop protection approach to pricing regulations.

The currently established Retail Exit Code was originally intended to act as an initial protection for transferred customers at retail exit, and was not originally designed to effectively operate as a price control mechanism for the retail market. We do not believe that it represents a fair or effective approach to regulating a competitive market, and currently excludes a large number of sites from inclusion in competition. We believe an alternative approach should be developed, that ensures all non-household customers are eligible to competition and can see benefit from switching or contracting whilst also ensuring there is capacity for Retailers to innovate and drive improved customer outcomes.

Q8 Is there any other feedback you would like to provide on the draft roadmap?

We support most of the actions contained within the Strategic Roadmap, however we note that many key actions are currently dependent on regulatory stakeholders where there is no clear obligation for them to engage or complete actions. We believe clarity certainty on the future direction of the market will be critical for the efficacy of the non-household market, and as such we are keen to support engagement with key regulatory stakeholders to drive commitment and accountability.

Waterwise

Many thanks for the opportunity to respond on your Roadmap to a Flourishing Market. Overall we welcome much of the focus and actions detailed in the roadmap as key opportunities to support a reduction in demand for non-household business.

This roadmap has a key role to support the delivery of the [UK Water Efficiency Strategy to 2030](#) which has a vision of a UK in which all people, homes and organisations are water-efficient. We encourage that when complete the roadmap also references this strategy to help draw attention to it across the non-household sector and with retailers.

Key observations from us are:

- Importance of smart metering and innovative technologies to support reduced non-household demand
- Strongly support importance of consistent and shared data and the ability to compare water use with similar businesses/organisations
- There could be more reference to opportunity for the right quality water being used for the right use (e.g. not all uses should require potable water) - this could be a key enabler for demand reduction in the non-household organisations.
- Delivering the mandatory water efficiency labelling should be added to Defra actions. This is a key opportunity to support businesses that use water like households to reduce their demand.
- The value of water is more than just the cost of supplied water, we need to understand the cost to organisations of any future restrictions or and impact to future growth or existing operations. This is an area we at Waterwise have discussed with MOSL and would welcome it being included in the actions.

We have provided answers to the consultation questions below. If you have any questions on our response please do get in touch and we wish you all the best with developing your final roadmap.

Who is Waterwise

Waterwise was founded in 2005 and is the leading authority on water efficiency in the UK. We are an independent, not-for-profit organisation, receiving funding from supporters across and beyond the water sector and wider sponsorship and research projects. We like to be at the front, leading and supporting innovative efforts to realise our mission; that water will be used wisely, every day, everywhere, by everyone.

Q1: Overall, to what extent do you support the approach to the draft roadmap? (please indicate):

Very supportive []

Supportive [X]

Currently neutral []

Unsupportive* []

Very unsupportive* []

Q1a: Please explain your answer.

Overall we welcome the roadmap and are pleased to see a number of key actions and activities that have been called for in the UK Water Efficiency Strategy to 2030.

The RWG WE Roadmap has been developed with wholesalers and retailers working together and this should be incorporated into the wider market roadmap. It is important that both roadmaps are pulling in the same direction. There is a need for active collaboration between Wholesalers and Retailers to drive water efficiency in the marketplace.

We encourage that there should be an acceleration of actions around water efficiency, especially increasing the strength of the incentives for meaningful wholesaler/retailer collaboration in PR24.

We have outlined below some further amends and inclusions that could further enhance the final roadmap.

Based on the 31 market conditions outlined in section 5 of this document:

Q2 Do you believe the conditions will drive the desired customer behaviours and therefore outcomes? Please explain why.

Tentatively yes - Our focus is on water efficiency. The conditions outlined align with many of the areas of recommendation that we have seen influence demand reduction - e.g. smart metering, accurate data, segmentation to improve communications.

Changing behaviours for water efficiency is hard and there can be a number of factors that impact outcomes. It will be important that where actions relate to any behaviour change initiatives there should be a clear requirement that the [Evaluation Toolkit for Water](#)

[Efficiency Behaviour Change Initiatives](#) is used and that learnings are shared to keep under review the effectiveness of the activities - Waterwise is here to support with this.

Q3 Are there any conditions you think should not be included? If so, please use the reference code(s)

No

Q4 Are there any conditions that should be added or changed? If so, please use the reference code(s)

It may be that this could become an action rather than a condition. But it feels that reference to the opportunity for the right quality water being used for the right use (e.g. not all uses should require potable water) is needed - this could be a key enabler for demand reduction in the non-household organisations.

Mandatory water efficiency labelling in place could be added as a condition. This will be a key opportunity to support businesses that use water like households to reduce their demand.

Based on the 34 actions outlined in section 6 of this document:

Q5 Do you believe the actions outlined will deliver the conditions?

We believe the actions outlined will support the delivery of the conditions.

For example:

M3 - We are supportive of the importance of minimum standards and enabling consumption data to be compared. This is a key area outlined in the UK Water Efficiency Strategy to 2030 as needing action.

C1 - Clear and understandable bills are vital for aiding water efficient decisions.

We make some recommendations on amends and further actions below that could further increase the chance of successful delivery of the conditions.

Q6 Are there any actions you think should not be included? If so, please use the reference code(s)

No

Q7 Are there any actions that should be added or changed? If so, please use the reference code(s)

We support the conclusion that segmentation of Group 1 customers should be carried out to support better engagement. This can particularly help their water use reductions and help the sector understand opportunities for change and to target interventions effectively. It is not clear from the actions list though that this action is included? There is reference in O9. We would encourage the segmentation work to be a clear action and if possible a short-term delivery timescale.

We support the importance of the roadmap enabling innovation through trials of water efficiency activities and tariffs. Where actions relate to any behaviour change initiatives there should be a clear requirement that the [Evaluation Toolkit for Water Efficiency Behaviour Change Initiatives](#) is used and that learnings are shared - Waterwise is here to support with this.

W1 and W2 - Support importance of retailers having access to the information to target efficiency opportunities. Also that retailers are appropriately incentivised to deliver on water demand reductions. We do question how this will be measured and compared, this may be something that needs reviewing across all actions as it is not always clear how we will know the action is adequate or completed fully.

W3 and W4 - Very supportive of the importance of smart metering technology and the importance of roll out of smart metering. It should also be considered that there may be other innovative technologies that can deliver opportunities to reduce demand and need to be careful that these aren't excluded by the use of the term 'smart' technology.

R1 and R2 - We should include that these notification opportunities enable the chance for water efficiency messaging to be provided and engage on water efficiency. A new business taking up a new site could be a key opportunity to encourage action.

Delivering the mandatory water efficiency labelling should be added to Defra actions. This is a key opportunity to support businesses that use water like households to reduce their demand.

As outlined above, action is needed to enable the opportunity for the right quality water being used for the right use (e.g. not all uses should require potable water) is needed - this could be a key enabler for demand reduction in the non-household organisations. It may be that this is work required with Defra and DWI.

The value of water is more than just the cost of supplied water, we need to understand the cost to organisations of any future restrictions or and impact to future growth or existing operations. This is an area we at Waterwise have discussed with MOSL and would welcome it being included in the actions. I would provide important insights and evidence to support

with policy advocacy on non-household water use, justifying investment and also help motivate organisations and sectors to act on their water use.

Q8 Is there any other feedback you would like to provide on the draft roadmap?

This roadmap has a key role to support the delivery of the [UK Water Efficiency Strategy to 2030](#) which has a vision of a UK in which all people, homes and organisations are water-efficient. We encourage that when complete the roadmap also references this strategy to help draw attention to it across the non-household sector and with retailers.

Key observations from us are:

- Importance of smart metering and innovative technologies to support reduced non-household demand
- Strongly support importance of consistent and shared data and the ability to compare water use with similar businesses/organisations
- There could be more reference to opportunity for the right quality water being used for the right use (e.g. not all uses should require potable water) - this could be a key enabler for demand reduction in the non-household organisations.
- Delivering the mandatory water efficiency labelling should be added to Defra actions. This is a key opportunity to support businesses that use water like households to reduce their demand.
- Work is needed to consider whether a water efficiency levy (akin to the climate change levy) would raise customer awareness, create momentum for them to take action and provide ring-fenced funds for non-household customers.
- We support the importance of greater water efficiency as one of the Good environmental outcomes and conclusion 7 that customers must understand that water is a precious resource and they have a responsibility, shared with the market, to conserve it. We would add that understanding this and knowing how to act are different and it is important the market helps customers understand how to act too.

Wessex Water

Thank you for the opportunity to respond to this consultation.

Q1 Overall, to what extent do you support the approach to the draft roadmap? (please indicate):

We are “Very supportive” of the work of the Strategic Panel and its draft Roadmap.

Q1a Please explain your answer.

Whilst we believe that the success of the Roadmap is not guaranteed due to structural issues within the market such as the REC. We recognise the energy and impetus that the Panel has provided and the merit in the initiatives set forward in the Roadmap.

Market conditions

Q2 Do you believe the conditions will drive the desired customer behaviours and therefore outcomes? Please explain why.

Taken as a whole, these conditions will make an important contribution to improving the market. Whether they will deliver a flourishing market is yet to be seen. There remain fundamental issues in the market that the roadmap will not address, such as available margins, customer switching and consumer engagement with water efficiency initiatives.

However, these conditions will drive better customer behaviours. We believe that many of the conditions set out are already in place and the roadmap will offer an opportunity for the industry to formalise these arrangements, as either mandated practice or good practice.

Other conditions will need to be further developed, particularly around market awareness and the use of intermediaries. A number of conditions particularly around market data and the industries’ role in water efficiency could be better directed, as we believe that they project a retailer orientated view of the market and more recognition is required of the collaboration required to deliver these conditions. We explore this further in Q4.

Q3 Are there any conditions you think should not be included? If so, please use the reference code(s)

We are happy that all inclusions merit being in the conditions, though we believe that some should be better defined.

Q4 Are there any conditions that should be added or changed? If so, please use the reference code(s)

We feel that there should be a condition on the requirement to receive an accurate bill based on a meter read. Whilst we recognise that there is some coverage in the body of the consultation, it should have more prominence by being included in the high-level conditions.

Accurate bills rely on regular meter reads. In our view there has been a steady erosion of customer service relating to meter read frequency and consequently the accuracy of bills.

Tariff Simplification

We support having a core set of wholesale tariffs across the industry. We would simply caution that tariff simplification should not deter tariff innovation, a by-product of a well-functioning market.

Water Efficiency

The entire market conditions section on water efficiency is retailer orientated. There is little mention of the wholesaler's role. The wording can be interpreted as the retailer having sole responsibility for water efficiency. The 9% reduction on water demand is placed on the wholesaler.

The market's failure to make significant progress in reducing demand means that alternative ways of reducing demand will need to be initiated by wholesalers. Ideally this would be through better collaboration with retailers. It may however also mean working with third parties outside of the market framework.

Actions

Q5 Do you believe the actions outlined will deliver the conditions?

As per our response to Question 2, we believe that taken as a whole, they will improve the market. However structural issues such as the REC remain and could undermine the ability of the Roadmap to deliver a flourishing market.

The timeframes set out in the action plan do not align with the priorities set out in Ofwat's draft determinations. Key actions in areas such as water efficiency should be brought forward to align with mandatory targets for reducing non-household demand.

Q6 Are there any actions you think should not be included? If so, please use the reference code(s)

We are happy that all the actions included in the Roadmap merit being inclusion, though we believe that some should be better defined.

Q7 Are there any conditions that should be added or changed? If so, please use the reference code(s)

We broadly agree with a greater centralised role for data management. We remain concerned however as to what defines good data.

For example, there is a focus on standardising information around UPRN and VOA address formats. A sizeable proportion of our addresses do not comply with accepted formats, often

further detail is provided e.g. barn and trough, workshop at the rear of No2 the High Street. These nonconformities could be assisting effective field services and customer billing.

Whilst we agree that UPRN and VOA references should be part of the customer data and that wherever possible standardised address formatting should be the default. In the absence of a clear data strategy there is a danger that centralisation may erode instead of improving the quality of data.

We have highlighted in answer to Question 4 the lack of any initiatives around accurate billing/meter reading.

We also highlighted the over emphasis on the part retailers play in water efficiency. We would advocate a more balanced roadmap that recognises the role of the wholesaler and the need for greater collaboration.

Q8 Is there any other feedback you would like to provide on the draft Roadmap.

We would like to make two additional points.

The Strategic Panel owns very few of the actions, there are key dependencies on other stakeholders and projects. If this initiative is to be successful, how will the Strategic Panel get all parties on board, including government and regulators?

The market codes to the uninitiated can appear complex and there is some evidence to suggest that they are not always universally applied in the same way. Whilst compliance audits are undertaken, the budget is finite as is their coverage. We believe there is some merit in MOSL further developing their training capabilities in areas of the code that are new or where there is evidence that they may not be applied correctly.

Yorkshire Water

Consultation Questions: General Question:

Q1) To what extent do you support the approach to the draft roadmap? (scale 1-5)

Yorkshire Water would grade this as a 4; Overall we are supportive of the ideas and strategic aims of the roadmap and will play our part to deliver a strong and effective market for non-household customers. It is clear that the Strategic Panel has taken its time to fully understand the current state of the market and the many factors in play. The roadmap does appear to address the majority of these, and we appreciate that the actions have been allocated fairly as much as is reasonable. We do, however, have a small number of additional builds on the proposed conditions and actions, which is why we have graded our support as such.

Market Conditions:

Q2) Do you believe the conditions will drive the desired customer behaviours and therefore outcomes? Please explain why.

The conditions should provide a good pathway forward. We would have liked to see some added sub-headings or deeper explanation for each of the individual items to help understand where similar-sounding lines diverge from one another, such as DA2 (Retailers can offer water efficiency solutions to any customer) and IC7 (Customers are incentivised by retailers to reduce demand).

With reference to the section on Processes, Capability and Economics, we have some comments to make following Ofwat's Draft Determination response. We are currently unclear if retailer incentives (IC7) are the most cost-efficient way to improve water efficiency and would like to see further evidence of this collated from experiences in and outside the market. We recommend the Strategic Panel make representations to Ofwat to increase PR24 funding for this activity. They could then build this into their market conditions if this is something that is an absolute necessity for a flourishing market.

Q3) Are there any conditions that you think should NOT be included? If so, please use the reference code.

We do not see any conditions that need to be removed from the current list, though we would like to see some additional evidence and clarity around MSD6 (Smart settlement and tariffs provide clear price signals to customers) to ensure that this is deliverable and will achieve favourable customer and environmental outcomes.

Q4) Are there any conditions that should be ADDED or CHANGED? If so, please use the reference code.

There are three areas we would like to see the Strategic Panel consider adding to their list: Enhanced protections for non-household customers with societal value, or those with additional needs – for example, care homes, village halls, sports and social clubs, charities, etc. This sits beyond regulatory protection and could be an area where additional support may be provided for financially and physically vulnerable customers.

Secondly, we would like to see an added Framework for Market Efficiency. With a drive to ensure customer bills are not subject to exponential bill increases due to wholesaler costs (driven by market changes). In some situations, trading parties are being asked to pay large amounts of funding into projects that do not always provide equivalent value for the customer. We would advocate for a more transparent customer-facing framework to fully evidence the wider market's cost-effectiveness.

Thirdly, there should be a condition to take into account the changing needs of business customers and ensure that market activities deliver against customer needs. We understand CCW are due to publish some business customer research in January 2025, and this will likely have valuable insight to help drive this action.

Actions:

Q5) Do you believe that the actions outlined will deliver the conditions?

From our understanding, the actions seem reasonable. However we did note at least one market condition (RC1 - Wholesaler tariff structures are harmonised across regions) did not have an attached action which raises some questions as to how it will be delivered.

Overall we were surprised to note that the wholesaler-only actions are primarily focused on water demand reduction, with no real actions around data and customer engagement. This seems unusual, given the high priority that is currently being placed on data accuracy - in particular the expected obligations on wholesalers to maintain accurate data.

The Strategic Panel should be made aware that following Draft Determination we are concerned that the Ofwat deliverables around smart meters will drive household installs over non-household installs. This is due to the variation in size of meters for non-household premises (relocations and alternative sites are not funded enough). While we are still aiming for a more than significant coverage of smart metering, this remains heavily reliant on the Final Determination from Ofwat.

Q6) Are there any actions that you think should NOT be included? If so, please use the reference code.

There are no actions listed that we feel should be removed.

Q7) Are there any actions that should be ADDED or CHANGED? If so, please use the reference code.

We would suggest that retailer action R1 (Notify businesses of recently occupied vacant sites) should be broadened and a much clearer conversation be had around trading party expectations. A simple one-off notification feels insufficient, and a more formal programme of engagement would be a better solution.

Action R3 (self-certification of mandated field in bills) should be co-assisted by MOSL, who should conduct a sample audit of retailers to ensure that they are self-certifying consistently. As per the similar programme conducted in the energy sector – the market needs to make sure that this delivers on intentions rather than causing more confusion.

Finally, as per our suggestion above relating to a more transparent framework for market cost-efficiency, an action could be given to Ofwat to conduct a broad cost-efficiency review of programmes being undertaken in the market. We would like to make sure that this brings greater clarity to customers of where their bills are coming from, especially if there are costly programmes of work that do not provide them with clear benefit.

Q8) Is there any other feedback you would like to provide on the draft roadmap?

Several actions listed are heavily dependent on Ofwat's Draft Determination, and therefore our window to provide clarity has been limited with certain deliverables dependent on Ofwat decisions.

We would be open to further engagement with the Strategic Panel on the market conditions and actions later in the summer if this is of interest.