

Roadmap to a Flourishing Market

Strategic Panel

September 2024

1. Executive Summary

Since April 2017, around 1.2 million business customers in England and Wales have been able to choose their retailer for their water and wastewater services. The aim of the market was, and remains, to help deliver lower bills, improve services, help businesses use less water and see new propositions emerge.

The [2021-22 review of the Retail Exit Code](#) (REC) price protections highlighted that 91% of smaller Group 1 and Group 2 customers are still subject to the REC as they have not moved retailers since the market opened. This, along with lower awareness among these customers suggests the market may not yet be delivering for businesses of all sizes.

Following the REC review, the [Strategic Panel](#) (the Panel) reflected on the market landscape and proposed that a roadmap was required to identify what needs to change to make the market work better and deliver benefits for customers of all sizes. The roadmap also aims to provide Ofwat with sufficient confidence that customers will remain protected and could benefit from a move by the market to more self-regulation and increased competition. The approach to developing the roadmap was endorsed by Ofwat and Defra.

This roadmap highlights the current state of the market and the need for improvement around awareness, engagement, and customer choice in order to deliver a competitive market, particularly for smaller customers. It draws on lessons learnt by other markets. One of these is that “flourishing” is not a specific state but a direction to continually improve outcomes for customers and market participants.

In defining the roadmap, the Panel recognise that customer needs and positive experiences must be a constant factor. Some smaller customers in Group 1 are unlikely to ever require services beyond billing and may choose to remain with their current retailer on a default tariff. Similarly, a lack of switching does not necessarily reflect inertia in the market.

The roadmap determines what barriers there are to the market flourishing and reflects the need to balance the benefits of a competitive market against the safeguards provided by regulation. It builds on developments since the market opened. Some customers (mainly large water users) are benefiting, and we now have a better insight into and understanding of the challenges we need to overcome to enable the market to deliver value to all customers to the extent anticipated.

With this in mind, the Panel has identified 31 market conditions which need to be met for the market to deliver greater customer benefits and begin to flourish. The Panel is keen to see the market conditions develop to the point that may permit an earlier review of the REC with an opportunity to consider relaxing price controls while maintaining the necessary protections for customers as competition in the market grows. These conditions fall into three themes:

- **Customer engagement and choice:** Customers of all sizes are clear about how the market operates, have confidence in exercising the choices that are available and know they are protected from malpractice.
- **Accurate and accessible data:** The customer experience and market operation are underpinned by accurate data that is accessible and that can be used to develop innovative solutions for customers. The roadmap recognises that data quality improvement continues beyond initial implementation phases.

- **Processes, capability and economics:** Customers embrace the opportunities to deliver water security nationally through investment in smart technology and the establishment of market and customer incentives to reduce demand.

The market conditions have been used to set out the actions the Panel believes need to be taken for the market to begin to flourish. These actions are split by stakeholder, theme and when the action needs to be taken by. These are summarised in the diagram on the next page.

All of the actions have been assessed to deliver sufficient benefits compared to the complexity and cost of delivering them. The Panel notes that some actions will be delivered faster than others, and some may require others to be delivered beforehand. The Panel recognises that stakeholders may need time to factor in the budget to complete some of these actions in their business plans.

Delivery of the roadmap will be the prime focus for the Panel in the coming years. It will replace the Strategic Panel's Priorities document with the Panel's principal workstreams and priorities being derived from the activities set out in the roadmap. In addition to working on the actions allocated to it, the Panel will undertake active engagement with key stakeholders, track delivery of the other identified actions and review progress against associated market health indicators.

However, we also acknowledge that the roadmap will need to iterate and adapt over time in line with the changing market landscape. The Panel will therefore report on progress against indicators, including customer engagement and market awareness, on a regular basis and issue revisions and updates to the roadmap as required.

The roadmap is aimed at delivering significant benefits to the diverse range of customers in the market. While the Panel acknowledges that positive shifts in market health indicators may be challenging, even small improvements will support better outcomes for customers and the goal of a more competitive, appropriately regulated market. The Panel has a real desire to see change and welcomes Ofwat's approach to conducting a review of the REC within three to five years of the 2021/22 review which came into force in 2023.

By advocating for a gradual revision of the REC, the roadmap aims to ensure that customer protections remain a priority, minimising risks as the market evolves. It also emphasizes enhancing customer service through improved data accuracy, smart metering, and streamlined processes to boost satisfaction.

This is the logic behind the requirement for the fairness frameworks guaranteeing fair treatment from both wholesalers and retailers. The Business Customer and Retailer Measure of Experience (BR-MeX) includes a proposal for a 50%¹ weighting on services directly to Business Customers which will reinforce the fairness framework. The roadmap therefore focuses less on, for example, the switching process itself, which is working, and more on the barriers to switching and the customer experience post-switch, while increased customer awareness about switching providers empowers choice, and fosters competition that leads to better service and pricing.

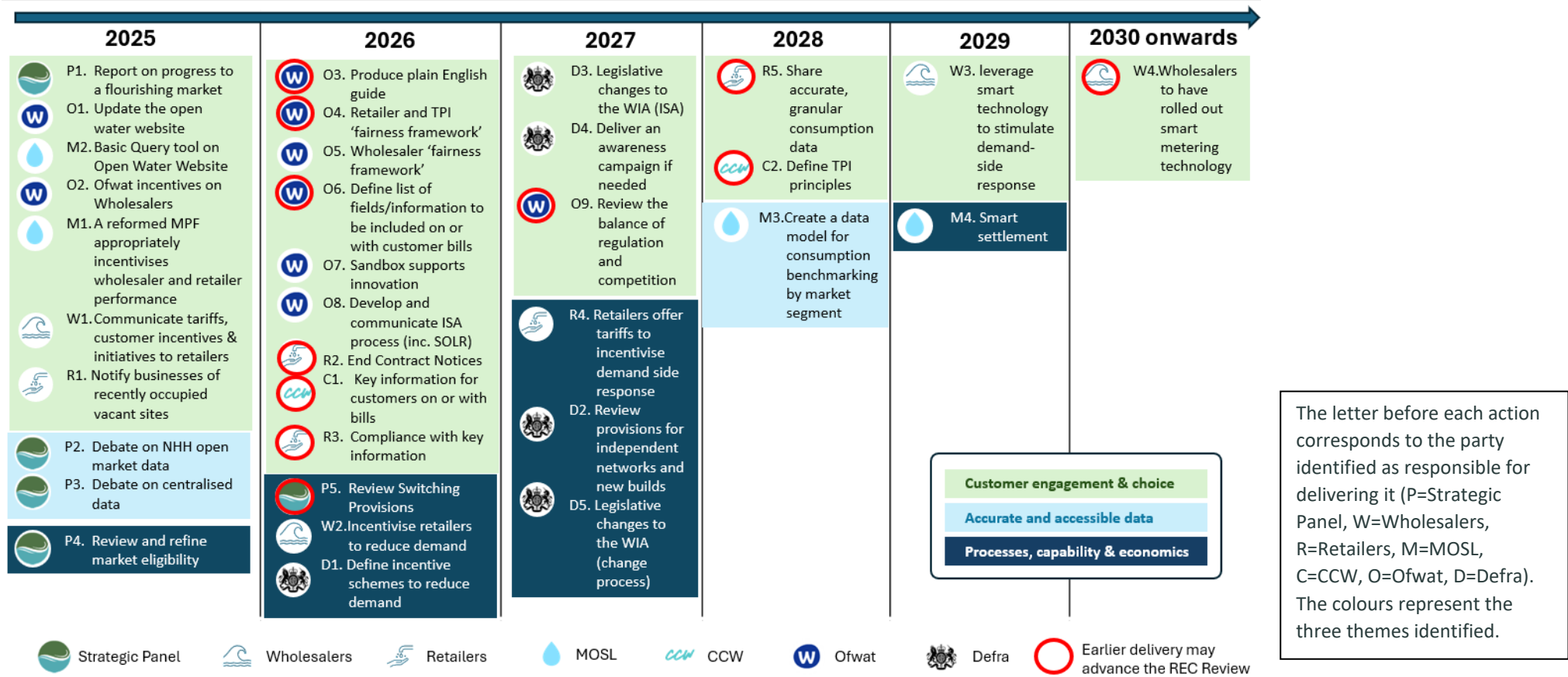
Delivery of this roadmap is dependent upon actions from a number of stakeholders and joint delivery in a number of areas. The Panel looks forward to working closely with stakeholders to deliver the roadmap to ensure it sets out a pathway to enable the market to flourish, with collective accountability for delivering it.

¹ PR24 Draft Determinations [Outcomes – Measure of experience performance commitments appendix](#) (page 30)

Overview of actions

Figure 1 below provides a high-level overview of the 34 actions set out in this roadmap that the Panel believes need to be taken to meet the market conditions identified for the market to begin to flourish. These actions are split by stakeholder, theme and when the action needs to be taken by. The Panel believes that the early establishment of the customer engagement and protection conditions, delivered by the actions circled in red, will help support any decisions to review the REC. More detail behind each action and the market conditions they help to meet can be found in Section 6 of this document and in Appendices H and I.

Figure 1 – Overview of actions by stakeholder, theme and date by which the action is expected to be completed



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2. Purpose

This roadmap has been developed by the Panel, with support from MOSL, Ofwat, CCW, trading party subject matter experts and other stakeholders. The Panel is a strategic body that draws on collective expertise to explore and articulate long-term opportunities for market improvements. The roadmap is therefore a strategic vision of the market which will need stakeholder buy in if it is to be successful. It sets out:

- What is meant by “a flourishing market”
- The market conditions identified for the market to begin to flourish
- A series of recommended actions on the Strategic Panel, Ofwat, MOSL, Defra, wholesalers, retailers and CCW to meet these conditions
- A timeline for each of the actions to be delivered based on the importance and level of complexity
- The conditions that, if met, the Panel believes would lead to an earlier review of the REC and might influence decisions around relaxing the price cap while maintaining necessary customer protections
- A framework to help deliver improved outcomes for customers of all sizes
- The inputs that have informed the outputs, including reports and engagement with stakeholders
- The indicators that will be used to assess progress towards meeting the conditions outlined for the market to begin to flourish.

This high-level roadmap is supported by a number of appendices that set out the detailed thinking behind the components outlined in this document. Links can be found at the end of this document.

3. Background

The Panel is the most senior industry group in the business water market. Its role is to transpose the strategic direction for the market set by Ofwat and Defra into meaningful actions and programmes of work to improve customer outcomes.

Before the market opened to businesses of all sizes in England and Wales in 2017, wholesalers were responsible for all water customers in their geographical area. As a result of the market opening, there are 1.2 million businesses, charities and public sector organisations in England and Wales who can choose which retailer provides their water and wastewater services.

The aim of the market was, and remains, to help to deliver lower bills, lead to improved services, help businesses use less water and see new propositions emerge.

Following the 2021-22 review of REC price caps², the Panel identified that the market was not yet delivering the benefits envisaged at market opening for businesses of all sizes. The Panel proposed the development of a Roadmap to a Flourishing Market and this view was endorsed by stakeholders including Defra and Ofwat.

² <https://www.ofwat.gov.uk/consultation/consultation-business-retail-market-2021-22-review-of-the-retail-exit-code/>

The Panel recognises the concerns that some retailers have raised around the impact that the REC's price cap has on competition. In particular, some retailers have signaled their view that the 91% of the market's customers who remain on deemed contracts which were established when the market opened have no incentive or interest to acknowledge or engage with the market. Similarly, the market cannot expect retailers to pursue such customers if, regardless of the value-add services that the retailer might offer, the customer will never pay more than the price cap permits.

The Panel therefore encourages parties to complete the actions identified for them in the roadmap as the Panel believes that early completion will support an earlier REC review. This review could factor in the benefits and protections delivered to customers through the assigned actions and could consider the positive changes to customer outcomes as demonstrated by the market indicators.

Some market participants have acknowledged that a market which has no regulation is unsustainable, and that if the price cap is to be relaxed there is an expectation that customers who have limited (or no) awareness of the market will need protections, for example against hidden price rises and the risk of complicated contracts that lock them into deals that are financially punitive.

For the market to flourish it will require more than a raising of the price cap. It should also see the introduction of conditions which provide sufficient protections, clarity and transparency for customers to have the confidence to engage with the market. This is especially true for smaller customers.

Delivering this roadmap is a priority for the Panel and the market. The intention is to provide confidence and evidence to Ofwat and market stakeholders that the market will be able to flourish, and customers will remain protected and could benefit from a move to more self-regulation and increased competition.

3.1 Wider context

Water security

This country faces a significant, and growing, water scarcity challenge primarily due to population growth and a changing climate. Without action by 2050 England's public water supply will face a shortfall of over 4,800 Ml/d³. While water has not yet attained the profile of energy in its need for conservation, and the focus to date has been on reducing network leakage and household per capita consumption, Defra has set a target to reduce business water consumption by 9% by 2038 and 15% by 2050. Ofwat has also outlined a proposed target to require wholesalers to reduce business demand by 7.5% on average by 2030 on the way to meeting this target⁴. It should be noted that the Ofwat reduction includes offsetting growth so actual reductions by 2030 may be lower.

Water efficiency savings, through competitive offerings by retailers, have not yet materialised to the levels envisaged at market opening. Market data based on the final settlement reconciliation run (RF)⁵ suggests that consumption is trending slightly upwards away from Defra's reduction target. However, with the new government target, Ofwat has set obligations to reduce business demand on wholesalers as part of PR24 which includes expectations around collaboration with retailers in terms of delivery. Some of these expectations will be met by the Retailer Wholesaler Group's (RWG)

³ <https://www.gov.uk/government/publications/a-review-of-englands-draft-regional-and-water-resources-management-plans/a-summary-of-englands-draft-regional-and-water-resources-management-plans>

⁴ This is outlined in the draft determinations for the PR24 (2025-30) period

⁵ The most recent final reconciliation consumption data comes from the settlement period December 2022.

delivery of their [Water Efficiency Roadmap](#). This is endorsed by the Panel's Water Efficiency subset, which is itself preparing a strategic roadmap to complement the activities driven by the RWG.

The Panel notes that some stakeholders have called out that water security requires appropriate incentives to retailers to help deliver demand reduction. The Panel has highlighted the latter in its response to the [PR24 Draft Determinations](#).⁶ The Panel is committed to exploring options with trading parties that may result in the early delivery of the actions in the roadmap relating to water efficiency.

Smart metering

The rollout of smart metering is expected to play a role in providing a greater volume of more accurate consumption data. This needs careful management but could unlock the path to more accurate customer bills, greater customer and third-party engagement and the more efficient use of water by customers.

In March 2024, the Panel published its [National Metering Strategy for the market](#) which aims to support wholesalers to roll out smart meters to businesses as efficiently as possible to meet the needs of customers and help achieve Defra's 9% reduction target for 2038. The Panel welcomed the increased scale and pace of wholesalers' updated smart metering plans and urged Ofwat to allow the necessary investment to deliver them.

Wastewater and the environment

The Panel is also very aware of the current public debates around wastewater being discharged into the environment. Just as with water efficiency, the market can potentially play an important role in encouraging businesses, the public sector and third-party organisations to reduce their impacts on the wastewater system and the amount that spills to the environment when the capacity of that system becomes overloaded, for example by encouraging sustainable drainage solutions.

The Strategic Panel's work to date has focused on water efficiency in line with Government and other strategic objectives for the market but we hope to return to these matters at a later date, as the investment programmes for the 2025-30 period become clear through Ofwat's PR24 process.

3.2 Market economics and the Retail Exit Code

91% of customers in this market are still subject to significant price protections - particularly in Group 1 - under the REC. There is a concern amongst some market participants that these protections may have been set too tightly which could make it difficult for those customers to actively engage with the market and for their retailers to make a fair return.

The [REC](#) sets out both price and non-price protections for customers on deemed tariffs who have not switched retailer or renegotiated their contract since the market opened. In December 2021 Ofwat announced that it would review the REC.

⁶ The Panel notes that retailers have been provided very low levels of funding to support water efficiency since the market opened and Ofwat made a decision not to uplift this as part of the 2021-22 review of the REC. Only a small number of retailers have managed to make water efficiency interventions stack up financially for some of their customers as a value-added service. This highlights the need for incentives that create the necessary conditions for non-household customer engagement around water efficiency to increase. ([Panel response to draft determinations for PR24](#))

Figure 2 - Proportion of customers and consumption subject to REC price caps⁷

Customer group, by annual consumption	Groups One & Two: Default tariffs - subject to REC price caps		Group Three: Not switched or re-negotiated – not subject to REC price caps		Customers who have switched or re-negotiated – not subject to REC price caps		Total %	
	Customers	Consumption (water and wastewater)	Customers	Consumption (water and wastewater)	Customers	Consumption (water and wastewater)	Customers	Consumption (water and wastewater)
Group One (0 – 0.5MI)	79.0%	8.7%	-	-	6.8%	1.3%	85.8%	10.1%
Group Two (0.5 - 50MI)	12.3%	34.1%	-	-	1.6%	8.1%	14.0%	42.2%
Group Three (>50MI)	-	-	0.1%	28.5%	0.1%	19.2%	0.2%	47.7%
All	91.3%	42.8	0.1%	28.5%	8.5%	28.7%	100.0%	100.0%

In October 2022, the Panel published its [response](#) to Ofwat’s consultation on the review of the REC. The Panel supported Ofwat’s broad conclusion that the market is not working for smaller customers but expressed concern there had been insufficient exploration and analysis as to why. The Panel’s view was supported by analysis conducted by Economic Insight.⁸

Some retailers believed that, before the review, their profit margins were too low and that the low cost of water was making it difficult for a reduction in demand to have any meaningful impact on a customer’s bill.

Defra and CCW highlighted there were multiple factors in the market that needed to be resolved, and it was not within the regulator's gift to solve everything, nor was the solution to simply raise or lift price caps.

Following its consultation, Ofwat published its final [decision](#) document in December 2022. Ofwat believed it was not clear whether, or when, effective competition might develop for smaller customers, resulting in the need to continue to set price caps for these customers to ensure they are suitably protected.

While Ofwat broadly retained its approach to setting the caps, some changes were introduced including allowances for MOSL fees, water efficiency, meter reading and customer bad debt. These changes lead to an average 6.4% increase in bills for business customers, before inflation. This came into effect on 1 April 2023 and will remain until 2026-28.

Ofwat acknowledged the Panel’s concerns that price protections may be preventing the market from becoming truly competitive and “self-regulating”. Ofwat therefore endorsed the Panel’s decision to define a Roadmap to a Flourishing Market which aspired to developing more self-regulation and increased competition. The Panel believes that as the conditions laid out by the roadmap are achieved, the sooner the lifting of the REC regulations and protections can be reviewed. The actions which may drive these conditions are flagged in red in Figure 1 (above).

⁷ <https://www.ofwat.gov.uk/wp-content/uploads/2021/12/Consultation-Documents-December-2021.pdf>

⁸ <https://mosl.co.uk/documents-publications/6064-economic-insight-assessment-of-ofwat-s-rec-review-consultation/file>

3.3 The state of the market

Market indicators

This roadmap has a key role to support the Panel in assessing the market's progress against key indicators including:

- Customer engagement
- Market awareness
- Customer priorities
- Customer satisfaction including complaints
- Water consumption - progress towards the 9% reduction target for 2038
- R-MeX and BR-MeX scores
- Consumption based on actual reads
- Smart meter penetration
- Number of market entrants and exits
- Market share of retailers
- Retailer profitability
- Number of switches

A high-level overview of progress against some of the key indicators is provided in this section while a more detailed report can be found in Appendix J. An updated version of this report will be published every year alongside a dashboard containing the metrics based on Central Market Operating System (CMOS) data that refreshes monthly.

The market indicators will play an important role in providing evidence that customer engagement and awareness has developed sufficiently to support an earlier review of the REC.

Customers in the market

In this roadmap, customers are referred to in terms of the consumption groups which are used to set the REC price caps – Groups 1, 2 and 3.

Just one percent of the 1.2 million customers in the market (12,000 customers) account for nearly 50% of consumption. The largest of these customers, who use over 50MI a year (0.2% of the market) are in Group 3. Typically, these are the most engaged customers, some of whom contributed to this roadmap via the Major Energy Users Council (MEUC) (see Appendix E). Group 2 customers who use 0.5-50MI a year make up 14% of the market.

The majority (86%) of customers in the market are in Group 1. These customers use 0-0.5MI of water per year which is the same amount or less than a typical household. Their engagement with the market is generally, but not always, low. This is reflected by 79% of group 1 customers being subject to REC protections. More information on the REC is provided in section 3.2.

Retail competition

Business customers in England are no longer restricted to buying their water retail services from the regional monopoly provider. Instead, business customers can shop around and negotiate better deals if they are not satisfied with the services from their current provider.

Retailers “own” the direct relationship with business customers (e.g. customer service, meter reading and billing) and can offer customers help to improve their water efficiency as part of their competitive service offering. However, they are not obligated to do so.

Our roadmap has considered the number of retailers in the market and their share of the market. Since the market opened, the number of active retailers (not including self-supply) has risen by two. The market has also seen the unplanned exits of two retailers.

The Herfindahl-Hirschman Index (HHI)⁹ for the market by supply point (SPID) indicates the overall market is only “moderately” concentrated¹⁰. However, within each wholesaler area, incumbent retailers still hold very high market shares. While switching provides some insight into the levels of competition within the market, it should not be used as a definitive measure.

Customer perceptions and awareness

Awareness of the market has grown slowly since market opening from 43% in 2018 to 56% in 2022. There is better awareness among large businesses (70%) compared to small businesses (57%). The average engagement scores are trending slightly upwards.

Satisfaction for retail services has remained relatively stable at around 70% since 2018. The median level of complaints has fallen slightly in the last two years.

The Panel recognises that the market needs to understand what lies behind a lack of customer engagement. There is an assumption, based on the experience of other markets, that smaller customers have little time and/ or resource to engage with and explore a market that does not appear complex, presents limited opportunities for savings, and generates their lowest utility bills. Customers who lack awareness of the market would be vulnerable to changes in regulations and protections (such as lifting the price cap) and therefore are a major factor when making decisions around price protections.

More information on the current state of the market can be found in Appendix J.

Wholesalers

Wholesalers are regional monopolies who own and maintain operational assets (e.g. meters/smart meters). Wholesalers are responsible for ensuring security of supply and helping reduce water lost through network leakage. They maintain direct interactions with business customers through events, incidents and asset replacements.

Ofwat has encouraged wholesalers to do more to support the market, including from a senior and board level.

Wholesaler support to enable efficient and effective market functioning is reported by retailers in the Retailer Measure of Experience (R-MeX). A view of the business customers will be incorporated into this under a new Business customer and Retailer Measure of Experience (BR-MeX) metric being introduced as part of PR24 from 2025.

The average R-Mex score for overall service has been relatively stable with a slight upward trend. R-MeX feedback has referenced that the many wholesaler tariffs can be challenging for retailers whose customer base covers multiple regions. Tariffs are not always aligned with the efficient use of water.

Market performance

⁹ The Herfindahl-Hirschman Index (HHI) is a common measure of market concentration and is used to determine market competitiveness.

¹⁰ Excluding self-suppliers the HHI score is 1736.

Wholesaler and retailer performance against market and relevant operational metrics is recorded by the [Market Performance Framework \(MPF\)](#). MOSL is currently working with market participants to reform the MPF to create a simpler, more effective, more flexible MPF; one with fewer, more effective measures; that's simple to understand but powerful in its application, and which provides confidence in the market at a reasonable cost.

Conclusions

The assessment of the state of the market and the input provided through reports and customer feedback have informed twelve conclusions that the Panel has reached and are represented in this document at the end of each section. The first four are:

Conclusions

1. The market risks being concentrated in some wholesaler regions where a single retailer retains a very high market share
2. Group 1 customers should remain in the market and segmentation within this group will support better engagement
3. Competitive rivalry between retailers has been evident for higher consumption customers; lower consumption customers are less likely to switch suppliers
4. Retailers have not universally delivered on customer service / getting the basics right
5. Innovation and new business models have been slow to emerge

3.4 Input

Input from market stakeholders, which include customers, industry organisations and market participants have informed the roadmap. The themes that stakeholders have asked to be addressed in the roadmap are:

- a. Regulatory Reform and Market Structure Challenges: The current regulatory framework is seen by some as a significant barrier to fostering a competitive and thriving market. Some Stakeholders want the roadmap to focus on revising the regulatory environment to allow for more flexibility, competition, and innovation, which are essential for the market to achieve its intended outcomes, such as lower bills, improved services, and water conservation.
- b. Customer Engagement and Protection: Some stakeholders are keen to see an increase in customer engagement which balances customer protection with a relaxation of the price cap established under the REC. Clear communication, customer awareness, and engagement strategies must stimulate competition and improve service quality. Over regulation is to be avoided, but not at the expense of removing protection from vulnerable customers who have limited (or no) awareness of the market and no understanding of their current protections. Over-regulation must not stifle the opportunity for retailers to compete with each other for the provision of strong service offerings. While ensuring that customers are well-informed and can make beneficial choices, regulation should not be so encompassing as to dictate, for example the provision of consumption data to customers on demand, key information on bills, or tariff recommendations.

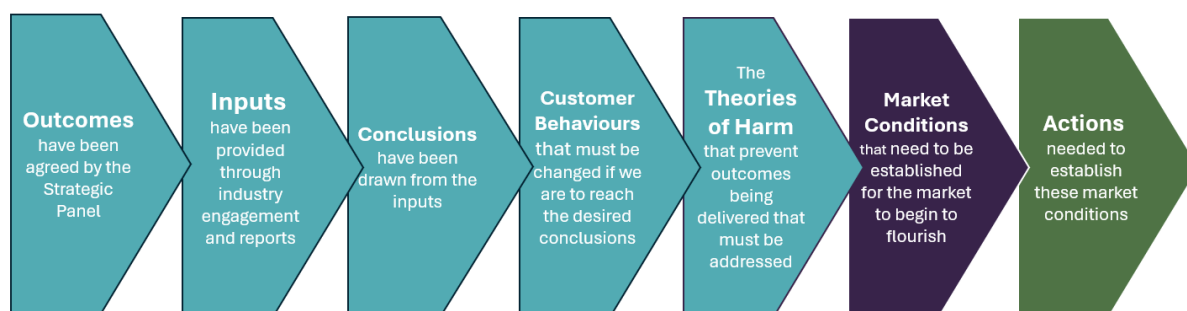
- c. Data Management and Accuracy: Stakeholders have expressed a desire to see a market improvement in the provision of accurate and accessible premises and customer data as well as granular consumption data. This supports the view that data has a role in improving billing accuracy, supporting customer decision-making, and enhancing market efficiency. Issues related to smart metering, data quality, and the centralization of data management are regarded as key factors that need careful attention to ensure they align with broader market goals and regulatory frameworks. The combination of accurate customer data with consumption patterns is also seen as a critical component of water security. Without reliable data, customer consumption cannot be benchmarked.
- d. Eligibility: Customers have called for clarification on what premises are included in the non-household market and, more importantly, for consistency in the application of the criteria across the regions
- e. Water Security: There were concerns about the long-term sustainability of water resources, especially given increasing demand and environmental pressures. Stakeholders agreed that both wholesalers and retailers needed to collaborate more effectively to ensure reliable water supplies for non-household customers. There was a recognition that the regulatory framework should better support efforts to secure water resources through actions like smart metering and effective data management, though it was noted that current incentives and regulations might not fully encourage this collaboration. Market participants felt that the PR24 proposals did not provide adequate incentives for wholesaler/retailer collaboration on water efficiency. This gave rise to the suggestion the introduction of a water efficiency levy, similar to the climate change levy in the energy sector, to raise awareness about water scarcity, incentivize action, and fund water-saving initiatives. The Panel was encouraged to prioritize water efficiency in the roadmap and push for broader definitions of “collaboration” to ensure that meaningful progress could be made in the sector.

Verbatim feedback can be found in the responses to the consultation for the Roadmap to a Flourishing Market in Appendix B. The views of members of the Major Energy Users Council are at Appendix E.

4. Components of the roadmap

There are seven components of the roadmap, which are outlined below. The first five components are the building blocks for the roadmap. They have informed the two key outputs 1) the market conditions – what needs to be in place for the market to begin to flourish – and 2) the actions that need to be taken to meet those conditions.

Figure 3 – the components of the roadmap



In the following sections we outline the different components.

4.1 Market outcomes

The desired outcomes for the market set out in the Panel’s [Strategic Priorities](#) have been considered alongside those of the UK Water Retailer Council (UKWRC). The Panel has concluded they are aligned and adapted them as follows for the purposes of this roadmap:

- **Customer-Service Outcomes** – effective competition (choice), enhanced customer service, cost efficiency
- **Good Environmental Outcomes** – greater water efficiency, increased levels of water security and reduced demand for wastewater services
- **Market Resilience** - efficient market operations, attractive to investors and new entrants

These outcomes have been key to guiding our thinking as we have determined the other components of the roadmap.

Conclusions

6. The Panel outcomes remain valid and consistent with UKWRC’s aims for a successful market.
7. Customers must understand that water is a precious resource, and they have a responsibility, shared with the market, to conserve it.

4.2 Input: Report into comparable markets

The Panel commissioned Europe Economics to produce a report to understand what might be expected in six comparable markets - energy, mobile, mortgages, card acquiring, solicitors and retail banking.

The findings suggested:

- While none of the markets considered themselves to be flourishing, they had experienced changes in regulation and competition that provided better outcomes for their customers
- “Flourishing” is therefore not so much a specific state but a direction to be followed through which the market can continually improve to deliver better outcomes for customers and market participants
- 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 to ensure outcomes for customers and the environment
- As the market evolves, the government and the regulator will need to respond to opportunities for change so that the market is not constrained by legacy legislation.

The experiences of other markets highlighted opportunities for evolution in the business water retail market that are identified in the conclusions drawn from inputs which are called out throughout this document. The full report on comparable markets can be found in Appendix F.

Conclusions

8. “Flourishing” is not a specific state.
9. Regulation has a role in a competitive market.

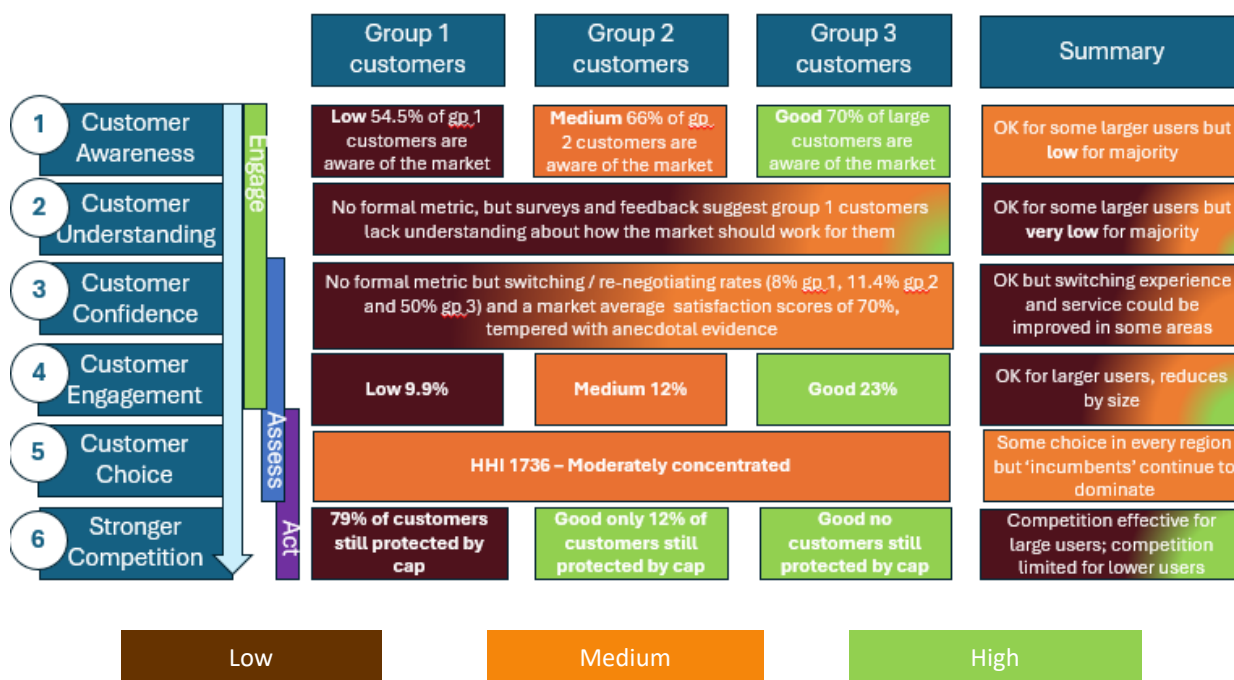
4.3 The customer journey

The Panel has used the UK Regulators Network (UKRN) framework to analyse and review customer decision making, selecting service providers, and engaging in a market across three phases of the customer journey: engage, assess, and act.

An assessment¹¹ of the progress of each of the customer groups through the six behaviours expected of the three phases of engage, assess, and act within the household market is shown below in Figure 4.

¹¹ This assessment included consideration of the market health indicators (see Appendix J) and the Panel/CCW-commissioned [Blue Marble Synthesis Report](#) (Appendix D)

Figure 4 – an assessment of the customer journey for the different customer groups



Within the established customer groupings, the conclusions are that:

- Engagement with group 2 and 3 customers is stronger than group 1 customers
- Data held on larger customers in groups 2 and 3 is of a higher standard than customer, premises, or asset data for group 1 customers
- These customers are also more likely to have their recorded consumption supported by smart technology enabling higher awareness, and informed choices around usage

The Panel recognises that Group 1 is not a homogenous group of customers and that there will always be a significant element of these customers whose comparatively limited consumption and service requirements may not necessitate any increased engagement with the market. These conclusions have fed into the wider conclusions drawn from inputs which are set out below. More detail on work undertaken into customer journeys can be found in the Blue Marble Synthesis Report commissioned by CCW in January 2023 (Appendix D).

Conclusions

10. Customer awareness and understanding of the market and the value of water, particularly among Group 1 customers, must improve
11. Group 1 customers should remain in the market and the roadmap will reflect this
12. Improvements in customer information and market segmentation may allow Group 1 to be further stratified to identify large, multisite customers which may not require the same level of regulatory protection via the REC as smaller and micro-business customers

4.4 Theories of Harm

The roadmap does not constitute a full market study, but the Panel has built upon the disciplines and approaches of such exercises including through the consideration of potential “theories of harm”. These are hypotheses through which the experiences of customers in the market may be worse than they otherwise could be if aspects of the market are not working well. The Panel has identified eight such hypotheses:

1. **Market Power and Monopoly Behaviour.** A single trading party or a small group of trading parties can influence prices, service quality, or choice. This theory examines whether retailers can set prices independently and the rationale for default price regulation within the competitive market
2. **Lack of Effective Competition.** If competition among water retailers is insufficient, customers may face limited choices, higher prices, or reduced service quality. This theory focuses on barriers to entry, lack of new entrants, and the absence of competitive pressure. This also encompasses whether business customers are becoming dependent on the default tariff.
3. **Inconsistent provision of information to customers.** Customers may lack essential information about water tariffs, contract terms, or alternative suppliers. This theory explores situations where customers are unaware of better deals or fail to switch to more favourable options.
4. **Risk Allocation and Risk Aversion.** This theory examines how risk allocation related to market dynamics, customer behaviour, and regulatory changes affects retailers’ decisions and customer outcomes. This also considers the actual or perceived impact on customers of unplanned exits by suppliers from the market.
5. **Operational inefficiency.** This theory considers whether operational inefficiencies lead to poor customer/environmental outcomes.
6. **Customer Engagement and Inertia.** Customers who are passive or lack awareness may remain with their default retailer even when better options exist. This theory addresses the impact of customer inertia on market dynamics. It also considers the impact of the default price cap on specific customer groups.
7. **Market Complexity and Cost.** Complex market structures, tariffs, and contractual terms can confuse customers. This theory explores how complexity affects customer decision-making and overall market efficiency.
8. **Wholesaler Monopoly Power.** Retailers’ appetite for competition for customers may vary across regions. This theory explores the impact of wholesaler terms (e.g. payment terms, contracts, tariffs) on the retailers’ appetite to manage customers in a region.

As identified in the retail banking market there can be interrelationships between the different theories of harm.

The theories of harms have been used to identify the market conditions that will need to be established to prevent them from occurring. The market conditions identified are outlined below along with the actions needed to deliver them.

5. Market conditions

In this section we set out the 31 conditions that the Panel believes need to be addressed for the market to deliver greater benefits for customers and begin to flourish. These conditions do not present a checklist that must be completed; not least because significant progress towards achieving one condition might negate the need for the completion of another. They do, however, represent progress along a path to positive change within the market. The achievement of the conditions will be validated through the market indicators, with each completed condition adding further value to the market under one of the three themes identified:

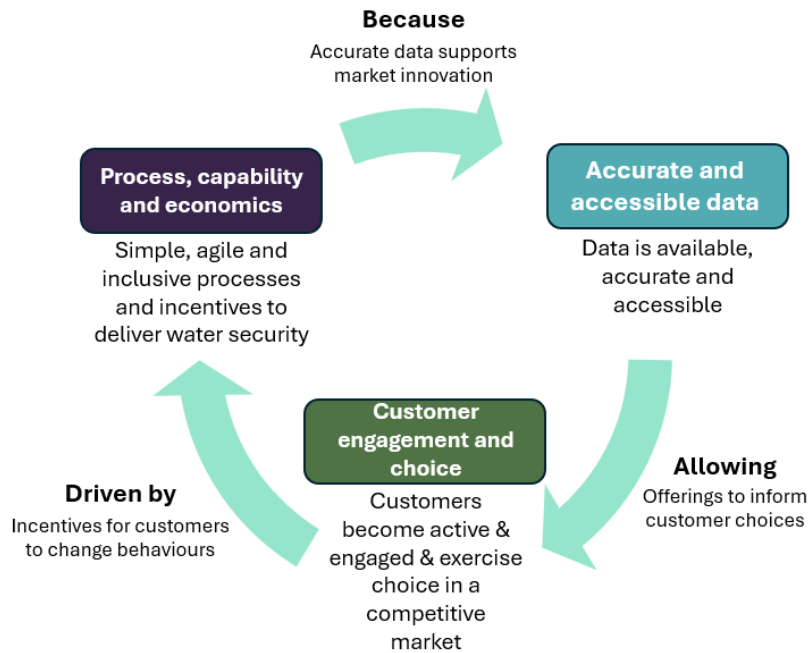
- **Customer engagement and choice:** Customers of all sizes are clear how the market operates, have confidence in exercising the choices that are available and know they are protected from malpractice
- **Accurate and accessible data:** The customer experience and market operation are underpinned by accurate data that is accessible and that can be used to develop innovative solutions for customers. The roadmap recognises that data quality improvement continues beyond initial implementation phases.
- **Processes, capability and economics:** Customers embrace the opportunities to deliver water security nationally through investment in smart technology and the establishment of market and customer incentives to reduce demand.

The Panel believes that early completion of some conditions may provide the grounds for a review of the REC, with an opportunity to consider relaxing price controls while maintaining the necessary protections for customers as competition in the market grows.

We have created a full map of each of the conditions and their interdependencies. This has enabled us to identify three of the key conditions in this roadmap (one in each theme). The diagram below gives an indication of how the three themes interact. The full mapping is available in Appendix H.

Some of the conditions are related to work already ongoing. For example, the accuracy of data related to property changes (e.g. demolitions, conversions) and how these changes are reflected in market systems are a central focus of the Data Assurance Programme and are within the scope of the Market Performance Framework Reform Programme.

Figure 5 – an illustration of how the three themes interact



The tables below set out the full 31 conditions. The reference is provided to help identify the relevant additional details in Appendix H. In the following section we detail, in order to reach these desired conditions for the market to flourish, who needs to act and by when. Some of these actions relate to projects that are already underway or planned. Further explanation is provided for each recommendation later in the roadmap and in the appendices. It is important to note that an earlier review of the REC and the related relaxation of the price cap are not market conditions themselves, but are outcomes that will result from establishing certain conditions through the delivery of specific actions. The market indicators will be used to evidence the achievement of these conditions.

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

Accurate and accessible data – 8 conditions

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

6. Overview of actions for the market to flourish

In this section we set out the 34 actions the Panel believes need to be taken to meet the market conditions identified for the market to begin to flourish. These are listed by stakeholder, an indication of when the action needs to be delivered by, and a colour reference to the corresponding theme. The roadmap and its appendices provide further explanation for each recommendation and the market condition they would enable. In addition to the actions listed below, the Panel also acknowledges existing programmes of work underway, the completion of which will be a part of the journey towards a flourishing market. These are listed in Appendix A.


We have, for the purposes of illustration, broadly considered indicative potential costs, benefits and complexity of these actions (see Appendix I). The Panel noted that some actions will be delivered at a faster pace than others, as represented by the assessment of their complexity, and that stakeholders may not be in a position to complete some actions until others have been delivered. The actions listed below have been deemed to provide sufficient benefits to be included in the roadmap. The Panel recognises that stakeholders may not yet have factored in the budget to complete some of these actions. The indicative dates refer to the expected completion of the action, not its commencement.

The detail around the completion of some actions may still need to be negotiated. The Panel recognises that work to complete these actions will have a lead time and so the timing is not indicative of the start of work, but the end of work on each action. If actions can be completed earlier than indicated on this timeline, they could accelerate overall delivery of the conditions, including an earlier review of the REC. Actions which could support this are flagged with a red circled icon used in Figure 1. The Panel is confident that the pace of delivery across a timeline of more than five years, with the backing of Ofwat and Defra, and support from CCW, should provide the necessary opportunities for stakeholders to deliver on these actions and is supportive of suggestions from stakeholders that some actions may be completed sooner than the expectation set below.

Actions for Strategic Panel


Topic	Description	Market Health Indicators (MHI)	Assisted By	Delivered by	Harms ¹²	Condition Reference
P1. Report on progress to a flourishing market	Produce a regular report on progress to a flourishing market to meet the condition that potential new entrants have access to the state of the market. This would enable informed decisions on whether to enter the market which could enable increased customer choice.	Progress against this will be assessed by the number of retailers in the market and the Herfindahl-Hershman Index (HHI). (dependent on condition IC3)	Ofwat and CCW	Delivery to be ongoing	2	IC6
P2. Debate on non-household open market data	Facilitate a debate on what open data means to the market, including who holds what responsibilities and who can access what. This will enable the conditions that rely on “information accessibility”. This could enable third party intermediaries (TPIs) and authorised stakeholders (e.g. landlords and customers) to request data corrections and make informed choices on water saving or switching. This will start the work on data and will propel further actions based on outcome of debates. It will look to build on ongoing work by the Strategic Panel's Metering Committee as described in the National Metering Strategy and will review how data is managed and shared among market participants so that making customer data more accessible to authorized stakeholders is balanced against careful consideration of privacy and commercial sensitivities	We expect a rise in the Engagement indicator as a result of this action; the customer satisfaction indicator may initially drop if poor quality data is exposed to customers, but this should rise as improvements are implemented. Customer, premises and consumption data has a role in improving billing accuracy, supporting customer decision-making, and enhancing market efficiency Overall a clear understanding of the customer’s role and function combined with consumption patterns will contribute to the overall 9% reduction target.	Ofwat	Near term delivery (2025)	1, 2, 3, 4, 8	MSD2/ IA4

¹² **Theories of Harms:** (1) Market Power and Monopoly Behaviour; (2) Lack of Effective Competition; (3) Inconsistent provision of information to customers; (4) Risk Allocation and Risk Aversion; (5) Operational inefficiency; (6) Customer Engagement and Inertia; (7) Market Complexity and Cost; (8) Wholesaler Monopoly Power.



<p>P3. Debate on centralised data</p>	<p>Facilitate a debate on the holding of centralized customer data to meet the condition that there is clarity on where correct customer and consumption data is held and who has access to it. This will enable a common standard for benchmarking to exist so that the market can provide empirical evidence on water demand by customer segment, water resource zone, postcode or catchment area. It should also take account of the need for retailers to innovate and differentiate their services. With P2, this will start the work on data and will propel further actions based on outcome of debates.</p>	<p>The ability to compare a customer's consumption with similar customers is a basic requirement for any water efficiency measures. Improving consumption data accuracy will directly contribute to achieving the market's 9% demand reduction target and fostering innovation.</p>		<p>Near term delivery (2025)</p>	<p>4, 7</p>	<p>DA5, DA6</p>
<p>P4. Review and refine market eligibility</p>	<p>Define a common eligibility standard to enable the condition that clear market eligibility rules are applied consistently across all wholesaler regions. This will ensure the right customer sites are included in, and able to engage and derive benefits from, the market. This work will look to build on ongoing work by MOSL/CCW and is expected to include consideration of temporary building supplies.</p>	<p>Satisfaction should increase as customers are definitively in or out of the market and so national customers are treated consistently; may see the number of parties increase if investor confidence grows in the longer term with certainty of whether customers are part of the market.</p>	<p>CCW</p>	<p>Near term delivery (2025)</p>	<p>3¹³, 4, 7, 8</p>	<p>MSD1</p>
<p>P5. Review Switching Provisions</p>	<p>Once confidence in the switching service has been encouraged by establishing protections for customers who have moved away from the deemed rate, the customer experience of the switching process should be reviewed, to identify further barriers of required protections for customers. This will help meet the condition that customers trust the switching process. This will encourage smaller customers in Group 1 to re-negotiate their contracts or switch suppliers to gain better value.</p>	<p>Addressing barriers to switching, such as existing contracts, retailer information issues, GDPR-related non-engagement, and debt allocation errors will build confidence and will drive customer engagement in the longer term. This may result in an associated increase in switching activity.</p>		<p>Short term delivery (2026)</p> 	<p>6</p>	<p>EMP6</p>

¹³ **Theories of Harms:** (1) Market Power and Monopoly Behaviour; (2) Lack of Effective Competition; (3) Inconsistent provision of information to customers; (4) Risk Allocation and Risk Aversion; (5) Operational inefficiency; (6) Customer Engagement and Inertia; (7) Market Complexity and Cost; (8) Wholesaler Monopoly Power.


Actions for Ofwat

Topic	Description	Market Health Indicators	Assisted By	Delivered by	Harms ¹⁴	Condition Reference
O1. Update the open water website	Update and regularly maintain the Open Water website to meet the condition that a dedicated website provides customers with clear guidance on the market. In addition, ensure the outputs of Market Improvement Fund Project CATRID are incorporated to meet the condition that customers can access the identity of their retailer and wholesaler in order to make informed choices around tariffs and/or supplier.	Awareness and engagement are expected to rise	CCW, MOSL	Near term delivery (2025)	6	IA12
O2. Ofwat incentives on Wholesalers	Ofwat incentivises and holds Wholesalers to account appropriately, to support efficient market functioning. Wholesaler provision of services to customers and retailers is rated through a Business Customer/ Retailer measure of experience survey (BR-MeX). Incentives are provided to recognise and drive positive performance and encourage correction of poor performance.	Satisfaction should rise for consistent basic service across country; R-MeX and B-MeX should improve; there may be a positive impact on retailer decisions to join market - improving the HHI	MOSL	Near term delivery (2025)	8	EMP5
O3. Produce plain English guide	Produce a guide in plain English to the CPCoP that provides sufficient and clear information on the metrics, and obligations and the protections afforded to customers. This guide will inform decisions to join the market because complexity and ambiguity have been identified as a current barrier to new entrants. MOSL will support this guide by provide a plain English guide to the market codes	This action should drive awareness and confidence in potential entrants. The number of trading parties is expected to rise and the HHI should reflect a less concentrated market.	MOSL, CCW	Short Term delivery (2026) 	6	IC2

¹⁴ **Theories of Harms:** (1) Market Power and Monopoly Behaviour; (2) Lack of Effective Competition; (3) Inconsistent provision of information to customers; (4) Risk Allocation and Risk Aversion; (5) Operational inefficiency; (6) Customer Engagement and Inertia; (7) Market Complexity and Cost; (8) Wholesaler Monopoly Power.

O4. Retailer and TPI 'fairness framework'	Establish via the Customer Protection Code of Practice (CPCoP) a "fairness framework" to govern Retailer and TPI behaviour. This is aimed at reassuring customers that retailer and TPI behaviours are not just guided by competitive market forces. TPIs will be required to be transparent about their charges, commissions, partnerships and data sources to assure customers of their objectivity so that TPI comparison sites can be trusted by the customer.	Satisfaction should rise and awareness and engagement could rise	-	Short term delivery (2026) 	1 ¹⁵ , 2, 6	IC4 / IC8
O5. Wholesaler 'fairness framework'	Define and deliver a wholesaler "fairness framework" via the market codes and license conditions. This is intended to reassure customers that wholesalers behave in the interests of customers and that is not impacted by the nature of being regional monopoly providers.	Satisfaction should rise for consistent basic service across country; R-MeX and B-MeX should improve; there may be a positive impact on retailer decisions to join market, improving the number of market entrants and the HHI should reflect a less concentrated market	CCW, MOSL	Short term delivery (2026)	6, 8	IC4
O6. Define list of fields/information to be included on or with customer bills	Update the Customer Protection Code of Practice (CPCoP) to reference the fields and information, once agreed (see related action led by CCW in C1).	The signaling of key information to the customer such as their contract end date, current tariff, charges are expected to drive an increase in awareness and engagement	CCW, retailers, wholesaler	Short term delivery (2026) 	1, 2, 6	IA3
O7. Sandbox supports innovation	Ofwat to implement provisions in licences and market codes to support sandboxing that allows ringfenced trials of new approaches to better support innovation and subsequent wider change	This should encourage more innovative services for customers resulting in an increase in engagement scores and contributing to a reduction in demand as water efficient tariffs become more prevalent.	The Panel, MOSL	Short term delivery (2026)	1, 4, 7	MSD7
O8. Develop and communicate ISA process including SOLR	Publish a clear explanation of the market processes to safeguard customer supply and service if a retailer or wholesaler were to fail. The process will apply to all retailers and wholesalers giving customers confidence that their service and supply will be secure if they switch.	In a competitive market it is normal for retailers to fail and go out of business as other, more efficient or better players take their customer base. With clear contingency plans the risk of failure is mitigated and there could be an increase in customer engagement and switching.	MOSL	Short term delivery (2026)	4, 5, 6	EMP1, CO2

¹⁵ **Theories of Harms:** (1) Market Power and Monopoly Behaviour; (2) Lack of Effective Competition; (3) Inconsistent provision of information to customers; (4) Risk Allocation and Risk Aversion; (5) Operational inefficiency; (6) Customer Engagement and Inertia; (7) Market Complexity and Cost; (8) Wholesaler Monopoly Power.

<p>O9. Review the balance of regulation and competition</p>	<p>Review the appropriate balance of regulation to protect customers and promote competition (supported by greater segmentation of Group 1). This could include regulatory requirements for retailers to protect customers who have switched and come off the deemed rate from being placed on disproportionately high standard variable rates at the end of their contracts. This will ensure that a positive customer switching experience is not undermined by a negative and unexpected billing experience and would support the aspiration (Conclusion point 12) to gradually remove regulatory protections for sections of Group 1 customer as better data drives better understanding and engagement by them.</p>	<p>An increase in potential customers not covered by cap could encourage more trading parties to enter the market so that the HHI would reflect a less concentrated market. This may also increase the Engagement scores as customers explore options with their retailer. Although not a market indicator, this could result in REC price cap protections that moves away from using average costs to set maximum prices and instead allow competition to drive pricing; is specifically targeted towards protecting customers who are at risk of harm, rather than applying broad protections that might inhibit competition; is resilient as possible to changing economic conditions, such as fluctuations in interest rates; encourages innovation by removing legacy constraints on billing and payment systems, thereby allowing for the development of smarter tariffs and other customer service innovations</p>	<p>-</p>	<p>Medium term delivery (2027)</p>  <p>Note the aspiration to make this a short term deliverable (2026) if certain conditions for customer engagement and protection are delivered early</p>	<p>1¹⁶, 4, 5, 6</p>	<p>IC3</p>
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¹⁶ **Theories of Harms:** (1) Market Power and Monopoly Behaviour; (2) Lack of Effective Competition; (3) Inconsistent provision of information to customers; (4) Risk Allocation and Risk Aversion; (5) Operational inefficiency; (6) Customer Engagement and Inertia; (7) Market Complexity and Cost; (8) Wholesaler Monopoly Power.

Actions for MOSL


Topic	Description	Market Health Indicators	Assisted By	Delivered by	Harms ¹⁷	Condition Reference
M1. A reformed MPF appropriately incentivises wholesaler and retailer performance	An effective market performance framework is in place which incentivises retailers and wholesalers to deliver positive customer outcomes and encourages them to take corrective measures to rectify poor performance	Satisfaction should rise for consistent basic service across the country; R-MeX and B-MeX should improve; there may be a positive impact on retailer decisions to join the market resulting in the HHI reflecting a less concentrated market.	MOSL	Near term delivery (2025)	1, 8, 2	EMP5
M2. Basic Query tool on Open Water Website	Customers should be able to identify their retailers on the Open Water Website	Awareness should rise; Customer engagement is expected to rise; Switching may rise	Ofwat, CCW	Near term delivery (2025)	3, 6	IA2
M3. Create a data model for consumption benchmarking by market segment	MOSL will establish the minimum standards to which customer consumption data is provided by retailers so that a single source of truth for segment and associated consumption exists against which consumption data can be compared. This will allow the market to provide empirical and unambiguous data on consumption for formal benchmarking and monitoring.	Customer engagement is expected to rise; reduction in consumption demand towards the 9% target is expected	-	Medium term delivery (2028)	3, 6	DA3, DA4, DA5, DA1.1
M4. Develop a smart settlement process	MOSL to develop smart settlement so that the capabilities of smart meters allow the agreement of supply side tariffs which are harmonised across regions and unlock opportunities for load shifting, and support demand side solutions for smarter use of water. MOSL to support the enhanced settlement process with a settlement sandbox in which wholesaler retailer pairings can explore the outcomes delivered by smart settlement.	Customer satisfaction is expected to increase; Customer engagement is expected to rise; reduction in consumption demand towards the 9% target is expected; may encourage more entrants.	Ofwat / CCW	Longer term delivery (2029)	5, 8	MSD6

¹⁷ **Theories of Harms:** (1) Market Power and Monopoly Behaviour; (2) Lack of Effective Competition; (3) Inconsistent provision of information to customers; (4) Risk Allocation and Risk Aversion; (5) Operational inefficiency; (6) Customer Engagement and Inertia; (7) Market Complexity and Cost; (8) Wholesaler Monopoly Power.


Actions for Wholesalers

Topic	Description	Market Health Indicators	Assisted By	Delivered by	Harms ¹⁸	Condition Reference
W1. Communicate tariffs, customer incentives and initiatives to retailers	Retailers have sufficient information on wholesaler water efficiency solutions to target customers with appropriate messaging so that the customers receive communications around innovative solutions that are relevant to them.	Customer engagement is expected to rise. Smart technology and smart tariffs will contribute to reducing demand against the 9% target.	Retailers	Near term delivery (2025)	3, 6, 8	DA1, DA2
W2. Incentivise retailers to reduce demand	Wholesalers provide incentives to retailers to deliver (or encourage uptake of) services that reduce demand for water and alleviate the pressure on wastewater services. This may require new or reformed frameworks or tariffs and updates to charging rules and so may need the support of the regulator, the Panel and/or MOSL. By reducing demand for water and, by extension, costs in the treatment of wastewater, wholesalers can direct the savings towards incentives for customers and retailers	Customer engagement is expected to rise; reduction in consumption demand towards the 9% target is expected; may encourage more entrants and HHI	Retailers, Ofwat, Panel and MOSL	Short term delivery (2026)	6, 7, 8	IC7
W3. Leverage smart technology to stimulate demand-side response	Wholesalers to exploit the rollout of smart metering technology as outlined in their WRMPs (RC3) to provide water security and innovative tariffs for all retailers across all regions and send clear, appropriate, and timely pricing signals through the supply chain. This could also enable water efficiency solutions to be offered by any retailer to any customer regardless of region.	Customer engagement is expected to rise. Smart tariffs will contribute to reducing demand against the 9% target. This may encourage more entrants to the market	Retailers and MOSL	Longer term delivery (2029)	7, 8	MSD6, IC7, RC3

¹⁸ **Theories of Harms:** (1) Market Power and Monopoly Behaviour; (2) Lack of Effective Competition; (3) Inconsistent provision of information to customers; (4) Risk Allocation and Risk Aversion; (5) Operational inefficiency; (6) Customer Engagement and Inertia; (7) Market Complexity and Cost; (8) Wholesaler Monopoly Power.

W4. Wholesalers to have rolled out smart metering technology	Co-ordinated rollout of smart technology according to WRMPs so that customer choice is not constrained in some regions resulting in more expensive water and wastewater services as an enabler to smart tariffs and smart settlement.	Customer engagement is expected to rise. Smart technology and smart tariffs will contribute to reducing demand against the 9% target. At least 50% of customers are expect to received smart technology within AMP8 (2025-30) ¹⁹ PR 24 Draft determinations set a target of 7.5% reduction by 2020 ²⁰		Longer term delivery (2030 ²¹) 	7, 8	RC3, IC7, MSD6
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Actions for Retailers



Topic	Description	Market Health Indicators	Assisted By	Delivered by	Harms ²²	Condition Reference
R1. Notify businesses of recently occupied vacant sites	An enduring process of retailers sending out notifications to replicate the awareness push at market opening for companies that may have missed this at the time so that all customers who are eligible for the market are in it.	Awareness and engagement rates should go up		Near term delivery (2025)	3, 6	IC1
R2. Issue End Contract Notices	Retailer licences require retailers to inform customers as they approach the end of their contract, what their consumption has been, what tariffs they are on, what services they have received and how much they have paid for them so that they can exercise their option to compare prices and service and chose an alternative supplier and (if they are no longer on the deemed rate)	Awareness and engagement rates should go up. Switching activity may increase. This action will contribute to reducing demand to the 9% target.	Ofwat	Short term delivery (2026) 	1, 2, 3	IA6

¹⁹ See section 2.1.6. Wholesalers' smart metering plans of the [National Metering Strategy](#) for the Non-Household Retail Market

²⁰ Delivery of our business demand PCLs will result in a sector-level of business demand 7.5% lower than the 2019-20 baseline by 2029-30. [PR 24 Draft Determinations](#) (section 8.14.2)

²¹ The Panel notes feedback from some Wholesalers calling for this to be brought forward. The Panel agrees that Smart metering should be installed as soon as possible and should be in place before the end of the next AMP wherever possible. However the Panel notes that the commitments made across the industry in smart metering roll-out plans and PR24 submissions indicate that Smart metering will not be rolled out until the end of the next AMP or beyond. Similarly, the Panel notes that prioritising smart meter installation for households over non-households due to funding variations would extend this timescale

²² **Theories of Harms:** (1) Market Power and Monopoly Behaviour; (2) Lack of Effective Competition; (3) Inconsistent provision of information to customers; (4) Risk Allocation and Risk Aversion; (5) Operational inefficiency; (6) Customer Engagement and Inertia; (7) Market Complexity and Cost; (8) Wholesaler Monopoly Power.

	are not at risk of remaining on high standard variable rates. Licence changes to be driven by Ofwat					
R3. Self-certify compliance with list of fields/information to be included on or with customer bills	Retailers to Self-certify their compliance to providing the agreed information on or with customers' bills. Customers should clearly understand their tariffs, consumption, contract end dates and obligations by their retailer so that they can base and choices of supplier on accurate existing information.	Awareness and engagement rates should go up. Switching activity may increase. This action will contribute to reducing demand to the 9% target.		Short term delivery (2026) 	1, 2, 3	IA3
R4. Retailers offer tariffs to incentivise demand side response nationally	Retailers and wholesalers to work more closely with each other to deliver financially viable smart retailer tariffs which enable customers to manage their demand more efficiently by offering time or volume-based incentives to any of their sites (IC7), across all regions and are enabled through smart technology (RC3).	Awareness should go up; Customer engagement is expected to rise; Progress to 9% to improve.		Medium term delivery (2027)	6, 7, 8	IC7, MSD6
R5. Share accurate, granular consumption data	Granular consumption data can be paired with customer segmentation data and shared so that conclusions around the efficient use of water can be made by the retailer and other retailers and appropriate actions can be taken with the customer.	Awareness should go up; Customer engagement is expected to rise; Progress to 9% to improve. Satisfaction may improve.		Medium term delivery (2028) 	1, 2, 3,	DA3

Actions for Defra



Topic	Description	Market Health Indicators	Assisted By	Delivered by	Harms ²³	Condition Reference
D1. Define incentive schemes to reduce demand	Water saving credit schemes similar to those trialed in the Stort ²⁴ Water Resource Zone (WRZ) and should be established as scalable models that are compatible with all regions.	Customer engagement is expected to rise; reduction in consumption demand towards the 9% target is expected; may encourage more entrants and HHI	MOSL, the Panel	Short term delivery (2026)	7, 8	MSD5
D2. Review provisions for independent networks and new builds	Provide clarity on the role of, and opportunities for, NAVs, temporary building supplies and self-lay customers. This should seek to ensure developers have choices for the laying of pipe that includes not only the wholesaler but also self-lay providers and NAVs. Provisions should facilitate the entry of new customers and new parties into the market. There may be benefits in separating NAV functions so that NAVs are not required to enter the market as both retailer and wholesaler.	Customer satisfaction should increase where there is increased clarity and efficiency (and competition) increases for sites entering the market. We may see the number of NAVs and self-lay providers increase as investor confidence grows	Could be Defra supported by Ofwat	Medium term delivery (2027)	3, 4, 7, 8.	MSD1
D3. Make changes to the Water Industry Act (WIA) for ISA	Make changes to the Water Industry Act (WIA) to strengthen the Supplier of Last Resort element of the Interim Supply allocation process	Customers should be confident that the system will allocate them a retailer if their own retailer exits the market	Ofwat	Medium term delivery (2027)	4, 7	EMP1
D4. Deliver an awareness campaign if needed	Evaluate the need for a centrally driven awareness campaign, focusing on group 1, if actions such as end contract notices, fairness commitments, new entrant notifications, plain English guides, and website relaunches have not raised market awareness.	Awareness should rise; engagement should increase; switching may rise	MOSL	Medium term delivery (2027)	6	IC1
D5. Make changes to the WIA (Change process)	Make changes to the WIA to reduce Ofwat obligations on some code changes in support of a more efficient change process.	A more agile market which can respond faster to changes (both planned and unplanned) should improve customer confidence and may see customer engagement go up. The increased	MOSL	Medium term delivery (2027)	4, 7	EMP1

²³ **Theories of Harms:** (1) Market Power and Monopoly Behaviour; (2) Lack of Effective Competition; (3) Inconsistent provision of information to customers; (4) Risk Allocation and Risk Aversion; (5) Operational inefficiency; (6) Customer Engagement and Inertia; (7) Market Complexity and Cost; (8) Wholesaler Monopoly Power.

²⁴ Stort is located below Cambridge- see [WRZ Map](#) for locations of Water Resource Zones

		confidence may generate an increase in switching.				
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Actions for CCW

Topic	Description	Market Health Indicators	Assisted By	Delivered by	Harms ²⁵	Condition Reference
C1. Define list of fields/information to be included on or with customer bills	Lead the work in collaboration with market participants to agree a list of fields (based on improvements from other markets, for example, from the energy market) to be provided to customers by the retailer.	Awareness should go up; Customer engagement is expected to rise; Switching may go up; Progress to 9% to improve.	Retailers, wholesalers, Ofwat	Short term delivery (2026) 	1	IA3
C2. TPI principles	An accreditation for TPIs is developed by CCW that provides confidence to customers that their TPI is operating in their best interests. This accreditation scheme might sit within the CPCOP ²⁶ and does not equate to a regulatory requirement on TPIs ²⁷	Awareness should go up; Customer engagement is expected to rise; Switching may go up	Ofwat	Medium term delivery (2028) 	2	IC8, IA8

²⁵ **Theories of Harms:** (1) Market Power and Monopoly Behaviour; (2) Lack of Effective Competition; (3) Inconsistent provision of information to customers; (4) Risk Allocation and Risk Aversion; (5) Operational inefficiency; (6) Customer Engagement and Inertia; (7) Market Complexity and Cost; (8) Wholesaler Monopoly Power.

²⁶ The Dec 23 [Consultation on CPCoP](#) suggested that that where Retailers use TPIs to represent them in sales and marketing activities, they shall take responsibility for the actions of the TPI

²⁷ Ofwat published a set of [Principles for voluntary TPI codes of conduct](#) in 2017 in which it noted that it does “not have powers to regulate directly those TPIs that operate in the business retail market.”

7. Next steps and delivery

Delivery of this roadmap is dependent upon actions from a number of stakeholders and joint delivery in a number of areas. We look forward to working closely with all stakeholders on delivering the conditions defined by the roadmap to enable the market to flourish, with collective accountability for delivering it.

Delivery of the roadmap will be the prime focus for the Panel in the coming years. It will replace the Strategic Panel's Priorities document and the Panel's principal workstreams and priorities will be derived from the activities set out in the roadmap. In addition to working on the actions allocated to it, the Panel will undertake active engagement with key stakeholders, track delivery of the other identified actions and review progress against associated market health indicators.

These indicators will be key in determining whether the conditions exist within the non-household market that may support an earlier review of the REC. Conditions such as increased customer awareness, engagement, competition, and fair market behavior will suggest that conditions exist that might support a relaxation of the price cap while maintaining necessary protections for customers.

Alignment with MOSL's improvement programmes, the RWG workstreams and Panel subsets will be key to the success of the roadmap. The roadmap will inform Panel engagement with Defra and Ofwat going forward, alongside the report into Water Security compiled by the Strategic Panel's subset, which will itself introduce the RWG Water Efficiency Roadmap.

The Panel emphasizes that the roadmap will not remain fixed and that it will need to iterate and adapt over time in line with the changing market landscape. The Panel will therefore report on progress on a regular basis and will issue revisions and updates to the roadmap as required. Specifically, the Panel will assess progress against indicators including customer engagement and market awareness on a regular basis.

Appendices

Appendix A Dependencies can be found on page 35 of this document

Appendix B Consultation Response Summary can be found [here](#)

Appendix C Reference Documents can be found [here](#)

Appendix D Blue Marble Customer Synthesis Report can be found [here](#)

Appendix E Major Energy Users Council Input can be found [here](#)

Appendix F Europe Economics Report can be found [here](#)

Appendix G Theories of Harms Identified can be found [here](#)

Appendix H Market Conditions Identified can be found [here](#)

Appendix I Market Actions Benefit/Complexity Scoring can be found [here](#)

Appendix J Market Health Indicators can be found [here](#)

Appendix K Full Consultation Responses can be found [here](#)

Appendix A - Dependencies

There are a number of things delivery of the roadmap will be dependent on including:

Market Performance Framework (MPF) Reform: the reform of the MPF being led by MOSL driving the key activities that deliver the best outcomes for customers, the achievement of at least minimum performance targets for those activities and transparency on how trading parties are performing those activities, and against their peers. The scope of the MPF programme includes regular monitoring and compliance checks to ensure that data accuracy standards are maintained, including potential external audits or reviews to verify that data practices are consistent and effective across the market.

National Metering Strategy: Ofwat allowing the necessary investment to deliver ambitious smart metering rollouts for businesses to deliver the timely, accurate and granular consumption data that underpins one of the three themes of the roadmap.

Data Assurance Service: driving the centrally supported data assessment service to enable trading parties to improve and maintain the data held in CMOS. This is critical to the effective operation of the market and is key to operational efficiency, evidence-based improvement, and positive customer and environmental outcomes.

Bilateral hub: the standardised hub launched in 2021 for processes that need retailers and wholesalers to work together (bilaterally) continuing to drive time and cost savings through the use of a standardised approach that also helps deliver for customers in a timelier manner.

Market Improvement Fund (MIF): The Panel's fund continuing to deliver innovative projects that benefit the market and its customers. Outputs from these projects are included in this roadmap, for example the output of Project CATRID providing the means for the Open Water website to enable customer to identify their wholesaler and retailer.

RWG and Panel Water Efficiency Workstreams: The Strategic Panel's Water Efficiency sub group is working closely with the RWG working group to provide direction to the Government on what support the market requires to achieve the 9% demand reduction target. The RWG has already established traction with the Government through the Environment Agency's "[Summary of England's revised draft regional and water resources management plans](#)", which recognises that key actions to help to ensure effective delivery on business demand reductions have been set out by the Retailer Wholesaler Group's [Water Efficiency Roadmap](#). The Strategic Panel's Water Efficiency subset will be submitting a report to the government (Relationships at this level can be exploited to achieve conditions identified within the Flourishing Market Roadmap. Alignment with these workstreams in the area of changing customer attitudes and ensuring that appropriate incentives support the drive for water efficiency will be required.

RWG Tariff Simplification sub-group and Panel Tariff Workstreams: Harmonisation of tariffs, which is a key focus for the RWG, is also a condition of a flourishing market²⁸. The output from these groups will support the Flourishing Market Roadmap.

²⁸ C.f. Conditions RC1, O7 and M4