MOSL response to Ofwat consultation on the consumer involvement rule

As the market operator for the business retail market, MOSL welcomes the opportunity to respond to Ofwat's consultation on the proposed Consumer Involvement Rule issued under the Water (Special Measures) Act 2025.

We support the principle of strengthening consumer involvement in decision-making across the water sector.

We are pleased that Ofwat has explicitly included business customers when referring to the Consumer Involvement Rule, as businesses account for 30% of the total water supplied across England.

Support in principle

MOSL recognises that public confidence in the wider water industry has been undermined by concerns about service performance, investment levels, and environmental stewardship.

As the consultation highlights, meaningful consumer engagement can help rebuild trust by ensuring that company decisions—particularly those affecting bills, core services, and investment—are informed by customer experience and preference. We therefore support the introduction of a statutory requirement for undertakers to have arrangements for consumer involvement, and welcome Ofwat's focus on accessibility, independence, timeliness, representativeness, and transparency.

We agree that retailers operating in the business retail market should not be considered consumers under the new rule. However, it is important that retailers are actively involved in engagement strategies with businesses. They own the relationships with business consumers – from large industrial users to small and medium-sized businesses. Involvement could include retailers supporting the development of consumer panels or issuing surveys directly to business customers.

Proportionate and flexible implementation

While supportive of the proposed rule, we consider it essential that it remains proportionate and avoids unnecessary duplication with existing water company engagement mechanisms.

MOSL operates the business retail market and already facilitates a range of stakeholder forums, committees, and webinars, with a focus on enabling trading parties (water companies and retailers) to deliver better outcomes for business customers. Consumer representative groups beyond CCW should also be considered when developing consumer panels. This could include the Federation of Small Businesses or the Major Energy Users Council (MEUC), which is actively involved in the business retail market.

Prescriptive requirements—such as mandatory board-level structures or fixed engagement formats—could create administrative burdens without necessarily improving consumer outcomes. We therefore endorse Ofwat's proposed "outcomes-based" approach that sets expectations for insight, decision-making mechanisms, and feedback loops, while allowing companies to design arrangements suited to their scale, geography, and customer portfolios.

We also support Ofwat's conclusions that NAVs and smaller undertakers may need longer lead-in times and tailored arrangements to suit both their business models and the types of customers they serve.

Importance of consumer education

Effective involvement depends not only on the right mechanisms but also on consumer understanding of the often complex regulatory and operational context. Research undertaken by Ofwat and CCW shows that consumers wish to participate in decisions that directly impact them but need to feel informed to give meaningful views.

MOSL therefore recommends that Ofwat and the future regulatory body (as per the Independent Commission recommendation adopted by Government) work with water companies and, importantly, retailers to promote clear, accessible communications and education initiatives. These should explain issues such as water resource planning, market roles, and the trade-offs between affordability, investment, and environmental performance, thereby enabling consumers to engage constructively.

In April 2025, all customers saw a notable increase in their water bills driven by greater investment allowances in PR24. This bill increase was introduced against a backdrop of water sector reform (the Independent Commission) and decreasing trust in water companies' financial and environmental performance.

Consumers may not fully understand the urgency of asset and infrastructure investment, or how water companies prioritise work to meet the future demands of consumers and our

environment. As such, an over-reliance on consumer views may lead to regulation and investment in the wrong areas.

Ofwat should consider how it balances public interest with the needs of the sector and delivering sustainable solutions for water security and resilience. Specifically, the consultation document outlines, through research with CCW, that consumers "find long-term and future plans less immediately relevant or accessible than shorter term plans." For the water sector to be resilient, it is essential that water companies invest in the long-term. Consumers may not have the right level of interest or knowledge to inform longer-term resilience and water resource planning.

Sector-specific engagement

The business retail market is incredibly diverse – representing businesses from small corner shops and hairdressers to large breweries and oil refineries. As such, business customer engagement, knowledge, and interest in water industry matters (including environmental outcomes) will vary, as will the way in which they need to be engaged.

Retailers play a critical role in engaging business customers which can be further complemented by sector specific insight.

As the market operator, we have a unique and centralised view of data, including how different sectors use water, when they use it, and for what purpose. While this data supports water resource planning, it can also be used as an effective tool for water companies, via retailers, to engage different sectors in decisions that are likely to have a material impact on their businesses.

As an example, consumer panels could be targeted to different sectors, such as data centres, schools, or manufacturing to draw out specific impacts of water companies' decisions.

We have previously highlighted concerns with CCW's research into business customers' experiences (noting small survey sizes). It is integral that retailers are involved in the development of consumer panels to ensure an appropriate representation of business customers' needs.

Alignment with the Independent Water Commission

The Independent Water Commission's final report emphasises the need for stronger consumer representation and independent expertise in water sector governance. In this respect, the new

Consumer Involvement Rule being proposed by Ofwat aligns with the Commission's recommendations.

MOSL supports Ofwat's intention to embed independence and representativeness into consumer involvement, however, in implementing the rule, we encourage Ofwat to:

- Ensure that consumer panels and independent challenge groups are adequately resourced and supported to operate at both national and regional levels, as recommended by the Commission.
- Provide clarity on how any future transfer of CCW advocacy functions (for example to Citizens Advice, as noted in the Commission's report) would interact with the new rule.
- Build in regular review points—such as the planned 2027 evaluation—to test whether arrangements are delivering meaningful influence on company decisions.

Other ways in which the new rule may be impacted by the Independent Commission final report recommendations:

- **New integrated regulator:** The consumer involvement rule will initially be implemented by Ofwat but could later transfer to the new regulator. Implementation guidance, reporting requirements and enforcement mechanisms may need to be adapted once the new body is established to ensure continuity and avoid potential duplication.
- **Transfer of customer advocacy:** If CCW's functions are transferred, the rule may need to be amended to recognise a new statutory consumer advocate or allow equivalent panels to be established by Citizens Advice or another body.

Summary

MOSL supports the introduction of a Consumer Involvement Rule to strengthen the voice of consumers in decisions that materially affect them. We agree that retailers operating in the business retail market should not be considered consumers under this rule but believe Ofwat should be clearer on the need for retailers to be involved in consumer engagement as they own the relationship with business customers.

To succeed, the framework must remain proportionate, flexible, and accompanied by consumer education, supported by retailers. We encourage Ofwat to align final requirements with the Independent Water Commission's recommendations and to continue close engagement with market participants, including MOSL, as implementation plans are finalised. We particularly welcome opportunities for business customers, of all sizes, to be included in the development of consumer panels and engagement strategies.