

## The Strategic Panel's Response to Ofwat's Business retail market consultation

The Strategic Panel (the Panel) welcomes the opportunity to respond to Ofwat's [consultation](#) on the *Business retail market* following the publication of the [Business Retail Market Update 2024-25](#) and related [Business Customer Insight Survey 2025](#).

In response to consultation **Questions 1 and 2**, the Panel wishes to make clear that the results of the report and survey do not influence or change the points raised in our [2025-26 Review of the Retail Exit Code \(REC\)](#) protections consultation. Principally, we believe the findings reinforce the importance of having a more dynamic, agile REC that responds to emerging customer needs and a rapidly evolving market, as outlined in the Panel's July REC response.

Overall, the Panel is pleased with the results of the report and survey. While we note that customer engagement and activity is broadly stable, we are pleased to see year-on-year savings for customers who switched or renegotiated under the REC. Notably, in 2024-25 small customers were offered an average saving of 5% compared with the REC default tariff – an improvement from 2020-21. This is reflected in average savings of £75 for those who switched or renegotiated in 2024-25, a marked increase from the 'negligible' savings seen in 2020-21. This suggests strengthened financial incentives for small customers to participate in the market, with large customers continuing to achieve higher savings.

We are pleased to see that the Business Retailer Market Update recognises the significant work across the business retail market (BRM) and wider sector over the past 12 months to improve the customer experience – including reforms to the Market Performance Framework (MPF), the introduction of the Business Customer and Retailer Measure of Experience (BR-MeX), and wholesaler and retailer initiatives supporting water efficiency. Market awareness has increased to 52% of surveyed business customers, up from 48% in 2022, albeit with awareness levels differing by business size.

While many findings indicate an improving and increasingly competitive market, the Panel is concerned about the headline statistic on customer satisfaction, which has reportedly fallen from 60% in 2020 to 15%. We note that changes to the survey methodology may have influenced this figure, and that the survey question relates to satisfaction with the wider water sector, not solely the BRM. We nevertheless consider this figure significant and concerning, and we are keen to work with Ofwat and CCW to understand this change in more detail and explore how the Panel can support the delivery of improved customer outcomes.

The Panel also recognises that price increases following PR24, which are outside of retailers' control, have had a significant impact on customers. Higher prices place pressure on businesses of all sizes and we have heard anecdotal feedback from retailers that the combination of increased prices and public sentiment towards the water sector (as illustrated by the customer satisfaction score) have led to noticeable changes in the way some customers are engaging with the market, which may result in increased levels of bad debt. In turn, rising bad debt impacts retailers' financial capacity and limits their ability to invest in delivering high-quality customer services.

It is too early to draw concrete conclusions about the impact of the PR24 price rises on customer behaviours or to predict how customers will react to further price rises in the coming years. However, these early signals clearly emphasise the importance of putting in place the mechanisms to have an agile REC that can react to

and address evolving market conditions, enabling retailers to recover costs in time to stay financially stable and deliver high standards of customer service.

The Panel is keen to use the results from the report and survey to further drive our strategic priorities, with improved customer experience at the centre of the work we do. We recognise that partnerships and collaboration are foundational to a flourishing market and will continue working closely with Ofwat and CCW as they consider the REC and set the future reform agenda.

We would be happy to discuss the points raised in this response further. For any queries, please contact [panel.secretariat@mosl.co.uk](mailto:panel.secretariat@mosl.co.uk).