



**Consumer Council for Water submission to
the Competition and Markets Authority
on the anticipated non-household retail water and
sewerage services joint venture between
Anglian Water Group Ltd and
Northumbrian Water Group Ltd**

Introduction

1. The Consumer Council for Water (CCWater) is the statutory body representing the interests of household and business customers of water and sewerage companies and licensed retailers in England and Wales. We operate through four Committees in England and a Committee for Wales.
2. On 23 March 2017, Anglian Water Group and Northumbrian Water Group announced their intention to form a 50/50 joint venture, called Wave, which would operate in the non-household retail water market and which would collectively serve around a quarter of a million retail customers.
3. We welcome the opportunity to provide a customer perspective on the proposed joint venture (subsequently referred to as Wave) to the Competition and Markets Authority (CMA) and to draw attention to areas where we would like to see customers protected.

General comments

4. We note that the partners' joint press release referred to "*innovative services constantly targeting reductions that are better for both the customers' bottom line and the environment.*" This is particularly important considering water scarcity in parts of Eastern England where many of Wave's customers will be situated. Furthermore, one of the deliverables of the retail market is water efficiency savings.
5. CCWater wants to see a Wave joint venture deliver tangible benefits to customers, such as an improvement to default price and service terms and adoption of best practices leading to customer service improvements.
6. We would expect to see possible customer detriment minimised, such as customer confusion caused by the creation of another new brand, Wave, only months after the market opened. Both parties in the joint venture should have a communication plan to advise customers of the changes and provide reassurances about tariffs, services and customer contact details.
7. We have discussed the potential benefits and detriment in more detail across several areas below:

Default price and service terms

8. Customers should not experience a reduction in their price or service terms as a result of a joint venture decision.
9. The vast majority of the quarter of a million affected customers will not have negotiated price or service terms and will be on deemed contracts. For this reason, Wave should consider applying whichever partner's default price and service terms are more favourable, similar to what happened when incumbent water companies exited the retail water market.

Customer Protection and service

10. There is some overlap in the geographic customer bases of the partners (Essex, Suffolk and Hartlepool). Wave could take advantage of this to understand distinctive customer issues.
11. After water company mergers, customers are typically migrated to new business processes, and customer relationship/billing systems. In our experience, adopting new billing systems in particular can lead to a poorer customer service¹. Wave must take action to avoid this kind of customer detriment. It should look to enshrine the best practices from each partner. It could look to retain experienced customer relations staff to mitigate the risk of service degradation.
12. We note from its press release that Wave intends to offer a multi-utility service. We expect that appropriate regulatory protection will be extended to customers who purchase products from different sectors. Problems with one utility should not have a negative effect on delivery of the other utility services. We would also want Wave to provide clear signposting to customers on how to resolve or escalate problems they might experience with one of the utilities.

Industry comparability and market choice

13. CCWater expects all retailers to provide us with performance data which we intend to publish at the end of the 2017-18 reporting year. The merger of two retailers early in the market will lead to a loss of data and ability to make absolute or relative performance comparisons and could mask poorer performance of one of the partners, making it more difficult to press Wave to improve.

¹ <https://www.ccwater.org.uk/wp-content/uploads/2014/09/Complaint-Handling-in-the-Water-Industry-April-2013-to-March-2014.pdf> and <https://www.ccwater.org.uk/wp-content/uploads/2016/09/Complaint-report-and-appendices.pdf>

14. One less player reduces customer choice in a retail market that is only a few months old. This could pose a risk to the industry reputation if it leaves some customers with the perception that the water market is moving toward a “Big Six” landscape which has attracted criticism in the energy sector.

Customer awareness and engagement

15. We would expect that customers be given sufficient time to become aware of changes to the name and processes of both companies. Customers can then choose whether to stay with Wave or make a decision to switch to another retailer.

Working with CCWater

16. Wave should work with CCWater as the statutory consumer body on those aspects of its merger activity that might impact on customer service.

17. The partners should provide us with a timeline for achieving the joint venture, with targets and milestones so that we can in turn advise any of their customers who approach us for independent advice.

Enquiries

18. Enquiries about this submission and requests for further information should be addressed to:

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