

Water Bill 2013

Update on Consumer Council for Water's (CCWater) Business Customer Evidence on Incumbents Exiting the Retail Market

The passage of the Water Bill through the House of Commons and the House of Lords has resulted in debate on the issue of retail exit.

You will be aware of CCWater's position that, whilst we understand the commercial arguments around the issue of retail exit, we were concerned that if incumbents were to exit the retail market, customers could suffer some disadvantage.

We have recently researched business customers to help make sure that the Open Water Programme is shaped by customers' views. Although not addressing retail exit directly, this research has provided evidence that suggests caution on the issue of retail exit is needed.

Given the issues highlighted in this research and the importance of engaging customers in decisions that affect the future of their water and sewerage services, CCWater believes that legislation on this matter should not be rushed into and any such substantive change must be subject to formal consultation with customers.

1. Allowing incumbents to 'exit' the retail market could cause concern among many non-household customers

Our research showed that:

- While non-household customers have told us they welcome the chance to switch retailer, they appear wary at this stage about switching away from their current water or sewerage supplier.
- Many customers said that they would prefer to stay with their current supplier and negotiate better terms.
- Some non-household customers want to wait and see how the market develops before getting involved.
- Many non-household customers have concerns about not knowing new retailers, and a known water retailer is preferred in the early stages of competition. Customers want to know about the retailer's trading history and experience in retail.
- Even those non-household customers who do think they would switch retailer want the incumbent to remain in case their chosen retailer goes out of business. In our research almost half of respondents (44% of 59 respondents) would prefer to go back to the regional supplier in the event of failure by their new supplier. This is twice as many as those who would prefer to be allocated to another supplier (21%). They could not do this if the local incumbent had exited the non-household retail market.

The experience in Scotland could support this research. Our understanding is that about 50% of non-household customers have renegotiated for a better deal with their existing supplier and only 5% have switched retailer.

2. Allowing incumbents to 'exit' the household retail market is likely to be even more problematic

Although we have not done research with household customers on issues associated with retail exit, we believe household customers could react negatively if they are forced to move to another retailer due to their water company selling its retail business. The new retailer may have differing service standards and approach. The householder would not be able to switch away from the retailer if they did not like the service provided or indeed the new supplier itself.

Allowing incumbents to exit the household retail market where the customer has no choice may generate significant customer concern.