6 August 2014

Dear Water Reform Team

In response to the ‘Water Act: non-household retail exits - Discussion document’, we set out below what we believe should be some key principles around the customer experience of retail exits for you to consider as you develop your policies.

**Background**

While the expansion of competition in the water market has been driven with customer choice in mind, an incumbent water company’s retail exit and transfer of its non-household customers to a new retail entrant offers no choice to the affected non-household customer.

As non-household customers may be wary about the new market¹, and lack choice or a say in whether their current incumbent retailer exits the non-household retail market, it is important those customers do not see any detriment to service and price from the move.

1. **Creating a seamless process that retains protections**

It is likely the non-household customer will expect a seamless process, one where their interaction with the retail exit transfer is minimal and ideally requires no action on their part, and where they expect safeguards to be in place. This could include an expectation that:

- Levels of service do not deteriorate;
- Their bill does not increase beyond their default tariff;
- They should be able to take their default tariff and service level with them for each forced transfer;
- There is no automatic roll-over or lock-in with any new contract that may be needed to facilitate the transfer;
- Any complaints about the transfer are dealt with effectively by the incumbent - even after they have exited, and in the future by the new retailer;
- Customers are informed about an incumbent’s plans to exit the market;
- Customers key concerns are answered;
- Customers are informed of their new retailer’s alternative tariff and service offerings; and
- The option to switch retailer is made clear in communication about the transfer.

2. **Considering the experience from different non-household customer segment’s viewpoint**

The other key consideration is how different segments of non-household customers will interact with the new water market.

We can expect some larger customers to have the ability and interest in investigating, navigating and negotiating in the new market.

¹ CCWater uncharted waters research - 2014 link [here](#)
Our concern lies more with micro and small businesses and other non-household customers, who may not have this expertise or lack the time to seek out competitive contracts in a market that - initially at least - may not have many switching options available.

Additionally, based on experience from other competitive markets, there are some non-household customers who are more expensive to serve and may not be attractive to new entrant retailers.

It is with these customers in mind, that the safeguards listed above are particularly important.

3. **Sharing the benefits of selling an asset**

When an incumbent water company decides to sell its non-household retail operation to a licensee, the household and non-household customers that have contributed to the assets associated with that operation should receive a share of the benefits of that sale. Under current arrangements, profits from land sales are shared 50/50 between customers and shareholders. The same approach could be adopted.

4. **Research**

We have researched non-household customers’ views on the new competitive water market. The findings from that research have informed this response. The full research report is available to view [here](#). The relevant findings for the retail exit issue were:

- 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.

We plan to conduct further research with non-household customers on the issues surrounding incumbent water companies exiting the retail market. This will, among other things, explore what safeguards non-household customers would expect to see as part of the transfer process. We will feed the results of our research into our response to the December policy paper on retail exits.

Please contact us if you wish to discuss these principles further.

Yours sincerely

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