

# Uncharted waters: Non-household customers' expectations for competition in the water industry

Qualitative Research Findings

CONSUMER COUNCIL FOR



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# Executive Summary

- The Government in England proposes to remove the current consumption threshold for all non-household premises in England in 2017 to open the market up for competition further
- The Defra-led “Open Water” programme has been created to design and deliver the architecture and central systems needed to facilitate the proposed market arrangements
- The Consumer Council for Water commissioned research so that customers’ views are included in the design of the retail market and associated policy developments
- Qualitative research was undertaken, consisting of 8 workshops of three hours duration together with 18 face to face in-depth interviews of 90 minutes duration. A diverse spread of non-household customers was included within the sample covering a range of industry sectors and size
- The key findings from the research were:
- Response to the competitive market is influenced by bill spend and number of sites. Four core segments emerge:
  - Single site customers with a high spend
  - Multi site customers with a high spend
  - Single site customers with a low spend
  - Multi site customers with a low spend

# Executive Summary

- Baseline satisfaction with current water supplier is high although a number of retail issues emerged including a perceived lack of technological innovation, lack of account management and fundamental lack of communication
- Most businesses are quite prolific in their switching behaviour in non water markets – most notably in energy, insurance and mobile telecommunications sectors
- Price is a big motivation for switching although other important factors emerged including possibility of a better product/service, reducing consumption and Corporate Social Responsibility issues
- Non-household customers identified a number of key lessons from other sectors that should be avoided in design of a competitive water market:
  - Poor market regulation
  - Profit driven suppliers with complex tariffs
  - Limited cooling off periods
  - Hard sell marketing
  - Contract lock-ins and auto roll-overs
- There is low awareness about the market changes which calls for a co-ordinated information campaign – starting immediately for high spend customers
- Non-household customers articulate a number of benefits a competitive market could deliver, provided it reflects their needs and protects them against adverse market conditions

# Executive Summary

- Non-household customers highlighted four factors as being the key pillars to be taken into consideration when designing the competitive market - namely:
  - Fairness
  - Simplicity
  - Transparency
  - Flexibility
- All non-household customers are busy and highlight that there is uncertainty about how much they would engage in a competitive water market, as it is currently unclear how time consuming the switching process will be
- The ability to have different retailers for water and for waste water is an acceptable way of delivering more choice but the desire to have charges consolidated onto one bill is likely to limit the single supply market
- Non-household customers describe an ideal switch journey with a straightforward series of six steps
- Common tariff structures are required to aid comparison between retailers and pricing
- There is no desire to have discounted tariffs banned

# Executive Summary

- Low spend customers desire standardised contracts but bespoke contracts are a requirement for high spend customers
- On balance, businesses favour market freedom over market protection. The biggest concern is protection from rollover contracts
- Whilst non-household customers welcome market competition there is some concern about switching away from their incumbent supplier. Many businesses would prefer to renegotiate with their current supplier
- Some non-household customers wish to wait and see how the market develops before becoming involved in the market
- 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 services

# Executive Summary

- Those non-household customers who think they would switch retailer want the incumbent to remain as an option for switch-back in case their chosen retailer goes out of business
- Almost half of respondents would prefer to go back to their regional supplier in the event of failure of their new retailer. This is twice as many as those who would prefer to be allocated to another retailer. They could not do this if the local incumbent had exited the non-household retail market.
- The views of border customers are in line with those of customers in non-border areas. Hence in this report there is little disaggregation between these two discrete sets of customers as their opinions are typically similar.

This report is based upon qualitative data and should not be considered robust, but indicative of the views of the populations targeted

# Introduction



## There have been significant changes in last 10 years to the water industry competitive landscape for larger non-household customers

- Competition in retail water services was introduced in 2003 for around 2,200 businesses (i.e. large volume non-household customers) in England and Wales which used more than 50,000m<sup>3</sup> (50 megalitres/MI) of water a year
- Subsequent legislative changes increased the size of that market to approximately 27,000 customers by reducing the consumption threshold in England from 50 MI to 5 MI a year. The threshold in Wales remained at 50MI
- The Government in England proposes to remove the consumption threshold for all non-household premises in England in 2017 to open the market up for competition further
- The threshold in Wales will remain at 50MI
- The Government's vision for the extended non-household retail water and sewerage market in England represents the biggest change to the water sector since privatisation. The protection of and realisation of resultant benefits for non-household customers are central to policy objectives
- The Defra-led "Open Water" programme has been created to design and deliver the architecture and central systems needed to facilitate the proposed market arrangements

# The Consumer Council for Water believes it is critical that the market arrangements are appropriate for all types and sizes of non-household customers

- The Consumer Council for Water commissioned research so that customers' views influence the design of the retail market and the associated policy developments
- Within this, the research needed to:
  - Understand how elements of the market arrangements could be so designed in order to maximise customer participation
  - Explore the optimum market design
- The research objectives were multi layered and included:

## Where are we now?

- Current views on water/ sewerage
- Experience of other markets

## Where do we need to be?

- Understanding the benefits and weaknesses of similar markets in which competition has been introduced
- Response to preliminary market design

## How should this best be achieved?

- How should customers be informed of increased retail choice?
- How should customer accounts be managed?
- How should customer complaints be handled?
- How can customer contracts be designed to offer appropriate levels of protection?
- How should customer debt be managed?

# Methodology

## A deliberative research method was employed

- The research programme identified and explored both baseline market views and more informed opinions based on market knowledge
- Throughout the research process business participants were provided with a wide range of materials and information, in various formats, to optimise their engagement and facilitate detailed discussions
- The core methodology consisted of four key phases:



- This approach was used to provide respondents with a number of different opportunities to become more informed about the market and to express their own views and opinions:
  - Through a number of short exercises completed before the respondent attended the workshop/in-depth interview
  - Attendance at a workshop or a face-to-face in-depth interview
  - A succinct online questionnaire to capture any final thoughts and measure the final position of all respondents. 59 completed interviews were achieved. The results are included in this report
  - Respondents also had the opportunity to share their thoughts through further telephone discussion, posting on a blog or emailing final thoughts direct to the moderator

## Workshops and in-depth interviews approach

- 8 workshops with SMEs. These were 3 hours in duration
  - The creative energy from this interactive environment enabled a thorough working through of the market model
  - Workshops structure:

Location	Size	Number of Attendees
London	Multi-Site, Medium/Large	8
Leeds	Medium	9
Northampton	Medium	6
Birmingham	Small	7
Plymouth	Small	8
Bridgwater	Micro	9
Newcastle	Micro	7
Worthing	Micro	8

- 10 face to face in-depth interviews with large businesses of 90 minutes duration. Tailored comprehensive coverage and a full exploration of the issues
- 6 face to face in-depth interviews with businesses based in England. These customers receive their water and sewerage services from both English and Welsh companies and will be able to choose a retailer for just one of those services from 2017
- 2 face to face in-depth interviews with businesses based in Wales. These customers receive their water and sewerage services from both English and Welsh companies and will be able to choose a retailer for just one of those services from 2017

# Customer groups/segmentation

There was a diverse spread of non-household customers included within the sample

<b>Micro (1-10 employees)</b>	<b>Small (11-50 employees)</b>	<b>Medium (51-250 employees)</b>	<b>Large (250+ employees)</b>
<b>Business Types:</b>	<b>Business Types:</b>	<b>Business Types:</b>	<b>Business Types:</b>
Charities, hairdressers, pubs, deli, sandwich shop, fitter, builder, office supplies, football club, bridal shop, entertainment, gift shop	Care home, commercial garage, pub/club, bookmakers, recruitment, hairdressers, manufacturers, health club, school, builders	Care homes, property development, private taxi businesses, education, charities, housing, retail distributor, cricket club, film production, marketing, recruitment	Theatre, leisure club, building society, law firm, software house, hospital, parking service, manufacturers, charity, retail centre
<b>Sites:</b>	<b>Sites:</b>	<b>Sites:</b>	<b>Sites:</b>
Majority with 1 site, a couple with 2 sites	1-7 site with same suppliers	1-33 sites with multiple suppliers	2-63 sites with multiple suppliers
<b>Services received:</b>	<b>Services received:</b>	<b>Services received:</b>	<b>Services received:</b>
Water, waste water, highway drainage, SWD	Water, waste water, SWD	Water, waste water	Water, waste water, SWD, trade effluent
<b>Bill size:</b>	<b>Bill size:</b>	<b>Bill size:</b>	<b>Bill size:</b>
£105 pa - £2,800 pa	£1,000 pa - £4,000 pa	£910 pa - £15,900 pa	£6,000 pa - £230,000 pa

NB: services received were as reported by the customers rather than defined by their supplier

# Segmentation

- Whilst not a core objective of the study, a segmentation emerged based on customers response to the proposed competitive market
- In this segmentation, business size is not a definitive indicator, as bill spend and the number of sites in combination have a stronger influence on response
- There are four core segments:
  - Single site customers with a high spend
  - Multi site customers with a high spend
  - Single site customers with a low spend
  - Multi site customers with a low spend
- In this report where there is no segmentation mentioned, views are the same across all segments of businesses
- In some cases (both single and multi site) high spend expressed the same views
- In some cases (both single and multi site) low spend expressed the same views
- In some cases multi site businesses have specific views
- There are a few cases where the size of business or their water dependency is a stronger driver of their response than the core segmentation
- All of these variations are commented upon where relevant in the body of the report



# Segment summary:

## Response to proposed competitive market

### Single Site High Spend

- All business sizes
- Micro, small, medium and large customers
- Business purpose drives high water use (i.e: care home, shopping centre, engineering)
- Large sites that drive surface water drainage (i.e: sports clubs, garages)
- £2,500 annual spend for micro and small customers
- £8,000 annual spend for medium customers
- £75,000 for large customers
- Water, waste water and trade effluent
- Some contact with retailer via dedicated account manager

### Multi Site High Spend

- Medium and large customers
- 2 to 63 sites
- Across a range of different sectors including finance, IT, retail, health, property, entertainment, manufacturing and education
- Number of sites OR business purpose drives high usage
- £2,500 to £4,000 annual spend for all sites (medium customers)
- £6,600 to £250,000 for all sites (large customers)
- Water, waste water and trade effluent
- Some contact with retailer via dedicated account manager

### Single Site Low Spend

- Micro, small and medium customers
- Low water usage
- Across a range of different sectors including café, deli, gift shop, pub, charity, accountant, bridal wear shop and recruitment
- £100 to £680 annual spend for small and micro customers
- £400 to £1,400 annual spend for medium customers
- Water and waste water services
- Very little contact with retailer

### Multi Site Low Spend

- Micro, small and medium customers
- 2 to 5 sites
- Retail and professional business services – office supplies, digital software engineers, property management, bookmakers
- Low water usage
- £400 to £2,000 annual spend for micro and small customers
- £1,200 to £2,000 for medium customers
- Water and waste water services
- Very little contact with retailer

A higher degree of time investment anticipated amongst higher spend customers regardless of business size but low spenders still display interest in competitive market

# Contextual Issues:

Satisfaction with current service provision in England

Experiences in other markets

Awareness of retail markets in the water and sewerage sector in England

Initial perceptions of proposed non-household retail arrangements

# Satisfaction with Current Service Provision in England

- For the majority of businesses across the size spectrum, their baseline satisfaction with their water company is good
- Most feel that the product they receive is fine, judged by a consistent supply of potable water and a reliable sewerage service. They further feel that it offers a joined up process which is considered to be efficient
- Most believe that this is a relatively simple service that requires little input from them e.g. the water company is perceived as being quick to resolve problems. One respondent had called their water company regarding a leak and their water company had responded promptly to it
- Some do query the cost of surface water drainage and request a prompt review and a reduction
- Most respondents consider their bills to be pitched at a reasonable level - not as high as other utility bills. The service is regarded as being perfectly fine.
  - Indeed for many the current lack of competition in the water industry simply reduces their need for any involvement in the decision making process regarding their supplier. Hence their water relationship (i.e. service and billing) does not at this time dominate their thoughts

*"They are far better than the energy companies as we have to jump through hoops dealing with them."*

(Large, Northampton)

*"I don't really know. I've never had to deal with my water company so I don't know what they do well or what they don't do well. I know they supply my water and it's always there, and it's fantastic".*

(Small, Plymouth)

*"I've never really looked at my water like that. I've never felt... when the water bill comes in I sort of go [gestures] and it's paid. It's one of those."*

(Small, Plymouth)

# Satisfaction with Current Service Provision in England

- However, a considerable number of retail-related issues emerge
- It is a strongly held belief that the current lack of competition has fuelled complacency in the water sector
- **Higher dependency (such as care homes, sports organisations and education establishments) and multi site (particularly high spend) businesses** have been particularly helpful at identifying specific areas for improvement
- Key issues were:
  - a perceived lack of technological innovation in the water sector, e.g. there is a desire for water companies to develop technologies that can effectively and efficiently recycle grey water, harvest rainwater, provide live systems for engineers and offer more tariff options
  - a frustration at a lack of account management
  - a fundamental lack of communication from water companies
- On a more positive note there are only a few supply issues mentioned e.g. low water pressure and discoloured water

*“Given the amount we spend and the number of sites we have, I think we should have an Account Manager.”*

(Medium, Northampton)

*“I’ve never really understood it but there’s the sewage charge, there’s the surface water charge and then the water which comes down to the drain onto the roof is a different charge and they measure the area of surface used on the open yard.”*

(Small, Birmingham)

# Satisfaction with Current Service Provision in England

- There are also specific issues around billing
- The main concerns mentioned are a lack of bill consolidation for multi sites or multi meters
- Some also cite large gaps in their billing cycle, with one respondent stating they had not received a bill for 7 years
- Accurate bills are key to businesses and respondents mention, among their many concerns, an over reliance on estimated bills, a low penetration of smart meters and a low frequency of meter reading
- Respondents prefer a move to online billing solutions and variation in the billing cycles that align with their own business needs
- Further, there is a call for greater bill clarity, most particularly relating to surface water drainage and associated calculations
- All respondents call for fairer pricing structures

*“See the problem is we don’t understand it with one supplier. I’ve got Thames Water supplying three of my sites, but charge different prices.”*

(Multi, London)

*“All of a sudden we had a £12k bill – they just sent it.”*

(Large, Newcastle)

*“More efficient billing. The billing cycles are useless. No wonder they’ve got no money. They don’t invoice me for like four months at a time and I get a £20,000 bill.”*

(Large, London)

*“The only thing I would say is that we have just upgraded all of our electricity supplies so we have got Smart meters, so they can be read remotely, so they are accurate and the billing is accurate, yes.”*

(Large, London)

# Satisfaction with Current Service Provision in England

- Value for money is difficult to determine but it is apparent that lack of competition, increases in prices year on year and a number of billing inefficiencies drive the value for money scores down
- The current monopoly situation for non-households using <5Ml a year or for those using >5Ml a year, but who are unaware that they can potentially switch, results in respondents being less focused on price and value for money for water, as they believe they cannot go elsewhere so there is no point in considering the issue
- That said, the price paid for the water supply is now facing more media scrutiny, e.g. the recent proposed Thames Water price rises are mentioned
- Some point out that there have been noticeable price increases over time, many consider water to be an expensive 'natural resource' and there are numerous mentions of the standing charges being high
- The cost of surface water drainage could contribute to an imbalance in the perception of value for money as many consider this to be expensive
- Furthermore, along with the billing issues already raised, there are isolated cases of billing disputes referred to with some respondents denouncing the accuracy of the billing
- When asked to rate the level of service received out of 10 the scores varied from neutral to good. The mean value for money ratings decreased with increased company size:

Micros (6.4)

Medium (5.0)

Small (5.8)

Large (4.5)

*"How can we tell what's value for money? I'm paying £1.53 per cubic metre from Severn Trent. If I knew that people in town were paying £2.10 a cubic metre, I'd say Severn Trent are fantastic value but I haven't got that information so I can't make a valued judgement."*

(Small, Birmingham)

*"I think it's expensive ... especially like X said, ours is done on the average amount of number of staff we have mostly our staff are out shooting films directors producers. No one is the business. We don't have showers. We don't have washing machines."*

(Multi, London)

# Experiences in other markets – triggers to switching

- Most businesses are quite prolific in their switching behaviour, most notably in energy, insurance and mobile telecoms sectors
- A difficult economic backdrop and the availability of price comparison websites have undoubtedly empowered businesses and enabled them to increase their switch activity. This has closely mirrored the trend in the domestic market
- When customers talk about their reasons for switching service providers, price is one of them but it is not solely price driven
- The competition in the telecoms (fixed and mobile), waste disposal and energy markets have all driven this trend to demand more but for less money. Astute non-household customers are now even more demanding as they insist upon cost savings, service enhancement and product efficiencies across all areas of their business
- Propensity of switching can be summarised as:
  - The majority of customers switch energy, insurance and mobile on an annual/biannual basis
  - The majority of customers switch fixed telecoms and broadband every three years or more
  - Fewer customers switch waste disposal and postal services on an annual/biannual basis
  - Fewer customers switch banking services every three years or more

*“Yes we have [switched]. We switched about 18 months ago in relation to our telecoms, by which I mean the core management side. Again that was to try and bring all of our lines under one company in order to negotiate a better deal. I went through a compare and contrast exercise to reward that. We were recently offered a deal to bring the two together and we’re saving at least 50% on line rental.”*

(Medium, Northampton)

*“Purely because we get better pricing for a 2 or 3 year deal than you would in a yearly deal where with gas/electric, you can lock it in for 1 or 2 years, but after 2 years then the price starts to rise because they are trying to hedge their bets on the energy costs so.”*

(Large, London)

## Experiences in other markets – triggers to switching

- Investigating the market is not just about the act of switching, it is the process used to negotiate a better deal with the incumbent supplier
- Managing utilities is akin to negotiating with suppliers and for the majority of non-household customers this has become much more a part of their overall business game. The threat of switching offers businesses more bargaining power

*“Bill consolidation, being able to leverage usage in relation to price. We have an added benefit if you like because we don't negotiate the contract ourselves, because we're a building society we recognise that we don't know enough about the energy markets, so we use an energy broker.”*  
(Large, Leeds)

*“Every time the contract is done we don't necessarily switch but we do try the market price and try and get the best deal than our current provider because all of a sudden they can come in with a cost saving that they wouldn't. Because there is more choice out there now, they've got to be competitive.”*  
(Small, Birmingham)

*“It doesn't pay to be loyal. It costs you to be loyal.”*

(Small, Plymouth)

- However, admittedly some respondents are not happy switching services. The perceived simplicity of the market place enables switching but in itself is not a motivation to switch. The energy market is seen as attracting complex tariffs; with limited transparency but still respondents feel they must 'play the game'



## Experiences in other markets – triggers to switching

- For **multi and single site low spend customers** the motivation to switch is more simplistic than for medium, large and multi site businesses. It is all primarily about cost reduction
- Other important factors are also at play, such as reducing their consumption by, for example, monitoring usage, reducing their carbon footprint (e.g. energy, landfill) and their interest in green tariffs
- However, they are also motivated by the possibility of a better product or service:
  - for example in mobile telecoms, that by updating their technology they will be rewarded with a stronger signal and better coverage
- They also seek to obtain some bundled services – such as broadband and fixed line telecoms
- Access to a UK based call centre and efficient banking services are also important

*“I think the fact that somebody rings you to say ‘We can make it cheaper’ as a small business person, whether it’s our machine, whether it’s our cleaning utensils or whether it’s the coffee equipment there is somebody there to deal with it, and if they send me the figures I will always look at them because profit margins in my business compared to a lot of businesses are very small, so if we can change that I think the choice thing is massive.”*

(Small, Plymouth)

*“Yeah. I did that merely, not purely on price, it was the whole package that was being offered. It was to do with Sky, let’s put it that way, because you got a whole lot of other extras with it. That was my reason for changing.”*

(Micro, Newcastle)

## Experiences in other markets – triggers to switching

- The switching motivations for **single and multi site high spend customers** are much more sophisticated and complex
- For these companies, whilst a desire for cost reduction is often a core part of the decision making process, the initiation for the switch could start anywhere
- There are also other important linking factors at play including reducing their consumption by, for example, monitoring usage, reducing their carbon footprint and displaying an interest in promoting the use of green tariffs
- Simultaneously linked to these motivating factors is a desire to promote corporate social responsibility
- Other elements of the business decision process include a wish for bill consolidation, the need to update technology and have an enhanced product or service
- Finally, these companies require a nominated account manager in order to deal with issues smoothly and efficiently should any problems arise
- In their telecoms they wish for a stronger signal and better coverage. Like the smaller businesses they also prefer to have broadband and fixed line telecoms, a UK based call centre and an efficient banking service

*“Yes it was yes, well having worked through it over 3 or 4 years, I managed to get everything now to a single supplier which gives you your better pricing as well, yes. A uniform end date, again when it comes to switching it makes life so much easier and we also use my own research and an agency.”*

(Large, London)

*“It goes through a full procurement exercise. Yeah we don't always go for the cheapest, we very rarely go for the most expensive, but we try and get the best value for money.”*

(Large, Leeds)

# Segmentation summary – triggers to switching

## Single Site High Spend

- Economic backdrop
- Cost reduction
- Reducing consumption
- Better product/service
- Ability to monitor consumption
- Potential for [improved] account management
- Interest in green tariffs

## Multi Site High Spend

- Economic backdrop
- Cost reduction
- Reducing consumption
- Bill consolidation
- Dealing with single supplier
- Better product/service
- Ability to monitor consumption
- Potential for [improved] account management
- Interest in green tariffs

## Single Site Low Spend

- Economic backdrop
- Cost reduction
- Potential for bundled services
- Potential for UK call centre
- Straight forward switch process
- Clear tariffs

## Multi Site Low Spend

- Economic backdrop
- Cost reduction
- Bill consolidation
- Dealing with single supplier
- Potential for bundled services
- Potential for UK call centre
- Straight forward switch process
- Clear tariffs

## Experience in other markets – brokers

- Brokers are used across the business spectrum for insurance, energy and fixed line and mobile telecoms
- Brokers are employed for the specialist knowledge that they bring to the negotiation and the associated time and cost benefits of not having to personally review and understand the marketplace
- **Micro/small and medium companies** use price comparison websites and to a large extent their business behaviour will mirror their domestic behaviour in the processes they follow. Some businesses are able to combine with other companies, e.g. in the same business park, in order to enhance their spending power and thus gain access to bundled rates that they cannot achieve alone

*“I’ve actually got a broker... I’ve had two brokers come on to me to deal with our electric we’ve got half-hour meters, or one-half hour meter. Having said that I’ve not gone with one of them because we’re with EDF and they put you through to the Retention Team again and get a good enough contract to sign up again.”*

(Small, Plymouth)

*“We’ve just gone to an energy comparison company for our energy use to see whether or not we can get a better deal. We did originally buy because it was green but with energy prices going up a lot we’ve gone with an energy comparison company, somebody who supports the third sector who specialises in trying to find good deals.”*

(Micro, Newcastle)

- **Medium and large businesses** are able to avail themselves of in-house resources and some feel it is more prudent to defer to specialist brokers who are able to offer packaged deals, e.g. for energy. They are also willing to seek the advice of energy ‘consultants’ to help them find the best deal for their business
- **Large companies** are much more likely to go through a formal procurement process in order to establish the best deal for their business

*“Yes, just for convenience really, I could do it myself but they’ve got all the contacts and the numbers and the names which it would take me a long while to find out you know.”*

(Large, Leeds)

*“We tried to do it ourselves. We like to think we got the best deal. We recognised the process that we don’t know enough about the markets.”*

(Large, Leeds)

## Experiences in other markets – learnings

- When asked to articulate the learnings from switching in other markets there is a fairly limited positive response
- Indeed the energy market is considered to be particularly helpful at highlighting what **NOT** to do in the water market. Businesses identified a number of pitfalls that they are keen to avoid:
  - Poor market regulation and regulators with a ‘lack of teeth’ were seen to create an uncompetitive market
  - Concerns exist over ‘cartels’ driven by profit rather than customer focus
  - Respondents are frustrated by cold calls and the ‘hard sell’ practiced by some companies with a limited cool off period
  - The switch process is seen as fraught with the dangers of double billing or billing gaps
  - Concerns over contracts including: ‘auto rollovers’, ‘lock in’ periods and heavy buy out penalties/‘mid contract price changes’
  - The perception from many respondents is that the complicated tariffs make it impossible to compare deals and that there are too many tariffs creating a ‘foggy’ market
  - Poor customer service makes it difficult to contact companies, and most specifically, complain. Call centres, particularly overseas call centres create annoyance

*“We’ve just switched our gas and we haven’t had any invoices for October and November. So alarm bells are ringing about what is happening to our bills.”*

(Large, Plymouth)

*“The attempts, or ability, to understand and compare and contrast different providers is still hard work despite the attempts of some companies to simplify it.”*

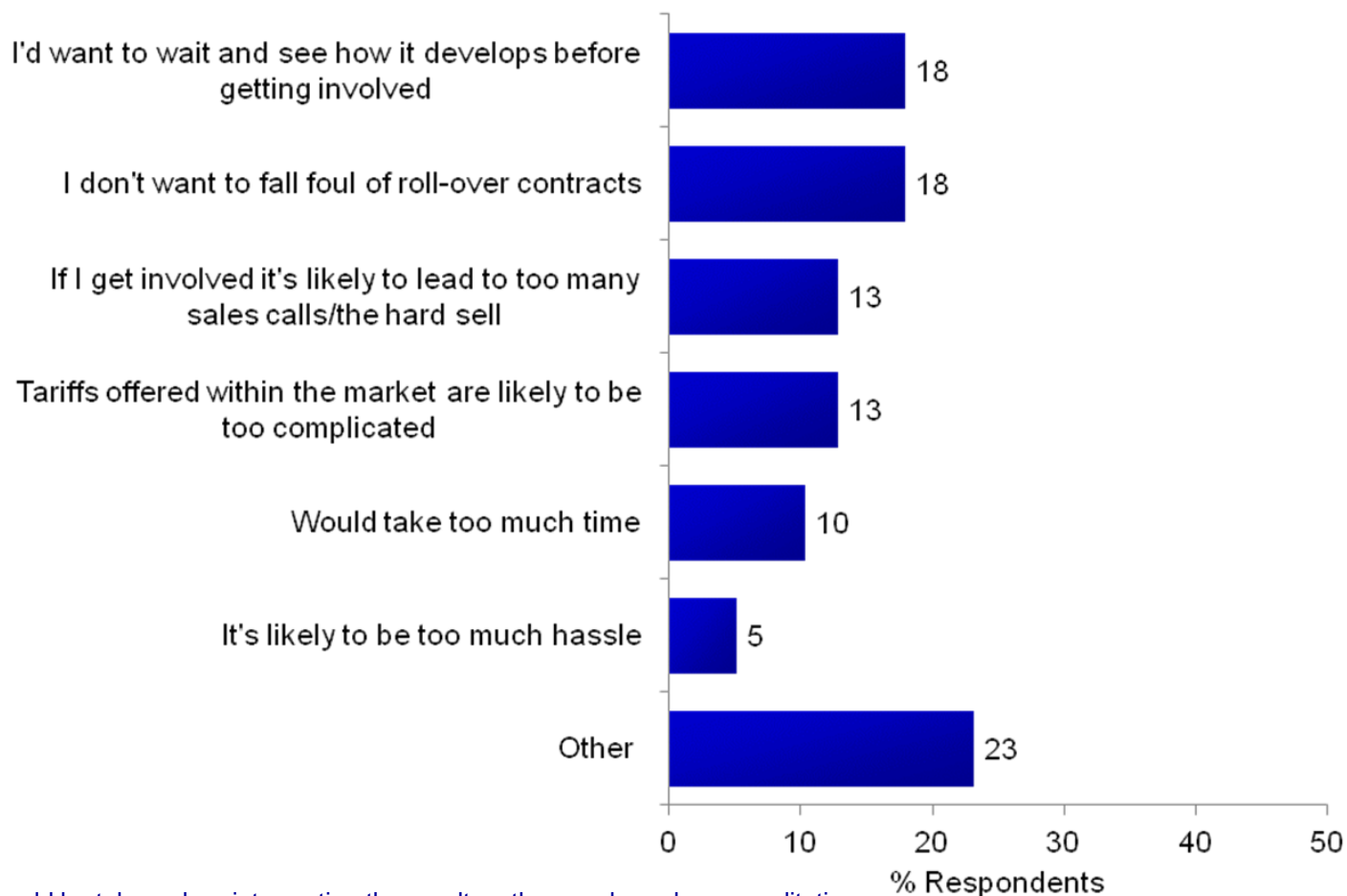
(Medium, Northampton)

slide 29

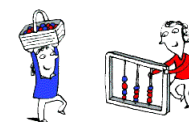
## Follow-on Survey Result:

**Question:** We understand that receiving a reduction in your business's water and sewerage bills will be important to you once the market opens in April 2017. However, we're interested in understanding what would stop your business investigating other suppliers, renegotiating with your current supplier and/or switching supplier. Which of the following would be the main reason for you not getting involved in the market?

- A desire to see how the market develops AND a fear of roll-over contracts are the *main* reasons for not getting involved in the market



Caution: Caution should be taken when interpreting the results – they are based on a qualitative sample and are not meant to be representative of the views of the non domestic community



# Awareness of retail markets in the water and sewerage sector in England

- **All** companies in this research with **water usage levels greater than 5 MI a year** were unaware that they could currently switch their water service provider
- Only one or two respondents feel that water companies are beginning to implement 'save' tactics to avoid churn, for example, through the use of strategy papers
- There is a lack of awareness across all business sizes of the proposed market changes in England planned from April 2017. Only some **large users** (i.e. >5 MI) are aware of the proposed competition but again they were unaware of the current competitive market for non-households using >5MI/yr
- No companies with a current **annual usage of less than 5 MI** had heard of the proposed changes to the water market before receiving their pre-task materials – however, they wouldn't expect to have been told about this yet
- **Some** companies with a **water usage of more than 5 MI** are aware that changes to the water industry are proposed but not of the specifics including the dates or detail associated with it

*"If you'd asked me 9 months ago, I'd have said 'would not have been very proactive' but since all this deregulation's coming around, we have been very active and I did ask the question 'is that because you're open to our choice like when we're able to have freedom of the market' and everything and of course obviously they've said yes, they want."*

(Large, Northampton)

*"So have Thames Water contacted me because I use over 5,000 cubic meters? No they haven't. Why is that? Because they don't want to lose my business."*

(Multi, London)

*"No I wasn't aware of any dates, but I have spoken to the energy brokers about water because it's something that we asked them whether they would be able to look at water for us, and they said well not just yet, but they'd be able to keep us informed as things moved along."*

(Large, Leeds)

# Awareness of retail markets in the water and sewerage sector in England

- Although this lack of information and awareness is expected to be the norm among **smaller businesses, companies with higher water consumption** feel largely frustrated by the lack of communication of these future plans while some consider that it has hindered their future business planning
- These companies feel that information should already be provided by either OFWAT and/or their water company
- Customers suggest they should be informed through the 'grapevine' or via more formal communication channels with dedicated coverage
- This lack of awareness reinforces the need for market information to be available that is timely and in a digestible format that is relevant for businesses



# Initial Perceptions of Proposed Non-Household Retail Arrangements

- Non-household customers broadly support the idea of market competition providing it reflects their business needs and protects them against adverse market conditions
- The broad benefits are seen to be:
  - Increased customer choices, control and leverage
  - Companies working harder to win business
  - Water companies being placed under more pressure to perform
- For an individual business, **all** cited the benefits of:
  - Lower costs – from a reduction in unit price, rewards for loyalty, multi-site discounts and tailored tariffs
  - Reduced usage – from water companies proactively offering advice on usage and guidance on water efficiency and water recycling; from improved usage information and the provision of smart meters for enhanced usage monitoring
- For **high spend/high water users and multi-sites** additional benefits were seen to be:
  - The provision of an enhanced service offer via a dedicated Account Manager; more efficient billing; eBilling and the use of smart meters
  - There is also the promise of heightened Corporate Social Responsibility achieved through the implementation of water efficiency and recycling measures and green tariffs
  - The simplicity of integrated billing

# Initial Perceptions of Proposed Non-Household Retail Arrangements

C4

## Scottish Market example

Let's look at the Scottish market which has developed independently of English and Welsh markets and where retail competition for all business customers has been in place since 2008

### Wholesaler:

Scottish Water owns the network of pipes  
They are responsible for provision of all water and sewerage services to retailers  
Sell services to Retailers who pay a charge to them

### Retailers:

8 Licensed retailers currently operating in the Scottish water and sewerage market  
Retailers provide retail services, such as billing, meter reading and handling customer enquiries

Since the market opened 5% have changed their water supplier and 50% have renegotiated their water and sewerage costs

We don't know at this stage what the benefits to the English market will be

Most respondents are heartened by the Scottish market as evidence that something positive has happened which aligns with their underlying desire to renegotiate with the current supplier as opposed to switching

- The Scottish market shown in the research offers a useful example of a competitive retail market for water and sewerage services
- A clear pattern has emerged in discussions around the Scottish market with participants across the sample concentrating their focus on the 5% of switchers and 50% of challengers among businesses in Scotland
- The 5% change ratio is the immediate focus of participants, as it *“feels very low”*, showing that the market hasn't worked properly and raises questions on the potential reasons for reluctance
- Many recognise the 50% renegotiations that have taken place as an encouraging indication, assuming that it is a positive change and that businesses wouldn't leave for an inferior deal. But more information on the percentage of savings and details of value added services or wider deals are required before rushing to a decision.

## The Scottish market shown in the research offers a useful example of a fully functioning ‘competitive market’

*“I think the renegotiation is probably the biggest selling point there, it gives you that ability to negotiate. The fact that 5% probably found a better deal is maybe not that telling, it's the 50% of being able to renegotiate, and what has the other 45% done, that would be my question. They've probably just not bothered.”*

(Large, Newcastle )

*“..so it's interesting 50% in Scotland have actually renegotiated their rates so obviously the fact that those suppliers are out there has made Scottish Water actually talk to the customers more and slice 1% or 2% off their bills.”*

(Small, Birmingham)

*“But they've used it as an excuse to re-negotiate haven't they? 50% or something. So it just goes to show actually all these new companies have only got 5% of the business.”*

(Leeds, Medium)

*“They can go out and use their clout, especially with their portfolio being much larger than ours, yes, they can go up to the energy companies and say look, we want to bring another half a dozen businesses and this is what they can bring to the market and can you give us the best price.”*

(Large, London)

*“I don't know if I am surprised or not really, I mean 50% have renegotiated suggests that these 7 new people have actually made a bit of a difference, otherwise it wouldn't have been worth the while you know. 5% have changed their supplier, I don't know, in some ways it's not a lot but in another way it is a lot, when it's quite easy just to say oh let the water come through isn't it? 5% of people must have found enough benefit to actually say yes, we will do this.”*

(Large, Leeds)

# Initial Perceptions of Proposed Non-Household Retail Arrangements

- There is an inherent belief amongst businesses that competition will provide them with bargaining power
- Those supporting the 'competitive market' do not focus solely on the opportunities to switch, amongst those who consider their current service provider is acceptable, many would prefer to stay with the incumbent supplier and negotiate better terms
- Switching is perceived as a 'hassle'
- This mirrors behavior in other markets, where business use competitor prices as a tool for negotiating a better deal
- However, without any detailed knowledge of whom the new retailers will be, renegotiation feels more likely

*"I'm looking forward to new services and the drive for change and I think it will drive new ideas and hopefully that will translate to low costs."*

(Micro, Newcastle)

*"I don't know, I just think they're going to stay, if there's no hassle, they'll stay with the price – they'll just stay. Because like they say there's not going to be much change apart from obviously the pricing comparison but they're going to go back then and say well you know, let's negotiate with them, it's going to be the same, it's hassle free. Best price and hassle free."*

(Micro, Newcastle)

*"Well, if the market opens and the tariffs are different, then you have a bargaining point when it comes to re-negotiation."*

(Large, London)

# Segmentation summary:

## Response to competitive water market

### Single Site High Spend

- High interest
- Potential benefits include: cost reduction, reducing consumption, better product/service and helping towards CSR targets
- Improved account management
- Interest in green tariffs (linked with CSR targets)
- Highly likely to be involved – through procurement and/or brokers

### Multi Site High Spend

- High interest
- Potential benefits include: cost reduction, reducing consumption, better product/service and helping towards CSR targets
- Single/consolidated billing leading to internal cost reductions
- Improved account management
- Interest in green tariffs (linked with CSR targets)
- Highly likely to be involved – through procurement and/or brokers

### Single Site Low Spend

- Medium/low interest
- Potential benefits include: cost reduction
- Likely to be involved through renegotiating directly with current supplier or via price comparison site

### Multi Site Low Spend

- Medium interest
- Potential benefits include: cost reduction and bill consolidation
- Some interest in improved account management
- Likely to be involved through renegotiating directly with current supplier or via price comparison site

# Fundamentals of Market Design

Key pillars

Eligibility

Market Awareness/Information

Marketing Activity

# Fundamentals of market design: key pillars

- Customers highlighted four factors as being the key pillars to be taken into consideration when designing the competitive market:

## Fair

- No cartels
- Accountable profits
- 'Regulator with Teeth'
- Wholesale price controls
- Default package
- Inclusion of all Business customers
- Transparent tariffs
- Sufficient market information

- In order for the open water market to work effectively across the business community it must be designed to be **fair**
- Avoiding the perceived situation of “cartels” operating in the energy market
- Accountable profits
- An effective regulator with powers to impose fines and force retailers to act in the interest of customers as well as their shareholders
- Transparent wholesale prices and controls must be in place to address the perceived failing of the energy market (from which lessons must be learnt)
- A fair default tariff
- A common tariff structure which is easy to understand and is published
- Sufficient information should be readily available for customers to make decisions they feel are right for their circumstances

# Fundamentals of market design: key pillars

## Simple

- 'Managed' choice
- Easy to switch
- Easy to engage with
- Standardised contract as starting point for negotiation
- One contract for multi sites/meters
- Common tariff structure (price per units and standing charge)

- In order for the open water market to work effectively across the business community it must be designed to be **simple**
- Non-household customers want choice but with appropriate protection
- The market must be simple to ensure all businesses can be involved – not just larger organisations with the procurement processes already in place to deal with complex switching/purchasing scenarios
- Many businesses want standardised contracts as a starting point. **Low spend customers** in particular may stay with these standard contracts as they have in other markets e.g. telecoms, energy, insurance etc.
- **High spend customers** may prefer to negotiate away from standard contracts they still want that standard starting point
- Those with **multi sites** and/or meters prefer a single contract
- All businesses want common tariff structures across the market to allow for comparison between retailers. Many do not have the time or expertise for complex comparisons of numerous pricing structures



# Fundamentals of market design: key pillars

## Transparent

- Ensure everyone is aware of the new retail market
- Contracts are easy to understand
- Clear tariffs
- Clear penalties

- In order for the open water market to work effectively across the business community it must be designed to be **transparent**
- A well delivered awareness campaign must be in place leading up to April 2017 to ensure all businesses have the opportunity to hear about new retail arrangements
- Ensuring contracts, tariffs and the market structure are understood across the business community is key to achieving transparency
- Additionally, it must be clear what penalties are in place should retailers fail to deliver

# Fundamentals of market design: key pillars

## Flexible

- Competitive
- Efficient
- Enable sufficient gains
- Innovation

- In order for the open water market to work effectively across the business community it must be designed to be **flexible**
- However, the desire for fairness, simplicity and transparency must not overly constrict the market
- Businesses wish to see a free market where retailers are able to offer sufficient differentiation and innovation in their products and services
- With too many constraints on retailers businesses fear that few new retailers will see the water market as an attractive one in which to operate leading to a market with little or no “real” competition
- This outcome will be viewed as a failure and a waste of public money

**It is therefore key that the correct balance of all four key pillars is in place for the design of an open water market**

# Eligibility

- By default, all non-household premises in England will be included in the market from April 2017. But there are some premises which have mixed business and domestic use where their position in the future market is less clear
- Most respondents support the inclusion of mixed use properties within the new market framework
- Two types of mixed use properties were considered:
  - Type 1: Business working from a domestic premises which is charged a domestic tariff e.g. a beauty salon at someone's home
  - Type 2: A business and a household customer with separate premises which share a water supply e.g. a hairdressers with a flat above
- Whilst respondents support existing protection for domestic premises i.e. disconnection for non-payment should not be allowed, they want a simple solution versus market exclusion
- Therefore, for Type 1 it is considered reasonable for those wishing to enter the market to switch on to a business tariff. This would also address concerns that businesses which work from a domestic premises on a domestic tariff are unfairly protected from disconnection for non-payment
- For Type 2, respondents support separating the supply for domestic and non-household customers, which allows protection, and fulfills the simplicity and the fairness criteria. Although the cost of separating the supply may be prohibitive customers can still be included in the market if they choose

# Market Awareness/Information

- Very few **high spend/high water users** know they might be able to switch already. Awareness raising for these should start now
- Businesses with **single or multi sites high spend** are frustrated by the lack of information which has so far been limited to a letter accompanying bills which has had limited cut through
- **Single or multi site low spend customers** prefer information to be drip-fed, starting with a general awareness campaign some 12-18 months before the market opens culminating with detailed information about retailers and pricing with quarterly reminders
- The kind of information/messages businesses would like are:
  - The potential, from 2017, for all businesses in England to switch billing agent for water and sewerage
  - What the changes in the market are
  - Continuity of supply i.e. same water, same pipes
  - Retailers that they can buy from and their published prices
  - Existence of price controls

*“Well I think it’s the classic thing of April with the tax year happening, once you’re into that year, you’re going to want to start to know where sort of prices are going to be, you’re certainly going to want to know what your default price is and you know, what prices other people might be starting to offer.”*

*(Micro, Newcastle)*

**Recommendation:**  
**A high profile and structured campaign is needed now to advise businesses that can already switch and inform of the changes from April 2017**

# Market Awareness/Information

- Independent entities are seen as the most credible sources for market information. Whilst a number of different groups were mentioned across the fieldwork, Ofwat was the most consistently mentioned as being the most credible source
- Those customers in the English/Welsh border region require information explaining why it's only possible to switch a single service – this should be flagged in the flyer with the bill

Format	Source	Message	Timing
Targeted Press	OFWAT	High level messages Market is changing from April 2017 This is what you need to do For more info visit www.	April 2015
Separate Letter	OFWAT		
Trade/Business Press	Trade associations relating to sector of activity/FSB		
Flyer with Bill	OFWAT, CCWater	Did you know that from 2017.... You will have a choice of x agents Visit www.	2015 2016
Website	Potentially OFWAT	Detail: Scotland on Tap model Publish prices, agents Default tariff Link to comparison site	Now for Large Businesses April 2015 for SMEs
Letter/Email	Incumbent water supplier	You can switch retailer from xxx. We will contact you separately.	April 2016 Quarterly
TV	BBC Panorama News	Detail of changes, Scottish Market Review	January-March 2017
Bill	Incumbent water supplier	Default Tariff – we can offer you xxx	April 2017



## Some respondents state their preferences regarding the source and the media of information

*"I might be thinking from a practical point of view, because it's South West Water that have got all our relevant details to send... OFWAT haven't. Ideally, OFWAT should send it to us, as the independent body, to say, "You've now got a choice", but they haven't got all our contact details. It's bound to come via South West Water and I guarantee it'll have their logo on it somewhere and it comes from there, through them."*

*(Small, Plymouth)*

*"You could have people who go out and give talks to groups like business groups – awareness raising and explanations and inviting questions and answers without any firm conclusion, so make it as independent as possible."*

*(Micro, Newcastle)*

*"But then you got a letter. Each individual company got a letter with a staging date on it from when your things are. It should be 18 months advance telling you that you should be giving a thought now."*

*(Multi, London)*

*"I think the water regulator should issue a statement to all water companies for them to receive... to their customers."*

*(Small, Plymouth)*

*"Because it's a more renowned name. CC consumer – CC what?"*

*(Medium, Northampton)*

*So maybe the regulator can advertise the mechanism and then obviously it will be down to the retailer to advertise the more specific tariffs."*

*(Micro, Worthing)*

*"Well they should tell you if it's going to go to the open market then they should be telling you at least 12 months in advance so that when it comes to the end date of your particular supply, then you know exactly where you are with it, so 12 months time that's my default tariff, so many pence per cubic metre and then I could go from there."*

*(Large, London)*

## Market Awareness/Information

- Although not part of the market design, a known water retailer is preferred in the early stages of competition and a 'utilities bundle' is seen as a good idea
- Achieving a license may show that a retailer is competent but some would still avoid unknown brands in the early stages of the competitive market
- There is overall a good understanding that the retailer could be a high street name, a high profile brand or an energy provider. There is a degree of comfort associated with big brand names
- Customers want to know about the retailer's trading history and experience in the billing market, while water experience is also welcomed for valued added services
- Most **smaller** companies would investigate prices using a price comparison site and a recognisable brand would be one filter they would search on
- Some customers spontaneously suggest a 'utilities bundle' might be a good idea since that would translate into just one billing cycle and could also prove beneficial in terms of achieving a better deal
- However, this is not a risk free option and there is a concern in keeping all eggs in one basket. Consequently, although there is definite potential to bundle in the future, it is too early to understand the impact on likely switching

# Market Awareness/Information

- After some discussion, respondents understood that the default tariff:
  - ‘provides some price protection but may not be the cheapest available in the market’
- Showing the default tariff on the bill is critical
- All retailers can offer a lower price for delivering the Guaranteed Service Standards and some might offer higher service standards or valued added services for a set price to win a customer:
  - So if someone chooses not to switch they may not be on the lowest price or be getting the best possible service or additional services
- A default package (the default tariff and the associated Guaranteed Service Standards) is tricky to communicate
- There should be some explanation of the tariff in the communications leading up to the market changes in April 2017

*“Well I don’t think they, the company, should use the word default because I’m thinking most people, particularly elderly people will misinterpret that as a bad thing.”*

*(Micro, Worthing)*

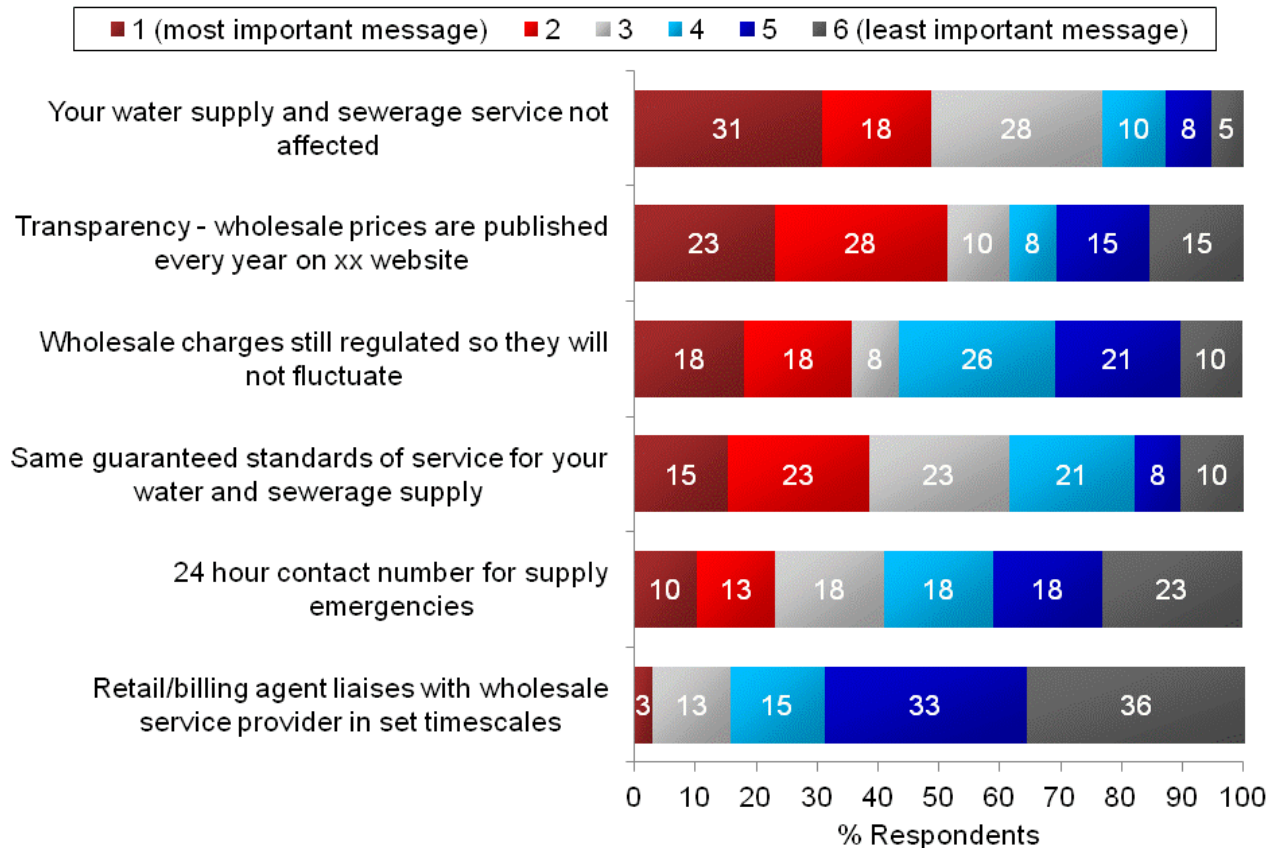


## Follow-on Survey Result:

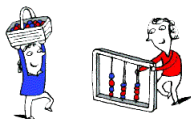
**Question:** Please look at the following information which could be included in messages when informing businesses about changes to the water market. We'd be grateful if you could rank these in order of importance for you – with 1 being the most important message you'd like to hear and with 6 being the message that is least important to you

- Water supply and sewerage being unaffected and transparency of wholesale prices are the most important messages to be communicated regarding changes to the non domestic water market

### Ranking of importance of information being included in messages about changes



Caution should be taken when interpreting the results – they are based on a qualitative sample are not meant to be representative of the views of the non domestic community



# Marketing Activity

- There is an overarching concern about the **escalation of cold calls**
- But businesses remain reluctant to opt out of the database in case they fail to benefit from a good deal

*"I have no problem with that, I think it's useful for the retailer to have an understanding of the potential customer they're talking to. It gives them a feel for where we are and there's nothing better than having an informed discussion or negotiation. If it was useful for them in preparing for whatever phone call or contact that followed then I don't have a problem with that."*

(Medium, Northampton)

- Whilst they are accepted by all, they wish to receive only a limited number
- The first call is deemed acceptable as a route to securing a better deal; concerns arise with the volume of calls that will impact on running the business
- Fear of 'hounding' may encourage more businesses to use brokers or opt for longer contract periods to minimise involvement

*"Well, we've found it quite helpful when this broker phones me up and says 'I can do it for this amount.'"*

(Micro, Worthing)

- **Single and multi sites with high spend** welcome new players who can offer innovative tariffs and efficiency solutions and would probably engage a water broker to support decision making

# Segmentation summary:

## Market Awareness/Information

### Single Site High Spend

- Frustrated by lack of information regarding current ability to switch
- Need information now on current situation
- Information on changing market required 2 years before to tie in with procurement cycles
- More relaxed about unknown retailers
- Welcome new retailers who can offer innovative tariffs and efficiency solutions

### Multi Site High Spend

- Frustrated by lack of information regarding current ability to switch
- Need information now on current situation
- Information on changing market required 2 years before to tie in with procurement cycles
- More relaxed about unknown retailers
- Welcome new retailers who can offer innovative tariffs and efficiency solutions

### Single Site Low Spend

- Information needed 18 to 12 months before market opens
- Starting with general awareness campaign
- Culminating with detailed information about retailers
- Known water company is preferred
- Some interest in bundled propositions
- Concern over potential escalation of cold calls

### Multi Site Low Spend

- Information needed 18 to 12 months before market opens
- Starting with general awareness campaign
- Culminating with detailed information about retailers
- Known water company is preferred
- Some interest in bundled propositions
- Concern over potential escalation of cold calls

# Switching Considerations

Level of switching  
Switching process

# Level of Switching

- The ability to have different retailers for water and for sewerage is an acceptable way of delivering more choice but the desire to have charges consolidated onto one bill is likely to limit the single supply market (unless there was a way around this)
- The underlying belief that the option to purchase separate services will lead to 'dual fuel' style deals and provide more leverage for the customer is considered to be a good thing, provided the tariffs are clear, transparent and straightforward
- Only **high spend** customers are likely to invest time in investigating the advantages of separating services or those using a broker, and although better price may drive decision making, a desire for bill consolidation is strong amongst **multi-site high and low spend customers**
- For **low spend** customers, separate services feel overly cumbersome. The simplicity associated with one bill and the feeling that dual fuel deals will be good enough, likely overrides any potential benefits of the alternative suggested. It is also highly unlikely that businesses will choose different providers for different meters

*"I've split my energy provider between half hourly and non-half hourly because that was my better pricing for me."*

(Medium, Northampton)

*"...some of my energy in Northampton and not Essex. So I've got half hourly and I've got E.on doing four of my sites so they do Northampton for the main lot of energy, they do Cliftonville House, they do Notts and what else, they do four and then everything else is with SSE."*

(Medium, Northampton)

*"Because I would look at it as being two different items, you know it's like BT and Broadband you know. I mean it's how you would split it, but I would say fresh water as one thing, yes, sewage is another, or it's all water in one area or another but nevertheless the way I would look at it is what's my best price in the country for fresh water, who would I want to bill me for it at the correct price, yes and again the same with sewerage."*

(Large, London)

## Level of Switching

- Respondents highlight a ‘hassle’ factor, which should not be overlooked as there is uncertainty around how time consuming the switch process might turn out to be
- All businesses are busy – but **high spend** and **multi-sites** highlight different issues compared to **low spend customers**
- **Small and medium** sized businesses always struggle more to conform to regulatory changes
- **Low spend customers** have limited resources to explore the market and already feel the pressure of switching in other markets. For any switch the overall benefits will need to outweigh the time of exploring the market and the switch process. This reinforces the need for slick aggregator websites to allow swift comparisons and an easy switch process
- **High spend customers**, when exploring the market to switch, generally have a dedicated resource or will utilise a broker to explore the market, however they have more complex requirements and need to consider multiple meters, whether there are worthwhile financial savings to switch and value added bundles

*“And I think that the price difference isn’t that great to actually warrant the path of changing.”*

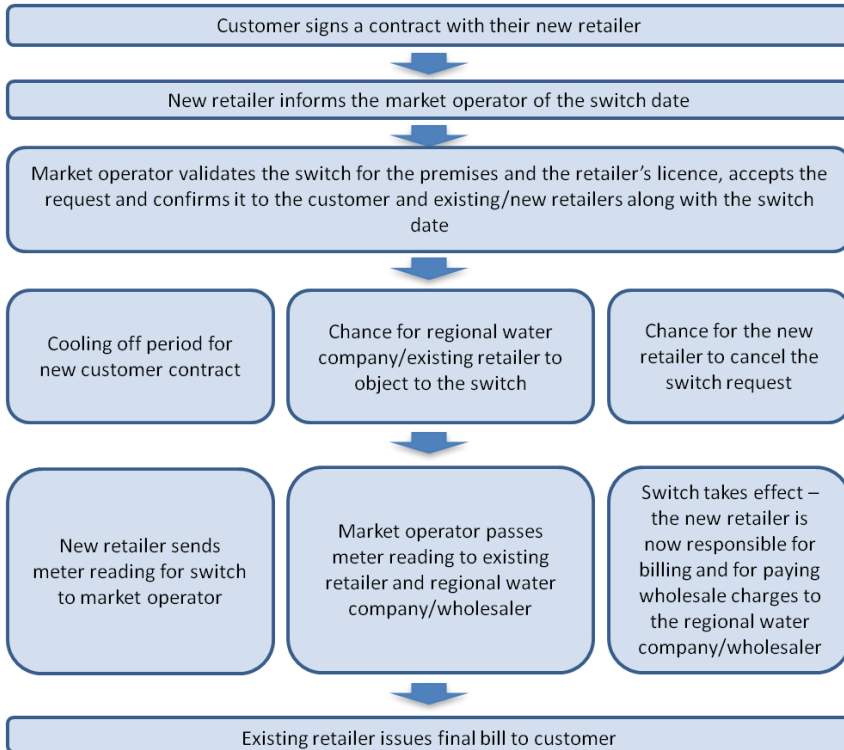
(Micro, Newcastle)

*“And if I leave a customer to answer the phone, it’s just someone trying to sell something, while I’m trying to ... she’s trying to sell something to make money and I’m trying to do my hairdressing and why should she get money for getting my idea when I’ve got a lady’s cut and blow to finish and I’m trying to make money. Do you know what I mean?”*

(Micro, Newcastle)

# Switching Process

## Switching process proposed by Open Water

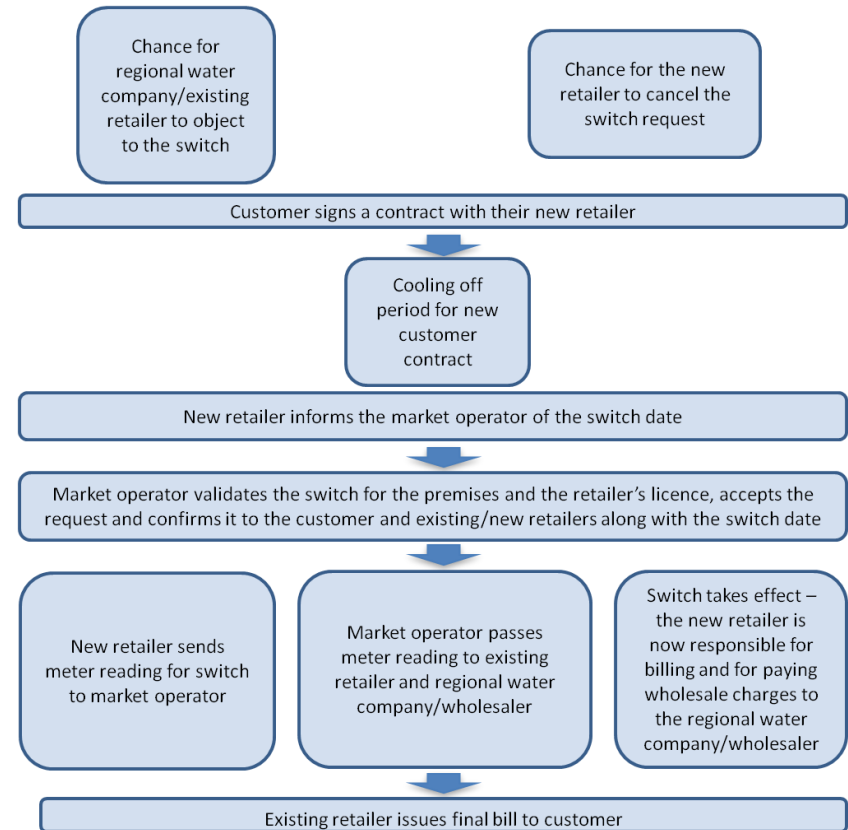


- Two switch processes were shown – one as proposed by Open Water and an adapted version
- Both switch processes have a familiar feel emerging from the energy and telecoms market but have individual characteristics
- Customers prefer retailers initiating switching with the new retailer because that retailer is responsible for driving the switch
- However, the switch process seems lengthy, cumbersome and messy
- Although objections are not expected from the majority, any objections could potentially cause unnecessary work and it is unknown how long it would take to rectify them

# Switching Process

- The adapted switch process allows objections to be made outside of the switch period and before any significant administration work has started
- This adapted version was preferred
- It seems more straightforward, transparent and simple
- The desire to sign the contract once objections are finalised minimises unnecessary time and effort if the switch does not progress

## Adapted process





# For both versions the switch process should be within a 30 day period including a 14 day cooling off period, providing businesses with reasonable time to change their mind

*"Well we go through this step by step, it seems to me that's what happening with our energy switch that were doing at the moment, but perhaps I'm wrong, but it looks like that."*

*(Medium, Northampton)*

*"Yeah, I think you still need that protection, yeah, because you could have these canvassers coming into your business and you're stressed and you're pushed for time and, before you know it, you think you've got a great deal and you've signed up, when you've not really looked into the figures."*

*(Small, Plymouth)*

*"I think if it's anything like the energy companies, you won't have to do anything, you'll be getting phone calls pretty rapidly."*

*(Micro, Newcastle)*

*"What I've experienced with the energy companies is I believe they've got to by law give you a period where you can cancel if you take one of the standards say but then you've got a cancellation period worth say 2 weeks or something after drawing it out, but also that they're obliged to tell you who is the cheapest provider on the day you take it out."*

*(Micro, Northampton)*

*"14 days is a good sort of period of time giving you a chance to notice if you're being duped."*

*(Medium, Northampton)*

*"And there is, and there's no need for it because at the end of the day it's using the same network be it water pipes or gas pipes or electricity supply. They can't say "oh we've have to come and install that to your property so we need a two year term", its rubbish. You know, it can be switched on and off as easy as that. They don't read the meters themselves, they all use the same people and having two units, I mean, I actually end up with two different suppliers for two small units."*

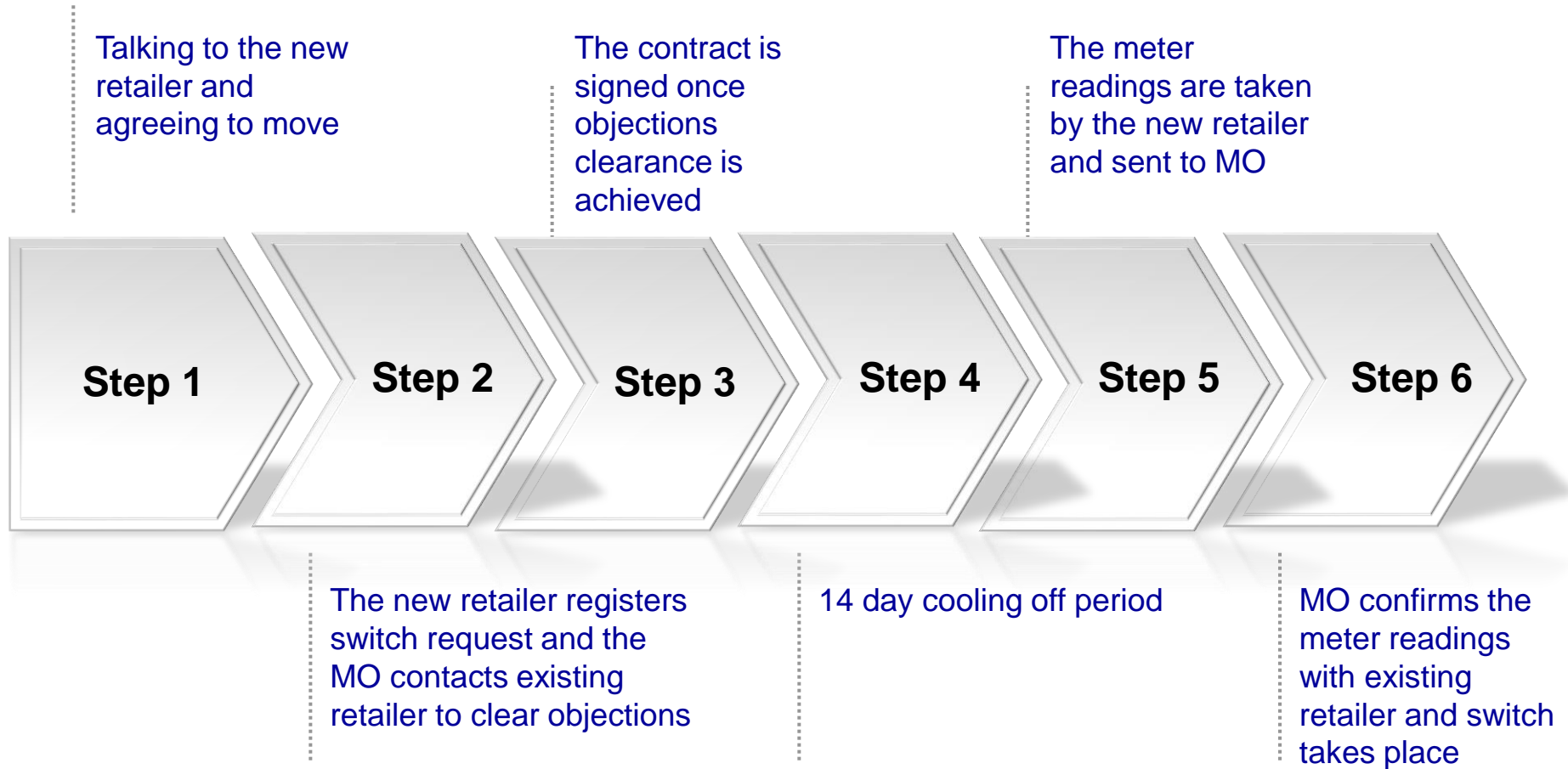
*(Micro, Newcastle)*

*"It appears to make more sense in some ways. But I'm not sure of the practicalities of it. Because you've got the objections out of the way so once it's started it's going to go through."*

*(Micro, Worthing)*

# Switching process

- Respondents described the optimum switch journey with a straightforward series of steps:



- Supply point identifiers, potentially needed to initiate switching must be clearly identifiable on customers' bills. Only **high spend** customers readily recognised that the meter point administration number (MPAN) is required to effect energy switching.
- There is minimum involvement for **low spend customers**, which should have an elapsed maximum of 30 days from signing the contract to switching.

# Segmentation summary:

## Switching Considerations

### Single Site High Spend

- High likelihood of exploring market/switching
- Potentially interested in purchasing separate services
- More complex needs so likely to use dedicated resource through broker and/or procurement department

### Multi Site High Spend

- High likelihood of exploring market/switching
- Potentially interested in purchasing separate services although desire for bill consolidation stronger motivator
- More complex needs so likely to use dedicated resource through broker and/or procurement department

### Single Site Low Spend

- Segment with lowest likelihood of exploring market/switching
- Very unlikely to consider purchasing separate services
- Limited resources mean benefits must outweigh time invested in exploring market
- Will require slick aggregator websites for swift comparison and easy switch process

### Multi Site Low Spend

- Desire for bill consolidation means segment likely to explore market/switch
- Very unlikely to consider purchasing separate services
- Limited resources mean benefits much outweigh time invested in exploring market
- Will require slick aggregator websites for swift comparison and easy switch process

# Contractual Issues

Standardisation

Guaranteed Service Standards

Customer Service Problems

# Standardisation

- Common tariff structures are required to aid comparisons between providers and pricing
- The complexity of tariffs in other markets is heavily criticised as being designed to baffle the consumer by making comparison between providers virtually impossible
- But there is no desire to ban discounted tariffs overall

*“Just make it as clear as possible and don’t go trying to baffle the customer with hundreds of different tariffs. I mean a tariff for fresh water, sewerage and other add-ons from that, just keep it a planned price.”*

(Large, London)

*“If you know what it will go up to at a later date, because you’re agreeing to that on the contract. You can make an overall assessment of how much that will cost you in the contract.”*

(Small, Plymouth)

- Instead of banning, a level playing field of units is preferred to aid price comparison
  - E.g. for units, the standing charge and a simple tariff structure
- There is a preference for a set number of tariffs for **low spend customers**
  - E.g. single, dual service and green
- **Single and multi sites with high spend** want freedom to negotiate bespoke tariffs
  - E.g. time of day, seasonal tariffs and high site/low site

## Key message:

**Core tariffs need to be comparable and value added service part of the same contract but still allow more freedom of pricing**

# Standardisation

- Contract requirements differ depending on spend on water charges – **low spend customers** desire standardised contract due to lack of time and low usage
- An industry wide standard contract for 12 months is required with the opportunity to flex some of the different variables as illustrated below:

	Outcome for Standard Contract	Opportunity to Flex
Timescale	12 month contract	Require opportunity to flex timescale Related to tariff decision 12 month, 24 month tariff options
Service Levels	Guaranteed Service Levels	Limited desire to flex these
Payment Terms And Conditions	Monthly billing cycle - 28/30 days	Limited desire to flex these
Standard late payment fees	Current industry standard	Limited desire to flex these
Tariff Structure	Sole Dual Service Green	Expect to be able to choose from core packages Standard measure of units key
Provision of annual consumption data	Provided before the end of the contract period to aid comparison	No
Notice Period	3 months Remind at 1 month	No

*“12 months works about right. When I think about how we operate as a business I think 12 months is neither too long nor too short to give us a feel of what our expenditure or usage might be for that product or service, whilst still giving us the opportunity to think about the possibility of change.”*

(Medium, Northampton)

*“I’m happy with 12 months because realistically we’re not going to look at it every month or every 6 months, I don’t think, so I’m happy with 12.”*

(Micro, Worthing)

- A reluctance to commit to a contract term does not necessarily imply unwillingness to have a contract

*“I think there’s a difference between a type of contract and a term of a contract. Is that not... because this lady doesn’t want to be tied into a term but it doesn’t mean you don’t have a contract. Is that right?”*

(Micro, Worthing)

# Standardisation

- Flexibility of contract terms is welcomed across the industry, regardless of company size and usage
- Although **low spend customers** appear more vulnerable to being pushed into a bespoke contract

*“Because, as a small business, we’re just not very powerful players in the market and the companies dictate the terms. Well, I think companies over a certain size maybe should have the opportunity to go to a bespoke contract. What you’re saying is your options narrow. Just because you’re small doesn’t mean you can’t... a pound’s a pound.”*

(Small, Plymouth)

*“The bit that should be open to negotiation is the actual values of your timescale or the cost of things.”*

(Small, Plymouth)

*“I can’t see the point in it, yeah. I can’t see the benefit of a small business chasing after something too bespoke. I mean, you know, on my large electricity supply or my large water supply. All I know is one gets 15 per cent VAT and the others get five per cent. That’s the only difference I’ve known. I think the council would be looking for a more bespoke service. Yeah, I think if you’re really big...”*

(Small, Plymouth)

*“The standard one because it’s standard. I think bespoke is fine provided your company has the wherewithal, confidence and experience to be able to negotiate in an informed way. In other words, it’s confident in the information it has, it’s confident about its position, i.e. its negotiating position, because it’s negotiating with a retailer that knows its market very well. Whilst you might lose out some way on a standard contract I think the fact that it is standard is in this instance of benefit to smaller businesses such as ourselves because we know it is consistent across the industry.”*

(Medium, Northampton)

*“..so I think for small to medium businesses they’re standard contracts, because the reality is you’ve not got people to pour over contracts and legal issues and blah-blah-blah.”*

(Micro, Worthing)

# Standardisation

- For **high spend** companies bespoke contracts are a requirement and value added services are expected to be bundled into the core contract

	Response
Timescale	Open to negotiation Some larger users prefer longer contracts to tie into planning cycles Examples of longer term energy and telecoms contracts e.g. 3 years Recognise that committing for longer periods can bring cost advantages
Service levels	Open to negotiation Recognise guaranteed levels but some instances where tighter levels are required Provision of bottled water in event of water outage Would expect speedier response to letters/complaints from Account Managed contract
Payment terms and conditions	Open to negotiation May choose to reduce payment terms to achieve better price e.g. 14 days
Standard late payment fees	Limited desire to flex these
Tariff structure	Open to negotiation Would expect bespoke tariff based on usage, services, season, time of day
Notice period	Depend on length of contract - very large users would begin investigations 6 months before
Value added services	Business specific

- Any changes to the contract should result in a renegotiation to protect customers from mid term price changes

*"...it's dictated by the terms and conditions. If we take utilities as an example we have a 3 month window for giving notice. Four months before, or longer depending on the size of the contract, I am triggered to begin research into continuing or cancelling that contract. Then if I'm honest I'm willing to expend as much time as possible so that the school can make an informed decision about its options. Before we used a third party I would spend several days, or even a working week, on talking to companies and researching options before we made an informed choice with regards to our utilities. So I'm prepared to spend the time researching yes."*

(Medium, Northampton)

slide 64



# Guaranteed Service Standards

H

## GUARANTEED SERVICE STANDARDS

*Retail services (These standards currently apply to the regional water company, but similar could apply to retailers in the water market)*

Making and keeping written/telephone appointments

Offer an a.m./p.m. slot/ times 2 hour appointment slot if requested

24 hours notice of cancellation

Keep all non-cancelled appointments

Respond to a written query about the bill within 5 working days

Respond to other written correspondence within 10 working days

Respond to a written request to change method of payment within 5 working days, if unable to meet the request for this

Respond to written complaints within 10 working days

*Wholesale services (regional wholesaler still responsible, these and others relating to supply would still apply)*

At least 2 days notice in advance of planned work which will interrupt your water supply for more than 4 hours, and notification of the timings

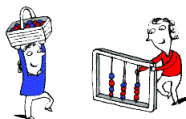
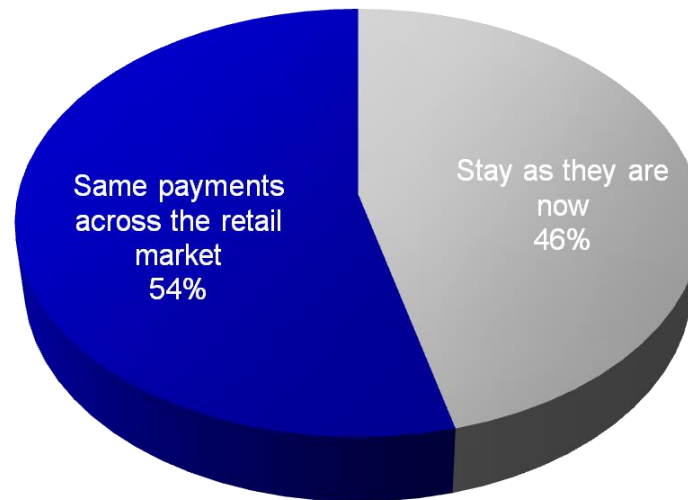
You may be entitled to compensation of the supply is not restored by the time stated and for each further 24 hours without water

- Overall, respondents found the existing Guaranteed Service Standards broadly acceptable.
- Though no prices were tested on the default package, Guaranteed Service Standards were explored.
- Respondents were presented with retail and wholesale service standards and found them broadly acceptable.
- The limited contact with water companies, which is currently the norm, drives this acceptability.
- There was some criticism around delays in communication, such as offering 5 working days or 10 working days to respond to written correspondence. These are considered to be a bit outdated with the immediate nature of email. However, they are still considered fine as baseline measures.
- Respondents understand that some companies may offer better standards, although there are no real issues with consistency of this on the retail side. Larger users and high dependency businesses would go further and negotiate some standards e.g. requesting immediate provision of bottled water in the event of a supply interruption.

## Follow-on Survey Result:

**Question:** Currently, there are slight differences in the level of Guaranteed Service payments made by regional water companies, with some offering an enhanced payment over the minimum requirement. Should these payments become the same across the retail market – which would mean some payments being a bit less than they are now – or should retailers keep the same level of payments as offered by the regional water company?

- There's a split response as to whether Guaranteed Service payments should stay the same or be the same across the market



# Customer Service Problems

- Respondents had important concerns regarding customer contact about wholesale failures. These are key to address in communications.
- At a minor level these queries and concerns related to:
  - Clarity on wholesaler responsibilities
  - The switching process, with fears of double billing
  - Poor customer service (less worrying for **low spend customers**)
- At a more pressing level queries arose over a potentially inefficient supply chain and enhanced potential for a communications breakdown:
  - Another player in the supply chain – nervousness was expressed by respondents about contact with the retailer about wholesaler issues. Fears of potential inefficiency can create a perception that businesses might get priority or more joined up service if they stay with incumbent, even though they understand the retailer/wholesaler ‘split’
  - The majority of participants will be happy to contact the retailer for retailing issues (e.g. billing and meter enquiries)
  - They expect the retailer to liaise with the wholesaler regarding new supply points, etc

# Segmentation summary:

## Contractual Issues

### Single Site High Spend

- Require freedom to negotiate bespoke tariffs
- Require customer service commitment of wholesale issues (in addition to retail issues)

### Multi Site High Spend

- Require freedom to negotiate bespoke tariffs
- Require customer service commitment of wholesale issues (in addition to retail issues)

### Single Site Low Spend

- Preference for set number of tariffs
- Desire standardised contracts

### Multi Site Low Spend

- Preference for set number of tariffs although some desire for freedom to negotiate bespoke tariffs for those with a large number of sites
- Desire standardised contracts

# Protection

# Protection

- Respondents had key concerns regarding market reform that should be addressed in communications
- There is uncertainty as to what will happen should there be a 'crisis' moment, such as a break in supply. Businesses will need reassurance that their retailer will respond promptly and efficiently. They expect a 24 hour line for supply disruptions but not necessarily one that is manned by the retailer

*"If you're...you're going to want to know what you're paying for your water per metre right, you're going to want to know what backup you've got because if you...if your water keeps turning off in the street, now do you go to your water supplier, who you pay your bills to or do you go to Southern Water retail and say my water's been knocked off in the street?"*  
(Micro, Worthing)

*"The comment I wrote was 'who do we yell at when they cock up digging up the road?'.*  
(Medium, Leeds)

*"That would worry me a little bit because I would think if I did have a burst pipe then my supplier could say to them 'well it's not up to us, it's up to Severn Trent'. So I'm tied then, what can I do? I can't say to Severn Trent 'I'm your customer. Get this pipe repaired'.*

(Small, Birmingham)

# Protection

- The balance between freedom and protection is a fine line, which is critical to success
- The majority do not seek over protection, just sufficient protection
- Customers believe freedom equates to:
  - better gains
  - more innovation in terms of water efficiencies
  - new tariff development
  - investment in smart meters driven by competitive service offerings
- All underpinned by sufficient protection
- On balance, businesses favour market freedom over market protection
- Sophisticated **high spend customers** are confident regarding market navigation and contract negotiation
- Savvy **low spend customers** want to see a water market that is worth entering otherwise they are highly unlikely to bother

*“You don’t want to end up with a market where the pricing is standardised because then it’s not competitive. Surely, though, if you’re totally bespokeing a contract, you can have that protection bespokeing into your contract.”*

(Small, Plymouth)

*“I like the idea of it being open so that anybody can charge what they like if there’s enough competition. In Scotland they have 8 retailers, if down here there were only 2.....Say Northumberland were interested in coming down here and somebody in the South East but nobody else was then we’re stuck. We might possibly be in a worse place than we were before.”*

(Large, Plymouth)

*“They’ve tried the free market in energy and they’re now regulating it. And they’ve tried the free market in telecom when they’re now regulating it. So I don’t personally think the free market in water will be doing anything different from anybody else. Sooner or later, someone’s going to scream because they’ve been conned or they’ve been charged more than anybody else and they’re going to come along and regulate it.”*

(Micro, Worthing)

# Protection

- The biggest concern and first priority for all customers is **protection from rollover contracts** that are high in price and lock customers in for another specific period.
- The simplest and most obvious solution is to ban auto rollovers and reinstall active sign-up as necessary in entering a new contract period.
- The negativity to auto-rollover is affirmed by other market experiences.
- Additionally, customers want a notice period as the end of contract approaches to allow time to consider alternatives. 30 days would be considered the minimum notice period.
- Clear and transparent communication is also essential to explain that the customer could be moved on to another tariff package once the contract period expires.
- Customers find it acceptable to move back to a default tariff as this is similar to standard variable rates for mortgages and recognise that whilst not the best tariff, its better than being locked into a new contract and gives them time to consider alternatives.
- **Low spend customers** (particularly single site) can easily miss a communication and specify the next bill should clearly state they are out of contract, on the default tariff and also free to move.
- **High spend customers** have an on-going dialogue with their incumbent and will know when the contract expires.

*“You’re tied up in another contract. You would explain to the salesman I’m already tied up until March 2014, I can’t move. So then they go off the phone and you’re stuck with it. And then sometimes you forget to renew and you’re automatically in another...”*

(Micro, Newcastle)

*“You get the lowest price this year and you’re tied in for a year. Now you’re going to get a tiny window about 3 months before your contract’s due, they’ll write to you. As long as you’re on the ball, you’ve got 7 days to respond because if you fail to respond, you move from this wonderful low price that you took up a year ago to their standard tariff which is about 15% or 20% higher than the going rate.”*

(Small, Birmingham)



# Protection

- It is commonly argued that debt should be cleared prior to switching
- Although there is always the option of the new retailer 'buying' the debt, this option feels messy and could also result in limited protection for the customer (as there is concern that protection will not pass between retailers)

*"Not as a business, no. They won't accept a new contract if you're in arrears. And, in fact, I wouldn't expect a new company to take you on if you owe someone else money."*

(Small, Plymouth)

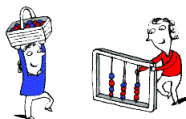
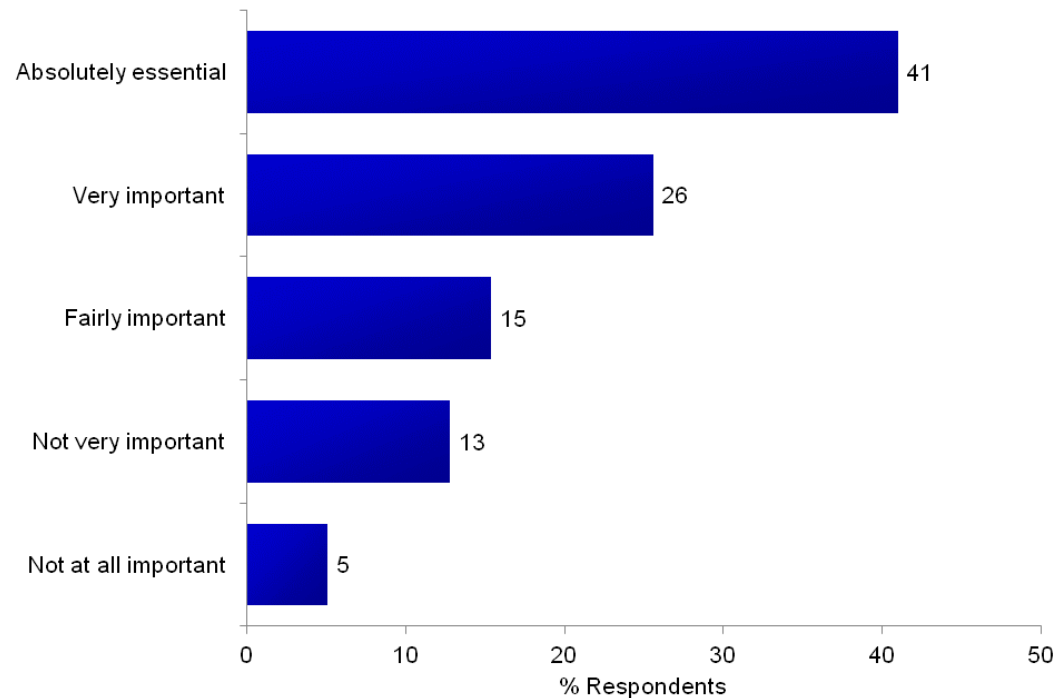
*"No, there's got to be some ethic to the whole thing. Well, I think also, if they're in debt because they're paying way over the odds than what they should be, it's the same situation that John was talking about earlier, the more money you have the more you make, but the less money you have you seem to be paying more and if you need to switch because you're paying too much but you can't switch because you can't pay the bill that you can't afford, you're in a bit of a catch 22 situation."*

(Small, Plymouth)

## Follow-on Survey Result:

**Question:** Once the market has opened, how important do you think it will be for non-household customers to have a consumer body representing the interests of businesses about the water and sewerage services they receive ?

- Once the market has opened, the majority of customers feel it is either essential or very important that a consumer body is in place to represent them



# Segmentation summary:

## Protection

### Single Site High Spend

- Confident regarding market navigation and contract negotiation
- Expect to have an on-going dialogue with their supplier and will know when their contract is due to expire

### Multi Site High Spend

- Confident regarding market navigation and contract negotiation
- Expect to have an on-going dialogue with their supplier and will know when their contract is due to expire

### Single Site Low Spend

- Wish to see a water market that is worth entering so would prefer to ensure market is not over protected
- Can easily miss a communication regarding contract end date so require this to be highlighted on the bill

### Multi Site Low Spend

- Wish to see a water market that is worth entering so would prefer to ensure the market is not over protected
- Can easily miss a communication regarding contract end date so require this to be highlighted on the bill

# Retailer Failure/Supplier of Last Resort

# Retailer Failure/Supplier of Last Resort

- Views on how to **choose the most suitable provider** in the event that a retailer stops trading are mixed. This is a difficult hypothetical question for businesses to generate a real solution for
- Moving to a **default tariff with a regional provider i.e. the incumbent retailer** is viewed as a straightforward approach:
  - However, it must allow freedom to move at any time in search of a better deal
  - No binding contract should be in place
  - There are concerns that if the cost of the default tariff is considerably higher than the current tariff then the customer is being penalised for something that is not their fault

*“Well, that’s all potentially quite chaotic. I think the best course of action is that you default your local regional supplier with the option of immediately looking for somewhere else.”*

(Small, Plymouth)

- **Automatic allocation** across different providers is rejected as too random:
  - It would have to be done on a best tariff match
- There is some confusion surrounding the potential of a new provider offering customers their previous contracted rate

*“I don’t think that’s commercially realistic for Southern Water to want to do that. And is there a time scale on it because you could have left them three years ago. Are we talking about 6 months, 3... so if you’ve left them 3 years ago they’re not going to honour a tariff that you were on 3 years ago.”*

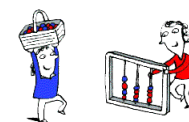
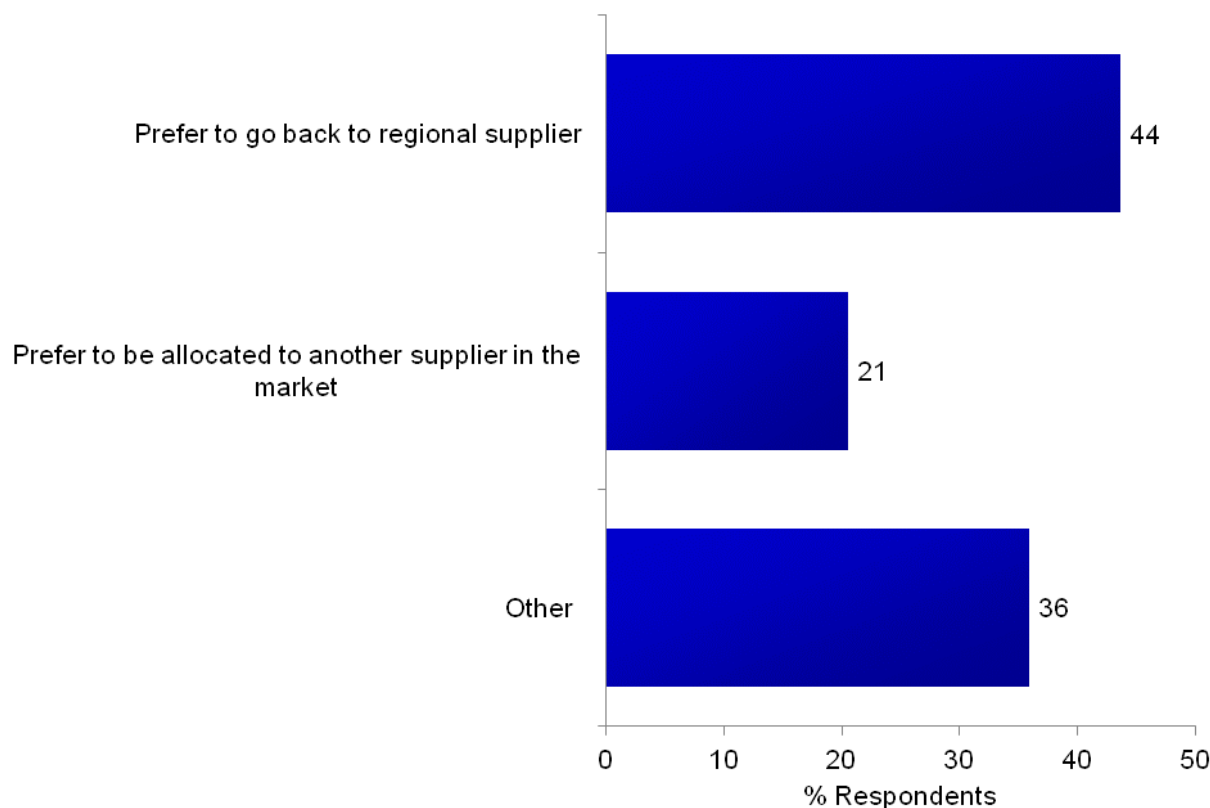
(Small, Plymouth)

**Judgement is required as to which is the most practical solution with the least customer impact**

## Follow-on Survey Result:

**Question:** During the workshop we discussed what might happen should a new water retailer go out of business. On the assumption that your business kept the terms and conditions it was on, what would you want to happen if the retailer you were with went out of business?

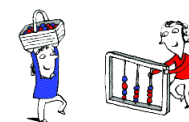
- If retailer went out of business almost half of respondents would prefer to go back to the regional supplier (this is twice as many who would prefer to be allocated to another supplier)



# Conclusions

## Conclusions – the current market

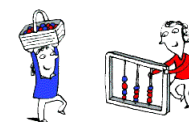
- For the majority of businesses across the size spectrum, their baseline satisfaction with their incumbent water company is good. However, a considerable number of issues do emerge which businesses believe require improvement and resolution
- It is a strongly held belief that the current lack of competition has fuelled complacency in the water sector. Higher dependency and multi-site businesses have been particularly helpful at identifying specific areas for improvement
- Value for money is difficult to determine but it is apparent that when asked to rate this, a lack of competition, increases in prices year on year and a number of billing inefficiencies do appear influential in driving perceptions of value for money down
- Most businesses are quite prolific in terms of their switching behaviour most notable in the energy, insurance and mobile telecoms sectors. A difficult economic backdrop and the availability of price comparison websites have undoubtedly empowered businesses and enabled them to increase their switch activity. This has closely mirrored the trend in the domestic market
- It is clear that the motivation for switching is driven by price for **low spend customers**. However, for **high spend customers** other issues also prevail including a desire to ensure value for money and to embrace a wider Corporate Social Responsibility





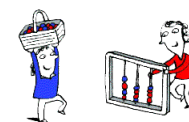
# Conclusions – reactions to market reform

- Support for market reform is strong with the majority positively supporting or accepting of the introduction of competition for non-household customers
- Competition in both water and sewerage markets is felt to deliver broad benefits of choice, control and leverage for non-household customers, underpinned by potential cost and usage reduction which would be relevant across business types
- Enhanced service, including account management and billing efficiencies, as well as bill consolidation, are interesting benefits for **high spend customers** and **multi sites customers with low spend**
- The response to an Open Water market is not just determined by business size. Rather spend and the number of business sites are significant indicators in the decision making process
- Across all business types, a healthy interest in an Open Water market prevails but **high spend customers** and **multi site businesses with low spend** feel the biggest gains are achievable. They are considerably more likely to invest time and resources into determining the best options for their business. However, a minority of rejecters do exist
- Overarching Corporate Social Responsibility benefits derived from efficiency measures are key for **large users** who embrace the idea of packaged retailer and value added services delivered through one contract
- There are key issues which need to be addressed in the market design; wholesale price transparency, clear and fair contracts, transparent tariffs, timely market information and protection over hard sell



# Conclusions – the way forward

- There is no awareness of the proposed changes amongst businesses (**single and multi site low spend** and most **high spend customers**). Although there is some awareness amongst **high spend customers**, none of the **large users (>5 MI a year)** know they can currently switch in England (and Wales, if usage is >50 MI a year) which reinforces the need for relevant and timely market information.
- Four underlying pillars for market design are fairness, simplicity, transparency and freedom. The need for freedom and fairness requires balance but businesses want the market to be open enough to deliver cost, innovation, value added service benefits and accept that this results in less protection. However, they are not prepared to trade on contracts that automatically rollover. Provision of information is seen to be critical in achieving a fair market and so a highly visible and structured campaign is required 18 months before the market opens. Given that the market is already open for large users, communication is immediately required.
- OFWAT is felt to be the most trusted independent source to deliver market information.
- The default package needs to be clearly communicated on the incumbent bill outlining the market price and the guaranteed minimum standards, clearly stating that this may not be the best market package.
- The majority of **low spend customers** favour standardised contracts with the opportunity to flex time and price. **High spend** users desire a bespoke contract with the ability to package value added services into one contract.
- There is a healthy level of support and interest in an Open Water market across the spectrum of non-household customers based on full information.





# Appendix A – Supporting Methodology Materials

Pre-placement Materials  
Topic Guide Coverage

# The pre-placement workbook comprised three tasks

- To ensure respondents had started to consider their organisation's use of water and waste water services to enable a considered response
- The moderator reviewed these prior to commencement of the workshops

**TASK 1:**  
**Satisfaction Postcard**  
**What Supplier does well**  
**Where Supplier could improve**  
**Satisfaction – Score out of 10**

**TASK 2:**  
**VFM Scales**  
**What Supplier does well**  
**Where Supplier could improve**  
**VFM – Score out of 10**

**TASK 3:**  
**Service Levels**  
**Expect vs. Achieve**  
**exercise across core measures**  
**Service – Score out of 10**

## Accent

Dear Respondent

Thank you very much for agreeing to take part in our research project. During the discussion we will be talking about your views on your water company (the service and value they currently provide) and the future of the water industry. As you may know most businesses in England and Wales are unable to choose who provides their water and sewerage services. However, there are plans to change this from 2017 and we are keen to get your thoughts on how a competitive water industry might work best for businesses like yours.

The workshop is for three hours and during this time we will ask your current thoughts on your water and then provide you with some information about how the market could work so that we can capture your more provide refreshments during the session – drinks throughout and sandwiches during the break.

Before you come along to the workshop we need you to complete a short task. It will not take too long and enabling you to contribute to the discussion. As mentioned you will be incentivised separately for your time.

There are three short sections to this outlined below:

- 1 – Please find the water/sewerage/trade effluent bill for your business and have a read through the current price you pay
- 2 – In order that we get a baseline of your views on current satisfaction, value and service levels please fill in provided and highlight any areas of improvement
- 3 – Write down your initial thoughts on a competitive water market – what three things would encourage and/or sewerage provider in the future.

Please remember to bring these forms with you to the groups so that you can receive the appropriate incentive the office (insert relevant unit details) at any time if you have any questions or anything you want to clarify.

We're really looking forward to meeting you.

Kind regards

Rachel Risely and Nancy Curzon  
 Project Team

### Task 1

Once you have found your water bill, please read through and select from the following what water and sewerage services are provided to you by your water and/or sewerage company.

Please select all that apply:

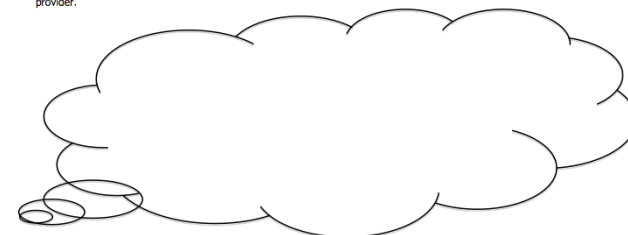
- 1) Water
- 2) Sewerage – waste water
- 3) Surface water drainage
- 4) Trade effluent removal
- 5) A dedicated account manager
- 6) A special business tariff (shown on bill)
- 7) Other, please write in box below

Please write in the cost of your water, sewerage and drainage services in the box below. If you are on a water meter please also write in the amount used as shown on your bill.

We would be grateful if you could bring your water bill along to the session. These won't be shared with other respondents but we will look at future contract terms between water/sewerage service providers and their customers and the bill will be a good reference point.

### Task 3

Lastly, thinking about the planned changes taking place to the water market in 2017 and that, as a business customer, you will be able to choose your supplier, we would like to capture your initial thoughts for discussion at the workshop. Please write your first thoughts in the bubble below and what would be the three things that would prompt you to change your water/sewerage service provider.



Do you think that the principle of competition for businesses in the water industry would be a good thing, neither good nor bad, or a bad thing (please mark in the box below)?

A very good thing	Quite a good thing	Neither good nor bad	Quite a bad thing	A very bad thing

Many thanks for completing these forms. Please remember to bring them along to the discussion

5

## The topic guide covered the following issues

- Stake in the Ground: Respondents' satisfaction levels with the services provided by their water company.
- Awareness of proposed changes
- Thoughts on an effective market design that is responsive to customer needs:
  - Learning's emerging from other markets and previous experience in switching service providers
  - Exploring what motivates a switch
  - Identifying perceived benefits and concerns
- Considering market scope and service offering form
  - Thoughts on the Scottish example as a competitive water and sewerage market
  - Thoughts on separate provision of the water and sewerage services
  - Information requirements in decision making regarding switching
- Non-household retail market design:
  - Communicating the reform: preferences on the source, form and timing of information received
  - Expectations and preferences regarding the switching process: lessons from other markets, reactions to two provided switch route options
  - Contract flexibility (Standard vs. Bespoke) and consumer protection
  - Marketing products and services

# Appendix B – Glossary

# Glossary

**SME:** Small, medium sized business. Business with less than 250 employees

**Retailer:** Conducts all customer facing activities e.g. billing, payment handling, debt management, enquiries, complaints and meter reading

**Wholesaler:** Supplies core services e.g. water, sewerage, drainage. Charges a wholesale price to the retailer and the retailer passes this charge on to their customer

**‘Value Added’ services:** These services can be offered without a license and include water efficiency advice, leakage management, waste water management. These services already operate in a competitive market

**Incumbent:** Regional water company responsible for providing both retail and wholesale services prior to open competition

**Market Operator:** Independent body set up to provide services that help enable and facilitate the effective operation of the competitive market arrangements