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**Business Customers'  
Experience of the  
Water Retail Market**  
- Five Year Review



The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market

- Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

# 1. Introduction

## 1.1 Opening the water retail market for business customers

**Almost every aspect of life depends on water and business is no exception. Whether it's a small business with a few employees or a large-scale industrial operation, there is an expectation that they will receive reliable water and wastewater services, as well as good customer service.**

The water retail market, which enables businesses to choose and change who supplies their water and sewerage retail services, opened to all businesses in England in April 2017. Retailers are responsible for customer services and billing but not the actual provision of clean water or the removal of wastewater.

These services are still provided by wholesalers (appointed water companies), which businesses are not able to choose and are based on location.

The market opened in phases starting in 2005, when all businesses in England and Wales that used over 50 million litres (Ml) of water a year were able to choose their water retail provider.

Then in 2011, businesses in England who used over 5 Ml a year were able to switch before the threshold for competition was completely removed in 2017. This is when businesses of all sizes in England became eligible to engage in the market. At this time retail services were also expanded in England to include sewerage retail services.

In Wales, the freedom to switch has remained restricted to those businesses using over 50 Ml of water a year and for water retail services only.

When the market opened in England, CCW were supportive of the choice this gave to businesses. We envisioned a market that would deliver tangible benefits for businesses and encourage active participation.

We expected businesses to be empowered to save money and water, as well as receiving high quality tailored services. This is still what we want the market to deliver for all business customers.

However, as the market developed we were keen to monitor any emerging problems and play an active role in addressing them on behalf of business customers.

We were also clear that the market needed to work for businesses before any consideration was given to extending choice in retail services to household customers.

## 1.2 More than just teething problems

**Now the water retail market has been fully open to businesses in England for more than five years, we have a wealth of evidence to assess how effectively it has been serving businesses of all sizes.**

We are able to draw upon a deep pool of research, customer complaints evidence (both to retailers and those escalated to CCW) and our direct engagement with businesses.

Our review paints a very clear picture of a market that is not delivering benefits for the vast majority of businesses, with many showing little interest in engaging. As we approach the sixth anniversary of the market, these issues can no longer be attributed to teething problems.

This report sets out our recommendations for ensuring businesses receive the best possible services in the future, and what needs to change to make that happen.





- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 1. Introduction

### 1.3 Uncertainty and difficulty facing businesses

**Our review comes at a time of uncertainty and difficulty for many business customers as they negotiate the cost of living crisis and recover from the global Covid-19 pandemic.**

The soaring cost of living began in 2021, with prices for many essential goods and services increasing.

This crisis has gradually deepened due in part to rising inflation in the UK, as well as the economic impact of global issues.

This has compounded the impact of Covid-19 which affected the revenues of many businesses due to lockdowns and other restrictions.

The need for more regular cleaning and hygiene practices will have meant some businesses increased their water use, while others will have seen a reduction as they closed operations in part or entirely.



### 1.4 Report structure

**Throughout our report, we highlight examples of different types of businesses and show how the retail market has been performing for them. We also illustrate their level of interest and interaction with the market. This includes case studies of complaints and personas of different types of businesses, to show their experiences.**

The report starts by reviewing the complaints businesses have made directly to their retailer and those received by us. We then analyse the satisfaction of businesses across a number of services, and look at water efficiency services in the market, before considering the experience of businesses when it comes to eligibility to switch retailer, and engagement in and awareness of the market.

The report concludes by looking at the rules and governance of the market and how this directly impacts business customers.

It is vital we base our review on customers' experiences of the market and make clear recommendations on what must change to improve services for all businesses.

In the next section, we set out those recommendations and detail who needs to take action and by when, before looking at the data and evidence we have that show the areas most in need of improvement.

While many of our proposed changes are new recommendations based on business customer evidence, we also highlight the outcomes we want to see for businesses from work already happening within the industry. These can help address many of the issues we have identified in our report.

We also show the current input that we are having on these projects, where applicable.



The voice for water consumers  
Llais defnyddwyr dŵr

**Business Customers’  
Experience of the  
Water Retail Market**  
- Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 2. Recommendations

**In order to improve business customers’ experience in the retail market, the following changes need to happen.**

This chapter makes clear which recommended changes are new and which relate to projects already in progress. This is shown by colour coding, with the projects that are already underway or planned – but not completed – in purple text.

### Complaints to be resolved quickly, effectively, and transparently for business customers of all sizes from 2023

Action needed	Responsibility	Target completion date
Changes to be made to water company licences to make wholesalers and retailers equally accountable for delivering good customer service through an Alternative Dispute Resolution (ADR) process that is binding on all parties.	Ofwat	December 2025
Develop and implement strong incentives for both retailers and wholesalers to improve their service for businesses through: <ul style="list-style-type: none"> <li>• implementing a measure of customer satisfaction in wholesaler services (<b>BR-Mex performance commitments</b>)</li> <li>• new <b>Market Performance Framework</b> launched by 2024.</li> </ul>	Ofwat  MOSL (with input from the Performance Advisory Group)	April 2025  December 2024
All wholesalers to offer a customer-focused policy on leakage allowance. We want all wholesalers to mirror their household leakage allowance policies. This will ensure that businesses get: <ul style="list-style-type: none"> <li>• at least one allowance on their water charges</li> <li>• advice and assistance with leakage repairs, where needed.</li> </ul>	Wholesalers  Retailer and Wholesaler Group	April 2024
Ofwat to provide greater clarity and consistency on premises eligibility for the market and work with CCW to improve the transition process where a premises leaves or enters the retail market.	Ofwat  CCW	April 2024



The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 2. Recommendations

### Business customers must receive bills based on accurate and frequently read meters by 2024

Action needed	Responsibility	Target completion date
CCW to submit a change request to the Customer Protection Code of Practice in 2023 to ensure business customers receive at least two bills based on an actual meter reading each year.	CCW Ofwat	April 2024
Retailers and wholesalers to be incentivised to address meters left unread for 12 months or longer, through the new <b>Market Performance Framework</b> , so no meters remain unread.	MOSL (with input from the Performance Advisory Group) Ofwat	December 2024

### Greater ambition and focus on water efficiency from 2023

Action needed	Responsibility	Target completion date
Wholesalers to commit to work with retailers to implement water efficiency services in their <b>Water Resources Management Plans and PR24 business plans</b> .	Wholesalers	April 2025
Retailers to offer tailored water efficiency advice to customers to help them better manage their water use, as part of their competitive services for customers.	Retailers	April 2024

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 2. Recommendations

### Water companies must commit to increasing smart metering for business customers from 2025

Action needed	Responsibility	Target completion date
<p>Wholesalers to have a clear plan for smart metering for business customers in their <b>Water Resources Management Plans and PR24 business plans</b>, and accelerate those plans where possible.</p> <p>These should include a targeted approach, prioritising the following areas:</p> <ul style="list-style-type: none"> <li>• meters left unread for 12 months or longer</li> <li>• water stressed areas</li> <li>• high water users</li> </ul>	Wholesalers	April 2025
<p>Wholesalers to ensure that data from smart meters is made available, understandable, presented in a consistent format and usable for retailers and customers. This will enable more accurate billing based on water usage, and allow customers to make informed decisions about their water use.</p>	Wholesalers MOSL Metering Committee, reporting to the Strategic Panel	April 2025

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 2. Recommendations

**Any changes to the market must be beneficial to business customers and be implemented quickly, with minimal bureaucracy, by 2024**

Action needed	Responsibility	Target completion date
<p>Improvements to be made to the <b>code change process</b>, following a review, from April 2023 so that it works better for businesses by:</p> <ul style="list-style-type: none"> <li>• prioritising changes that have the greatest benefit for customers</li> <li>• making the change process more transparent and accessible for wholesalers, retailers, market committees and key market stakeholders</li> <li>• improving the end-to-end process by tailoring it to respond to each change request in a timely manner.</li> </ul>	<p>Code Change Committee, reporting to the Strategic Panel</p> <p>MOSL</p> <p>Ofwat</p>	December 2023
<p>Give CCW the ability to raise a proposed change to the market rules, as part of an improved <b>code change process</b>.</p>	<p>Code Change Committee, reporting to the Strategic Panel</p> <p>MOSL</p> <p>Ofwat</p>	December 2023
<p>Wholesalers and retailers must work together with MOSL to complete a one-off <b>data cleanse</b>.</p>	<p>MOSL</p> <p>Ofwat</p>	April 2024
<p>Develop and implement strong incentives for both wholesalers and retailers to ensure all new customer and market data is accurate through the new <b>Market Performance Framework</b>.</p>	<p>Wholesalers</p> <p>Retailers</p>	December 2024

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 2. Recommendations

**Any changes to the market must be beneficial to business customers and be implemented quickly, with minimal bureaucracy, by 2024**

Action needed	Responsibility	Target completion date
Improve the change process for the Customer Protection Code of Practice to provide set timelines by which Ofwat must have completed its review of change proposals, and have consulted on its decision (if required). No change request should take longer than six months to be considered, consulted on and a decision made.	Ofwat	April 2024
Ofwat must set out circumstances and criteria where it will take action against retailers who do not follow the Customer Protection Code of Practice.	Ofwat	April 2024
Strengthened market rules to guarantee continuous service and protection of customers’ money when a retailer exits the retail market so that: <ul style="list-style-type: none"> <li>• businesses receive their credit back on an annual basis</li> <li>• there are no gaps in service that impact businesses, including where there may be no backstop retailer to transfer to.</li> </ul>	Ofwat Defra	April 2024 April 2025
Changes to be made to legislation and market codes to remove all temporary building supplies from the market with business customer premises only entering the retail market at the point when the permanent water connection is complete.	Defra  Code Change Committee, reporting to the Strategic Panel	April 2025
Wholesalers should be given clear responsibility for ensuring data on temporary building supplies is correct in the market until this change in legislation is enacted.	MOSL  Ofwat	April 2024





The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction
- 2. Recommendations
- 3. Business customer complaints
- 4. Business customer satisfaction
- 5. Water efficiency service in the market
- 6. Business customer eligibility, engagement and awareness of the market
- 7. Market governance
- 8. Conclusion
- 9. Appendix 1 – List of documents
- 10. Appendix 2 – Explanation of the market governance framework

## 2. Recommendations

**The market must deliver price and/or service benefits for business customers of all sizes by 2025**

Action needed	Responsibility	Target completion date
<p>There should be a change to the eligibility criteria in England unless tangible benefits are realised for micro-businesses, measurable by the rate of switching and contract re-negotiation.</p> <p>We would expect the number of switches by businesses using up to 0.5 MI of water a year to increase by 10% points on the current levels in the next two years to 2025. Similarly, we want to see an increase in contract re-negotiation by 5% points for these customers by 2025.</p> <p>If these targets are not met within two years we will recommend a change in legislation. The change we would be seeking is to amend the market eligibility threshold in England so both current and future customers, using up to 0.5 MI of water a year, are no longer eligible unless they have already switched retailer and re-negotiated their contract.</p>	<p>Defra</p> <p>Ofwat</p>	<p>April 2025</p>



The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 2. Recommendations

### 2.1 Summary

Delivery of these recommendations should result in benefits for all businesses.

Evidence of the positive impact these changes are having will be measured through complaints, the rates of switching and contract re-negotiations, and an increase in satisfaction levels among businesses.

**We want to see notable changes by April 2024**, when we expect the majority of the recommendations to be completed.

We will continue to monitor and work on the remainder of the recommendations until 2025.

If tangible improvements do not happen during this two-year period, we will make further recommendations on what needs to change in the market.

**We will campaign for these changes on behalf of business customers and the pursuit of these recommendations will shape our work from April 2023 and beyond.**





The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

### 3. Business customer complaints

**Complaints are one of the key measures of whether or not customers are experiencing good levels of service. They also provide insight into the main causes of customer dissatisfaction.**

Complaints follow several stages. In the first instance, a business customer will need to try and resolve their grievance with their retailer. If they are still not satisfied with the outcome of the complaint or how it has been handled by the retailer, the customer can come to us for help.

Complaints that are escalated to us to provide valuable insight into how well they are being handled and the level of service that retailers and wholesalers have provided.

Since the market fully opened in England in April 2017, there has been a significant increase in complaints from business customers, both directly to retailers and to CCW. The rise peaked in 2018-19 and since then complaint numbers have been slowly decreasing. Last year (2021-22) saw a 19% drop in complaints made directly to CCW from businesses, compared to the previous 12 months.

This indicates that retailers are getting better at handling complaints. However, businesses are having to complain far more than they needed to before the market fully opened in England, with the number still around three times higher than complaints recorded in 2016-17.

The need to improve this situation is something that the Strategic Panel<sup>1</sup> has recognised by identifying customer service excellence as one of its core market outcomes, with a focus on getting the basics right. The Panel has recognised that inaccurate billing and poor interactions between a retailer and wholesaler lead to a worse customer experience.

Therefore, resolving these basic problems is a priority. This chapter shows that these are significant issues that drive customer complaints, supporting the Panel's and CCW's focus on this area.

<sup>1</sup> The Strategic Panel is the most senior industry group, providing strategic direction and overseeing programmes of work to improve business customer outcomes – **Strategic Panel** ([mosl.co.uk](http://mosl.co.uk))

Chart 1 - Business customer complaints made directly to retailers 2016-17 to 2021-22

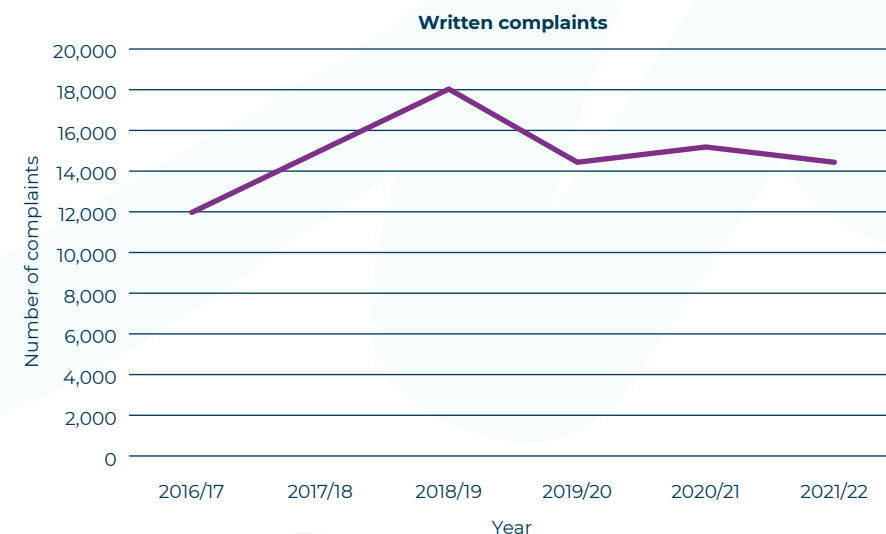
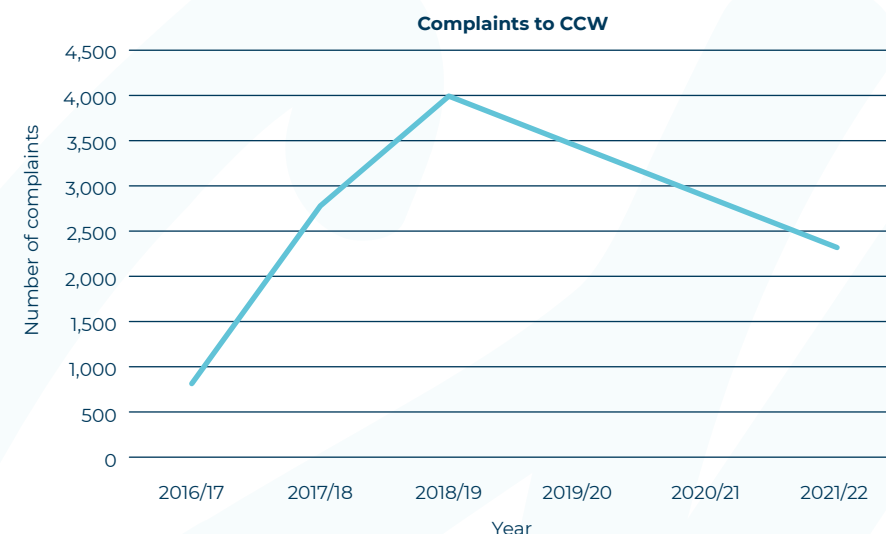


Chart 2 – Business customer complaints made directly to CCW 2016-17 to 2021-22





The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction
- 2. Recommendations
- 3. Business customer complaints
- 4. Business customer satisfaction
- 5. Water efficiency service in the market
- 6. Business customer eligibility, engagement and awareness of the market
- 7. Market governance
- 8. Conclusion
- 9. Appendix 1 – List of documents
- 10. Appendix 2 – Explanation of the market governance framework

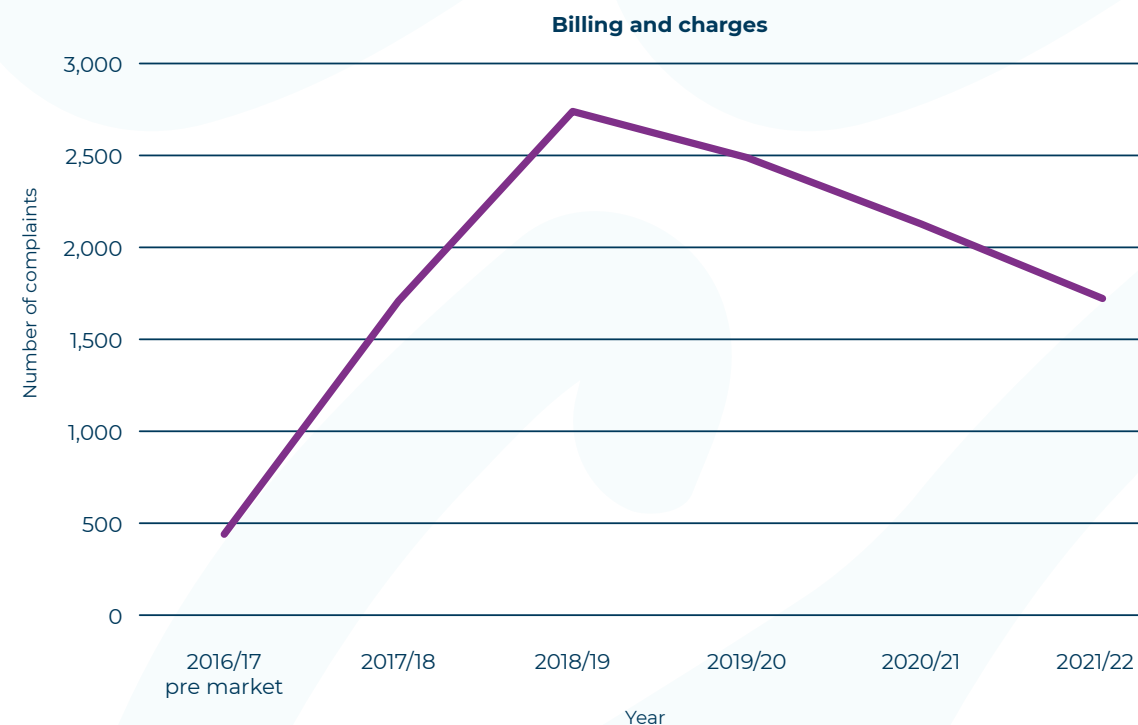
## 3. Business customer complaints

### 3.1 Complaints about billing and charges

Issues with billing and charges were the main cause of business customers raising a complaint. The number of complaints about this rose in line with the overall trend in increased complaints over the first two years.

Most types of complaint within this category have been falling since then, with the exception of estimated billing issues, which saw a resurgence during the Covid-19 restrictions.

Chart 3 - Business customer complaints about billing and charges 2016-17 to 2021-22



The vast majority of billing complaints brought to CCW by business customers stem from those who are metered.

These mainly fall into the following types of complaint:

- **disputed liability** – where the customer disagrees with the accuracy or validity of their bill. This could be for a variety of reasons, such as an unexplained increase in charges, or being incorrectly charged
- **billing error** – where the customer has identified an error, which could be due to incorrect readings being quoted, for example
- **estimated billing** – where the customer is either unhappy at the quality of the estimate, or simply because a bill based on an actual read is preferable
- **leakage allowance** – this is typically because the customer has applied for an allowance following a leak but has not been granted one. This can often be due to either mistakes on the part of the retailer, or a wholesaler not taking into account any mitigating customer circumstances which may have warranted the granting of the allowance.



The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

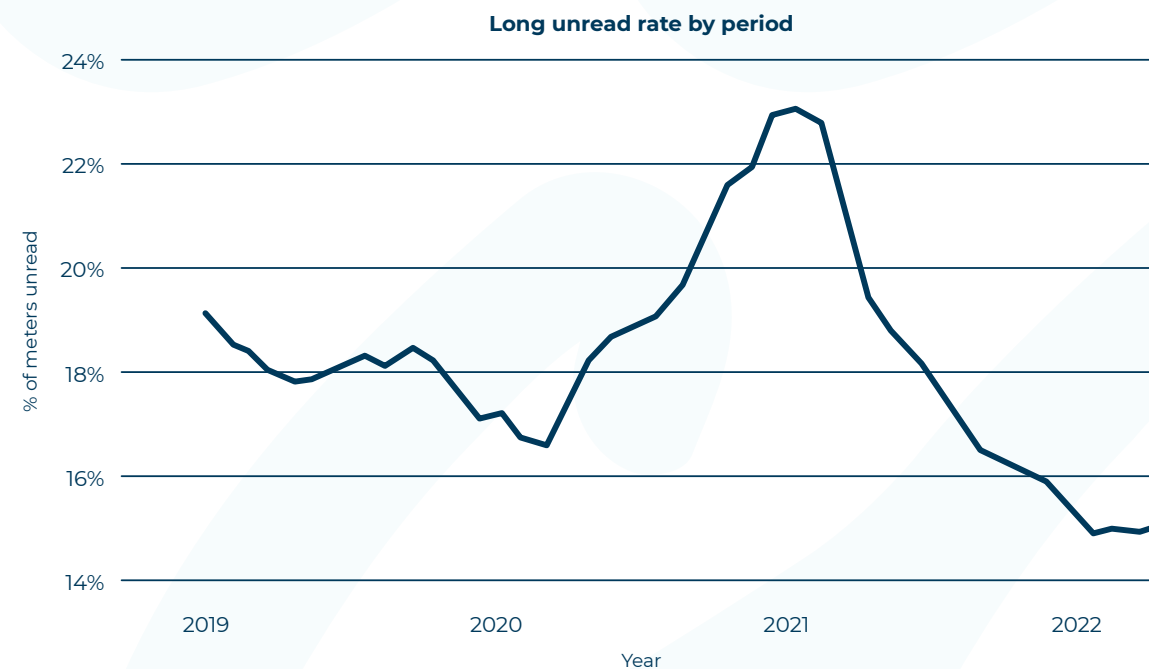
### 3. Business customer complaints

#### 3.2 Estimated readings and Long Unread Meters<sup>2</sup>

A key cause of billing and charges complaints is the lack of meter readings being taken, and the over-use of estimation to determine charges.

Responsibility for reading meters falls to retailers, but wholesalers play an important part in this by being responsible for ensuring meters are recording correctly, and replacing them where needed. Failing to read a meter can distort a customer's true water usage, which can lead to an unwanted catch-up bill when it is eventually read. It can also mean leaks go undetected, which can result in a hugely inflated bill for which the customer can be liable in full.

Chart 4 – Percentage of long unread meters of all meters in the market 2019 -2022



MOSL's (Meter Operator Services Limited) data shows that the long unread meter rate was reducing from 2019 onwards.

This is due to determined efforts by both retailers and wholesalers to identify meters, and either read or replace them, which we welcome. However, the rate increased during the lockdown periods of Covid-19, due to retailers not reading as many meters, primarily due to access issues with meters located inside business premises.

Our estimated billing complaints give an indication of the impact that can be made by long unread meters. Customers dissatisfied with their bills being estimated accounted for approximately 15% of the total billing and charges complaints to CCW in 2021-22. A significant proportion of these were due to a lack of meter readings, including where the meter had not been read for 12 months or more.

Another indication of a link is the reduction of complaints CCW saw in 2021-22 that was consistent with the decline in long unread meters. Given that our complaints data shows that meters not being read is a factor, a concerted effort to reduce the number of long unread meters in the market would go a long way towards improving billing accuracy for business customers.

**We want to see retailers and wholesalers better incentivised to address meters left unread for 12 months or longer through the new Market Performance Framework, so no meters remain unread for longer than 12 months.**

<sup>2</sup> Defined by MOSL as a meter which has not been read for at least 12 months.





The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

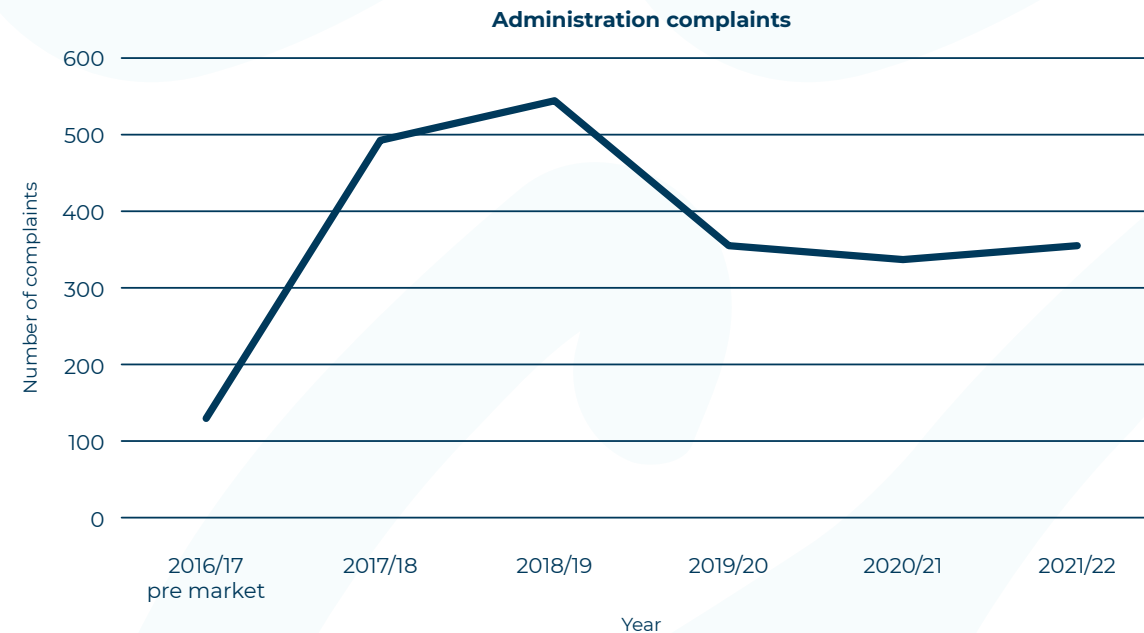
# 3. Business customer complaints

## 3.3 Complaints related to customer service

Another leading cause of complaints to CCW is the provision of customer service. Within this category fall many administrative duties, including answering queries quickly and correctly, providing requested information to customers, and managing customers' accounts properly.

These are basic services that customers pay for and expect to be delivered to a high standard. Indeed, the quality of customer service remains one of the greatest areas of importance for customers<sup>3</sup>. Similar to billing complaints to CCW, these spiked in 2018-19 and then decreased, but have since seen a slight increase in 2021-22.

Chart 5 - Business customer complaints to CCW about administration issues 2016-17 to 2021-22



### Our complaints evidence tells us:

- **45%** of the total administration-related complaints were about incorrect account information. This could include issues such as the wrong billing address, failing to set up an account when requested, or being incorrectly billed for more than one property
- **23%** involved a failure to respond to a query/complaint. In a lot of cases this forces customers to escalate their complaint to CCW in an attempt to obtain resolution
- **18%** were related to delays in retailers issuing refunds to customers. Often this is due to factors such as a failure to record the original refund request, or system problems causing delays
- **the remaining 14%** of administration complaints related to issues such as a failure by a retailer to provide information to a customer upon request, and the quality of advice being provided in response to a query.

Behind receiving an accurate bill, good customer service is one of the most important services for businesses. A lot of customers are still being forced to make complaints due to some retailers failing to get the basics right. This is another area where complaint levels remain far higher than they were before the market opened.

<sup>3</sup> Business Customer Insight Survey 2022.



The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 3. Business customer complaints

### 3.4 Wholesaler involvement in complaints

**Given that wholesalers still play a key role in delivering services for customers, their actions can often be the cause of complaints. They remain responsible for the supply of water, the removal of wastewater, the accuracy and maintenance of meters, as well as retaining control of allowance polices (such as leakage and non-return to sewer), and calculating surface water/highways drainage charges.**

Water and sewerage related complaints from business customers to CCW have made up a fairly low proportion of the overall total (6% in 2021-22).

However, as mentioned previously, wholesalers also have involvement in other areas which represent higher numbers.

Two of the most common complaints we receive, which have the potential for wholesaler involvement, concern leakage allowances and surface water drainage disputes. These accounted for almost 15% of all billing and charges complaints in 2021-22.

Issues arise when wholesalers are inflexible in making a decision on whether to grant a leakage allowance. They can refuse to grant one if their policy terms have not been met, despite the customer and retailer presenting mitigating circumstances.

To help address this issue, **we want to see all wholesalers offer a customer-focused policy on leakage allowances. We want all wholesalers to mirror their household leakage allowance policies by April 2024.** This will ensure that business customers will get at least one allowance on their water charges and advice and assistance with leakage repairs where needed.

A common way of determining what to charge business customers for surface water drainage is to base it on the size of the premises. This can lead to inaccuracies due to either a historical error, or when site areas have altered over time.

The complaints we handle often reveal lengthy delays in reviewing customer challenges, with wholesalers not always properly considering customer evidence, or explaining their reason for a decision.

Sometimes, the very fact that both the retailer and wholesaler need to play a part in resolving a customer complaint can result in delays. We continue to see examples in complaints where wholesalers have failed to respond within a reasonable timescale, both to retailer challenges on behalf of customers and requests for information.

This has caused some retailers to be overly reliant on our intervention to help break the deadlock. This can be a source of enormous frustration for both the customer and CCW when attempting to reach a resolution.

In addition, inefficiency of wholesalers' systems and a lack of speed in providing responses are key concerns about wholesalers that are highlighted by retailers<sup>4</sup>.

It is clear from our experience that not only do both parties need to work better together for the customer's benefit, but wholesalers in particular need stronger incentives to improve their service provision.

As the monopoly provider for water and sewerage services to business customers, they lack a natural incentive to address problems and provide high quality services.

To help address this, **we support the development of a measure of business customer satisfaction in wholesaler services (called BR-Mex) in the 2024 price review process, to incentivise wholesalers to provide their services to a high standard for business customers** in the same way they do for household customers. Ofwat has made clear in its Final Methodology for PR24<sup>5</sup> that BR-Mex will be a wholesaler incentive.

We will be working with Ofwat and trading parties to introduce this, and to make clear what we want to see on behalf of business customers.

<sup>4</sup> Highlighted in the August 2022 iteration of the Retailer Measurement of Experience (R-MEX) survey, which provides a measurement of wholesaler services to their retailer.

<sup>5</sup> Final Methodology - Ofwat



The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 3. Business customer complaints

### 3.5 Complaint trends by business size

Our data shows that since the market fully opened in April 2017, complaints from micro-businesses (with up to ten employees) averaged 67% of the total, with those from small businesses (10 to 49 employees) at 19%, medium (50 to 249) employees at 8%, and large (250 employees or more) at 6%<sup>6</sup>.

In 2020-21, complaints where the size of business has been identified by CCW accounted for roughly 22% of the total number of complaints (552 out of 2,487) to us.

This segment of data indicates that the largest number of complaints to CCW from business customers are ones from micro-businesses who make up 83% of businesses in the open market.

Large businesses account for around 2% of the overall total of businesses in England. Therefore, it is this group that are proportionally more likely to complain, given that they account for 6% of business customer complaints to CCW.

#### 3.5.1 Complaints from micro-business customers

Last year, where customers informed us of the size of their business, 67% of these complaints were from micro-businesses. These ranged from small farms, cafes, and hairdressers to community based 'not for profit' sites such as allotments, or community centres.

The types of complaints that micro-businesses are seeking help with are in line with the most common categories. Typically, it is complaints about bills being incorrect, often due to overuse of estimation, and unexplained increases in usage. With the latter, this is frequently due to a leak.

Micro-businesses also have very low water usage, with little fluctuation. The impact of receiving an inflated bill based on unidentified leakage can be very concerning, particularly from a financial perspective.

Micro-businesses' capacity to engage with their retailer is often limited due to their size and having more pressing priorities. It is often the case that their water service, in particular, is not a priority as this will typically be one of their lowest areas of expenditure. In addition, micro-businesses have the lowest levels of market awareness (which we expand on in Chapter 6), and many are not even sure who their retailer is. Our 'Testing the Waters 2022' research showed that around 25% either did not know their retailer, or incorrectly named the wholesaler as their provider.

#### This can have two consequences:

- not having a relationship with their retailer, and in many cases not being sure who to contact, can make a poor service experience even worse
- not having the time to engage in the market, or deal with problems, means that micro-businesses are particularly dependent on the basics being provided properly. We still see numerous examples of this not happening through the complaints that micro-businesses feel compelled to escalate to us.

<sup>6</sup> These are percentages of the number of complaints where customers have agreed to provide their business size, rather than percentages of the total number of complaints received.

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 3. Business customer complaints

### 3.5 Complaint trends by business size

#### 3.5.2 Micro-business customer case studies



A village shop had a large outstanding bill which had been inflated by an ongoing leak that had taken place from April to October 2017. A leak allowance had not been considered by the wholesaler due to the retailer having submitted an incomplete application on the customer's behalf.

The wholesaler did not consider there to have been mitigating circumstances when first challenged by the customer. As a result of the case being escalated to CCW, the retailer made a new leak allowance application.

This was subsequently granted by the wholesaler for the period in question. In addition, the retailer made a gesture of goodwill payment to the customer to reflect the original error after being challenged on this point by CCW.



A customer renting horse paddocks with a trough water supply received an £8,000 bill, which had been inflated by a previously unidentified leak. The retailer had failed to update the customer's account with meter readings for the three previous years.

The subsequent investigation into the issue resulted in the premises being removed from the retail market, as the paddocks were deemed to be for household use. The customer returned to their previous water company. CCW challenged the retailer to award the customer a gesture of goodwill payment to reflect the fact the readings were not used at an earlier point, and that the customer was not alerted to the large spike in consumption.

However, the retailer maintained its belief that it was not its responsibility to monitor the customer's consumption, so no award was forthcoming, despite CCW's best efforts.



- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 3. Business customer complaints

### 3.5 Complaint trends by business size

#### 3.5.3 Complaints from small and medium business customers

Typical examples of small and medium businesses (SMEs with 10 to 249 employees) bringing their complaints to us are sports clubs, schools and small food suppliers. Generally, these customers raise the same type of complaints as micro-businesses, including poor quality billing and customer service problems.

Recent customer research shows that SMEs pay the most attention to bills. This increases the likelihood of them identifying billing errors, which can lead to complaints.

#### 3.5.4 Small and medium business customer case study



**An accountancy firm shares a supply with a household, with the domestic property's consumption deducted by a sub-meter. Despite this, the business kept receiving bills for both its consumption and that of the household due to a failure to deduct the sub-meter reading. In addition, the customer's consumption was being continually estimated due to the retailer's failure to read the main meter.**

The retailer had advised the customer that the responsibility for reading the sub-meter rested with the water company supplying the household, so they could not guarantee a bill deduction. It also advised that the estimated billing would continue while they could not read the main meter. Upon being challenged by CCW, the retailer applied to the wholesaler to replace the existing main meter and sub-meter with smart meters to make it easier for regular meter reads to be received.

#### 3.5.5 Complaints from large businesses

As a proportion of the total business population, this group is the most likely to complain. Examples of such customers are large manufacturers, hotels and pub chains.

Customer research and MOSL switching data shows that large businesses are likely to be the highest water users, and the most likely to be engaged in the market.

They are also more likely to have a dedicated person or team within the business to manage utility services, and are likely to have a key account manager with their retailer.

However, more engagement with their retailer does not necessarily mean that problems are being resolved before becoming complaints.

When problems do occur, large businesses will be more likely to complain due to their increased capacity to engage more with their retailer.

As well as the most common billing and customer service complaints we see, some complaints particular to large businesses are issues with reconciling accounts across multi-sites, trade effluent discharges not calculated correctly (this can often be due to retailers' lack of knowledge in this area), and non-return to sewer allowances not calculated correctly or applied to the account at all.

For some, given the number of sites and accounts that are required to be managed properly, any failures to do this can have a significant impact.



## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 3. Business customer complaints

### 3.5 Complaint trends by business size

#### 3.5.6 Large business customer case studies

A textile manufacturer received a non-return to sewer allowance to reflect large amounts of water being used in the manufacturing process instead of all returning to the sewer. A charges dispute then led to a bill re-calculation by the retailer which removed the allowance in error.

Despite raising this issue several times with the retailer, the business was unclear on what needed to be done to get the allowance reinstated, including what evidence should be provided. During this time the retailer continued to charge the customer the incorrect amount.

CCW challenged the retailer on the customer's behalf, establishing exactly what the retailer and wholesaler would need to reinstate the allowance, which then led to a satisfactory resolution.



A pub chain requested that all its accounts with the same group name be consolidated on one bill. However, the retailer did not complete this after making an error with the group name.

There was then a dispute between the customer and retailer as to whether the specific instructions had been received, with the customer asking for a bill reduction to reflect the inconvenience caused. Despite CCW's best efforts, this was not forthcoming.





The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 3. Business customer complaints

### 3.6 Alternative Dispute Resolution (ADR)

**Business customers have the option of taking their complaint to an ADR scheme for a final decision if they consider that their complaint remains unresolved.**

They have the choice of doing so after exhausting their retailer's complaints procedure, or if they are unable to achieve a resolution via CCW. However, there are two issues with the current provision of this service for business customers.

#### 3.6.1 Multiple Providers

Retailers can choose which ADR provider they sign up to, with all of them currently registered to either the Water Redress Scheme (WATRS), or the ADR Group. WATRS was appointed through an open tender with a commitment to sharing case learning with the industry.

This means that CCW has sight of which retailer complaints have been the subject of adjudication, regardless of whether the customer has been in contact with us or not, and which involved wholesalers. Looking at a 12-month period, 15% of complaints that WATRS adjudicated (including household) were from business customers, with three quarters of these complaints involving the wholesaler. However, as the number of retailers signed up to WATRS only accounted for 12% of all business customer complaints to CCW in 2021-22, this represents a small number.

The ADR Group does not currently share what has been learnt from the cases it handles with CCW. This means our ability to undertake root cause analysis of their case outcomes is severely limited. The retailers signed up to the ADR Group accounted for 88% of complaints to CCW from business customers in 2021-22, which demonstrates the scale of the lack of current insight into both the wholesaler issue, and complaint outcomes in general.

In order to help address this issue, we want there to be a consistent approach across ADR providers with a commitment to engage with the consumer body.

We will work with the ADR Group to encourage them to share learnings from customers' complaint cases. This will help ensure we are able to undertake root cause analysis that is currently missing, and help drive improvements for all business customers in the market.

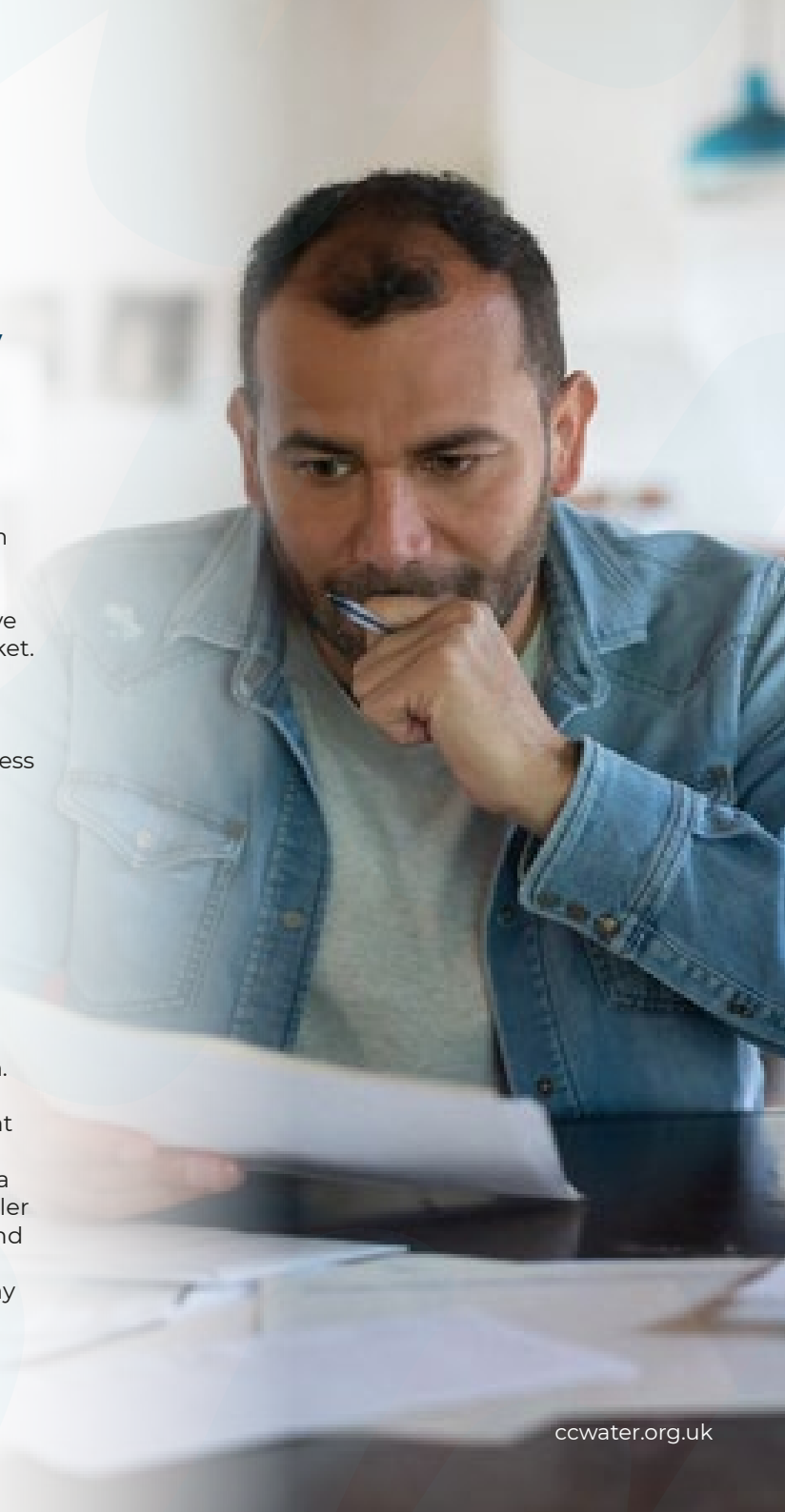
#### 3.6.2 Wholesalers unaccountable

As wholesalers do not provide retail services to business customers, they are not responsible for directly addressing their complaints.

This has resulted in ADR providers only being able to consider the actions of the retailer when reaching a decision. Their scheme rules make clear they will not consider the actions of the wholesaler.

This means that when complaints are either wholly, or partly, attributable to the wholesaler, the ADR provider is unable to compel them to take any action.

Where complaints that have wholesaler involvement are still going through CCW's process, many customers advise us that they are reluctant to take a complaint to ADR once they know that the wholesaler cannot be held accountable. They cannot understand why an organisation that shares responsibility for providing services is not subject to the same scrutiny as the retailer.





The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

# 3. Business customer complaints

## 3.7 Recommendations

- Both retailers and wholesalers must take responsibility for reducing complaints raised by business customers. We expect wholesalers to be fully accountable for their service failings, in the same way as retailers.

This accountability needs to be present throughout all stages of the complaints process.

While we will continue to challenge wholesalers where needed in individual customer complaints, it is vital that they are also subject to a binding decision by an ADR provider, in the event that customers pursue their complaint this far.

We expect to see an ADR service that is binding on both retailers and wholesalers by December 2025.

To achieve this, **we want Ofwat to change wholesalers' licence conditions so they are subject to ADR rulings concerning business customers.**

- If meters are not being read, then there will always be scope for billing errors which are the biggest cause of frustration and in some cases, hardship, for business customers.

While there has been progress in reducing the rate of long unread meters, this needs to go even further as we still see far too many complaints relating to billing and charges.

**We do not want to see any long unread meters by 2024.** As at October 2022, the rate stood just above 14%.

For the target to be met, **we expect retailers and wholesalers to be financially incentivised to prioritise the addressing of long unread meters.** This should be in the form of financial penalties, which need to be set at a level that will truly drive better performance in this area.

We expect these to be applied through a revised Market Performance Framework, which is currently under development.

- As well as being accountable through the complaints process, it is important that wholesalers are better incentivised to provide their services to a high standard for business customers, as they are for households.

We welcome Ofwat's decision to develop a **measure of business customer satisfaction in wholesaler services in the 2024 price review process to incentivise wholesalers (BR-Mex).**

This will measure both business customer satisfaction and satisfaction of retailers in the services they receive from wholesalers.

Given that a business customer's experience of their wholesaler could be different to that of a retailer, we want to see the measure designed in such a way that it clearly distinguishes between the two, and ensures that wholesalers are truly incentivised to improve services for both.

- Our complaints data shows that wholesaler delays, and the decisions they make, are a key driver of leakage allowance complaints to CCW.

A reduced incentive to be proactive in this area for business customers has become more apparent since the market has opened, but even before this, wholesalers applied different leakage allowance policies for households and business customers.

Businesses are affected just as much as households when a leak occurs, both in terms of the financial impact and the practical assistance needed to resolve them. The Retailer Wholesaler Group (RWG)<sup>7</sup> has produced best practice guidance in this area, but this has not resulted in a significant improvement.

This is why **we want to see wholesalers mirror their household leakage allowance policies by April 2024**, to ensure that the same customer-focused policies are benefiting everyone.

To achieve this, we want to continue working with the RWG and wholesalers directly.

<sup>7</sup> A voluntary collection of retailers, wholesalers, and other market stakeholders who work to improve outcomes for customers in the market.





The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 4. Business customer satisfaction

### 4.1 CCW Research

Over the past five years, we have tracked how satisfied business customers have been with their retail services, including billing, metering and customer services. We have used a number of sources of information to provide us with an overview of how the water retail market has performed from a business customer's point of view, as well as looking to see if there are differing results by business size.

In 2018, one year after the market opened, we carried out our first large-scale survey called 'Testing the Waters'. This looked at retail services separately from wholesale for the first time. Further surveys were carried out in 2020-21, which included how retailers performed during the COVID-19 pandemic, and the most up-to-date survey in 2022. We are also drawing on evidence from our joint research with Ofwat entitled 'Business Customer Insight'<sup>8</sup> and Ofwat's 'Five years open for business- taking stock 2021-22' report<sup>9</sup>.

The 'Testing the Waters' research in 2016 could not easily distinguish between the services of retailers and wholesalers, as all of these were provided by the water and sewage company. That changed once the market fully opened in 2017 and there was a separation in wholesale and retail service provision. Customers now only contact their retailer, regardless of the reason for their contact. It is clear that splitting the services was not welcomed by many customers.

The table below shows how satisfaction with retail services has changed over the last four iterations of our 'Testing the Waters' research.

Table 1 – Tracker of business customers' views of key retail service measures

	Retailer Services	Care	Trust	Net Promoter Score (NPS) <sup>10</sup>
2016	73%	N/A	34%	N/A
2018	70%	45%	24%	27%
2020	71%	51%	34%	30%
2022	70%	42%	31%	29%

<sup>8</sup> Business Customer Insight 2021 | CCW (ccwater.org.uk)

<sup>9</sup> Five years open for business – taking stock: Review of the fifth year of the business retail water market 2021-22 - Ofwat

<sup>10</sup> Net Promoter Score (NPS) is the likelihood that a customer would recommend their retailer.



- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 4. Business customer satisfaction

### 4.2 Business customer satisfaction – England and Wales

When we compare the results of 'Testing the Waters' satisfaction between England and Wales in 2022 the findings are stark.

**Table 2 – Satisfaction in Retail Services 2022**

	England 2022 (a)	Wales 2022 (b)
<b>Q26:</b> Overall satisfaction, <b>retail services</b> (% satisfied)	66%	85% <sup>a</sup>
<b>Q24:</b> <b>Retail service</b> provider cares about the service it gives to customers (% agree)	38%	59% <sup>a</sup>
<b>Q25:</b> <b>Retail service</b> provider bills are clear and easy to understand (% agree)	75%	85% <sup>a</sup>
<b>Q28:</b> Trust in <b>retail service</b> provider (% 9-10 out of 10)	28%	43% <sup>a</sup>
<b>Q30:</b> <b>Likelihood to recommend retail service</b> provider (% 9-10 out of 10)	26%	54% <sup>a</sup>

Overall satisfaction for England (66%) is much lower compared to Wales (85%). For England the figure has decreased compared to 2020-21 (68%), while for Wales this has stayed consistent. We can draw the conclusion that customer satisfaction in Wales has remained consistent because the vast majority of businesses in Wales are unable to change their retail service provider.

Of the large businesses in Wales that can choose their retailer (those using more than 50 Ml of water a year) only a small number have elected to switch. Therefore, the vast majority of businesses have not experienced any change to their service and continue to be satisfied with the retail service they receive.



Overall we're happy with the level of support we get from our water company. They seem to be proactive with our business account and we have someone dedicated to our account and bill queries. Their portal is also easy to navigate and we feel they keep us up to date with anything that we would benefit from as a business.

**Large County Council, Wales**

**Table 3 – Satisfaction in Retail Services England v Wales**

	England	Wales
<b>2018</b>	69%	90%
<b>2020-21</b>	68%	85%
<b>2022</b>	66%	85%

In England, business customers are impacted by the interactions that need to take place between retailers and wholesalers to deliver overall service. Further details of the issues surrounding this are set out in the complaints section at chapter 3.





The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market

- Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 4. Business customer satisfaction

### 4.3 During and after the COVID-19 pandemic

**Our 'Testing the Waters' research in 2022 has shown that those who are aware they can switch supplier are more likely to be satisfied (70%) with their retail services than those who are unaware (62%). Also, business customers who have been contacted by their retailer to offer advice or support with billing in the last 12 months are more satisfied (79%) than those who have not been contacted (69%).**

Findings from 'Testing the Waters' in 2020 provide some interesting insight on how business customers felt during the Covid-19 pandemic. This was a period when the majority of businesses saw their operations affected, whether that was in the form of lockdown closures, different ways of working or restricted hours of opening.

Less than a quarter of businesses could recall receiving information from their water retailer about the help and support that was available to them throughout Covid-19. Those that did receive information welcomed it.

We also found that proactive communication about relevant help and support was linked to a more positive view of their retailer.

These customers were also more likely to show loyalty to their retailer and look to renegotiate terms with them, rather than consider switching.

For business customers who remember receiving proactive contact from their water company during Covid-19, it was most often an email and/or leaflet giving basic information. Businesses were more likely to remember contact in the early stages of the pandemic than at any other time.

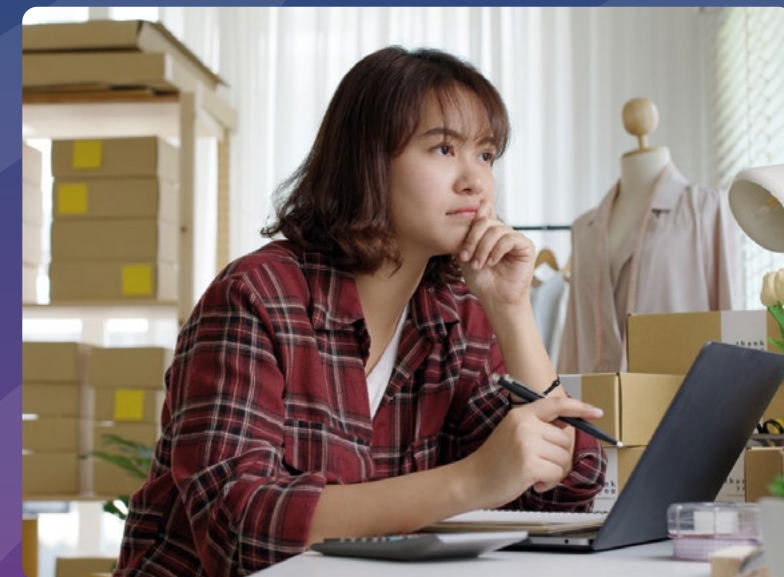
This proactive contact meant higher satisfaction in all key areas for businesses, including value for money. However, there was very little continued support for customers after the early stages of contact and some customers could not reach their retailer at all.

This adds weight to the evidence that businesses who receive contact from their retailer offering advice, assistance and support continue to be more satisfied overall with their retailer and mark them higher for care, trust and likelihood to recommend.



I've sent them [retailer] a number of emails and I've not had anything back – apart from an email to say that they're experiencing a high volume of contacts and they will get back to me in 10 days... it's been two months!

Hospitality business, Midlands



**Business Customers' Experience of the Water Retail Market**  
- Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 4. Business customer satisfaction

### 4.4 Satisfaction by business size

As the size of business and number of employees varies greatly in the water retail market, it is important to look at how these businesses have differing needs dependant on size.

When looking at all aspects of the market we need to consider that it is likely a large multi-site business is going to have a completely different relationship with water and its uses compared to a small business.

Therefore, it's important that we understand that looking at satisfaction across the board with all sizes together does not give a true reflection of satisfaction overall.

To help illustrate this point, Table 4 to the right provides the figures showing the proportion of the market that each customer group holds.

Although micro-businesses make up by far the largest amount of businesses in the water retail market, they contribute to the smallest amount of retail revenue.

**Table 4 – Business customer breakdown in the water retail market**

Business Size	Segment definition	Example of businesses	Estimated number of customers	Estimated proportion % of total eligible customers	Estimated proportion of retail revenue
All eligible business customers			1,180,000	100.00%	100.00%
Microbusiness	0-9 employees Consumption up to 0.5 MI per annum	Church, bank, pub, hairdresser, local garage	980,000	83.00%	22.80%
SME	10-250 employees Consumption between 0.5 MI - 5 MI per annum	Small SME (hotel, warehouse) Large SME (farm, mine)	180,000	15.10%	27.60%
Large business	250+ employees Consumption above 5 MI per annum	Airport, power plant, oil refinery, port	20,000	1.90%	49.60%

Source: **Five years open for business – taking stock: Review of the fifth year of the business retail water market 2021-22 - Ofwat**

CCW and Ofwat's joint insight survey<sup>11</sup> in 2021 shows that the highest satisfaction comes from those who mentioned that they had experienced no or few problems (64%). While 'Testing the Water' 2022 states that, once again, businesses who report having been contacted by their retail provider are significantly more likely to be satisfied overall.

Taken together these findings raise two interesting observations. Firstly, the majority of businesses are satisfied with

having no contact from their retailer if there is not an issue; and secondly, businesses who reported having been contacted by their retail provider with advice or support in relation to billing are significantly more likely to trust their water and retail providers than those who don't recall any contact.

This reinforces the findings from 2020 where there was a peak in satisfaction during the pandemic, as some retailers proactively contacted customers to offer

assistance. It suggests that businesses want to be contacted by their retailer to be made aware of assistance available or offered help when they have any issues.

If we look in more detail at the relationship between business size and satisfaction with the market, it is surprising that larger businesses, which may have a named account manager with their water retailer, do not necessarily have the highest opinion of their retailer.

<sup>11</sup> Business Customer Insight 2021 | CCW (ccwater.org.uk)

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 4. Business customer satisfaction

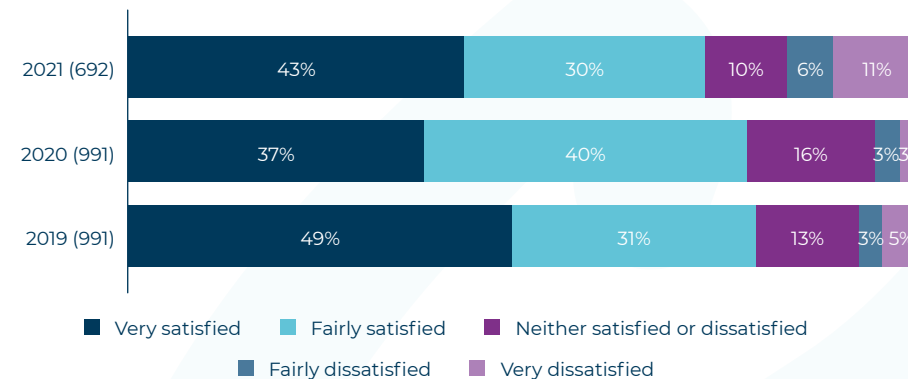
### 4.4 Satisfaction by business size

**Table 5 – Business customer satisfaction in retailer services by business size 2022**

Number of employees	Retailer services	Care	Trust	NPS
1-10	70%	43%	32%	37%
11-50	68%	40%	32%	35%
51-249	75%	43%	27%	19%
250+	70%	44%	27%	45%

Table 5, which is taken from 'Testing the Waters' 2022, shows that large businesses are not significantly more satisfied than their smaller counterparts.

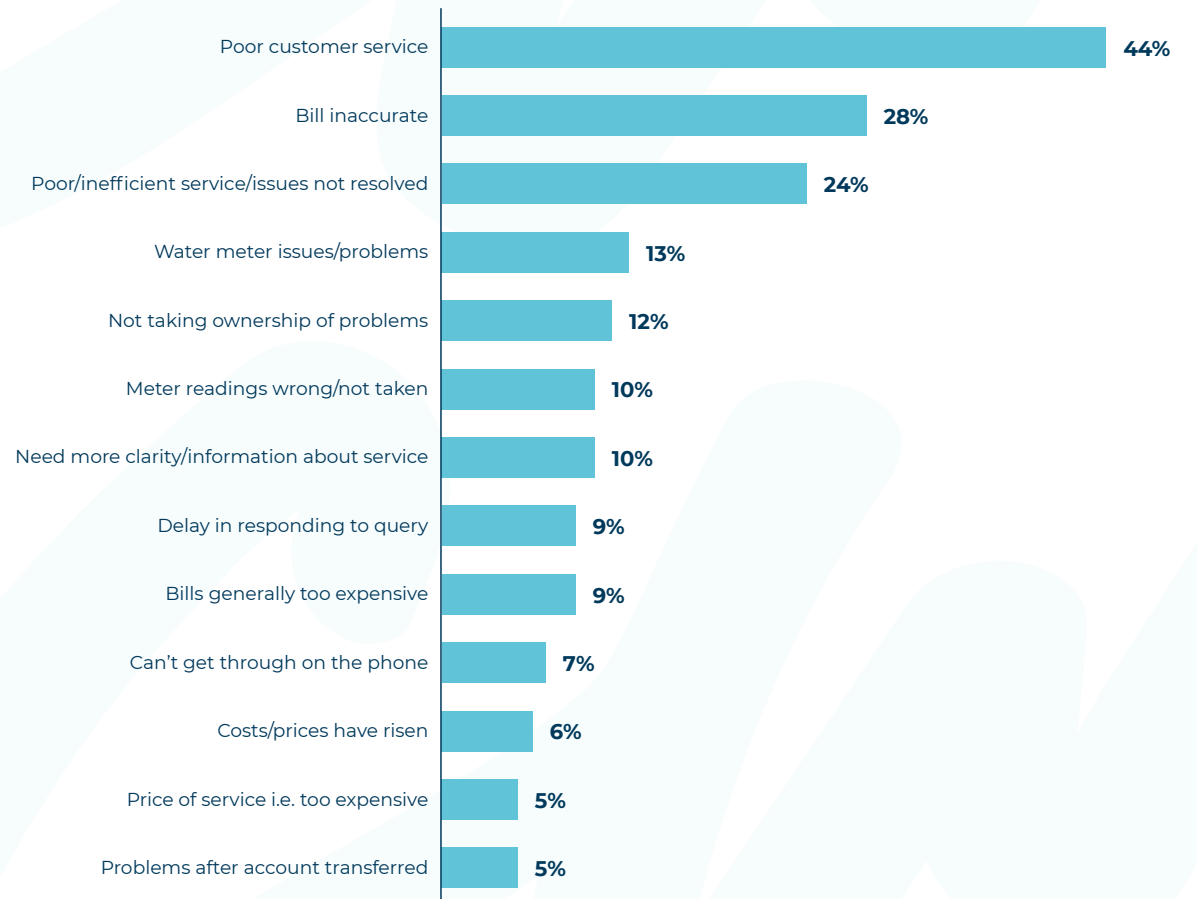
**Chart 6 - How satisfied or dissatisfied are you with your retailer**



Looking more closely at the type of business, construction companies are significantly more satisfied with their retail services than average (78%), while businesses in administration and support services are less likely to be satisfied (63%).

Almost half (44%) of customers who are dissatisfied with their retail service cite poor customer service as a reason. Poor customer service and inaccurate billing were also the top two reasons for dissatisfaction with retail services in 2020-21.

**Chart 7 – Reasons for dissatisfaction**





## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 4. Business customer satisfaction

### 4.4 Satisfaction by business size

#### 4.4.1 Micro-business Customers

This group of customers are those who are most unaware that there is an open market. They operate in a similar way to households, often consuming less water than they do at home.

Micro-businesses with between 1 and 10 employees are significantly more likely to be satisfied with the value for money they receive for water services, than those with 250+ employees or large businesses (70% compared to 63%).

Also, 70% of micro-businesses are satisfied with retailer services, which is the same as large businesses.

This is not what we might have expected to see, given that large businesses are more likely to have a named contact, be knowledgeable about retail services and be more engaged. Consequently, we would expect larger businesses to be more satisfied than micro-businesses.

It seems likely that micro-businesses, who in most cases have a very small usage and are satisfied, would only consider their water service if something went wrong or they received a higher bill.

Another important factor is that the cost of their water and sewerage services is usually considerably lower than other utility bills they receive.



Charnwood News is a newsagent with four employees. Its water usage is minimal due to only having a toilet and sink on the premises, with its water bill being the lowest of all its expenditure.

The business becomes aware of the market after contacting its retailer about a billing error, which was subsequently resolved.

Despite being aware of the market, the newsagent does not see any benefit in switching retailer as its water bill is a low priority and, in any case, the business does not have the time to explore its options in depth.

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 4. Business customer satisfaction

### 4.4 Satisfaction by business size

#### 4.4.2 Small to Medium Business Customers

This group of businesses has a similar relationship with the retailer to micro-businesses, as it is mainly transactional. These businesses are also often unaware of the different responsibilities of the retailer and wholesaler. The synthesis report by Blue Marble<sup>12</sup> highlighted that 34 of 38 SMEs questioned knew only a little, or nothing, about the difference in roles.

For most SMEs, water supply and billing is something that is taken for granted or just exists in the background and is seen as a low priority overall. For businesses where the supply of water is critical to operations, customers may not expect ongoing care or support, but they do want to get in contact with their retailer quickly and efficiently when necessary if things go wrong.

We also spoke to a multi-site customer who was happy with their retailer as the relationship was purely transactional, and they received bills for the same amount monthly. When they had an issue recently where a property had been built over one of their meters, they contacted the retailer to assist them in moving it or fitting a new meter. They will contact their retailer when needed, but do not expect regular contact.

The two main reasons that this group have issues with their retailers remain the same year-on-year - poor customer service (50%) and inaccurate bills (36%).

This is shown in chart 7 from 'Testing the Waters 2022' and is backed up with what we hear from business customers and representative organisations who attend our Forums.



PPC One is a medium-sized business that employs around 150 people across a multi-site (split across England and Wales). It does not use a lot of water, but water is essential to the business. Generally, the customer feels positive about their current retailer. However, they do expect to be billed on their actual water use which does not happen on a regular basis as estimated readings are used.

Another area in which they feel service is lacking is general information about the market; for example, knowledge and understanding about the split across an open market in England and Wales.

PPC One would like more reliable information about the open retail market and their water usage through accurate bills, so that they can make choices of their own to benefit their business.

“

One deals with trade and waste ie Southern Water provide the water, while the retailer is more about the business. But I'm not sure what the big difference is. It's not something I've thought about.

SME

“

I pay a lot of attention to broadband bills, we've got a lot of employees. So if there's a big bill I tend to notice that and I look at the water, but the water is quite a low cost.

Medium business customer

<sup>12</sup> Synthesis of the Business Retail Market 2023 | CCW (ccwater.org.uk)





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## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 4. Business customer satisfaction

### 4.4 Satisfaction by business size

#### 4.4.3 Large businesses

We have spoken to a number of large business customers who gave a range of reasons why the market had not delivered for them across several issues.

Those large businesses to whom we spoke directly told us about the frustrations that they felt, even though they had a named account manager at their retailer who is on hand to help with issues as they arise.

One business told us that they had a really good relationship with their retailer and spoke to them every week. However, they would prefer it if their issues could be resolved without the need for regular meetings. A multi-site national company told us it had been involved in the research prior to the opening of the market, which looked at what it as an organisation would expect to see from the competitive market.

This included better quality of data, account management, and value added services, but in reality there is still a lot of room for improvement in these areas over five years on.

The fundamental reason behind this is that if the customer data is not right for businesses, it is impossible to provide correct bills.

The data could be related to where the meter is located, the unique meter reference (Supply Point ID or SPID), the actual reading of the meter or the address associated with the SPID, etc.

We spoke to one multi-site customer who currently owes about £1,000,000 due to the retailer being unable to produce bills. The reason for this is that they cannot work out where meters are located and which SPIDs they are attached to. This means that they cannot provide the multi-site with any bills until they resolve the situation.

Although this customer went on to explain that they had a dedicated customer account manager at the retailer, to whom they spoke regularly, they were at a loss as to what to do, as they were waiting for information from the wholesaler.

It is clear that for many large businesses, the benefits that were promised by the opening of the retail market - better customer service and data provision – have failed to materialise. We believe this frustration has resulted in a number of large businesses opting to become their own retail supplier by applying for a self-supply licence. This licence allows them to take control of those functions usually provided by a retailer, and deal with wholesalers directly.



A large multi-site business, DIY Today, has experienced poorer customer service since the market opening in 2017, in particular during the first two years. While there have been some improvements, service delivery continues to be poor due to the lack of frequent meter readings.

DIY Today wants to have access to its consumption data to understand its water use. This could help the business look at how it could become more water efficient. It has an account manager with the retailer who manages all its sites and electronic bills, which has improved the company's satisfaction.

Due to having an account manager, it is unlikely to need the assistance of CCW to help address any complaints. However, we know that since the market opened, larger businesses are generally the most likely to raise a complaint about their billing and services.



...this is ridiculous, we owe them loads of money.

Before the market opened, we knew the meter reader and they knew exactly where the meters were. We never had an issue with bills.

Multi-site customer

## Business Customers' Experience of the Water Retail Market

- Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 4. Business customer satisfaction

### 4.5 Recommendations

- In order to improve satisfaction, **business customers must receive at least two bills based on an actual meter reading each year** by April 2024.
  - In line with this, **we expect no meters to remain unread for 12 months or longer by April 2024**. This will allow businesses to pay for what they use and be more aware of their water usage.
  - **We want to see wholesalers including smart metering strategies and proposals for business customers in their Water Resources Management Plans (WRMPs) and PR24 business plans, and we recommend that these plans are accelerated where possible.**
  - **Wholesalers must ensure that smart metering data is available, understandable, presented in a consistent format, and usable for retailers and customers.**
- **Wholesalers and retailers must work together with MOSL to complete a one-off data cleanse.**

To ensure all new customer and market data is accurate **we also want to see strong incentives for both wholesalers and retailers through the new Market Performance Framework.**

- Our 'Testing the Waters 2022' data shows that for all sizes of business the biggest improvement in satisfaction could be achieved by proactively making contact with customers.

Therefore, **we expect to see a notable increase in proactive contact by retailers to their customers by 2024** as evidenced in research.

This will enable more accurate billing based on water usage, and enable customers to make more informed decisions about their water use.

The Metering Committee is currently considering the standardisation of data and we are feeding into this work.





- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 5. Water efficiency service in the market

**One of the desired outcomes behind the creation of the water retail market was for there to be greater water efficiency, driven by the offer of value-added services to customers by retailers.**

Water efficiency remains a priority for the market. It is one of three core outcomes identified by the Strategic Panel and is one of the five priorities of the Panel's work.

**Water efficiency is embedded as core to business across the market. Market participants enable customers to understand their consumption of water and wastewater services and to use water resources effectively.**

**Strategic Panel priority outcome**

There have been multiple reports and research on business customer water efficiency action and the help they have been offered to save water. The reports we have analysed are listed in Annex 1.

### 5.1 Current state of water efficiency measures in the market

**In the Retailer and Wholesaler Group (RWG) 2021 non-household customer water efficiency survey<sup>13</sup>, most respondents rated the importance of retailers' water efficiency services when choosing to switch or stay with their retailer as medium (4-7) or high (8-10). Less than one in five (18%) rated it less than 4 out of 10 when asked to consider it alongside the organisation's other priorities.**

However, the Ofwat and CCW joint Business Customer Insight Survey in 2022<sup>14</sup> found that only 7% of customers thought that water efficiency was the most important aspect of their water service, a notable drop from previous years (11% in 2021 and 25% in 2020). Although some retailers offer water efficiency services, the take up of these value added offers by businesses has been low. Ofwat's 'State of the Market' report from 2019-20<sup>15</sup> found that only 1 in 20 (6%) of customers had received a water efficiency survey or leak detection service within 12 months of switching supplier.

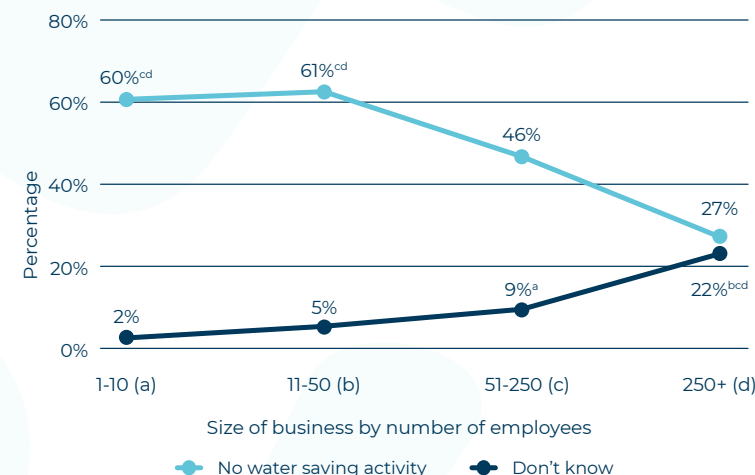
CCW's Testing the Waters research provides evidence to support the view that many businesses show little interest in water-saving activities.

Our 2021 survey<sup>16</sup> found that 54% of businesses surveyed had taken no action to save water. This rose to 61% of all customers taking no action to save water in 2022<sup>17</sup>, despite part of the research fieldwork occurring during the record-breaking summer drought.

Differences by business size are also significant when it comes to water efficiency. Businesses with one site are more likely to say they have taken no water-saving action,

than those operating from multiple sites (58% compared to 47%). However, those operating from multiple sites are less likely to know whether any water-saving measures are in place or not (2% operating from a single site do not know, compared to 11% operating from multiple sites).

**Chart 8 – Water-saving activity by business size**



Source: **Testing the Waters 2022**

The more employees in a business, the lower the likelihood of it not taking any water-saving action.

However, in businesses with more employees the proportion who do not know whether there are any measures in place also increases. The main water-saving activity that businesses have carried out in 2022 is to install smart meters (27%), closely followed by water efficient taps (26%).

<sup>13</sup> RWG Water Efficiency Sub Group Non-household water efficiency survey November 2021

<sup>14</sup> Ofwat CCW Business Customer Survey. Opinion Research Services October 2022

<sup>15</sup> Ofwat State of the market 2019-2020 August 2020

<sup>16</sup> CCW Testing the Waters 2021, DJS Research July 2021

<sup>17</sup> CCW Testing the Waters 2022, DJS Research January 2023

## Business Customers' Experience of the Water Retail Market

- Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 5. Water efficiency service in the market

### 5.2 Barriers and possible solutions

**Economic Insight's report on water efficiency<sup>18</sup> concluded that the main barrier to water efficiency in the market is that there is insufficient value to enable delivery of reductions. Put more simply, customers' willingness to pay for water efficiency measures is lower than the cost of providing them.**

Retailers identified the following issues that are hampering water efficiency efforts in their response to Ofwat's State of the Market' report in 2021<sup>19</sup>:

- Data and metering: cost of Automated Meter Reading (AMR) equipment and the access to timely and accurate consumption data.
- Retailer disincentive: little or no incentive for retailers to offer water efficiency services. Business customers do not see them as important and investment reduces retailers' margins.
- Customer perspective: there is a lack of customer awareness of the need for water efficiency to tackle water scarcity issues. The perceived lack of cost savings associated with the water efficiency measures further dampens customer incentives to invest in the services.

Everflow has run a trial to promote wholesalers' free water efficiency measures, which saw take-up of 3-5%. This may not sound much but it was still triple the engagement rate usually seen by wholesalers, highlighting the potential benefits of collaboration.

This type of innovative, value-added service from a retailer also provides something distinctive from the rest of the market, offering customers more of a choice when deciding who to have as their retail provider.

### 5.3 Better data

**36% of respondents to the RWG business customer survey said that they were either unable to monitor their consumption, or never did so.**

More than half (56%) said they would need access to better data in order to monitor and reduce their consumption.

These figures highlight the potential gains in water efficiency that the availability of better, more easily available data provided by smart metering could achieve.



“Getting customers to save water is very challenging, because the low price of water makes it a low priority bill for many businesses. This means that in many cases, small businesses aren't willing to invest in new or retrofit water saving devices because they perceive that it would take too long to make a return through reduced water bills. It also means that the potential margin retailers can make from selling water efficiency products and services is very slim.

**Clare Galland, Environmental and Regulatory Affairs Manager, Everflow (MOSL interview November 2022<sup>20</sup>)**

<sup>18</sup> Economic Insight: Options for promoting water efficiency in the NHH water market. April 2022

<sup>19</sup> Ofwat State of the market report 2020-21 December 2021

<sup>20</sup> Everflow: Our carbon journey - file (mosl.co.uk)



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## Business Customers' Experience of the Water Retail Market

- Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 5. Water efficiency service in the market

### 5.4 Cost savings

Many businesses use the same amount or less water than domestic customers, and so believe that incentives and opportunities to save money with such a low bill level are limited.

The RWG water efficiency survey from 2021 found that on average customers wanted to see a return on any investment in water efficiency measures within 17 months.

This would mean that for a low user with an annual bill of £100, an intervention delivering a 5% water efficiency saving would reduce the bill by £5. Therefore, the intervention could cost no more than around £7.80 for a 17-month payback. For someone with usage similar to the average household (£500 a year) this would be about £35.

This low level of willingness to pay among the majority of the business customer base indicates that there is likely to be limited appetite for elective, customer-funded interventions to drive water efficiency.

Sixteen percent of respondents to CCW's 'Testing the Waters' 2022 survey said that their bills were so low they didn't need to save water.

Ofwat's recent review of the Retail Exit Code (REC)<sup>21</sup> provides an increase in the part of the retail allowance specifically designed to help retailers improve their water efficiency services to smaller business customers using below 0.5 Ml water a year.

We expect retailers to adhere to Ofwat's comment that they must **"... demonstrate that their expenditure on water efficiency measures is helping customers save water and money and that therefore such expenditure given through the allowance represents value for money."**

### 5.5 Water shortages

Awareness of the pressure on water resources in England is mixed. The 2021 RWG water efficiency survey (conducted in the Anglian region – an area of water stress) found an average awareness score of 5.5 out of 10 when asked about the Environment Agency's projection that there would be a water shortage of 4 billion litres a day by 2050 if no action is taken.

Water Resources East (WRE), a regional group focused on water resources management planning in the East of England, produced a report on promoting business customer water efficiency in 2022. The report found that the main barrier to water efficiency was complacency, among all but the largest users. Nearly two-thirds (65%) of customers surveyed by WRE<sup>22</sup> said they were already using as little water as possible. Similarly, CCW's 'Testing the Waters' research 2022 found that 49% of customers said that there was nothing they could do to reduce their water usage.

In response to Ofwat's 'State of the Market' report in 2019, retailers estimated that water efficiency measures only delivered around a 0.3% saving in consumption in 2019-20. Although this figure is indicative, it highlights the amount of work that will be needed to achieve a significant reduction in non-household water consumption.

With a lack of a definitive cost incentive to drive specific water efficiency interventions among smaller business customers, the most effective route to reducing demand, in the first instance, is likely to be through education and habit forming.

Business customers will be more open to considering how they can reduce their own usage if they can see that water companies are taking action to save water – notably through reducing the amount of water lost to leakage. We expect demand management to be an integral part of any water company's strategy to address risks to future water supplies. Business customers need to be actively involved in tackling the shortfall in supplies that is facing the water sector in the next 25 years and deliver the 9% reduction in usage expected by 2037 in the UK Government's Environmental Improvement Plan.<sup>23</sup>

<sup>21</sup> Ofwat: 2021-22 Review of the Retail Exit Code Decision. December 2022

<sup>22</sup> WRE: Promoting water efficiency among NHH customers August 2022

<sup>23</sup> HM Government: Environmental Improvement Plan 2023



## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction
- 2. Recommendations
- 3. Business customer complaints
- 4. Business customer satisfaction
- 5. Water efficiency service in the market
- 6. Business customer eligibility, engagement and awareness of the market
- 7. Market governance
- 8. Conclusion
- 9. Appendix 1 – List of documents
- 10. Appendix 2 – Explanation of the market governance framework

## 5. Water efficiency service in the market

### 5.6 Recommendations

- Responsibility for water efficiency in the non-household sector should be driven by wholesalers, in partnership with retailers, customers and the wider sector. The PR24 common performance commitment on business demand requires water companies to demonstrate collaboration with retailers or others. **We want to see wholesalers commit to work with retailers to implement water efficiency services in their WRMPs and PR24 business plans, and for retailers to offer tailored water efficiency advice to customers.**
- There needs to be a long-term drive to emphasise the need and importance of saving water, and ways to do this that customers are not already doing and are easy for them to implement. A co-ordinated sector-wide approach to look at education and behaviour change is needed, such as the Accelerated Reduction in Demand (ARID) that we are working with others to initiate.
- Our recommendations on smart metering are very important to help drive water efficiency among business customers. The research that has been carried out in this area is clear that some customers are either unable to monitor their consumption or see little benefit in doing so. Providing access to better data about businesses' actual water usage is key to engaging customers on saving water. We expect **wholesalers to have a clear plan for smart metering for business customers in their WRMPs and PR24 business plans, and accelerate those plans where possible. These should include a targeted approach, prioritising meters left unread for 12 months or longer, water stressed areas, and high water users.**



- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 - List of documents ▶
- 10. Appendix 2 - Explanation of the market governance framework ▶

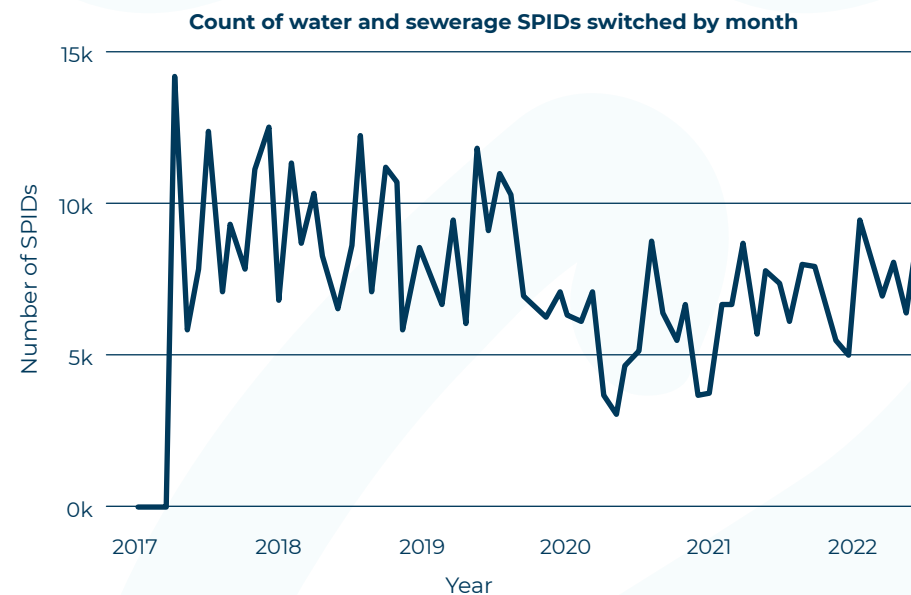
## 6. Business customer eligibility, engagement and awareness of the market

### 6.1 Switching since market opening

**Switching retailer is one of the clearest measures of business customers' appetite to engage in the market and also whether it is working for them.**

Changing from one retailer to another indicates that a business has made a choice, whether independently or led by contact from a retailer or third party, to seek a better price or service than they are currently receiving. Figures from the market operator, MOSL, show that 17.14% of SPIDs have switched since the market opened in 2017. Therefore, while businesses have been able to switch retailer, more than 80% of those that are eligible have not done so.

**Chart 9 – Number of SPIDs that have switched retailer since 2017**

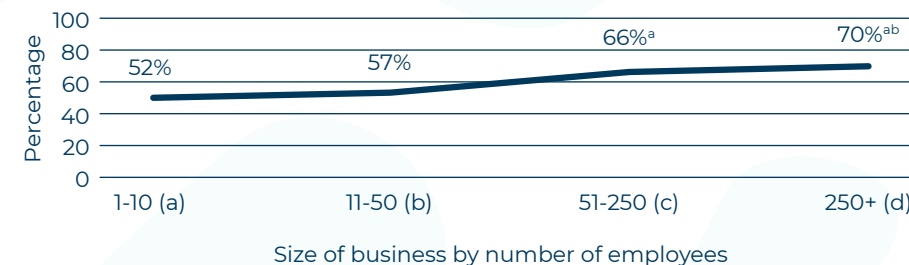


CCW's Testing The Waters research from 2022 found that awareness of the water retail market among businesses differs greatly.

Just 52% of micro-businesses are aware of the market, compared to 70% of large businesses. Even when micro-business customers are aware of it, 35% simply say they don't want to switch as there are no issues with their current provider.

A further 27% say they have insufficient time and resources to explore their options and engage.

**Chart 10 – Awareness of the water retail market by business size 2022**



**Blue Marble's synthesis of the business retail market found a number of perceived barriers to switching.**

**This included a belief among SMEs that the cost would outweigh any benefits, the market was too complex to engage with and that businesses simply did not have the time to put effort into looking for savings or switching.**

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 6. Business customer eligibility, engagement and awareness of the market

### 6.1 Switching since market opening

There has been a notable drop off in activity since the Covid-19 pandemic. MOSL figures, from Ofwat's 'Taking Stock' review<sup>24</sup>, show that the percentage of SPIDs switching per year has gone from 5% (2017-18) to 3.2% (2021-22). However, the volume of water used by those switching has increased from 9% to 10%. This is shown in Table 6 below.

**Table 6 - Annual switching rates 2017-18 to 2021-22**

Period	MOSL	
	Consumption Switched	SPIDs Switched
2017-18	9%	5%
2018-19	6%	4%
2019-20	8%	4%
2020-21	7%	2.4%
2021-22	10%	3.2%

Additional data from MOSL shows that only 15% of water supply SPIDs<sup>25</sup> for sites using less than 0.5 Ml of water a year have switched supplier since the market opened in 2017.

This figure is significantly lower than the 40.5% of SPIDs for the sites of high water users over the same period.

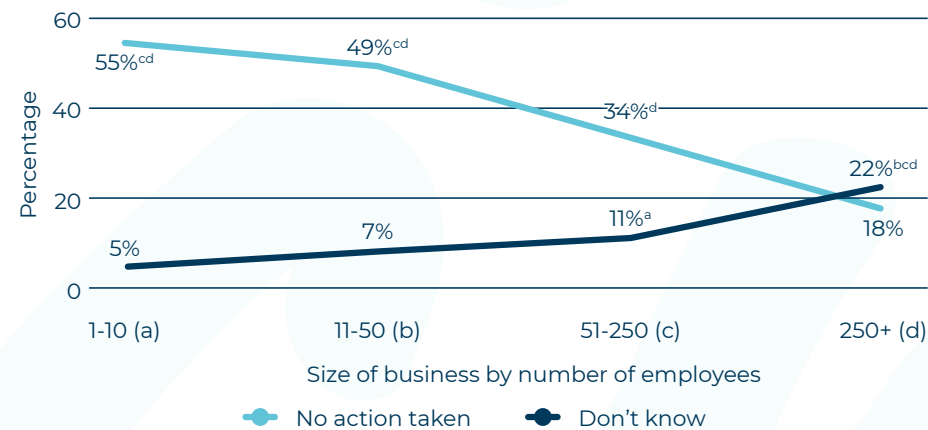
Furthermore, while there have been around 500,000 switches to date since 2017 (as of 1 January 2023), 87% of those have only switched once - with very few customers exploring the market by changing suppliers more often.<sup>26</sup>

Renegotiation levels are also low, but are notably more prevalent among large and medium-sized businesses where the size of their bill allows them more scope - and power - to barter with their supplier.

CCW's Testing the Waters research found that only 7% of micro businesses (1-10 employees) had renegotiated their contracts since 2017. We want to see increases in both switching and renegotiating in order to demonstrate a vibrant market that can deliver for all customers.

The following chart from Testing the Waters 2022 shows, by business size, which customers have taken no action to be active in the market.

**Chart 11 - Action<sup>27</sup> taken by business size among businesses in England**



abcd: denotes values significantly higher (at 95% confidence interval) than comparator figures.

<sup>24</sup> Ofwat: Five Years Open For Business - Taking Stock: September 2022

<sup>25</sup> 15% of water SPIDs, 18% of wastewater. For high water users the wastewater figure is 51%

<sup>26</sup> 10% (c 53,000) SPIDs have switched twice. Less than 1% of SPIDs more frequently than this.

<sup>27</sup> "Active" includes those who have switched or renegotiated in the last 12 months, those currently in the process of switching/renegotiating, those who are actively considering switching or renegotiating, those who had tried to switch or renegotiate and failed, or those who had considered switching or renegotiating but decided not to.

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

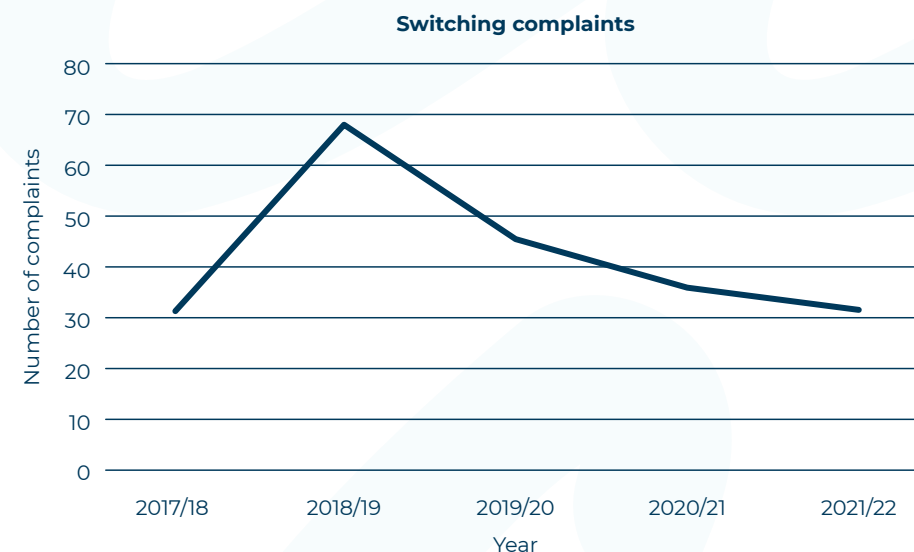
## 6. Business customer eligibility, engagement and awareness of the market

### 6.2 Satisfaction with the switching process

Satisfaction with the switching process is high and the majority of businesses that have switched have managed to change supplier without any issues. However, complaints to CCW have highlighted some of the problems encountered by customers when attempting to switch.

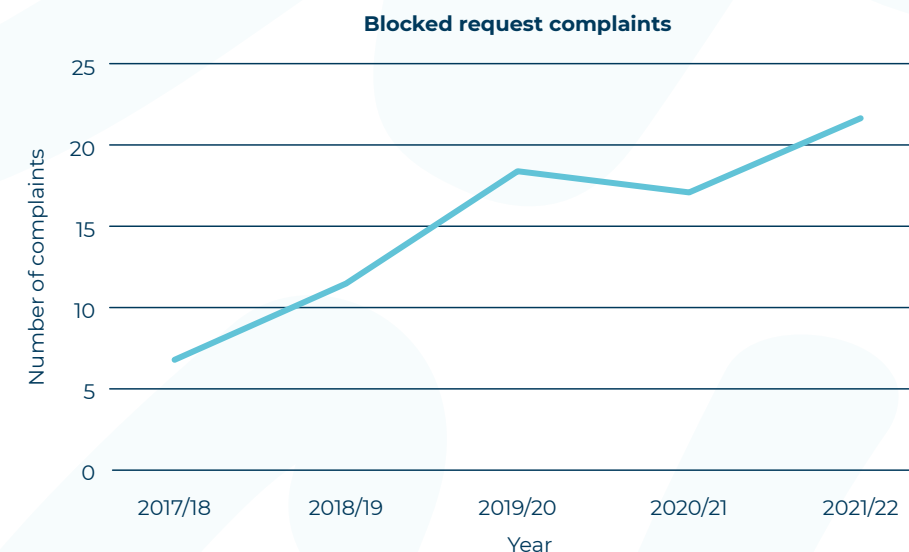
Complaints from business customers stating that they have been blocked from switching suppliers have risen since market opening. Although these are still relatively small in number, they now comprise around half of the switching related complaints that CCW receives from business customers.

Chart 12 - Business customer complaints about switching 2017 to 2022



Complaints related to how the market operates, rather than about administration or billing, saw a sharp rise before plateauing at a similar level to those seen soon after market opening for this category. While retailers have managed to overcome the notable issues caused just after the market opened, they have not been able to drive switching complaints any lower than they were at the point the market first opened. This would indicate that there remain issues with the process for some customers.

Chart 13 - Business customer complaints about switching 2017 to 2022



Blocked requests to switch generally arise when there is an outstanding debt on the account. The complaints that CCW sees are often due to there being a dispute about the legitimacy of this debt and customers feeling they are being held against their will. However, the complaints that CCW handle arise from customer frustration at being both unable to resolve an ongoing billing dispute with their retailer and being unable to act on their dissatisfaction with the handling of the dispute by taking their business elsewhere. We would expect retailers to resolve the reason for a disputed bill promptly to enable customers to switch in the future. This also increases the need for accurate bills based on frequently read meters.

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

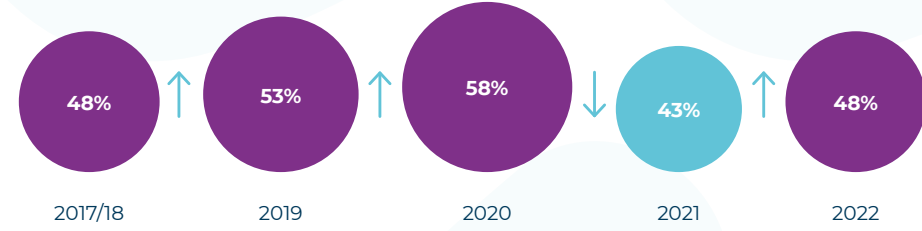
## 6. Business customer eligibility, engagement and awareness of the market

### 6.3 Awareness of the market

Customers' awareness of the market remains low. 48% of customers surveyed in the joint CCW and Ofwat 'Business Customer Insight' research knew about their ability to choose their water retailer. This figure has not changed in the years since the market opened, with only minor fluctuations in the intervening period, as shown in the chart below by Blue Marble.

**Chart 14 - Customer awareness of ability to change supplier**

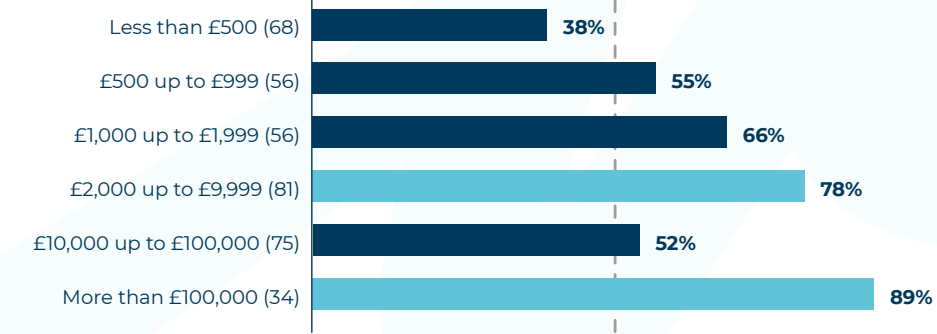
The proportion of customers who are **aware of market change** shows no significant rise last year. Awareness currently under half of business. A drop since 2020.



Source: **Blue Marble Synthesis of the Business Retail Market 2023**

The level of awareness is affected by the size of a business' water bill – generally organisations with higher water bills are more likely to be aware of the market.

**Chart 15 - Awareness by bill size**



A question introduced to this year's 'Business Customer Insight' research showed a clear disparity in awareness of the market between businesses that were active before 2017 and those set up after the market opened - 59% awareness for pre-2017 businesses compared to 33% among more recently set up operations.

The 'Business Customer Insight' research analysis points to the high levels of publicity in the lead up to market opening in 2017 as a likely reason for the disparity in awareness among businesses operating at the time and those which have been set up more recently. When surveyed by CCW for the 2022 'Testing the Waters' research, 25% of micro-businesses were either unable to name their retailer, or named them incorrectly. It would be fair to assume that an increase in switching and renegotiating levels could be possible if more business customers were aware it was an option.

However, the same 'Testing the Waters' research found that even those micro-businesses who were aware of the market lacked the motivation to engage with it. 35% said they were content with their current supplier and another 27% stated they did not have the time to look into their options.



- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 6. Business customer eligibility, engagement and awareness of the market

### 6.4 Eligibility

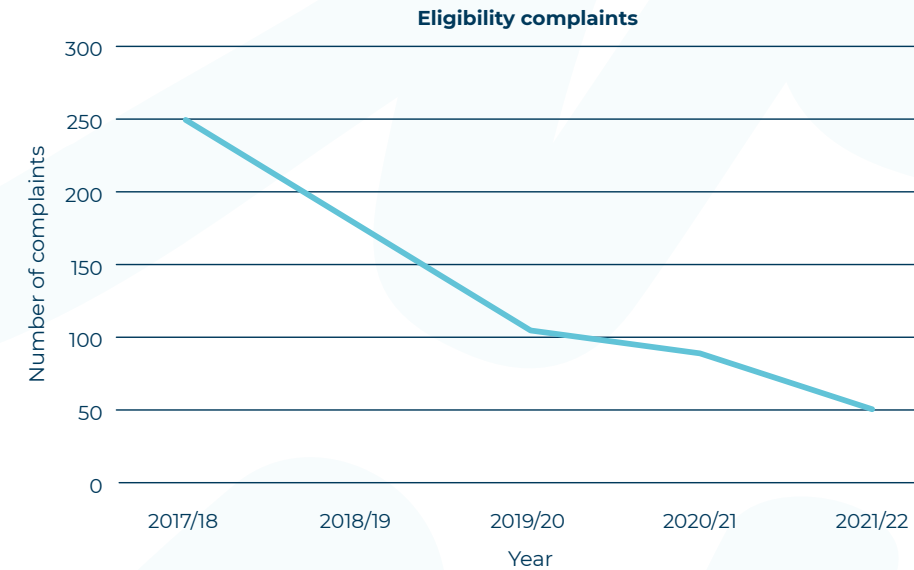
**Not all businesses are eligible to participate in the market. Many micro-businesses are run from domestic properties and some businesses that rent their premises will have their utility providers determined by the property owner.**

Businesses in Wales are ineligible to switch retailer unless they use more than 50 Ml of water a year. In addition, Welsh Government has indicated its intention to raise the eligibility threshold for businesses in Wales. This would effectively make all businesses in Wales unable to switch retailer from the point the change in legislation comes into effect. However, the small number of business customers that have chosen a different retailer at that point will be able to remain with their retailer for as long as both parties agree.

CCW has received complaints from customers about their eligibility for the market. These are predominantly from household customers who have been put into the market due to an error.

We know that retailers and wholesalers may not determine eligibility consistently, particularly for mixed-use premises, due to the large number of factors that have to be taken into account.

**Chart 16 – Eligibility complaints to CCW 2017-18 to 2021-22**



**Table 7 – Eligibility complaints to CCW by customer type 2017-18 to 2021-22**

Eligibility Complaints	2017-18	2018-19	2019-20	2020-21	2021-22
Household misclassified as NHH	230	145	82	66	41
Household customer	2	10	8	13	4
Mixed use premises	16	22	14	9	7
<b>Total</b>	<b>248</b>	<b>177</b>	<b>104</b>	<b>88</b>	<b>52</b>

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 6. Business customer eligibility, engagement and awareness of the market

### 6.4 Eligibility

**Housing associations seem to experience particular issues with inconsistent and confusing messages about eligibility due to the nature of their businesses. We have seen examples of some retailers telling the same housing association that they are eligible for the market, while others say they are ineligible.**

Peabody Housing Association highlighted a number of the issues that it has faced with the market in its response<sup>28</sup> to Ofwat's recent 'Eligibility Consultation'. Many of these concerns centred on the definition of mixed-use premises and how different wholesalers and retailers applied this definition inconsistently across Peabody's sites. Peabody highlighted that it was unclear if the communal use of water at its sites would remain in the market and that the removal of all housing association sites would create a huge administrative burden for these organisations. The update to the 'Eligibility Guidance' states that as housing association premises are principally used as homes, they should not be eligible for the non-household market.

However, it continues: **“an exception to this would be if there is a non-household element on the premises that is sufficiently large enough for the principal use of the premises to be considered non-household.”**

Peabody notes that water used for communal purposes on most of its sites are in the market. Ofwat's conclusion is likely to mean that decisions on whether these sites are eligible remains to be determined on a case-by-case basis.

<sup>28</sup> [Eligibility\\_consultation\\_Peabody\\_response\\_Redacted.pdf \(ofwat.gov.uk\)](#)





- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 6. Business customer eligibility, engagement and awareness of the market

### 6.5 Temporary Building Supplies (TBS)

**The new connections process has also caused issues where sites have been entered into the market to cover the supply of building water to developers. There have then been delays and errors in determining the eligibility of the completed properties. This has resulted in some household properties being placed in the market by mistake and difficulties for new business premises in getting their accounts set up.**

A housing association that we spoke to commented that premises in their portfolio often change from being eligible to participate in the water retail market to being classed as domestic premises.

They start as commercial when they are being built by the developer and when initially handed over to the housing association. Premises then switch to domestic properties once their tenants move in and regularly cycle back to being commercial when they are empty as tenants move out and responsibility reverts, temporarily, to the housing association.

In contrast to the energy sector, it was said that water companies (retailers and wholesalers) simply couldn't cope with this process placing a huge administrative burden on the housing association.

MOSL's request for information about streamlining the new connections process<sup>29</sup> found that 75% of wholesalers and retailers did not feel that the new connections process worked effectively, with 71% saying they were incurring additional costs due to inefficiencies with the process.

The Temporary Building Supplies (TBS) element was highlighted as a particular problem that needs addressing. MOSL's report identified the following issues:

- wholesalers are not providing developer details, which hinders the retailer's ability to bill and collect water consumption
- managing TBS is cost prohibitive for retailers. With development typically lasting only a few months by the time the retailer has located the developer they may have left the site
- wholesalers are generally not applying the building supplies flag, which means that TBS are not visible in the market. The majority of these are household developments which, if made vacant, could take time to locate and transfer to household billing. This could lead to back-billing and a poor customer experience.

Both CCW and MOSL supported the removal of TBS from the market in our responses to the Ofwat 'Eligibility Consultation'.

Ofwat has stated that the definitions within the Water Industry Act 1991 does not allow a TBS to be defined as a household supply and, as such, they remain eligible for the market. The regulator suggested change proposals be brought forward to improve the current process.



<sup>29</sup> Summary of Responses to Streamlining the New Connections Process MOSL April 2021





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## Business Customers' Experience of the Water Retail Market

- Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 6. Business customer eligibility, engagement and awareness of the market

### 6.6 Recommendations

- We want to see change made to legislation and market codes **to remove all temporary building supplies from the market** with business customer premises only entering the retail market at the point when the permanent water connection is complete. **Wholesalers should be given responsibility for the process until this legislation is enacted.**
- It is important that Ofwat provide **greater clarity and consistency on premises eligibility for the market** and work with CCW **to improve the transition process where a premises leaves or enters the retail market.**





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## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

# 7. Market governance

## 7.1 Market costs and customer value

In 2022-23 it cost trading parties around £13.5 million in fees from Ofwat, MOSL and CCW for the water retail market. The largest costs were generated by MOSL at over £11 million. Of this amount, retailers are collectively paying around £7 million in 2022-23, with wholesalers paying the rest.

When these costs are put into context by the amount of business customers that are active in the market, this raises the important question about the value of the market for businesses.

The bulk of retailers' fees will be recovered from business customers in the market. That means with just 7.9% of businesses having switched or renegotiated at some point in the previous 12 months<sup>30</sup>, the vast majority of businesses are paying towards a market they are not engaged in.

## 7.2 Market Operator Services Ltd (MOSL)

As the market operator, MOSL has responsibility for the day-to-day running of the market. Primarily, this is managing the Central Market Operating System (CMOS) where all business customer premises are registered, to ensure that the data essential for services to be effectively delivered is being gathered and maintained correctly.

Such data includes meter readings, property reference numbers, and address details.

The provision of meter readings is also vital for MOSL's other primary responsibility, which is the calculation and processing of the payments due from retailers to wholesalers, known as 'settlement'.

Given the problems with poor data quality in the market, MOSL has been heavily involved in aiming to ensure that retailers and wholesalers are held to account for their performance. It plans to conduct a data cleanse exercise to address the poor quality of customer and market data, which is vital to improve customer service.

As well as maintaining the Market Performance Framework (which we will expand on later in this chapter), they work closely with CCW, Ofwat and trading parties to help rectify the key problems in the market. We have played a key part in this, ensuring that the customer voice is represented.

Given its role as market operator, we recognise that MOSL has a strong part to play in setting performance standards and holding trading parties to account, so the market can function effectively for the benefit of customers.

However, it is important for trading parties and other stakeholders, who are responsible for different areas of market performance, to be accountable for the delivery of their responsibilities.

There is also a need to ensure that the various groups and activities there to deliver improvement are not broadening their scope to try and artificially help the market flourish, nor should this work detract from retailers owning the relationship with their customers.

<sup>30</sup> Business Customer Insight Research 2022

## Business Customers' Experience of the Water Retail Market

- Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 7. Market governance

### 7.3 Customer protection

The retail market is governed by a number of market codes which must be followed by retailers, wholesalers and other key stakeholders. There are three codes which directly impact businesses.

These are; the Retail Exit Code, the Customer Protection Code of Practice and the Interim Supply Code. Ofwat is the custodian of these codes. There are also the Wholesale Retail Code and Market Arrangements Code, which govern how the market works.

In order to change these codes a set process is followed and Ofwat has the final say on whether it approves or rejects these changes.

#### 7.3.1 The Retail Exit Code

The Retail Exit Code sets the price protections for business customers that have not switched supplier or renegotiated their contract. It also requires that these customers' terms and conditions are not changed to the point where they would be worse off than they were before the market opened.

The price protections are set for Group 1 (low water use customers using less than 0.5 MI of water a year) and Group 2 (using more than 0.5 MI but less than 50 MI of water a year) business customers only.

There is no price cap protection for larger water use businesses that consume above 50 MI of water a year, but the Code requires that prices for this group are reasonable and non-discriminatory.

<sup>31</sup> Approximately 60% of micro-businesses who had not switched or re-negotiated contract stated this was due to either not having the time, or simply not wanting to do so – Testing the Waters 2022.

Table 8 - Current form of Retail Exit Code price cap (Source)

Customer Group One (<0.5 MI)	Customer Group Two (0.5-50 MI)
Default tariffs not to exceed: <ul style="list-style-type: none"> <li>• Wholesale charge (pass through)+</li> <li>• Allowed retail cost per customer +</li> <li>• Net Margin</li> </ul>	Default tariffs not to exceed <ul style="list-style-type: none"> <li>• Wholesale charge (pass through)+</li> <li>• Gross Margin (8.0% for Water, 10.0% for Wastewater).</li> </ul>

Currently the price that retailers can charge these businesses is capped in order to protect them from being any worse off as a result of being in the open retail market. These caps are applied as default tariffs for those businesses that have either chosen not to switch away from the retailer they were moved to when the market opened or have remained with their retailer due to lack of awareness. If a business customer chooses to switch, or if they agree a new contract with their existing retailer, the default tariff no longer applies. They will negotiate new terms when they sign a contract with their new retailer.

Due to lack of engagement among low water use businesses, it is vital that protections remain under the default tariff. These protections are also important to ensure that retailers are not permitted to operate in an inefficient manner, while being allowed to increase prices for businesses with no tangible improvement in service. This is particularly important in the current cost of living crisis.

We want to ensure prices are capped at a level that businesses can afford and that they reasonably cover retailers' costs. Retailer margins should not be artificially inflated in an attempt to encourage a more competitive market, particularly as research evidence shows that increased engagement is unlikely to happen anyway<sup>31</sup>. It is therefore important to retain a price cap, otherwise there would likely be price rises for customers with no corresponding benefits.

In December 2022, Ofwat completed a review of the Retail Exit Code (REC), after a period of industry consultation. A key decision made as part of this review was that price protections for customers in Groups 1 and 2 should be retained in their current form to reflect the same concerns we have outlined above.

This is a positive outcome for those business customers, and will ensure that such protection endures for a minimum of three more years. However, it is important that price and non-price protections remain for as long as competitive pressures on retailers remain largely absent in the open retail market.

We also support the Strategic Panel's call, in their consultation response to Ofwat's REC review, for further work to understand how different customer groups may have different requirements in terms of price protection. Tailoring protection based on different customer needs, and their likelihood to engage in the market, is a sensible position. It is, therefore, clear that gaining a better understanding in this area will ensure future decisions continue to be made based on customer interests.

In respect of Group 1 customers, retailers are permitted a cost-to-serve allowance which is based on reasonably efficient costs to serve those customers. This currently differs by region, but Ofwat has made the decision to change this to a single England-wide allowance from April 2023. To mitigate the impact of any subsequent price rises for customers, the change will be phased in over 2 years.

Any increases will be capped at £60 in the first year for those who are supplied both water and wastewater service. Many customers will be seeing this maximum rise, which at a time of great financial hardship will be unwelcome. We believe that the changes should have been phased in over a longer period to help manage the impact on those businesses who are already struggling financially.

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 7. Market governance

### 7.3 Customer protection

#### 7.3.1 The Retail Exit Code

##### 7.3.1.1 Bad Debt

Based on evidence gathered by Ofwat in 2020-21, we know that restrictions on businesses during the COVID-19 pandemic will have caused an increase in the level of unrecoverable, or bad, customer debt.

This may continue to rise significantly, as more business customers struggle due to the ongoing cost of living crisis. As well as the obvious impact bad debt has on those who are unable to pay, there is also the wider impact when all customers may face higher bills as retailers try to recoup their bad debt costs.

From 1 April 2023, retailers will be permitted to recover 75% of these costs from customers, subject to the price controls under the Retail Exit Code. This will be permitted where these costs have exceeded 3% of the retailer's annual turnover.

Given that bad debt will be a continuous concern for some time, we accept that this is a burden that should be shared by customers.

However, we believe that Ofwat's previous decision in this area has resulted in an unfair division of bad debt costs. It effectively means business customers - some of whom are still struggling financially - are paying for an economic crisis they did not create.

We want to see bad debt costs split equally across customers, retailers and wholesalers to ensure the burden is properly shared.

#### 7.3.2 Customer Protection Code of Practice

The Customer Protection Code of Practice for the non-household retail market (CPCoP) sets the requirements that retailers must follow in relation to customer-facing market activities including sales and marketing, switching, billing, providing information and complaint handling. It is through this code that key protections apply.

Currently those wishing to propose changes must go through a lengthy process that is set out in the code itself. A proposer must submit their request in writing to Ofwat and the regulator will then evaluate the proposal and decide whether or not:

- (a) it agrees with the Customer Protection Code Change Proposal**
- (b) to propose amendments to the Customer Protection Code Change Proposal**
- (c) to seek further information from key stakeholders, conduct research or commission reports before making a decision.**

Ofwat must consult on its proposed decision to accept, reject or amend each Customer Protection Code Change Proposal. Apart from in the case of an apparent urgent change, the consultation period will generally be for a minimum of 28 calendar days.

However, there is no defined period between a proposer submitting their request and Ofwat evaluating the proposal. This can mean a change request can sit with Ofwat for an undetermined amount of time, which could delay a change that could substantially improve services for businesses.

**We want greater transparency introduced into the change process for the CPCoP, with clear timelines by which Ofwat must have evaluated a change proposal and consulted on its decision.**

Compliance with the CPCoP forms part of retailers' licence conditions, but it is unclear under what circumstances Ofwat would investigate non-compliance, or take enforcement action against a retailer for a breach of their licence.

**We want Ofwat to make clear their expectations of retailers in this area, and set out the circumstances and criteria where it will take action against retailers not following the CPCoP.**

We also recognise that CCW will play a vital role in this process, given the value of our complaints evidence and we look forward to working closely with Ofwat on this.



The voice for water consumers  
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## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction
- 2. Recommendations
- 3. Business customer complaints
- 4. Business customer satisfaction
- 5. Water efficiency service in the market
- 6. Business customer eligibility, engagement and awareness of the market
- 7. Market governance
- 8. Conclusion
- 9. Appendix 1 – List of documents
- 10. Appendix 2 – Explanation of the market governance framework

## 7. Market governance

### 7.3 Customer protection

#### 7.3.3 Interim Supply Code

The Interim Supply Code sets out the process for ensuring businesses continue to receive water retail services in instances where a retailer is exiting the open retail market.

It is issued by Ofwat and must be followed by retailers. In the event of a retailer leaving the market, the affected customers will transfer to any retailer(s) who have voluntarily opted to take them, or to the retailer that is mandated to do so in that particular wholesale region, in the event there are no volunteers.

The retailer mandated to be the 'backstop provider' is usually the one who acquired that region's customers from the incumbent water company when the retail market opened.

Under this code, it is vital that no business is impacted by the exit of their retailer through financial difficulty or another reason.

The code must ensure there is no gap in the supply of retail services where a backstop retailer exits the market. Such a gap would cause an impact on customer service and uncertainty about who customers are due to pay, and could result in charges building up while they wait for a new supplier.

It is for these reasons **we want to see the Code strengthened to guarantee continuous service upon retailer exit.** Businesses must also receive clear communication about the process, including who their new retailer will be.

If a retailer exits the market, there is a risk that any accrued customer credit may be lost, as there is no requirement for this to be reimbursed. In line with the CPCoP we also **want to ensure business customers' accounts are protected so that any accrued credit is returned to those businesses annually.**

### 7.4 Making changes to the Codes

In terms of codes governing the market, there is also a Wholesaler Retailer Code and a Market Arrangements Code. The former sets the rules that wholesalers and retailers must follow in their engagement with one another in the retail market. The latter governs the arrangements for the market in terms of changes to the codes, and the roles of the Panel and Committees in relation to the code. The codes and any changes to them are maintained by MOSL and approved by Ofwat.

It is widely recognised that the process for changes to these two codes is lengthy and bureaucratic. Unless a code change follows the urgent process, it can often take over 12 months for a change to be implemented, including Ofwat approval.

The current process also enables any change to be considered, regardless of whether it is a market-wide issue, a dispute between particular trading parties that may not have a direct customer impact, or a change that could be dealt with through another approach, such as through the bilaterals process<sup>32</sup>.

It is important that this changes now, which is why this is a current focus of the Codes Change Committee. So that changes that are key to making improvements for the benefit of customers and the market can be prioritised and introduced swiftly, **we urge that this review of the code change process leads to improvements that are implemented from 2023.**

<sup>32</sup> The market process that retailers and wholesalers use to send service requests to each other (eg a retailer request for a wholesaler to repair a meter).





The voice for water consumers  
Llais defnyddwyr dŵr

## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 7. Market governance

### 7.5 Alternative Disputes Resolution

Chapter 3 explains the current ADR scheme and how it works in the retail market. The CPCoP currently states that: **“All Retailers shall have in place or participate in a Redress Scheme that is readily accessible to and effective for its Non-Household Customers.”**

There is no such duty for wholesalers operating in England with regards to business customers, as they stopped being the licensed supplier of services to those customers when the retail market fully opened in 2017.

However, as observed in Chapter 3, for all practical purposes, wholesalers remain responsible for providing water and sewerage services, even though they are no longer the official retailer.

With the ADR scheme unable to make binding decisions on wholesalers, it disincentivises them from playing their part in disputed complaints and reaching resolution to the satisfaction of businesses.

It is vital that all parties involved seek to resolve customer complaints quickly and effectively. **We want Ofwat to change wholesalers' licence conditions so that wholesalers are subject to ADR rulings concerning business customers.**

**From 2023, CCW will work with Ofwat to introduce these changes through a change in licence conditions, to result in a fair ADR scheme which will benefit customers and the market as a whole.**

### 7.6 The Market Performance Framework (MPF)

As explained earlier in this chapter, MOSL has a role in holding trading parties to account for their performance. This is done through the Market Performance Framework, which is a group of mechanisms that govern, monitor and incentivise trading parties to deliver a set of service standards.

This is a very transactional framework that focuses on trading parties completing individual tasks (such as taking meter readings, responding to requests, etc) within a certain timeframe, with financial penalties levied if this is not met.

It has been widely acknowledged in the industry that the MPF is not delivering improved outcomes for customers. The framework is too focused on individual tasks and transactions, rather than trying to incentivise trading parties to resolve the fundamental problems which cause the most customer detriment, and result in complaints.

The incentive to meet even the current standards is lacking, as in some cases, it is more financially beneficial for trading parties to pay penalties instead of making improvements to their services.

Incentives are further weakened by the existence of a cap on the amount of penalty charges required to be paid, and the redistribution of charges to trading parties at the end of each year.

There is compelling evidence throughout our report that large numbers of customers are being adversely impacted by poor performance in the market.

To address this, we need a revised MPF that:

- sets targets that are transparent, stretching, and reflect customers' expectations for trading parties
- utilises a range of incentive tools that are appropriate for the level of intervention needed, recognising that competitive pressures are currently not naturally incentivising trading parties to deliver good services
- ensures the right trading party is accountable for poor performance, and is incentivised accordingly
- removes perverse incentives that have compromised the current MPF, such as the cap on penalties, and the redistribution of some charges to trading parties.

Work is already underway by MOSL, supported by trading party representatives, to revise the MPF along the lines stated above. We are heavily involved in this work, and will continue to use our influence to drive improvements for business customers.



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## Business Customers' Experience of the Water Retail Market

- Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

# 7. Market governance

## 7.7 Recommendations

- Ofwat to **introduce greater transparency into the change process for the CPCoP** with clear timelines by which Ofwat must consult on its decision by 2024.
- **Improved code change process** to be implemented in 2023.
- Strengthened codes for **guaranteed continuous service and protection of customers' money** when a retailer exits the retail market.
- Ofwat to **change wholesalers' licence conditions so they are subject to ADR rulings concerning business customers.**
- Wholesalers and retailers must work together with MOSL to **complete a one-off data cleanse**. We also want to see **incentives for both wholesalers and retailers to ensure all new customer and market data is accurate** through the new Market Performance Framework.







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## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction ▶
- 2. Recommendations ▶
- 3. Business customer complaints ▶
- 4. Business customer satisfaction ▶
- 5. Water efficiency service in the market ▶
- 6. Business customer eligibility, engagement and awareness of the market ▶
- 7. Market governance ▶
- 8. Conclusion ▶
- 9. Appendix 1 – List of documents ▶
- 10. Appendix 2 – Explanation of the market governance framework ▶

## 8. Conclusion

**The evidence we have gathered from complaints data and research into business customers' experiences and expectations of the market since it opened in 2017 leads to one very clear conclusion - it is failing to deliver for the vast majority of customers. There remain significant issues for those business customers who have decided to engage and choose their retailer, notably related to complaint and enquiry handling, frequency and accuracy of metering and the quality of customer and market data.**

The market has had sufficient time to overcome these issues, as we approach the sixth anniversary of its opening in England. We have reached a point where there needs to be real action to change the way the market operates, rather than simply tinkering with the current structure.

Some of the largest businesses have seen a number of benefits from the opening of the market. However many are still frustrated that the benefits that were promised in 2016 – including better customer service and data provision – have failed to materialise.

We believe this frustration has driven up the number of large businesses taking the leap to become their own retail supplier by applying for a self-supply licence. The delivery of better, more easily accessible, quality data about water usage through smart metering is essential to deliver improvements for these customers. Without this, large businesses will still be raising complaints to get the service they want and deserve.

Small and medium businesses need a good reason to engage with the market or they will continue to consider their water bill, and the services they receive from their retailer, a low priority. Better, proactive contact from retailers and the availability of compelling value-added service offerings will be important to achieving this.

It is important that retailers focus on these customers to ensure they are getting the information about their services in the market that they need to help them make informed decisions and possibly drive greater engagement.

The smallest businesses have seen little benefit from the opening up of retail competition. Most remain either unaware that the market exists or have little desire to engage with it. Given the low value of their water bill in relation to other costs – such as energy bills and business rates - and their lack of time and resources to explore other options, it might be that the rate of engagement among the smallest customers will never significantly improve. The market will have to demonstrate clear improvements in price, customer service and value-added services to potentially make it worth micro-businesses' time and effort.

Widespread installation of smart metering, incentivised through the 2024 Price Review, is key to resolving issues associated with long-unread metering and other consumption related disputes. It is essential that wholesalers and retailers work together to ensure data from improved metering technology is easily accessible for businesses.

A new, robust Market Performance Framework that holds trading parties to account is essential for driving up standards in the market and

delivering improvements for customers. This needs to include incentives for reading long unread meters, improving market data and action against trading parties that fail to comply with the market codes.

To ensure clear focus from wholesalers and equal accountability for making the market work for businesses, a customer-focused incentive is important in the form of BR-Mex, along with bringing them into the ADR scheme through a licence change.

There need to be improvements to the code change process to make it more accessible and transparent, and to prioritise changes that will deliver the greatest benefit to customers.

We will be campaigning for change in 2023 and beyond, working with the key decision makers to implement the recommendations in this review.

We believe there is a need for significant improvement by 2025 and that, if this is not forthcoming, fundamental changes to the market will be required. This includes a recommendation to close the market for customers using less than 0.5 Ml of water a year (who have not already been active in the market) through a change in legislation.

We want to see the development of a vibrant water retail market that delivers benefits in price and service for all business customers.



The voice for water consumers  
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## Business Customers' Experience of the Water Retail Market - Five Year Review

- 1. Introduction
- 2. Recommendations
- 3. Business customer complaints
- 4. Business customer satisfaction
- 5. Water efficiency service in the market
- 6. Business customer eligibility, engagement and awareness of the market
- 7. Market governance
- 8. Conclusion
- 9. Appendix 1 – List of documents
- 10. Appendix 2 – Explanation of the market governance framework

## 9. Appendix 1 – List of documents

Below are the documents we have analysed for evidence into the views of business customers on the water retail market.

- **Business Customer Insight 2021 | CCW ([ccwater.org.uk](https://ccwater.org.uk))**
- **Five years open for business – taking stock: Review of the fifth year of the business retail water market 2021-22 - Ofwat**
- **Synthesis of the Business Retail Market 2023 | CCW ([ccwater.org.uk](https://ccwater.org.uk))**
- **Business Customer Insight Research | CCW ([ccwater.org.uk](https://ccwater.org.uk))**
- **Testing the Waters 2022 | CCW ([ccwater.org.uk](https://ccwater.org.uk))**
- **Testing the Waters 2021 | CCW ([ccwater.org.uk](https://ccwater.org.uk))**
- **Testing the Waters: Business customers' views on their water and sewerage services 2018 | CCW ([ccwater.org.uk](https://ccwater.org.uk))**
- **RWG Water Efficiency Sub Group Non-household water efficiency survey - November 2021**
- **Ofwat and CCW Business Customer Survey - Opinion Research Services - October 2022**
- **Ofwat State of the Market 2019-2020 - August 2020**
- **Ofwat: 2021-22 Review of the Retail Exit Code Decision - December 2022**
- **Everflow: Our carbon journey - file ([mosl.co.uk](https://mosl.co.uk))**
- **Economic Insight: Options for promoting water efficiency in the NHH water market. April 2022**
- **WRE: Promoting water efficiency among NHH customers August 2022**
- **Retailer Measure of Experience (R-MeX) ([mosl.co.uk](https://mosl.co.uk)) - August 2022 iteration**
- **Summary of Responses to Streamlining the New Connections Process MOSL April 2021**
- **Eligibility\_consultation\_Peabody\_response\_Redacted.pdf ([ofwat.gov.uk](https://ofwat.gov.uk))**
- **Final Methodology - Ofwat**
- **Strategic Panel ([mosl.co.uk](https://mosl.co.uk))**
- **Environmental Improvement Plan 2023 - GOV.UK ([www.gov.uk](https://www.gov.uk))**





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## Business Customers' Experience of the Water Retail Market

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# 10. Appendix 2 – Explanation of the market governance framework

The codes and regulations governing the business retail market were created by the amendments to the Water Industry Act 1991 in 2014. All companies providing wholesale or retail services are obliged to follow these codes as part of the terms of their licence to operate. The key codes include the following:

## The Market Arrangements Code (MAC)

This sets out how retailers, wholesalers, and the Market Operator (currently MOSL) work together to govern and develop the market. As well as setting out how the Market Operator should function (including the constitution of their Board and their financing), it also sets out the process for how a company becomes a 'trading party' that operates in the market and the duties that come with that.

In addition, the code established various bodies, some of which we reference in the report, such as the Strategic Panel that is tasked with setting the strategic direction of the market, and the Code Change Committee which is responsible for reviewing any proposals to change the codes.

While the Market Operator administers them, the membership of these bodies generally include retailers, wholesalers, CCW, and some independent voices and experts. There is an obligation on all members to act independently, and in the interests of the market and customers.

The MAC also makes clear that it needs to be operated and maintained in a way that protects and promotes the interests of customers, which is known as the 'primary principle'. This has several supporting principles, some of which include promoting effective competition in the market, ensuring a seamless customer experience, and enabling market participants to drive innovation and change.

## The Wholesale Retail Code (WRC)

This code formally governs the relationship between wholesalers and retailers, and prescribes the standard contract that wholesalers and retailers enter into when a retailer is supplying services to business customers in a wholesaler's area.

The WRC contains a number of subsidiary codes that set out the 'terms of trade' between retailers and wholesalers, how they should work together to resolve operational issues for customers (e.g. repairing meters), and the information they need to provide to the Market Operator for the central register of business customer premises in the market.

## The Code Change Process

The MAC allows the following parties to propose changes to the market codes:

- Ofwat
- the Market Operator
- 'trading parties' (retailers and wholesalers)
- anyone that is a member of the Strategic Panel or the Code Change Committee.

A proposer must outline clearly the issue they are seeking to address, the part of the code that they consider needs amending, and how they consider the change request meets the primary and supporting principles established under the MAC (referenced above).

The Market Operator usually helps the proposer develop the code change proposal, which is then submitted to the Code Change Committee for consideration.

The Committee can either decide to approve or reject the proposal, or recommend that the proposer undertakes further work to change or strengthen the submission.

Proposals that have either been approved or rejected by the Committee will then be reviewed by Ofwat, who will make the final decision.

# ccw

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