



South Staffs Water

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Household Retail Project,
Ofwat,
21 Bloomsbury Street,
London,
WC1B 3HF.

By email: household.review@ofwat.gsi.gov.uk

17th February 2016.

Dear Ofwat,

South Staffs Water welcomes the opportunity to comment on the review of household competition. The Board of Directors has discussed Ofwat's review in detail and has been fully engaged on the formation of this response. As this is a major change for the industry it is crucial that a thorough review takes place, and we are concerned that the timescale given to this review is far too short.

By far the most important piece of evidence to this review will be research into what customers actually want. We look forward to seeing the results of engagement come through as the process continues. Customers now have many years of experience with an open energy market and are well placed to decide if opening water retail to competition is desirable and likely to benefit them.

The issue of how to continue to protect vulnerable customers will be especially important as the industry has come a long way on this. Currently, customers with very low rateable values and customers enrolled in affordability schemes are not covering the retail costs of the service they are receiving. Social tariffs are an extreme example of this and result in negative retail tariffs for those customers. There is a risk that these customers could face exclusion from the market or having their tariffs rebalanced with the incidence effects and bad PR related to this. Maintaining this protection could mean that government support is needed or funding is derived from the wholesale price control. It may also lead to compulsory metering for all unmeasured customers irrespective of whether they want it.

We do believe that the market should align with the proposed non-household retail operating model. A 'thin market' will make it easier for the wholesale businesses to deliver a consistent service delivery model which will be operationally efficient and less confusing for customers. The same can be said for new entrant retailers. We believe this model will also result in lower overall compliance risk for the sector and a more efficient approach to regulation.

From a company perspective, we believe it important to provide genuine choice about whether to avoid costs of preparation by being able to exit well before opening. The risk profiles of volume retail businesses are different to wholesale infrastructure businesses and investors may wish to avoid the set up costs of a market they are not planning to participate in. This could potentially be facilitated through some form of pre-opening household retail legal separation coupled with appropriate licence modifications. We believe this would benefit sellers, buyers and ultimately customers by enabling the market to take shape ahead of opening.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'P. J. Saynor', followed by a long, sweeping horizontal stroke that extends to the right.

Philip Saynor,
Director of Finance and Regulation