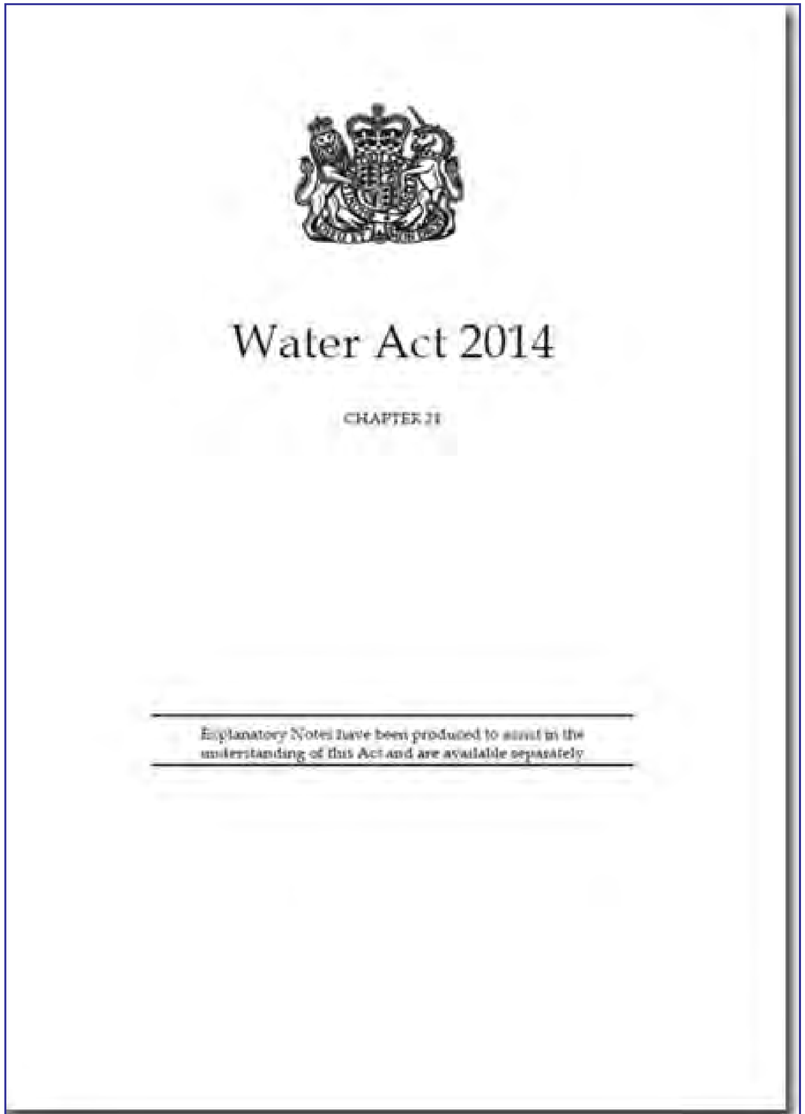
Water Competition

Monday 18th September 2017

Non-household Retail competition


Water Act 2014

CHAPTER 21

Explanatory Notes have been produced to assist in the understanding of this Act and are available separately

- Competition was limited to insets & >5Mld water supply
- Retail competition for all NHH customers commenced in April 2017
- Open Water programme driven by Ofwat with Defra and industry-wide participation
- Most significant change since privatisation
- Change programme across all water companies needs wide collaboration
- The industry must be ‘market ready’ !

Post-2017 benefits

Competition

Transparency

Cost

Challenge

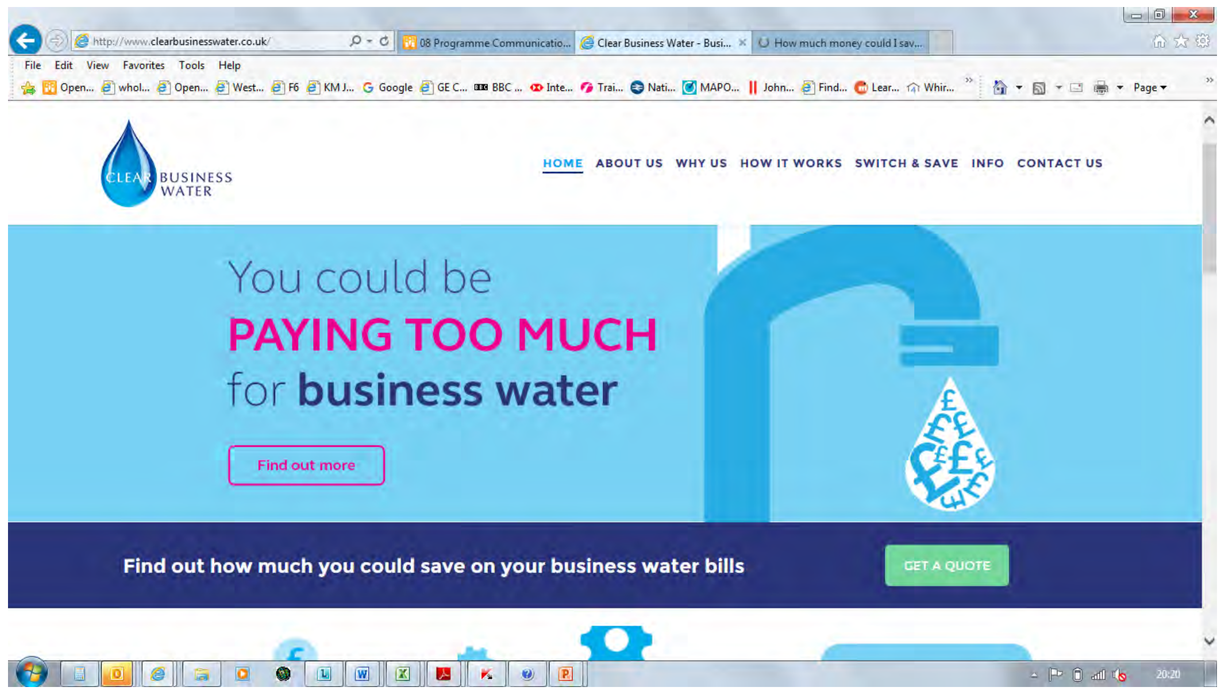
Innovation

Specialization

What will retailers do for their margin?

Retail companies (new & 'existing')

- **Will need a licence**
- **Will need to show they're ready for the market**
- **Will need to try and win new customers…possibly not lose existing**



A strategy for change

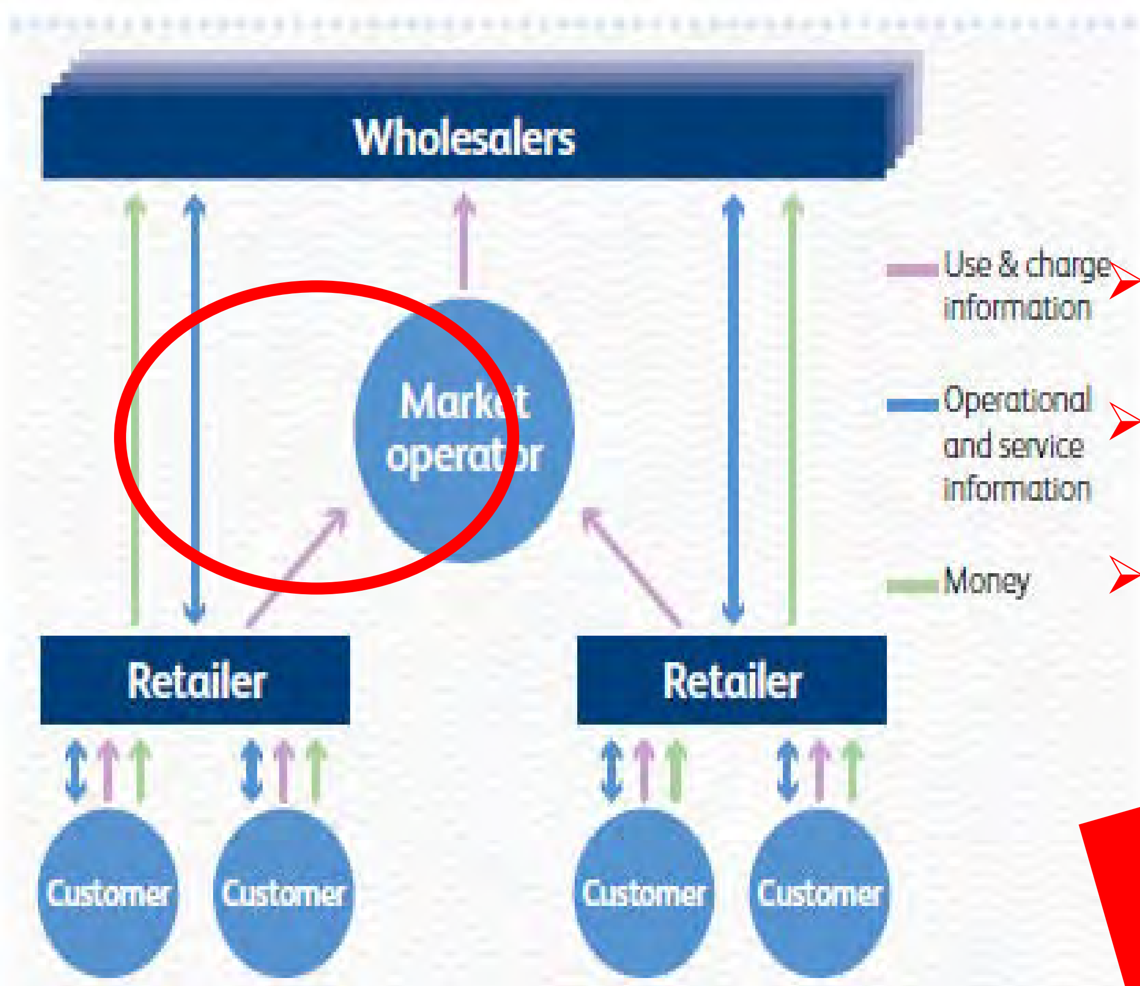
Wholesalers	NHH Retailers
➢ Continued focus on levels of service to customers/retailers ➢ Need for transparent & compliant processes, systems and ways of working ➢ Keep it simple but change where needed (Minimum compliance strategy) ➢ Treat all retailers equitably	➢ Vehicle for exit ➢ Retain customers and expand selectively ➢ Separate systems where necessary with 'bought-in' services from Wholesalers where appropriate ➢ Mergers between retailers ➢ Sale of retail arm by Wholesalers e.g Castle Water – Thames, Business Stream – Southern Water

The post-2017 world…

- **Retail competition comes at a price for wholesalers:**
  - **Reduced day-to-day contact with NHH customers**
  - **Direct contact with customer permissible…**
    - during ‘incidents’ (DG2,DG3, sewer flooding, water quality)
    - water fittings compliance
    - trade effluent enforcement
  - **Close scrutiny of how we interact with retailers**
  - **Small retail margin could drive more disconnections**
  - **Clear separation from retail arm**

Relationship with customers pre market opening

Current Market Relationship



Codes & KPI's

Market Rules

Market in numbers MOSL

- 25 Wholesalers
- 35 Retailers
  - 1 self supply
  - 22 national retailers
  - 12 regional retailers
- 2.6m supply points SPIDS
- 36,000 switched to date
- £215m settlement per month – data errors distorting results

Questions