



Competition Team
The Water Industry Commission for Scotland
First Floor, Moray House
Forthside Way
Stirling
FK8 1QZ

Citizens Advice Scotland
Broadside
2 Powderhall Road
Edinburgh EH7 4GB

0131 550 1000

www.cas.org.uk

COVID-19 Measures in support of non-household customers

8 May 2020

Citizens Advice Scotland (CAS) uses research and evidence to put consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations to ensure positive outcomes, for example:

- Consumers trust in their supplier
- Consumers can access the services they need and are charged a fair price
- When things go wrong, there is a clear and simple route to redress; issues are fixed first time
- 'Doing the right thing' to improve outcomes for customers and the environment

CAS welcomes the opportunity to respond to the Commission's proposed measures to provide additional support to non-household organisations impacted by COVID-19. Our response focuses on key principles around stakeholder engagement within the non-household market and on ensuring that measures to support those impacted by COVID-19 are effective for both licenced providers and customers.

We welcome the Commission's commitment to do what is necessary to protect customers and to put further measures in place to do so. In principle, we welcome a move towards more prescriptive outcomes for non-household customers in response to the needs of customers impacted by COVID-19. However we have some concerns around the engagement process itself.

Engagement process

We acknowledge that COVID-19 has created a pressurised situation that requires decision making and change to be implemented within much shorter timescales. We further recognise that this presents challenges to ensure the right measures can be identified and implemented as quickly as possible to help those in need, but also that sufficient time is allowed to ensure that this can be achieved successfully.

Within this, we believe that effective measures need to be informed by the licenced providers that work directly with and understand customers' needs at this time. We are concerned that the consultation process has not allowed sufficient time for discussions between the Commission and licenced providers beforehand to ensure that what is being proposed will deliver the best outcomes for customers. Furthermore, we are concerned that what is being proposed may cut across emerging plans between licenced providers and their customers that have developed in the intervening space between the start of COVID-19 shutdown and the implementation of the proposed measures. Good practice that has developed as a result of COVID-19 may be lost if there is no opportunity for the Commission and licenced providers to jointly assess it.

Ethical business regulation and practice advocates for open and transparent partnership working between key stakeholders on a 'no blame' and 'no surprises' basis. This encourages honest discussion to identify and resolve any outstanding issues that act as barriers to improving outcomes as well as an opportunity to jointly shape new initiatives and ideas.

The Commission has made a decision to move away from allowing licenced providers to operate on a discretionary basis in terms of the support afforded to their customers during COVID-19 towards more prescriptive measures in order to introduce minimum and consistent support to customers. Whilst we welcome clearer and more consistent support measures being available for all customers in principle, we believe that collaborative working between the Commission and market operatives could have engendered a joint approach to identify what could work well for customers, as well as take a view on any risks that implementing those measures may have, for example systems changes and cost. We believe that building in sufficient time to undertake inclusive pre-consultation engagement with licenced providers, as has taken place in England, could help to ensure that measures work for both market players and customers. Without this step and insight, we are concerned that there may be unintended consequences on both customers and service providers that remain unexplored.

Furthermore, whilst the COVID-19 measures within the consultation are clear in their instruction, they do not provide insight into the Commission's reasons for choosing them and their intended outcomes. Further understanding of each of these measures would be welcomed within any final instruction.

As previously mentioned within CAS responses to the Commission's consultations, we would welcome the establishment of a non-domestic forum in Scotland that allows service providers, regulator and the consumer representative body to explore aspects of the market with a view to improving outcomes for all. We are currently discussing a suitable shorter term joint working process with the CMA that will allow all key stakeholders to jointly review COVID-19, and welcome the Commission's involvement.

Proposed measures

Discussions with CC Water suggest that COVID-19 measures in England seem to be working well for customers, particularly 100% fixed and variable charges being stopped, rather than deferred, for businesses registering as vacant. Whilst a 60% deferral in fixed charges for

Scottish customers with a 25mm meter or smaller is welcomed, we are aware that high numbers of non-household customers are simply opting to cancel their direct debits to better control their finances, rather than seeking support from their supplier where they would still be liable for 40% of the fixed charge. What is being proposed may have a limited benefit for smaller business customers compared to simply choosing not to pay. Many smaller businesses may no longer exist after COVID-19 restrictions are lifted and therefore will be unable to settle deferred payments.

Additionally, unless the amount that licenced providers repay to customers is offset by prepayment breaks in wholesale charges, the pre-payment refund scheme could negatively affect the liquidity of some retailers, which could lead to insolvency. Obviously in customers' interests, stability of service provision within the market is preferable. Therefore, we would welcome further information on how the impact of this measure on licenced providers and their customers will be assessed.

Assessment

More generally, we would welcome insight from the Commission into how all of the prescribed measures in the consultation will be evaluated to ensure they are delivering benefits to customers in a way that offers sufficient protection and meets their needs, and how often this will be completed. We believe that this undertaking should be carried out jointly with licenced providers to identify and coordinate necessary improvements.

Additional points

COVID-19 will undoubtedly impact TPIs, which may leave smaller organisations without service provision and possibly out of pocket as a result of having made prepayments. We would welcome any undertaking the Commission can initiate within the market to help protect customers that have taken out contracts with TPIs. This may include encouraging licenced providers to extend support in the case of any impact on customers from the failure of a third party business.

We would welcome additional instruction to licenced providers to proactively advise their customers of these new measures rather than simply expecting them to access websites. Additionally, we support the view that all information should be easy to find and written in Plain English.

Citizens Advice Scotland welcomes the Commission's engagement to date. We are keen continue working with the Commission to identify measures and processes that will improve customer outcomes during this difficult and challenging time.

Water Policy Team

Citizens Advice Scotland