Water Market Update

Matt Hull – Water Services Manager

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Kent County Council kent.gov.uk

Key Points

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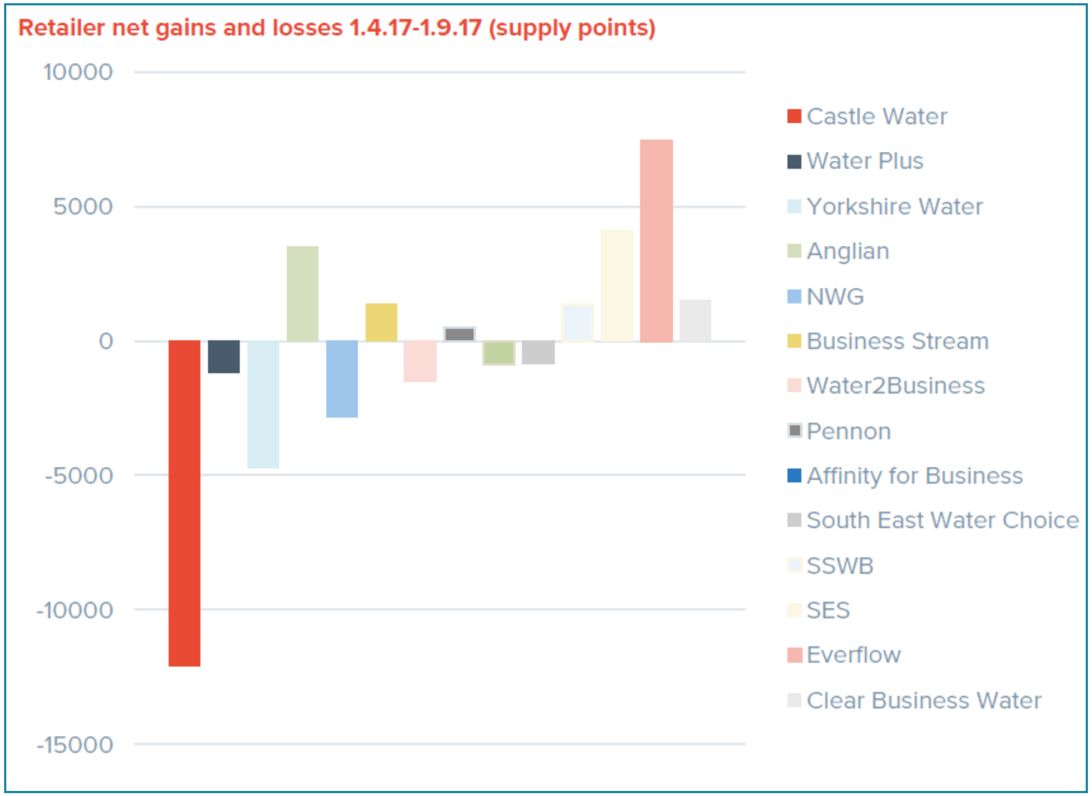
- The market is operating
- There are differences of service between different retailers
- Good portfolio data is critical for ensuring switches go through smoothly
- The importance of customer protection

Early Switches



- ~60,000 supplies have switched
- Castle Water have the lost the most
- Large customers form the majority of switches
- 90% of supplies switching to a single retailer
- A higher number of SME switches than expected

Market Fallout

- Complaints to Ofwat are slightly up, but within the expected margin
- Most complaints relate to:
  - Eligibility (65%)
  - Switching without consent (5%)
  - Cannot get data from retailers (5%)

What is CMOS?

- Central Market Operating System
- Based on the Scottish database
- No customer access
- Data incompleteness / inaccuracy
- Erroneous data transfer between wholesalers and retailers

Mandatory switching

- Thames customers have been switched by default
- Castle charge the same default tariff, which Thames would have charged
- Focus on aggressive expansion
- Castle - from <10,000 to 300,000 customers – a real challenge!

Further Retail Exit

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- South East Water and Yorkshire Water to exit retail market
- Customer base to be brought by another retailer
- Possible issues relating to customer service and database accuracy could result

south east water choice

Kelda Water Services

Why Switch?

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- Contractually putting you in the driving seat
- Better data availability could bring great efficiency savings
- Administrative savings through electronic billing
- Some modest price savings (up to 3.5%)

What the Future Could Look Like

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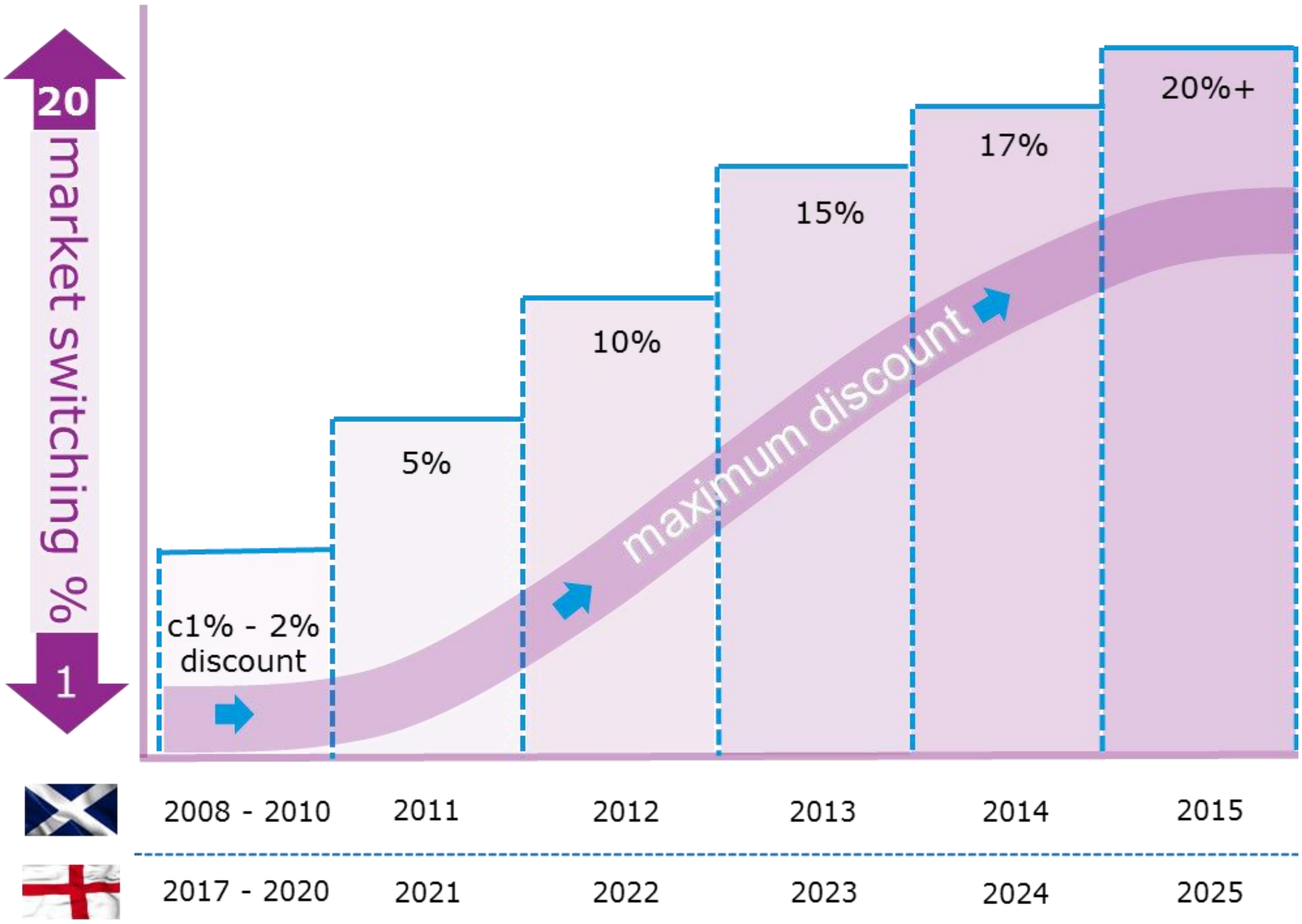

Why London Boroughs are attractive

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- Large high consuming portfolios
- Reliable bill payment
- Likely to use consolidated billing
- Efficiency opportunities
- High likelihood of switching

The Competitive Market

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- Retail is only 7% of bill
- Potential 'saving' appears small
- But these are averages
- And what about efficiency?

Retail Margin 2.5%

Retail Costs 4.5%

Wholesale Costs
93%

Water treatment, networks, pumping, storage…..

What drives retailer's price?

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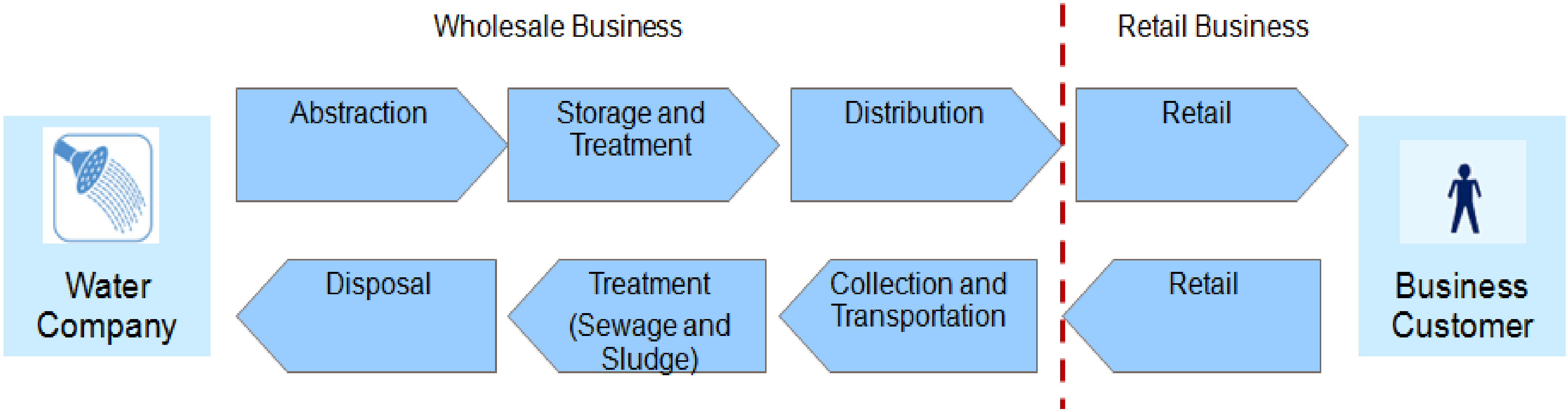

- The retailer's role can be broken down to be:
  - Customer services
  - Taking Meter Reads
  - Payment of the wholesaler **in advance**
  - Billing the customer

Tendering you unique portfolio

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- Taking full advantage of the market requires understanding your unique requirements:
    - Billing requirements (EDI, consolidated and frequency)
    - Portal Access
    - Additional services
    - Price vs. Quality
    - Payment terms (late payment charges)

When to Dive In

- Initial market uncertainty
  - New entrants
  - Changes in incumbent suppler
- Many customers chose to wait until initial market uncertainty had been resolved
- Data collection
- The need for OJEU compliance

Data Collection

- Key Considerations
  - What sites to include
  - The importance of SPID Data
  - What are your preferences? E.g. Bill type, consolidated billing groups, bill frequency etc.
  - Benefits of consumption data

Essentials:

- Site Name and Address
- Potable and Sewerage SPID numbers

Desirables:

- Rateable Value or meter
- Water meter size
- Annual consumption
- % return to sewer
- Trade effluent
- Meter Serial Number

Conclusion

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- The market is live, with 60,000 supplies already having switched
- Opportunities for improved customer services
- Portfolio data is crucial in the early market
- There are opportunities through shaping a mini-tender around your unique requirements

Any Questions