

## Review of the water and sewerage non-household retail market

### September 2018

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The Commission published in May 2018 an Open Letter to Stakeholders setting out its intention to carry out a comprehensive review of the non-household retail market and asked stakeholders for their views on the review.

Having reviewed the responses to the Letter we propose to proceed with the review of the water and sewerage non-household market. This notice sets out the Commission's timeline and scope for the review.

This notice has been sent to:

- The Scottish Government;
- Citizens Advice Scotland;
- Scottish Water;
- Licensed Providers; and
- The Central Market Agency Limited.

This document is also available on the Commission's website: [www.watercommission.co.uk](http://www.watercommission.co.uk).

## Introduction

The Commission published in June 2018 an Open Letter to Stakeholders setting out its intention to carry out a comprehensive review of the non-household retail market and asked stakeholders for their views on the scope of the review. We would like to thank stakeholders for their responses.

The Commission understands that markets evolve and that, to be properly effective, the regulation of those markets must evolve with them. The retail non-household market has now been operating for over ten years, and non-household customers have benefitted from lower prices and better and more tailored services.

However, the Commission is not complacent and wants to ensure that the market framework in Scotland will continue to serve the interests of customers and work well for Licensed Providers and Scottish Water.

The Commission is publishing this letter to set out its views of the issues that it will, as a minimum, consider during its review and provide stakeholders with an indicative timeline for consultation.

## Timeline for the Market Review

We plan to issue separate consultations and publish a provisional decision at the end of each consultation process.

Given the broad scope of the review and to ensure consistency and completeness we will publish a final decision at the end of the review and determine whether any consequential change is required in light of new issues that may arise during the review.

We also plan to engage with stakeholders throughout the market review by arranging stakeholder meetings and offer market participants opportunities to contribute to our proposals.

The Commission will inform stakeholders of any material change to this timeline.

<b>Review</b>	<b>Indicative area of scope</b>	<b>Indicative timeline</b>
Customer protection measures	<ul style="list-style-type: none"><li>- Customers' prepayments</li><li>- Provider of Last Resort</li></ul>	<ul style="list-style-type: none"><li>- Commission consults on changes in September-December 2018</li><li>- Commission publishes provisional decision by end of December 2018</li></ul>
Improving market arrangements	<ul style="list-style-type: none"><li>- LP's consolidations and acquisitions</li><li>- Licence fees policy</li><li>- Licence application process</li><li>- Arrangements for new connections</li><li>- Gap site incentive scheme</li></ul>	<ul style="list-style-type: none"><li>- Commission consults on changes in February-April 2019</li><li>- Commission publishes its provisional decision by end of April 2019</li></ul>

Licence regime	<ul style="list-style-type: none"> <li>- Self-supply licence arrangement</li> <li>- Specialist licence arrangements</li> </ul>	<ul style="list-style-type: none"> <li>- Commission consults on changes in May-June 2019</li> <li>- Commission publishes provisional decision by end of June 2019</li> </ul>
Improving customer service	<ul style="list-style-type: none"> <li>- Accreditation scheme / Retail Code of Practice</li> <li>- Default Services</li> <li>- Wholesale Key Performance Indicators and CMA's performance charges</li> </ul>	<ul style="list-style-type: none"> <li>- Commission consults on changes in May-July 2019</li> <li>- Commission publishes provisional decision by late July 2019</li> </ul>
Final review	<ul style="list-style-type: none"> <li>- Final review of provisional decisions</li> </ul>	<ul style="list-style-type: none"> <li>- Commission consults on final review in late July-August 2019</li> <li>- Commission publishes final decision by end of August 2019</li> </ul>

## Market Audit

The use and role of the market audit has evolved over time and the Commission has been considering whether it should take further steps to ensure that the framework is effective.

The market audit process will continue, as it has in the past, reviewing whether the systems and process that a retailer has in place are consistent with the market rules and any industry codes of practice and whether each retailer is complying appropriately with their own systems and processes.

However, we propose to take a more risk-based approach and focus on a set of high impact/risk areas within the market framework that will be identified during the review. We plan to carry out the Market Audit during 2019-20 and will set out the scope for the Market Audit at the end of the market review.

## Next steps

The Commission will engage with stakeholders on its proposals at each stage of the review and will inform stakeholders of any material change to this timeline.