

UUW59

Supporting the NHH Retail Market

October 2023

Chapter 8 supplementary document

This document demonstrates how we support the non-household retail market, delivering a high quality service to retailers and helping them to serve their customers well.

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1. Supporting the NHH Market

1.1 Key messages

- **Our approach of data driven market leading customer service and standardisation will promote and support innovative changes that will deliver high quality, efficient, best value for money solutions to benefit retailers, customers and the market saving water, money and time:** By evolving processes that promote accuracy of standard data sets, centralisation of systems across all stakeholders, including simplicity and best value for retailers & customers ensures the delivery of efficient and innovative resolutions within the market. Support and promotion of centrally delivered market solutions is a key aspect of this approach. United Utilities have been a supporter of the centralised market Bi-lateral hub throughout and have seen within the first year of implementation, delivery of efficiencies for retailers and wholesalers alike. We have been successful during AMP7 in standardisation and alignment internally, and facing out to the market. This document sets out how this will continue in AMP8.
- **Proactive data management will underpin success and efficiency in AMP8:** We have made great progress in proactively improving our performance within the holistic market measures during AMP7, moving up from 15th place since their introduction, to 2nd place (YTD Aug 2023). We recognise the importance of how accurate data supports efficiencies across the wholesale-retail-customer service chain and will build on this success in AMP8 to achieve upper quartile as a minimum. We will also continue with internal data alignment via our companies systems thinking framework to further standardise and improve data across the supply chain. Our approach will be to continually improve and cleanse the quality of data while maximising opportunities for automation. We will introduce controls to mitigate future data errors before they occur and ensure that updates are made before the customer is impacted.
- **Retailers and their customers support our approach:** Building on our success of always engaging market stakeholders and customers to develop solutions, this will continue. We will continue to engage and consult with all stakeholders to identify innovative approaches and cater for their differing needs.
- **We will focus on supporting the market to deliver greater water efficiency, re-use/recycling, sustainable abstraction and disposal in the Non-household sector:** While the market is maturing slowly in the delivery of competitive water sustainability solutions, we are well developed in our plans to produce off the shelf products and services that will stimulate activity in this area. Our proposed business plan will ensure services will be accessible to customers and their retailer. This will be underpinned by an accessible Smart metering programme that will enable retailers and their customers to better monitor usage. We will further develop our understanding of how we can support and work collaboratively with retailers to deliver these services. United Utilities are aware of work undertaken in this area via the Strategic Panel for the business retail water market in England and support a standardised industry agreed approach. We have been active within the inclusive consultations and we will continue to support the panel in delivering outcomes that align to the priorities as they are set out.
- **We have a robust plan to deliver a high quality and value for money approach:** The document outlines the key steps taken to develop a robust PR24 plan to ensure our decisions are driving better long term value from the market for retailers and customers.

1.2 Structure

1.2.1 This document is structured as follows;

- **Section 2** outlines our overall vision for how United Utilities will interact with and support the market in AMP8, how this approach was chosen and how and our data driven, easy to do business with approach helps us to deliver best value for customers, retailers and the environment.

- **Section 3** presents how stakeholder views have informed our approach and where they will support us in taking these forward in AMP8
- **Section 4** presents our approach to supporting the market to deliver desired outcomes.
- **Section 5** summarises our track record and demonstrate how our historic focus has helped us deliver value into the approach we take with the non-household market.

1.3 Overview

- 1.3.1 This document demonstrates how we support the non-household retail market, delivering a high quality service to retailers and helping them to serve their customers well. We strive to deliver efficient, high quality, best value approaches to the benefit of retailers, their customers and the environment. We strive to be a wholesaler who is easy to do business with.
- 1.3.2 We also set out how we have engaged with and listened to stakeholders in developing our approach and how we aim for this to mature further over time, building on a track record of focussed improvement.

2. Our approach

2.1.1 In 2021 UK Water Retail Council (UKWRC) developed a Vision for the Retail Market and shared this with Ofwat, CCW, MOSL and Wholesalers. From the Vision UKWRC identified 5 Key Focus Areas:

- **Metering in the NHH market** - the need for improved availability, quality, consistency and lower cost of consumption data
- **Market economics** - reflecting efficient cost recovery and a balance of risk and reward between participants
- **Customer service** - wholesaler alignment and incentivisation with the interests of the NHH market.
- **Water efficiency** in the NHH market
- **Market efficiency** - reducing market inconsistencies, inefficiencies and complexity

2.1.2 The Strategic Panel promotes, challenges and leads the operation and evolution of the market for the benefit of current and future non-household customers. It is the senior group responsible for overseeing the market codes, which govern the market. Following a consultative approach with all market participants and on the basis of Defra’s Strategic Policy Statement¹. The Strategic Panel outlined the priority market outcomes and areas of work as detailed in Figure 1.

Figure 1 – MOSL Strategic Panel objectives



Source: MOSL, strategic-panel

2.1.3 We support the approaches outlined by UKWRC and the strategic panel to deliver against the desired outcomes. In AMP7 UU has sought to provide best value for retailers, customers and the environment by being easy to do business with and will continue to do this in AMP8.

2.1.4 We fully support the Panel’s view that the focus should be on enabling the right market conditions such that market forces drive improved customer outcomes. We believe that this needs to be supported by effective incentives in relation to wholesaler performance and a continued drive for consistency at the retailer-wholesaler interface, areas where market forces alone are unlikely to deliver the required improvements due to the fundamental structure of the wholesale supply market.

2.1.5 One aspect of this approach is getting the basics right and we believe this starts with simplicity of process and accuracy of data. Our track record has demonstrated that United Utilities have continued to develop incremental, and often simple solutions that remove process and administration for all while

¹ <https://www.gov.uk/government/publications/strategic-policy-statement-to-ofwat-incorporating-social-and-environmental-guidance>

supporting the right outcomes for all market participants, customers and the environment. By putting simplicity for the customer at the forefront, this helps us to develop the right outcomes overall avoiding any potentially overcomplicated and expensive solutions. We believe that this approach delivers the best value while continually lowering operating costs for all parties.

- 2.1.6 To deliver simplicity and value for the end customer we must assess how decisions impact all stakeholder interactions across the service chain to promote efficiencies for us and our stakeholders by:
- Optimising opportunities to standardise, automate and simplify in a complex operating environment including qualitative, quantitative and/or monetary approaches depending on the availability of suitable evidence;
 - Accounting for multiple stakeholders with different views and identifying new and emerging risks while providing a holistic picture of material impacts and dependencies, as well as inter-connected issues to consistently consider trade-offs;
 - Proactively correcting data, protecting against erosion and seeking opportunities to align and share across the supply chain. This enables all stakeholders to get the best out of the data available to reduce rework and administrative loads;
 - Pursuing the simplest solutions with the least administrative burden that deliver high value at the lowest cost;
 - Accounting for impacts and dependencies that are not in traditional/historic approaches but which are central to what we do for customers;
 - Protecting and enhancing natural capital, given its overarching role with respect to other capitals;
 - Evaluating and measuring success against outcomes for each stakeholder group against the principles of our approach (time, cost, and environment) to make better decisions; and,
 - Continuing to work collaboratively with all stakeholders including the strategic panel and other trading parties.

2.1.7 To deliver against the desired outcomes we have identified 6 key areas:-

- **Customer Focus**
- **Working Smarter**
- **Proactive Data Management**
- **Supporting the Market**
- **Enabling Water Efficiency**, re-use, recycling and sustainable abstraction & drainage

We turn to each of these below.

2.2 Customer Focus

- 2.2.1 At the centre of all interactions in the non-household market we aim to be a customer champion providing market leading customer service. Simplicity for retailers and their customers requires transparency and alignment across the service chain. We will continue to align our data and develop policies and processes as set out by Ofwat, CCW, MOSL, RWG, UKWRC and strategic panel priorities, and in where possible exceed these standards, making us continually easier to do business with. Where possible, we will publish plain English guidance and support materials that are easily accessible for retailers and their customers explaining key facets of the market. Outputs from our accessible education sessions can be seen on our website at the link in the footnote below². Retailers have cited our hints and

² <https://www.unitedutilities.com/Business-services/retailers/key-retailer-forms/retailer-webinars/>

tips³ document to have been a great source of education to help them understand wholesaler decision making –benefitting them in all retailer/wholesaler interactions, not just with UU.

- 2.2.2 We accept the requirement for the wholesaler to shift perceptions of the retailer from that of a peer, to one of a paying customer. We accept our role in ensuring the right outcomes for the end customer and that our actions impact on their overall experience regardless of whether or not they interact with us directly. All UUW employees who interact with retailers have undergone customer focused communication skills training to ensure this thinking is the foundation of interactions with the market and customers. The customer centric approach for our people will be continually embedded into AMP8.
- 2.2.3 While we support the outputs from The Strategic Panel Market Outcomes⁴ and Areas of Work for Consultation we are seeking to be more ambitious and have responded to this outlining that a well-functioning market should allow participants to drive innovation to deliver new and better ways of serving customers, not just adopting proven best practice. The focus should be on creating a market where retailers are able and incentivised to respond to the evolving expectations of customers.
- 2.2.4 Market research primarily lead by Ofwat Open for Business and State of the Market Reports⁵ has highlighted that different retailer models will provide different outcomes for different sets of customers and that the single smaller business customer often receives the smallest amount of benefit from competition. United Utilities must strike a balance that provides the right outcomes for all customer groups and the environment. To manage this United Utilities has undertaken joint household and non-household customer research that considers all customer groups balanced against value for money and protecting natural capital. Our inclusive customer research projects across both household and non household customers have included:
- Smart metering
 - WRMP Acceptability testing
 - Rainfall Management Research
 - Customer Priorities
 - Customer research on WRMP
 - DWMP/WRMP immersive options testing
 - Climate change and resilience
 - COVID-19 pandemic Support (Business customers only)
 - Incentivising water efficiency for non-household customers

You can read much more about our research approach and accessing our research library in supplementary document *UUW21 – Customer research methodology*.

2.3 Working Smarter

- 2.3.1 United Utilities remains committed to simplification and promotion of continuous improvement to turn ideas into reality. We have already seen multiple improvements as a result of this approach and have appointed an operational excellence lead focusing solely on the retail market. Our operational excellence lead has put in place use a change structure aligned with our systems thinking framework to ensure a consistency in the way we develop solutions. We will continue to encourage employees at all levels to put forward ideas for change within this framework that encourages the automation of repetitive low value tasks and removal of complexity.

³ <https://www.unitedutilities.com/globalassets/documents/retailer-documents/a-guide-for-retailers.pdf>

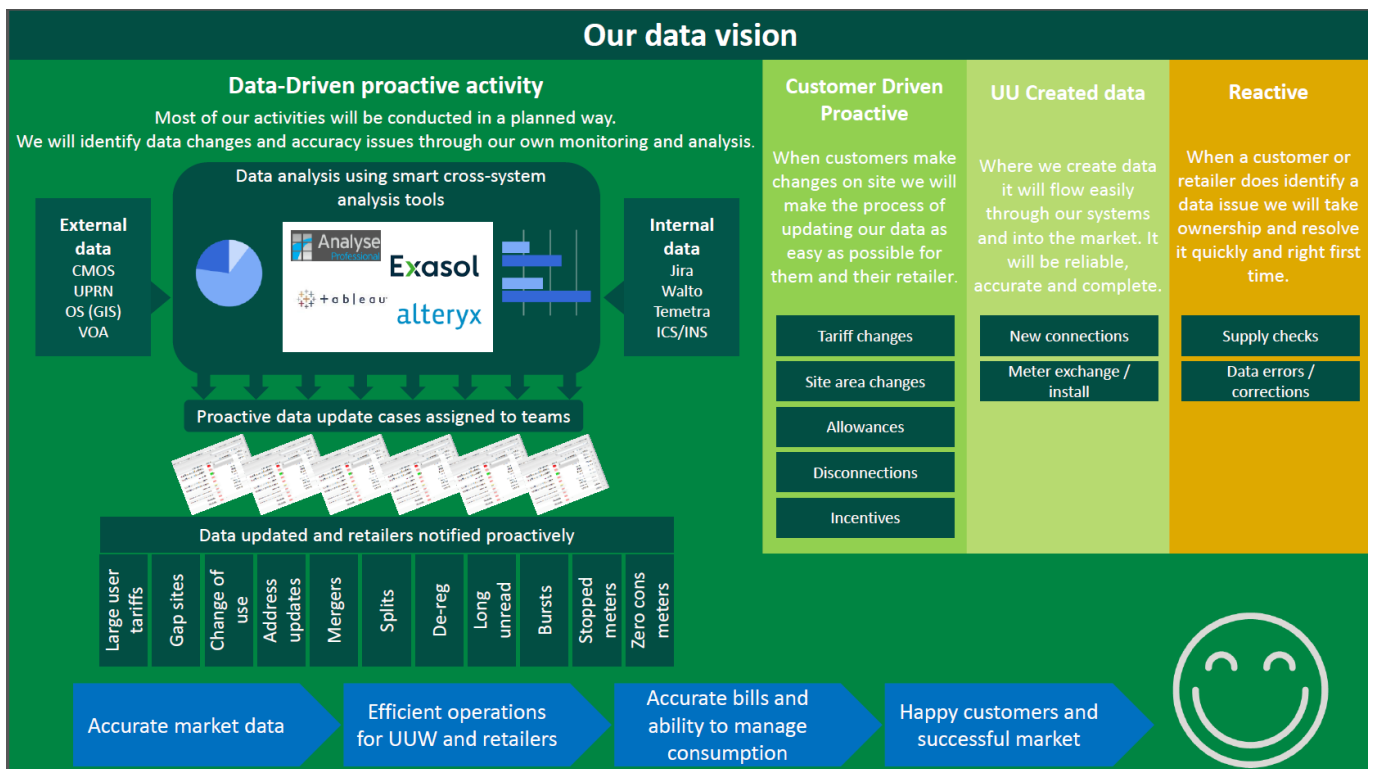
⁴ <https://mosl.co.uk/news-and-events/news/press-releases/strategic-panel-publishes-priorities-for-consultation>

⁵ <https://www.ofwat.gov.uk/regulated-companies/markets/business-retail-market/state-of-the-market-2020-21-review-of-the-fourth-year-of-the-business-retail-water-market/>

2.4 Proactive data management

- 2.4.1 Proactive data management will underpin the service offered by United Utilities and extends beyond the holistic market measures. The responsibility for UUW holistic improvement activity currently sits with the Market Services Data Manager who will continue to constantly monitor and drive for improvement across all data sets that impact these measures. We are also recruiting a Data Strategy and Delivery Manager to ensure excellent data is further aligned across the service chain, future errors are mitigated across all data sets and in particular those that have the potential to affect the end customer.
- 2.4.2 The Data Strategy and Delivery Manager will strive to proactively improve that the quality, amount and ability to share our data internally and externally in line with our data vision as set out below in our Market Services Data Vision in Figure 2 below.

Figure 2: United Utilities Market Services Data Vision



- 2.4.3 This is aligned to our data vision and delivering the best possible value for customers. Integrated process and data flow thinking is already well established within United Utilities and each business unit has an interlinked road map to ensure changes are not implemented in isolation to fix a single problem. This approach ensures that when changes are made they are done so in a way that will improve efficiencies across the business.

2.5 Supporting the market to enable best value

- 2.5.1 United Utilities all-inclusive customer focus will ensure all trading parties will be more engaged in seeking the right outcomes through the market. We have a good track record in developing solutions to support the market, retailers and customers in AMP7 and this will continue in AMP8.
 - United Utilities was one of the first in the market to offer alternative credit terms. We have since seen this model being adopted by a number of other wholesalers.
 - We were also among the first to offer water efficiency and sustainable drainage incentives.
 - UU is also among a limited number of wholesalers actively tracking and making post-RF payments to retailers that meet thresholds, after the final settlement report.

- We were first to market with our vacancy and gap site incentives schemes which have delivered the largest data improvement and cost recovery model in the market to date.

2.5.2 We have undertaken further consultations with retailers to understand what they would like us to improve and have further enhanced our alternate Credit support offering, settlement processes, water efficiency offerings, operational processes, incentive schemes and market offerings as a result of this engagement.

2.6 Enabling water efficiency

- 2.6.1 We have seen in other sectors that sustainable change relies on a genuine desire from customers to change their behaviour. Using less water is not simply about information and understanding, it also relies on a balance of incentives and a moral commitment to doing things in a different way. Many business customers would like to use less water for both economic reasons and in the interests of being a good corporate citizen and reducing their impact on the environment.
- 2.6.2 We would like to see the market work more broadly with all stakeholders to change the water use culture nationally. We recognise that many retailers are now focusing on how water efficiency services can be offered to their customers, and while there is some activity and innovation, this appears to be limited to certain customer segments and offerings are yet to become ubiquitous across all retailers. More recently we have employed a NHH Water Efficiency Manager tasked to ensure we achieve our targets in this area.
- 2.6.3 A report commissioned by the Retail Wholesale Group (RWG) ⁶– Water Efficiency Subgroup and produced by Economic Insights concluded the following:
- Customer’s willingness to pay (WTP) for water efficiency is below the efficient cost to supply these services
 - Achieving water efficiency in the NHH water retail market can be either wholesaler- or retailer-led
 - To ensure water efficiency delivery in line with targets in the short term, we recommend that a predominantly wholesaler-led approach is taken
- 2.6.4 While the market is still maturing in terms of offerings and driving NHH customer conscience, United Utilities remains committed to assisting UKWRC and the strategic panel to deliver against the desired outcomes centrally, particularly in relation to the right incentivisation. We will also support retailers and their customers to save water regionally and to promote a behaviour change in all NHH customer segments. We will do this via a multi-pronged approach including;
- Providing retailer access to excellent premise and consumption data;
 - Providing retailer and prioritised customer access to an on-site water audit and remedial action services free of charge;
 - Providing direct education and communication materials for all customer groups;
 - Further exploration of innovative local incentives;
 - Further exploration of innovative ways to recycle, harvest and sustainably abstract water; and,
 - Openly sharing outputs and providing “white label” versions of the above with retailers and the market.

⁶ <https://www.economic-insight.com/2022/06/14/increasing-water-efficiency-in-the-nhh-water-retail-market/>

3. Stakeholder views

3.1.1 As above, our offerings to market are developed around a single holistic business plan and take account of customer, retailer and market research. We will continue to balance the needs of all stakeholders within our decision making against environmental and economic impact using customer, retailer and market engagement/consultation as the basis for our decision making. We have undertaken extensive research with businesses to understand their views and what really matters to them. All our research reports are available in our online Customer Insight and Research Library.⁷

3.2 Business customer views

Business customer research - Smart metering⁸

3.2.1 Smart metering research consisted of two phases. The first of these was a qualitative phase with a deliberative pop-up community which was held over four days. It engaged in-depth with 10 different businesses and 5 landlords, exploring existing awareness and attitudes towards water meters. The second phase was a survey, consulting 200 businesses across a range of sectors.

3.2.2 Attitudes to water usage and saving water among businesses are similar to household customers, with a strong sense that it's a collective effort and good for the environment, but some minority views that there's plenty available and other things are more important.

3.2.3 The research found that businesses are actively trying to become more sustainable, this provides an opportunity for United Utilities to encourage a focus on reducing their water usage as part of their sustainability initiatives.

3.2.4 NHH customers had a high level of support for the rollout of the smart metering plan at 84 per cent (significantly higher than HH customers 62 per cent). Just over three-quarters (76 per cent) also stated they would likely adopt a smart water meter, those unlikely to adopt, stated it was due to potential cost implications or disruption to the business. The most appealing features of a smart meters for businesses were cheaper tariffs at off-peak hours.

3.2.5 This research has given us confidence that business customers are supportive of our proposed approach to smart metering in AMP8

Business Customer research - WRMP Acceptability testing⁹

3.2.6 The Acceptability testing of the WRMP, included 200 interviews with non-household customers, a blended approach was taken through the surveys between face-to-face (68) and online (132) to obtain the views of a mix of business types.

3.2.7 Business customers were shown different service levels (including United Utilities' proposed level), there were seven areas in which they were asked to pick their preferred service level against. Examples of the seven areas are digital metering, water efficiency and leakage. To help inform their choices, businesses were shown the impact the options had on: supply/demand, % change on the bill for NHH.

3.2.8 The majority of non-household customers opted for United Utilities proposed level in six of the seven areas, water efficiency was the area in which 34 per cent of businesses preference level was below United Utilities preference. Businesses are most concerned about future gas supplies and energy prices - compared to household customers concerns around future water supplies are slightly higher.

⁷ unitedutilities.com/corporate/about-us/our-future-plans/listening-to-our-customers/insight-and-research-library/

⁸ unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/p___-smart-metering-phase-2/smart-metering-research---integrated-findings-report-2022-reupload.pdf

⁹ unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/p166-wrmp-plan-acceptabilitytesting/wrmp-final-report-publish-v2.pdf

Business Customer research - Rainfall Management¹⁰

- 3.2.9 The rainfall management research spoke with a sample of 12 businesses using in-depth interviews. All respondents businesses and household customers lacked awareness on rainfall management, it is a topic that has not been given much consideration. Awareness was also low on the sewage network, with a lack of understanding in how it works.
- 3.2.10 All business owners are aware of United Utilities, but some were unaware of the services provided, with some thinking of United Utilities only as source of water supply. There was also a lack of clarity on roles between UUW and the retailer.
- 3.2.11 In relation to rainfall, businesses are largely unaware of how to act. Without a clear need to re-use rainwater or to reduce flood risk it is not something that businesses have proactively thought about. However business owners were willing to be involved and install the most appropriate and cost-effective solution for the space they have, however this would need to be assessed for cost/ benefit or potential impact on lost trade. Grants/discounts would assist with the cost/benefit and raise the profile of the scheme; enhancing likelihood of businesses to act.
- 3.2.12 Businesses did have more support for SuDS than separating sewers and concrete solutions although, some felt a combination of methods is required. All businesses interviewed, agreed that rainfall management requires collective action with United Utilities and Local Council/Authority playing a key role.
- 3.2.13 Businesses support our current approaches and the feedback tells us we will need to promote and simplify our SuDS incentives in AMP8

Business customer research - Priorities¹¹

- 3.2.14 Customer Priorities research engaged with 502 business customers through an online survey, the respondent had to be responsible for paying the water bills and a business with less than 250 employees. Aim of the research were to understand customers' priorities by customer types and compare with previous PR19 findings.
- 3.2.15 Providing safe water to drink is by far the most important to all customers, it is seen as a 'hygiene factor' that must be delivered. However business customers placed comparatively less importance on this, allowing other priorities to feature more strongly, like affordability and the environment.
- 3.2.16 Reducing leakage and flooding is a low priority overall, but they held slightly more importance for business customers than Household customers.
- 3.2.17 The research gave use confidence that businesses will support us in our proposed approach to give them access to more environmental products and services free of charge in AMP8 and in the provision of affordability support for some customer groups.

Business Customer research - WRMP¹²

- 3.2.18 The WRMP research main aim was to measure customers' preferences for water resources, levels of service and the options or plans that United Utilities might create to address any changes to levels in service or to address a supply-demand deficit. This was done through an online survey which engaged with 184 businesses.

¹⁰ unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/p____-rainfall-management-research/rainfall-management-nhh-research-report.pdf

¹¹ unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/p143-customer-priorities-2021/final-report.pdf

¹² unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/p158-wrmp-research/wrmp-final-report-update-150523.pdf

- 3.2.19 When businesses were asked about what concerned them, future water supplies and flooding were of relatively low concern, however, medium and large businesses are significantly more likely to be concerned about the risk of flooding (54% & 75%) compared to Small (24%) and Micros (19%).
- 3.2.20 Businesses notably had experienced a wider range of issues compared to households, Two-thirds (68%) of businesses recall experiencing low pressure and a quarter (26%) have experienced this in the last year.
- 3.2.21 Businesses were asked to rank their top three priorities, on average they had very similar priorities to households in terms of rankings, however reducing leakage was weaker. Businesses preferred options aimed at reducing water use/loss over options aimed at increasing the supply of water. Willingness to pay is very similar for medium and large businesses, highest levels of willingness to pay amongst small businesses. Higher willingness to pay noted for businesses with high reliance on water, though not significantly so.
- 3.2.22 Based on this research, we noted that we will need to promote and simplify our SuDS incentives in AMP8

Business Customer research - DWMP/WRMP Immersive options testing¹³

- 3.2.23 The Immersive options testing research, was a three week online community with 18 business users taking part. It asked customer about both the Drainage Wastewater Management Plan (DWMP) and a Water Resources Management Plan (WRMP) and which initiatives they felt should be prioritised.
- 3.2.24 When asked about the initiatives businesses thought more about low carbon, environmental benefits and technology. Key concerns were anything that increases costs – particularly for those who run businesses that rely on water. Incentives, fees and tariffs that will guarantee water supplies need to take this into account.
- 3.2.25 There are some businesses who are taking a more environmentally conscious approach to their operations and welcome any sort of progress in this area. They accept that with change comes additional cost which will be offset through sustainability, helping to build a better world for future generations.
- 3.2.26 Businesses felt strongly that United Utilities need to ensure their infrastructure is up to scratch and build capacity where possible to offset any issues pre-emptively. Need to improve leakage, increase capacity and efficiency. Believing this should be done through collaboration within the industry to ensure the right steps are taken.

Business Customer research - Climate Change and Resilience¹⁴

- 3.2.27 Climate change research was an online survey which engaged with 100 businesses, respondents had to be responsible for selecting and/or managing utility suppliers, including and having knowledge of the size of water bills.
- 3.2.28 For businesses the highest concern at the time of the survey was the COVID-19 pandemic followed by the global recession, then climate change in UK.
- 3.2.29 When prompted, the impact of climate change on the natural environment is of most concern to businesses followed by power cuts. The potential impact of drought is of least concern to business customers, whilst increasing sewer capacity was a top priority for business customers.

¹³ unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/p130-dwmp-wrmp-immersive-options-testing/final-report.pdf

¹⁴ unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/p124-climate-change--resilience/final-report.pdf

Business Customer research – COVID-19 pandemic support¹⁵

- 3.2.30 Aim of the research was to provide insight on UU business customers' attitudes towards the support they have received during the COVID-19 outbreak, if any further support was needed and by who. 301 interviews were undertaken with a broad spread of different businesses across industry and sector.
- 3.2.31 Almost all businesses had been negatively affected by the Covid-19 pandemic, unsurprisingly there was a lot of variation across industry from Covid-19. Despite the challenges COVID-19 pandemic brought, over two thirds of business felt confident that they could continue to operate financially. Just under two thirds felt supported in relation to their water and sewerage services.
- 3.2.32 Less than half of businesses are aware that they can change their water provider or negotiate a better deal with their existing service provider and most believed that United Utilities are their supplier.
- 3.2.33 Financial support and communication are key aspects for businesses, information had been most commonly received from United Utilities. Outside of the pandemic, information on water saving, quality and checking for leaks are most valuable. Information needs to vary by business size and industry. The expectation continues to be for United Utilities to provide this information.

B-Mex research pilot

- 3.2.34 The Ofwat Business Customer Insight Survey (2022) highlighted that business customers in the United Utilities region were less satisfied than other wholesaler regions. This is at odds to the feedback retailers have given us via R-MeX.
- 3.2.35 In order to understand this inconsistency, we undertook an identical survey of business customers in our area. The results reinforced the view that there is separation between the services United Utilities provides to retailers and how this translates to end customer satisfaction. A key finding across the sample was that less than half of the customers surveyed (48%) were aware of the changes to the water market meaning customers that attribute service received from their retailer as the service from their wholesaler.
- 3.2.36 We have reached out to retailers to try and understand why customers in our region may be less satisfied than other areas and for any data, customer sentiment, analysis or trends they could share. Retailers, have so far not been able to articulate any reasons why their customer's perception of UUW is not in line-with retailer satisfaction and that this is not consistent with their customer views.
- 3.2.37 UU must in the first instance better understand what is driving this disconnect and will need to consider what actions can be taken now and on into AMP8 to ensure our activities impact beyond the retailer. An immediate area of improvement will be to become better at resolving cases proactively and first time, whilst also making sure we also rectify any further issues that are exposed at the same time. The primary route to achieving this will be through proactive data management, standardisation and automation of repeat tasks that will free up our people to concentrate on the proactive delivery.
- 3.2.38 The profile of the business customer will also be raised within our operational teams with greater accountability being placed on timely delivery with customer service at the centre.

3.3 Retailer & Market Views

Water Efficiency

- 3.3.1 United Utilities has continually engaged with all stakeholders to develop our NHH water efficiency strategy for AMP8. Utilising the findings from the Water Efficiency Steering Group and the direction as set out by DEFRA and Ofwat in their joint open letter to Wholesalers here as the basis for this. We have

¹⁵ unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/p109-business-customers---covid-19-support/final-report.pdf

held three separate workshops with retailers to distil our strategy into a workable delivery model that has considered the areas that will deliver the greatest benefit at the least cost

- Sharing/continual improvement of data
- Smart Metering
- Market innovation fund/retailer assistance
- Direct Customer targeting
- Incentives

- 3.3.2 The core feedback from retailers has been that all solutions must be easy for the retailer and end customer to understand, easy for the retailer to implement and avoid complex benchmarking and that there needed to be some recognition of retailer/customer contracts including margin loss for some customer groups.
- 3.3.3 As previously stated within this document we expect our simple operational solution (combined with some incentivisation and smart metering) to deliver the Defra target of a 9% reduction in non-household demand by 2037. Albeit we were unsuccessful in securing funding from the Ofwat Innovation Fund to explore workable solutions for large users, we continue to develop our thinking in this area. While data improvements and SMART metering solutions may be less tangible to some customer groups, they do have the potential to and will deliver further water savings above this target through monitoring and control.

Sustainable drainage & incentives

- 3.3.4 We have undertaken a webinar and a series of meetings with retailers to explain the mechanism through which they and their customers can access some large savings via our SuDS incentive. Applications for the SuDS incentive from retailers has remained low. We re-engaged with those retailers who told us they would like to do more in this area with complexity and cost being called out as barriers for them. Through this process, we have identified that retailers do not have the expertise to be able to understand all criteria for a successful application.
- 3.3.5 We are simplifying the qualification criteria based on this feedback and are continuing to engage with a smaller group of retailers to trial products and services with them and their customers. We propose to simplify this process from now and on into AMP8 and to undertake more promotion of the scheme to help business customers and retailers understand the potential benefits and requirements. We will also provide practical support in conjunction with retailers for targeted groups of customers in AMP8.

Trade Effluent

- 3.3.6 Upon market opening retailers reached out to wholesalers due to lack of understanding in this area and the Trade Effluent issues Committee¹⁶ was formed with United Utilities as one of the founder members. We continued to support this group and have also undertaken three face to face Trade Effluent Education sessions with retailers and hosted a retailer webinar. We continue to host the education materials here¹⁷ and also offer these on a 1-2-1 basis to all retailers. We propose to continue with our educational approach in AMP8

Site Area Charging

- 3.3.7 We have no plans to change the way we charge business customers for their surface water and highways drainage, however we have listened to retailer concerns that ‘the northern wholesalers’ charge differently for these services to the rest of the English market. We believe that site area charging

¹⁶ <https://mosl.co.uk/groups-and-forums/closed-committees-and-groups/trade-effluent-issues-committee>

¹⁷ <https://www.unitedutilities.com/Business-services/trade-effluent/trade-effluent-for-retailers/>

is the fairest way to apportion these charges and have engaged retailers via service reviews and on-line education sessions¹⁸ to help them in conversations with us and their customers

Credit support

- 3.3.8 United Utilities were among the first wholesalers to offer Alternate Eligible Credit Support (AECS) options to retailers and since their introduction, we have continued to monitor the value they afford to each retailer. We have engaged with all retailers via service reviews and a separate survey to get feedback on the suitability of our current AECS options and what enhancements would generally offer the greatest value for all retailers regardless of their stake in the UUW region now and going forward.
- 3.3.9 The feedback we received was that our current AECS offerings broadly meet the needs of most retailers who are operational in our area. However the benefit for some retailers with growing portfolios and increasing credit support requirements has diminished and may reduce for others as they continue to become more active in our region.
- 3.3.10 We have amended our current £200,000 unsecured credit option to allow the UUW unsecured credit allowance to be used in conjunction with any unsecured credit allowance available to the retailer under the market codes. We feel this increases the value of the AECS offered to all retailers by United Utilities for the following reasons:
- Retailers who enter the UUW region will continue to be able to gain immediate access to £200k Alternate Eligible Credit Support
 - Retailers who currently access this AECS option that covers 100 per cent of their credit requirements, will continue to benefit from this
 - Retailers who's unsecured credit allowance under the market codes (due to their credit rating or credit score) exceeds £200,000 will now receive up to an additional £200,000 in unsecured credit
- 3.3.11 We will continue to engage with retailers in AMP8 to ensure we have the most suitable credit arrangements in place that will assist them with cash-flow while offering the right level of protection to all customers.

Debt

- 3.3.12 While it is the retailer's responsibility to manage levels of debt with their customers, we acknowledge this issue has remained a key concern for them since market opening and impacts all customers. We have fully supported retailers in their use of accredited entities (AE's) to undertake temporary disconnection for non-payment and have opened further scopes to allow them to undertake simple meter exchanges.
- 3.3.13 We have continued to seek their views and support them on this subject and they told us that AE's were not able to execute warrants of entry due to the powers of entry being exclusive to the wholesaler and that the processes across all wholesalers were bundled, unusable and too expensive. We carefully considered the balance of retailer debt vs customer ability to pay and undertook a trail with 2 retailers. The trail produced a number of successful outcomes through a multi-staged telephone warrant process that allows the wholesaler to engage with the end customer and retailer to reach a satisfactory resolution prior to legal proceedings. Telephone warrants are now available to all retailers and the process enables them to understand costings at each stage. The AE is also able to utilise the wholesaler powers of entry (via the retailer) at a much reduced cost.

¹⁸ <https://www.unitedutilities.com/Business-services/retailers/key-retailer-forms/retailer-webinars/site-area-charging-process/>

3.4 Review of company support for the NHH market

3.4.1 We continue to engage and consult with our regulators on all issues via established channels and expect to provide service to the market as recognised previously in the Ofwat Review of incumbent company support for effective markets where the following statements can be found

“Yorkshire Water, South West Water and United Utilities were amongst the best performers in the sector”.

“United Utilities demonstrated clear evidence of continuous engagement with, participation in and monitoring of the Panel, its committees and sub-groups. It is also active in raising code Change Proposals, responding to Panel industry consultations and dedicating resource to various industry groups”.

“United Utilities initiated work with its Retailers and has demonstrated a proactive approach to improving data quality and coverage, for example where meters are AMR enabled the company provides any readings that it picks up to Retailers, helping both themselves and Retailers to tackle long unread meters, consumption in vacant properties and leakage”.

“United Utilities submitted a Retailer service pack which showed that it shares OPS analysis with Retailers. United Utilities explained how its ongoing analysis of OPS data contributes towards improvements in market performance”.

3.4.2 Ofwat’s then CEO also wrote to us¹⁹ separately stating

“Overall we consider United Utilities to be an industry leader in many aspects of its support for markets”.

“Please continue using your leadership position to support the behaviours needed to make markets work”

“I am grateful to you and your company for providing a period of liquidity support to Retailers facing a loss of turnover during lock down.”

3.4.3 Whilst we are pleased when we receive positive feedback, we are not complacent. We look out for all evidence that is available to inform us about how we are delivering or perceived to be delivering against customer and regulatory expectations. For example, as set out in sections 3.2.34 – 3.2.38 above, we acted promptly to investigate when Ofwat commission research gave us concern about how our performance was perceived and have taken steps to understand this feedback and act upon it.

¹⁹ <https://www.ofwat.gov.uk/wp-content/uploads/2020/08/20200811-Letter-from-Rachel-Fletcher-to-Steve-Mogford-UUW-%E2%80%93-Review-of-incumbent-company-support-for-effective-markets.pdf>

4. How our approach will save time, cost and water

4.1 Our approach to customer service and standardisation

- 4.1.1 United utilities expects a vibrant and competitive market to deliver good customer outcomes relating to time, cost and water savings. As detailed in Section 2, our collaborative approach with customers, retailers and the market is designed to identify and promote participants who offer innovative products, services, and choice. We will continue to engage with market participants to prioritise those solutions that offer the most value in order that the right level of funding can be delivered to support and incentivise the right outcomes whilst enabling the retailer to earn a fair and sustainable return.
- 4.1.2 As well as providing support, we will strive to stimulate the right activity within the market to deliver the desired outcomes. As set out in section 3 above, we have a lot of curiosity about how we are performing and perceived to be performing and we undertake detailed research studies with non-household customers and engagement with retailers to understand how desired customer outcomes can be delivered in conjunction with their needs. We have held education sessions, workshops, webinars and consultations with retailers on a wide range of topics including:
- Water Efficiency
 - Sustainable drainage & incentives
 - Vacancy & incentives
 - Trade Effluent
 - Site Area Charging
 - Credit support
 - Cash flow and collection
- 4.1.3 The outputs from these sessions have enabled us to build new approaches that focus on providing the right customer outcomes that align with retailer requirements. These interactions have tended to pointed us to a single common retailer desire for standardisation and consistency that will subsequently save them and their customer's time, money and water. These interactions ensure that measures are only implemented where they add value in delivering standardisation, data improvement and/or efficiency of process. Post implementation, we continue to talk with retailers to understand what works well and what we may need to improve. United Utilities remains committed to promoting/exceeding best practice and actively sharing our experiences with the market to further identify best practice and standardisation.

4.2 Supporting the market to deliver Environmental Outcomes

- 4.2.1 In line with our approach, we expect environmental outcomes to be delivered by a competitive market and have attempted to stimulate this activity with local incentives²⁰ that include:
- Water Efficiency
 - Sustainable Drainage
 - Rainwater harvesting
- 4.2.2 The uptake of our environmental incentives has been limited and we must get the basics right to enable customers to achieve greater water savings and to identify more sustainable opportunities. We know that there are multiple factors acting as blockers to universal water sustainability offerings with aforementioned data quality being the cornerstone. By concentrating on data that will improve accuracy

²⁰ <https://www.unitedutilities.com/Business-services/retailers/incentive-schemes/>

of bills will better enable all parties to identify opportunities to save/recycle/extract and dispose of water sustainably. Our integrated systems thinking plan recognises that our meters, asset health and technology underpin the delivery and maintenance of good quality data.

- 4.2.3 A recurring outcome from our research with retailers is that retailer margin and resource can be a blocker for them in providing environmental solutions for their customers. Retailers have told us that all solutions must be delivered simply, at a low cost and in many cases, recognise retailer margin loss. Within development of our thinking for AMP8 we have trailed water efficient and products and services that we will be able to deliver in-line with the retailer brief. The trials have delivered tangible savings and our analysis has shown that our plan to deliver these solutions at scale will deliver the Defra target of saving 9ML/day in AMP8.
- 4.2.4 Our current sustainable drainage incentive can offer large savings for some groups of customers, however take up has been low. Retailers have told us that complexity and cost are the main barriers for them. We are trailing products and services in this area that have been successful in gaining third party investment and collaboration with the end customer and retailer. This will allow us to deliver more targeted solutions in AMP8 where the customer and retailer will be provided with more collaborative technical advice, support, construction delivery and funding and from United Utilities.
- 4.2.5 Our rainwater harvesting trials on NHH sites have delivered minimal success. We will continue to appraise the effectiveness of these systems in AMP8 to understand where there is value in supporting NHH customers with this.
- 4.2.6 We intend to continue our engagement with all customer segments and retailers in AMP8 to understand how we may improve the uptake of our products, services and incentives. This will help us shape where we to concentrate any further financial support for maximum value.

4.3 Providing support to deliver time and cost savings for retailers

- 4.3.1 UU has a strong track record in delivering improvements to save time and money for the retailer. An example of this can be seen in our proactive wholesaler programme to improve meter location accuracy and resolve Long Unread Meters.
- 4.3.2 Over the period of 22/23 UUW improved GIS meter location accuracy on approx. 21,800 meters and resolved 1,750 legacy long unread meters via desk-top, field visits and property management visits
- 4.3.3 We have worked collaboratively with retailers on Long Unread Meters to remove any requirement for bi-lateral forms by utilising skip code data provided by their meter reader. This has enabled us to determine and execute the required actions for resolution including;
- Locating/reading the meter on the retailers behalf
 - Identification and replacement of missing/broken meters
 - Fitting AMR devices on difficult to access/read meters
 - Fixing jammed chamber lids
 - Desktop reviews, field visits and supporting property management visits to Identify splits/merge properties and correctly metering
 - Providing findings to retailers to agree deregistration of premises
 - Rectification of incorrect occupier details.
- 4.3.4 We will continue to deliver these approaches in AMP8 that to deliver tangible cost and efficiency benefits for the retailer. This will be further supported by our approach to meter reading and data sharing strategies

4.4 Metering strategy and data sharing opportunities

- 4.4.1 As identified within The Strategic Panel Market Outcomes and Areas of Work for Consultation²¹, Smarter metering technology that provides accurate and timely information to customers and market parties is key to achieving excellent customer service, water efficiency and added value. We agree that accurate, timely consumption data is particularly valuable for correct billing and water efficiency and this can be vastly improved by SMART metering. We have included within our PR24 submission funding to uplift all non-household meters. In the event funding is secured, we intend to make the data from SMART meters accessible to all market participants.

²¹ <https://mosl.co.uk/news-and-events/news/press-releases/strategic-panel-publishes-priorities-for-consultation>

5. Our Track Record

5.1.1 Evidence to date indicates that the support we have offered to market is among best in class achieving and maintaining the position of Number One WaSC since February 2022 (YTD Aug 2023). This is further evidenced within the Ofwat Review of Incumbent Company Support for Effective Markets²² citing UUW as amongst the best performers in the sector. We have demonstrated strong performance in OPS performance since market opening and have moved up to 2nd best performing wholesaler within the holistic market measures.

Holistic Performance

5.1.2 MOSL continue to monitor our holistic market performance²³ across the agreed key market data items. We have significantly improved our performance in this area from & rank of 15th upon their introduction on Market opening to 93.72 and rank of 6th (YTD Aug 2023)

MPS performance

5.1.3 MOSL continue to monitor our Market Performance Standards²⁴ (MPS) and we have significantly improved our performance in this area from 48.47 and rank of 7th on Market opening to 93.72 and rank of 6th (YTD Aug 2023)

OPS Performance

5.1.4 MOSL continue to monitor our Operational Performance Standards²⁵ (OPS) and our position has remained strong maintaining a score >99% & Rank of 3rd since April 2019 (YTD Aug 2023)

R-Mex Performance

5.1.5 The (R-Mex²⁶) biannual survey provides a quantitative, as well as qualitative, measurement of wholesaler service. Retailers are asked to score wholesalers in six key areas: responsiveness; communication; data quality; systems and notifications; engagement; and financial policies. High performance in this area would indicate that a strong working relationship exists between a wholesaler and a retailer which would underpin positive customer outcomes. UUW have continually performed well since the first survey and have maintained a position of No1 WaSC since February 2022 (YTD Aug 2023)

5.2 Providing best value in AMP7

5.2.1 Our Gap site and vacancy incentive schemes are examples of how we have delivered best value across all customers in AMP7. Since the schemes were introduced we have seen circa 28,000 unoccupied SPIDS being made occupied and Circa 4,000 Gap sites being brought into charge. Through the vacancy incentive scheme alone we have delivered the largest data improvement in the market to date while realising a net gain of circa £17 million in previously unrecovered charges to be apportioned across all customers. This has also provided financial benefits to retailers who are able to recoup margin on the additional revenue plus an additional £4.9 million in incentive payments. United Utilities led the market to adopt the model as a coded option providing the blueprint for all market participants to realise the same benefits.

²² <https://www.ofwat.gov.uk/regulated-companies/markets/review-of-incumbent-company-support-for-effective-markets/#:~:text=The%20headline%20findings%20are%20as%20follows%3A&text=Too%20few%20companies%20embrace%20markets,wa y%20that%20goes%20beyond%20compliance>

²³ <https://mosl.co.uk/services/market-assurance/performance-and-risk/holistic-reporting/holistic-wholesaler-tables>

²⁴ <https://mosl.co.uk/chart/chartitems/mps-dashboard>

²⁵ <https://mosl.co.uk/chart/chartitems/ops-dashboard>

²⁶ <https://mosl.co.uk/chart/chartitems/rmex-dashboard>

5.3 RWG and market alignment

- 5.3.1 We continue to fully engage with the market and representative groups. This is evidenced in our support of the RWG process where we are fully aligned with all outputs (participation in all groups) and alignment²⁷. Ofwat have previously recognised our support in this area²⁸ and said:

“United Utilities has been a class leader in terms of its support for effective functioning of the business retail market, particularly in terms of its engagement and contributions to the industry-led approach to market governance and Trading Party cooperation. We note for example your active participation at Panel and the Market Performance Committee, and at the Retailer-Wholesaler Group (“RWG”) with your lead role in developing both the Market Performance Standards priority changes as well as the gap/vacant sites incentives.”

- 5.3.2 We are looking forward to further extending our support for the NHH retail market in AMP8, delivering simplicity and high quality solutions that enable all participants to benefit to the maximum degree possible from the non-household market.

²⁷ <https://www.unitedutilities.com/Business-services/retailers/key-retailer-forms/rwg-good-practice-guide-alignment/>

²⁸ <https://www.ofwat.gov.uk/wp-content/uploads/2020/08/20200811-Letter-from-Rachel-Fletcher-to-Steve-Mogford-UUW-%E2%80%93-Review-of-incumbent-company-support-for-effective-markets.pdf>

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