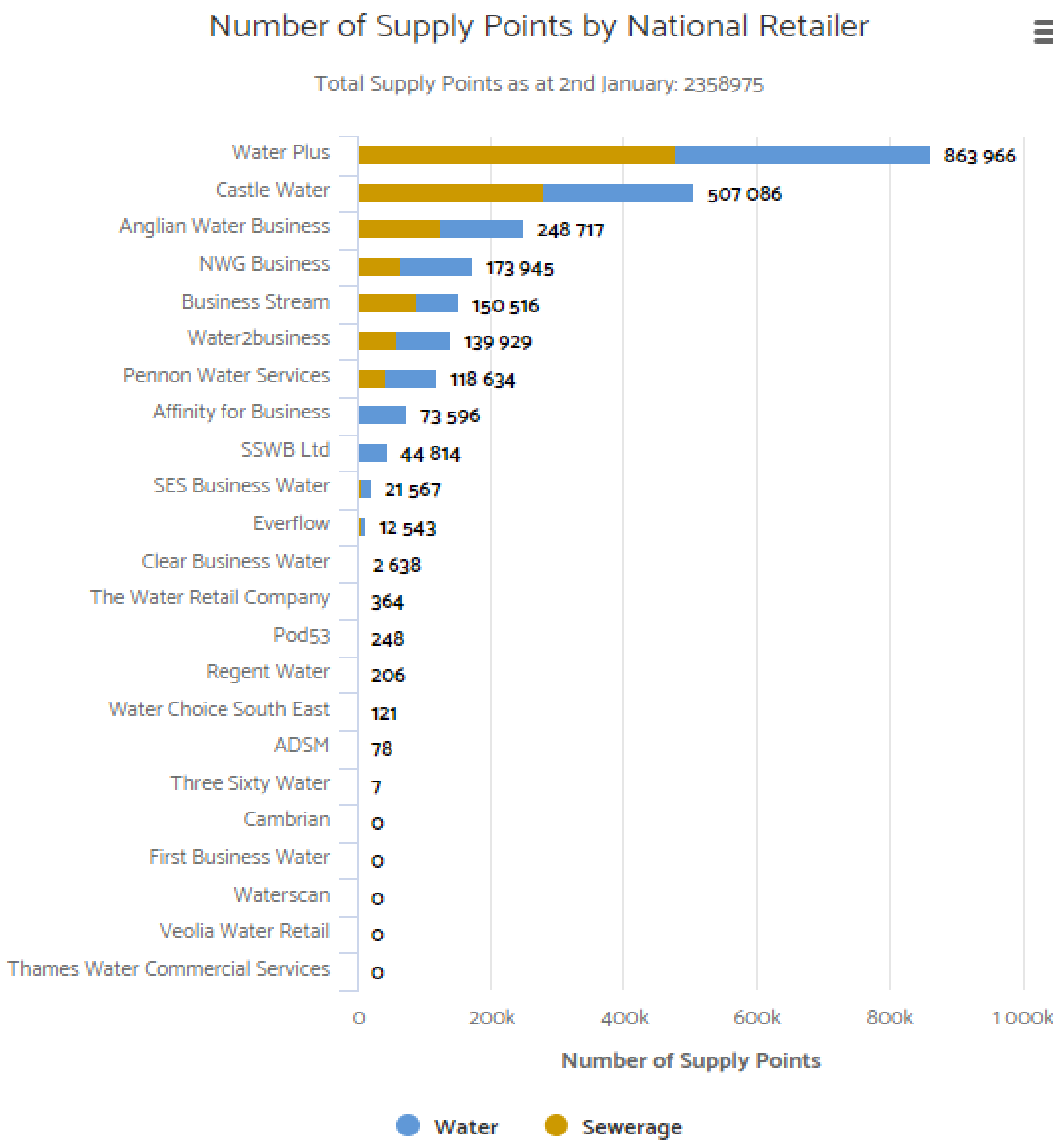
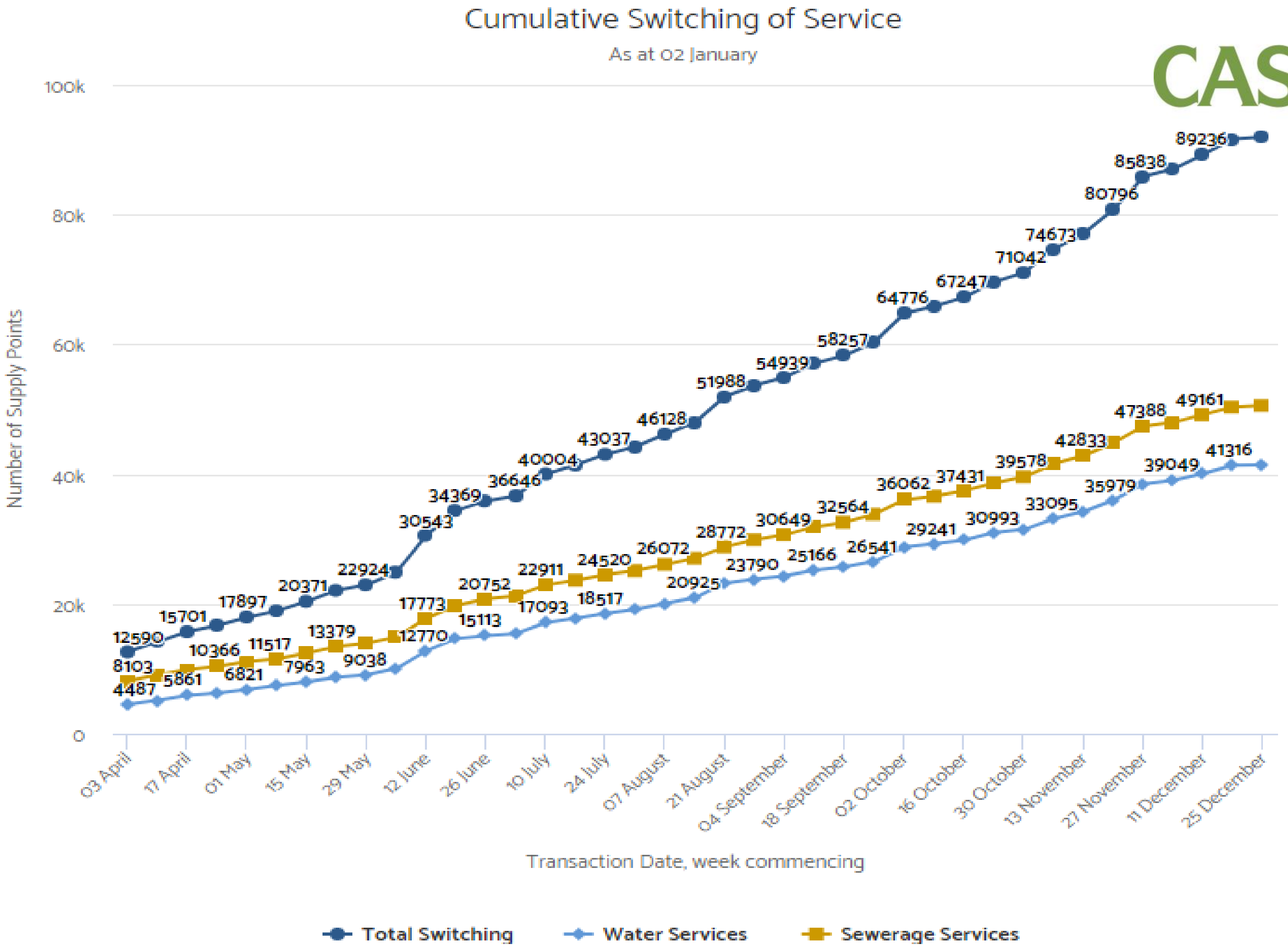
Institute of Water

31 January 2018

Castle Water - Background

- Founded 2014 immediately following Defra announcement of deregulation
- Established systems and marketing, including affinity partnerships and web-based switching – processes compatible with available margin in England
- Acquired Portsmouth Water business customers December 2015, commenced customer services April 2016 – first acquisition of a water company customer base
- Acquired Thames customers – July 2016
- Acquired Cobalt Water – June 2017
- Appointed to first CCS (English public sector) framework – October 2017


Number of Supply Points by National Retailer
Total Supply Points as at 2nd January: 2358975
Water Plus
Castle Water
Anglian Water Business
NWG Business
Business Stream
Water2business
Pennon Water Services
Affinity for Business
SSWB Ltd
SES Business Water
Everflow
Clear Business Water
The Water Retail Company
Pod53
Regent Water
Water Choice South East
ADSM
Three Sixty Water
Cambrian
First Business Water
Waterscan
Veolia Water Retail
Thames Water Commercial Services
863 966
507 086
248 717
173 945
150 516
139 929
118 634
73 596
44 814
21 567
12 543
2 638
364
248
206
121
78
7
0
0
0
0
0
0
200k
400k
600k
800k
1 000k
Number of Supply Points
Water
Sewerage


Cumulative Switching of Service
As at 02 January
100k
80k
60k
40k
20k
0
Number of Supply Points
03 April
17 April
01 May
15 May
29 May
12 June
26 June
10 July
24 July
07 August
21 August
04 September
18 September
02 October
16 October
30 October
13 November
27 November
11 December
25 December
Transaction Date, week commencing
12590
15701
17897
20371
22924
30543
34369
36646
40004
43037
46128
51988
54939
58257
64776
67247
71042
74673
80796
85838
89236
8103
10366
11517
13379
17773
20752
22911
24520
26072
28772
30649
32564
36062
37431
39578
42833
47388
49161
4487
5861
6821
7963
9038
12770
15113
17093
18517
20925
23790
25166
26541
29241
30993
33095
35979
39049
41316
Total Switching
Water Services
Sewerage Services

Customers….

- 95% of all premises inside the M25
- Cover UK from Lerwick to Portsmouth
- Major national groups to single site SMEs
- Pioneered affinity partnerships in water

Retail-Wholesale Interaction

- The Codes separate responsibility for account details between Retailer and Wholesaler – ongoing communication required
- Historic data sets in many cases not compatible with market
- More significant issues occur where there have been larger changes – eg Trade Effluent
- Wholesalers have widely varying approaches to Retailers

CMOS

- CMOS interaction largely efficient
- Customer switching progressing efficiently in most case
  - Some customer frustration where SPID numbers not identified
  - Blocking will grow as a concern as more customers switch
  - Role of incoming Retailer in resolving historic issues in CMOS not fully understood
- Disproportionate impact on some minority groups of customers from overlooked areas, eg deduction meters
- Some unexpected ambiguities: Market opening on a Saturday exposed ambiguity around definition of Business Day

Changes in the market

- Increasing number of Self-Supply licensees, multi-site and manufacturing
- Slow development of multi-product retail – possibly due to focus on remedial correction of data errors
- The most successful independents in Scotland haven’t been as active in England
- Energy retailers are now licensed, but having limited impact
- Most switching has been large multi-site portfolios; and now public sector sites

Issues

- Capacity for meter reading in doubt across national portfolios within terms of the Codes
- Understanding of the Deemed Contract still not widespread
- Meaning of the Codes still ambiguous ahead of determination of Disputes – but 0 disputes raised to date
- Consideration of a new national Bilateral systems for Wholesale-Retail interaction
- Move of focus from operation of the system, to Retailer/Wholesaler behaviour

The Future – depends on tariff structures

- Previous deregulations – telcos, electricity, gas – saw only a slow start to switching, with an increase in activity after the markets were established. Switching will spread across different segments
- Product bundling is slow due to billing complexity; price comparison is only vestigal. When will tariffs be simplified? This could be revolutionary

Bringing serenity to the water market.