

LP Stakeholder

FY 2024-25

ENGAGEMENT REPORT

Throughout 2024-25, the CMA engaged in various stakeholder communication activities. These included our regular stakeholder calls, annual autumn face-to-face meetings with small groups of Licensed Providers, and follow-up discussions with individual participants.

In all stakeholder engagement activities, it was again confirmed that individual respondents would remain anonymous, as would the organisations from which the responses came. However, it was also noted that the feedback would be used to inform the CMA Board's thinking, while important themes would be summarized and reported to the Market. This briefing note provides a consolidated report on some of the key messages that CMA has received from participants.

Licensed Provider meetings

Licensed Provider meetings were held this autumn in Bristol, Manchester and Glasgow; we would like to thank all those participants who gave their time to attend. It was agreed that opinions would not be attributed to individuals or organisations, but the CMA would report matters of significance to the Market, and reflect the views expressed in future discussions with Scottish Government, WICS, and Scottish Water. The meetings focused on four areas of interest to attendees: the approach to regulation, particularly in the context of the Code of Practice; pre-payment and its potential alternatives; smart metering; and the publication of data.

The approach to regulation

In general, Market Participants would like to see more engagement and communication from the Commission. It was felt that there can be long periods of quiet between significant decisions, which makes discussing and commenting on important Market developments difficult. Licensed Providers that operate in England noted that Ofwat has a consistent level engagement with suppliers and is clear about what it wants from them and what it intends to do. To this effect, it was suggested that it would

be helpful if the Commission were to take the lead with an industry road map, which would provide some degree of certainty and a basis for industry planning. Within that broad context, some participants also felt that the regulator should intervene more decisively on specific issues raised by the Market.

Participants agreed that the Code of Practice could provide a basis for the Market Health Check (MHC) and an opportunity to address issues in the Market, but lessons should be learned from the process by which it was developed, and it should be recognized that there are issues still to be resolved if it is to be effective. It was generally felt that oversight of the Code of Practice should be carried out by the Commission rather than a third party; some suggested that this should be a continuous regulatory process rather than an event in the form of an MHC. There was unanimous agreement that monitoring and enforcement of fundamental Code of Practice matters should apply to all Licensed Providers, irrespective of the process through which it occurs, and signing up to the Code of Practice shouldn't put a signatory at a competitive disadvantage relative to a non-signatory. It was also questioned why the Code of Practice, which is intended to promote better customer service, should be linked to wholesale payment terms, which have been presented in terms of financial resilience.

Those Licensed Providers that operate in both Scottish and English Markets commented that they now have two new Codes of Practice to implement. They have different provisions, a situation which is difficult to explain when considered from the perspective of a customer with sites in both countries, as it is likely that a customer would want the same things irrespective of jurisdiction. Notwithstanding calls for coordination between Markets, quoting (including the ground rules for how TPLs operate), transfers, and billing remain areas of particular interest for the Code of Practice. Some commented that the Commission audit carried out in 2017 might provide a useful precedent for looking at some of these issues: - Licensed Providers were

asked for a sample of quotes which were tracked through to bills to confirm consistency.

Finally, the question was raised as to how customer interests should be reflected in the regulatory process, particularly at the Market Participant Forum and Technical Panel meetings. It was felt that there is a need to have input drawn directly from customers, that this should be targeted on specific issues, and that attendance at industry meetings should be determined by opportunities to add value.

Pre-payment of wholesale charges

The pre-payment of wholesale charges continues to be an issue of importance for most Licensed Providers; they note that each additional month of pre-payment has a significant financial impact. While understanding the intention behind pre-payment, many suggest that an independent assessment of Market risk, based on 16 years of experience, would be helpful in calibrating the appropriate term for pre-payment.

Participants contrast the arrangements in Scotland with those in England, both in terms of the timing and flexibility around pre-payment arrangements. They note that English wholesalers typically require pre-payment one month ahead of the relevant invoice period, with many also offering flexible payment terms. Many Licensed Providers suggest that it would be helpful if the Commission and Scottish Water provided an explicit statement of which instruments of guarantee would be sufficient to affect pre-payment terms. Some also suggested that it may be helpful to involve Scottish Government in discussions on the matter.

Smart metering

Market thinking on smart metering is not yet well developed and, consequently, Participants expressed diverse views. Most welcomed that Scottish Water would have responsibility for physical meter assets, but it was also suggested that consideration could be given to the establishment of a separate Meter Operator Company which would bear the risk of smart meter delivery. Similarly, there were various opinions on which organization should deliver and manage the smart meter database, options including a dedicated smart Meter Operator Company, Scottish Water, the CMA, and re-use or extension of any system produced in the English Market.

While it was recognised that smart metering benefits include mitigating poor meter reading performance by the meter reading contractor and helping Scottish Water identify leaks, many Participants stressed the importance of learning the lessons from other smart meter rollouts. It was noted that the failure rates for smart meters observed in gas and electricity markets highlight the need to have processes in place for when things go wrong. It was suggested that Scottish Water's trials in Aberdeen will have

provided useful data on this issue and many felt it would be helpful if it were shared with the Market. It was also generally suggested that careful thought needs to be given to the transition to smart meters, as it is likely to impact the quality of service and cost per meter of conventional meter reading in the short term.

Smart meters can potentially provide a wealth of information on water usage and participants recognise that thought needs to be given to who can access that information and how it should be presented. While there is general agreement that Scottish Water, Licensed Providers and the CMA should have access to the raw data, there is less consensus on where the line should be drawn with respect to customers. Some participants felt that customers should have access to the database to see their own usage pattern; others felt that Licensed Providers should be obliged to provide their customers with a minimum amount of data, but that this should be delivered without allowing customer access to the database.

Data publication

During the year, the CMA has continued with the policy of widening access to Market data; many of the ideas came from the 2023 Licensed Provider meetings and survey responses. The CMA's Market Information webpage has been the vehicle for delivering this and its development will continue into 2025. Participants were pleased to see that the provision of data in Scotland is now more comparable with that in the English Market. It was noted that performance data can have a significant impact on behaviour, and Participants made suggestions for further reporting to address specific issues in the market.

There were, however, differing views on the nature of descriptive Market data that should be provided by the administrator in either Market. Some participants suggest that administrators should provide only raw data. Others suggest that it is helpful if the data is processed, so, for example, meter read data can be transformed into consumption volumes for publication. Extending the 'value-added' approach, there is also interest in combining Market data with third party data to help address various issues.

Some Participants felt that data will usually have a specialist rather than a general audience. For example, it was suggested that water usage data may be of limited interest to many Licensed Providers as, from an SME's perspective, conservation doesn't have enough impact on bills to be important relative to other costs. However, others see water usage data as an asset in determining where to target conservation service offerings. A similar dichotomy emerged across many of the other data items discussed, with the overall effect that different participants are likely to focus on specific information that they find useful.

Participant Experience Tracker

In December the CMA launched a new 'Participant Experience Tracker', which is designed to measure the satisfaction of participants with the service provided by the CMA.

Participants will be asked to assign a score to various aspects

of CMA service every quarter. The responses will allow us to monitor levels Participant satisfaction over time, but there is also the opportunity for participants to raise specific issues. We will include Tracker results in the MPF/TP papers and any issues or suggestions can be discussed at the meeting.

Participant Experience Tracker questions

We asked the below questions to our participants and will report the feedback we received in our next report.

1. How satisfied are you with the overall service your organisation has received from the CMA?

2. How satisfied are you with the speed and quality of our responses to your enquiries?

3. How satisfied are you with the clarity and timeliness of our operational communications (e.g. bulletins, release documentation)?

4. How informative are our Member Update and Business Plan Update communications?

5. How confident are you in the integrity of our settlement calculations?

6. How satisfied are you that all participants are treated equally and fairly?

7. How satisfied are you with the information provided on the recharge of our annual operating costs?

8. Please provide any suggestions for how the CMA could improve its service.

9. Please provide any suggestions for how this survey could be improved.

