

LP Stakeholder

ENGAGEMENT REPORT

FY 2025-26

Throughout 2025-26, 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 London, Manchester and Glasgow; we would like to thank all those Participants who gave their time to attend. The meetings allowed the new CMA chair, Bob Downes, to introduce himself and provided an opportunity for Participants to discuss issues of importance to the Market. While the agendas for the meetings were open, we were particularly interested to hear views on the state of the Market, smart metering, and the services that Participants would like to see in the future.

Pre-payment and credit arrangements

The issue of pre-payment of wholesale charges was again a central focus for discussions, both at the autumn meetings and in other stakeholder forums. Many Licensed Providers described two- and three- months pre-payment of wholesale charges as a barrier to entry to the Scottish Market and an impediment to customer acquisition and the expansion of business – some said their rationale for doing business in Scotland was solely to provide services to cross-border customers that demand UK-wide service. Some also suggested that they would

not actively seek a greater Market share for this reason.

It was noted that some Licensed Providers had devoted time to preparing alternative credit guarantees and then found that there was no prospect of these being accepted. It was felt that there should be transparency if the regulator is not prepared to accept any form of credit guarantee as an alternative to some, or all, of the wholesale charge pre-payment.

Scottish Water noted that pre-payments attract interest and questioned whether they are the primary determinant of the economics of the Market. However, both WICS and Scottish Water have indicated that this topic is open for discussion in 2026, subject to their interpretation of 'no detriment to the core business of Scottish Water'.

Risk sharing

It was suggested that pre-payment is one aspect of a wider issue of how risk is shared between Participants in the Market. While Licensed Providers do not agree with the allocation of risk, they recognise that it is reflective of the regulator's particular interpretation of the Water Services etc. (Scotland) Act 2005, and so, much of the discussion considered how risk is mitigated and whether there is sufficient support for Licensed Providers in managing risk.

Many Licensed Providers felt that the operational support for managing the recovery of charges from business customer does not match that provided in England. They suggest that the cost of a wholesaler investigation, for example into whether a meter is faulty or there is a shared supply, is prohibitively expensive in Scotland. Similarly, disconnection for non-payment of water charges is too difficult – it is argued that the governing legislation is more appropriate for domestic customers than B2B relationships, while the administrative and operational processes can be

cumbersome. Scottish Water suggested that the use of accredited entities gives Licensed Providers some control over the operational aspect of the disconnections process.

The consequence from the Licensed Provider perspective is that bad debt remains a significant problem, and it is exacerbated by an increasing understanding among non-domestic customers that they can get away with non-payment. There was an acceptance that to support discussions with Scottish Government, WICS, and Scottish Water on this matter, a Market-wide assessment of the rate of bad debt is required, and it was agreed that CMA could act as a hub for collecting and collating anonymised data. Following these discussions, with input from Licensed Providers on the appropriate scope, the CMA intends to launch a data request to allow quantification of the problem.

State of the Market

The new CMA chair was keen to understand the state of the Market, particularly in terms of the pace of innovation, and what could be done to accelerate the rate of change and development. Some Licensed Providers reported that competition is largely based on price with a very small service element, and they argued that to a significant degree this is driven by the structural aspects of the Market raised under the heading of risk. It was suggested that the cash flow impact of pre-payment stifles investment in new service offerings, while a focus on debt recover draws attention away from innovation.

It was also suggested that a regulatory framework that aims to highlight good behaviour without penalising bad behaviour aggravates this situation. Parties offering opaque or misleading quotes, often Third-Party Intermediaries, reinforce a focus on price and can leave Licensed Providers that act in the customer interest at a competitive disadvantage. It was argued that regulatory action to penalise behaviour that is detrimental to customers' interests should be added to efforts to showcase good behaviour, and it was hoped that the Market Health Check could evolve in this direction.

Scottish Water's focus was on the wider operational environment, highlighting that the issues of water stress and aging assets are relevant, if less extreme, in Scotland, just as they are throughout the UK. Given the volumes of water used by the non-household sector, it was suggested that the Market can be an important agent for conservation and have a direct impact on water resource planning.

CMA's role

There was good awareness of CMA's role at the heart of the Market and a general appreciation for CMA's involvement in Market issues. It was noted by some Participants that CMA can usefully step outside its core

activities, particularly where it can provide reliability and fill a gap that is otherwise not being met, a perspective which is helpful for the CMA Board when gauging the appropriate scope of CMA activities. With respect to our core services, it was suggested by some that the strategic direction of travel should be towards digitization, automation, and self-service wherever possible. We believe that this perspective is consistent with the approach to using and developing technology set out in our Strategic Plan and in FY26-27 we will look for opportunities to give effect to it.

Use of the performance charge funds

During the autumn the CMA has been keen to explore ways to promote the use of Performance Charge funds to deliver Market-improving projects, particularly those that involve innovation. The Participant discussions reinforced views about clarifying and codifying the governance around the allocation of Performance Charge funds. Some Participants suggested that the CMA could support education and national awareness of the Market with funding. It was also suggested that Performance Charge funds could be used to support behavioural analysis regarding conservation. We are keen to follow up on these ideas and develop a portfolio of Performance Charge Projects in FY26-27.

Smart metering / the smart meter data hub

The introduction of smart metering is recognised as a structurally significant event for the Market, which will have a material impact on the role of Licensed Providers. Participants noted that the approach to roll out will also have a significant bearing; difficult to access meters are often the ones associated with bad debt, so if the rollout focuses on installing those that are easy to access first, with the difficult ones left for later, then smart meters will not contribute to resolving the bad debt problem. Similarly, the technology used for smart metering is viewed as extremely important. Actuated meters allow remote disconnections and flow restriction, which could be used as part of the package for managing non-payment. It was argued by some Participants that without this technology, the problems of payment management will be carried forward to the new arrangements.

With respect to smart meter data, it was noted that this belongs to the customer, so the wholesaler and retailers have equal rights to it. It was suggested by Participants that the primary rationale for administrator provision of a data hub is demonstrable independence, which guarantees fair and equal access to smart meter data, combined with efficiency in provision of the service. With respect to understanding customers, facilitating Licensed Provider and wholesaler understanding should be the driver. The centralised presentation of data shouldn't remove all the opportunities of Licensed Providers to monetize presentation and analytics.

Participant Experience Tracker

In December 2024 the CMA launched a 'Participant Experience Tracker' (PET), which was designed to measure the satisfaction of Participants with the service provided by the CMA. Based on feedback from

Participants, the Tracker will be run every six months rather than quarterly. We have also provided additional context around the questions and made provision for respondents to add explanations for their scores.

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.

The most significant change to come out of the PET so far has been the delivery of extended Central Systems opening hours, which went live in November 2025. We hope that this will provide the additional flexibility for working arrangements that many Participants were looking for.

In response to several requests, we have also established an events calendar on our website which holds MPF / TP /

Working Group and CMA Board meetings.

All issues raised in the PET are recorded on a tracker and assessed for scheduling and implementation. Workstreams currently under consideration include improving the visibility of data on settlement reports, clarifying change-related documentation, and enhancing the LVI.

