

Retail exit project update: October 2014

Background

The Water Act 2014 enables the Secretary of State to introduce regulations that will allow undertakers to exit the competitive part of the retail market with the consent of the Secretary of State (“retail exit”). The government will ensure that undertakers who wish to exit the market can do so when the retail market opens in April 2017.

Progress update

Work is well underway to develop the retail exit policy as we prepare to consult on the proposed content of the draft regulations in December 2014. We are developing this policy in light of the key principles and core assumptions that we published in our September update.

We are also working closely with key stakeholders to ensure that we design a system that meets the needs of all parties. We have established a stakeholder contact group, which consists of undertakers, retailers, customer bodies and Water UK. This group provides industry expertise, commercial insight and an understanding of customer needs as we develop our policy proposals.

Following these discussions, our overall approach can be summarised as a light-touch process designed to allow undertakers the freedom to choose their preferred business strategy for the non-household retail market, while maintaining a directly comparable level of protection for all customers irrespective of their undertaker’s choice. In particular, we anticipate that the policy will have the following features:

- A simple, light-touch applications process that provides maximum certainty for all market participants without introducing undue burdens on undertakers or licensees.
- A clear framework of requirements that apply equally to all parties as opposed to bespoke conditions that are specific to individual companies or individual exits.
- A principle of equivalence between those customers transferred to a licensee following an exit and those customers whose undertaker has not chosen to exit the market.
- A requirement that all customers must receive appropriate communication from both undertakers and licensees about an exit.

Next steps

We are looking forward to hearing your views when we consult on the proposed content of the draft regulations in December 2014. In the meantime, we are very interested to hear your views on the potential scope of the reforms. Please get in touch with us at the following email address: RetailExitsConsultation@defra.gsi.gov.uk.