

Retail exit project update: December 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 it opens in April 2017. The policy driver for this reform is to extend choice for market participants and to ensure a well functioning competitive market.

Progress update

We published our consultation on the key policy choices that will inform the content of the exit regulations on 10 December 2014. The key highlights of our consultation are below:

- We propose that there will be a “**principle of equivalence**” between those customers transferred to a licensee following an exit and those customers whose undertaker has chosen not to exit the market.
- We propose that this principle of equivalence will be secured by applying a **deemed contract** in all instances where a non-household customer is served by a licensee but has not negotiated a contract with that licensee. This will contain a clear set of baseline terms and conditions covering both **service and price**. It will remain in place following any **subsequent transfers**—and until such point as the customer decides to switch to a new licensee or renegotiate terms with their current licensee.
- We propose to secure that all transferred customers and any new customers in an exited undertaker’s former area of appointment will continue to be able to access both a wholesale and retail service by amending the **supplier of last resort regime** and creating a new “**supplier of first resort**” regime.
- We anticipate that Ofwat’s approach to **licensing** will be sufficiently flexible to reflect the potential differences of scale between licensees that choose to take on large-scale customer transfers and those specialising in providing niche services.
- We will implement a simple, light-touch **applications process** that provides maximum certainty for all market participants. We propose to introduce a clear framework of **exit criteria** that apply equally to all parties as opposed to bespoke conditions that are specific to individual undertakers or individual exits. These requirements will include effective **customer communications**.

Next steps

We would welcome any responses from interested parties to our consultation on the proposed content of the draft regulations: <https://consult.defra.gov.uk/water/retail-exits-reform>. The deadline for responding is 18 February 2015. If you have any questions or comments in the meantime, please get in touch with us at the following email address: RetailExitsConsultation@defra.gsi.gov.uk.