

The Aqueduct



THE NEWSLETTER OF THE BRITISH OPEN WATER MARKET

All the Leaves are Brown

And your bill is wrong... Yes, welcome to the Autumn Edition of The Aqueduct and another somewhat inappropriate use of a song lyric twisted to relate to the water market. Being Autumn it was The Mamas and Pappas or the Kinks but “Yes, yes, yes, how come the SPID’s not on my bill” did not have the same ring...

Thing is, your water bill is probably wrong either for the same reasons it has been wrong for the last six years or because one of the glitches that have taken place since Apr-17 when billing was passed from your old water company to your new Water Retailer, who may or may not be related in the corporate sense. It is by no means the only GB water billing glitch, but a common error we have found is new retailers not picking up the correct trade effluent volume. So if waste-water or trade effluent looks a bit different this year - or you just want to be sure - Grand Union Water do not charge for preliminary Bill Validation so, Info@GrandUnionWater.Com.

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Market Update

There are still complex consumer portfolios being offered negative savings and SMEs being roundly ignored, but for the most part the market place is working. Switches away from incumbent Retailers are up, savings are “modest to good” depending on region, and the amount of retailers who say they are active and who really are, has increased. Without going into what individual Retailers seem to be doing, a tender issued in Mar-17, summarised by May-17, has more and different competing retailers from a tender issued in Sep-17 and summarised in Oct-17... And as you can see from this example, the time-cycle from tender issue to summary is shortening too.

Regulation

Regulation in water is still a bad joke. MOSL and Ofwat (market operator and regulator respectively) reportedly overlooked how VAT on water sales was treated in deals between Wholesaler and Retailer in the run up to market opening and as a result the Water Retailers are staring at a 20% hit to their financial planning and a 10% hit to their capital adequacy; unless it gets sorted (which it must). Water Wholesalers like Thames and Southern who exited retailing water altogether are on the other side of the argument and looking like the guy who spotted the dodgy MOT at a car auction. Such things are dreadfully embarrassing for MOSL and Ofwat and in particular the regulator who, last year, were additionally on the wrong side of the government’s Public Accounts Committee and the venerable Margaret Hodge MP for **“regularly overestimating water companies’ financing and tax costs when setting price caps”**. The PAC said this meant water companies had made windfall gains of at least £1.2bn between them. Ben Jeffs and Catherine Ross of MOSL and Ofwat both stood down this year amid nice words all around. So that’s alright then...

Ross wrote in her parting statement **“I know I will be leaving Ofwat in good shape”** LOL! There has not been a new reservoir constructed in the UK since 1989 and yet UK population has grown by 8 million people between then and now. She will definitely be leaving Ofwat in a shape of some kind.

Consumers can only hope the next head of Ofwat is someone whose had a proper job and preferably one outside of the water industry that involved buying stuff. **The Aqueduct**

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Water Interviews

*Peter Sceats, MD of Grand Union Water is
Interviewed by Utility Week*



What's Your Ownership Model? Are you Part of a Wider Group?

Grand Union Water Co is privately owned.

Is Your Structure Fee or Commission-Based?

We use both approaches, whatever works for the client.

How Many Clients do you Currently Have?

We will never answer any question about our clients, this is a private matter. Most brokers will lie in answer to this question anyway.

Do You have Funds and Plans for Expansion? What are Your Targets for the Water Market?

We have both funds and expansion plans but our water offering will not deviate from what we call "Three Step Approach" (Bill Validation, Auditing and Competitive & Ethical Procurement)

How do you Pitch for Business? And are you Targeting a Specific Segment of the Water Market?

We know who we want as clients and approach these companies direct. We do not have plans to focus on any specific sector.

What Additional Benefits and Services do you offer customers?

What we offer now (Three Step Approach) while seemingly short and simple, actually encompasses everything we believe a client needs principally because there are so many bolt-ons to our Step #2 Water Audit service.

Will you be Bundling Utility Services, and do you see that Happening Much in the Broker Space?

We have no plans to bundle water with energy and gas. We do not want to be a Jack of All Trades, we seek to be a master of one commodity, water.

What Factors Influence Your Choice of Retailer When Placing Your Clients' Business? What specifically do you WANT from a retailer?

All we want from Retailers is a prompt response to tenders and enquiries and a simple, basic offering with clear billing. We do not seek any whistles and bells from Retailers at all.

Market Opening – Challenge or Opportunity?

Clearly an opportunity first and foremost. And yes it has been a challenge. The Retailers were – for the most part - not ready, neither was MOSL, CMOS and Ofwat. Many consumers did not know about the market opening either. In the circumstances that maybe was not such a bad thing.

That the heads of MOSL and Ofwat resigned in 2017 says something about the new water market.

To What Extent do the Retailers Differ in their Approach to, and Working Relationship With, Advisors?

One Retailer has a unique portal based approach worthy of note. Beyond that we don't see too much difference in interaction between Advisor and Retailer. We email or call and they answer. Some are quicker than others but we soon identify what Retailer has appetite. We think there are circa five retailers who can be nationally competitive at this time, that number is increasing. Others are competitive selectively. We have traded with five retailers so far and found this group very good.



To What Extent do the Retailers Differ in Their Approach to Clients Versus an Advisor?

Most Retailers are not interested in going to client's sites, getting to know the people and helping them track every drop of water and chase every last penny. We are.

I see Water Retailers as 21st century call centre businesses. Ad that's okay. As regards client interaction, I see Grand Union as decidedly 20th century inspired. No being held in queue on the phone or seven week turnarounds on enquiries, there are no "case reference numbers" with us. We go see people in their offices, we wear suits and make sure our shoes are shined. And unless all the client engagement team is on a call at the same time, a human answers our phone. While I am Managing Director, this is how it will be. **CONT. Next Page**

Water Interviews CONT.

What is Your view on the Number of Water Retailers Operating in the market?

The number of Ofwat licensed Retailers is irrelevant, the number of retailers truly competing nationally for client business is what matters. I expect to see more in the way of mergers between Retailers. The water market will wind up looking a bit like the energy market in that respect. That probably won't be a good thing.

What Role do Brokers Play in the Energy Market?

A significant number of brokers active in the energy market are dishonest. I have no time for these people. A handful of energy advisors are decent and honest. These brokers really help consumers demystify energy offers and supply matters and can help save money and reduce consumption.

What Role do Brokers Play in the Business Water Market?

There is a mix of good and bad advisors in the water market. They mostly seek to run tenders on behalf of clients; a few like us are involved with proper, grown-up auditing and bill validation too. Not enough water brokers have come out as compliant with the two codes of conduct. This is a bit shabby, frankly.

What Proportion of Energy Brokers Have Entered the Water Market?

I really could not say. There are 1000 supposed energy advisors active in the UK market, many work from home, some should be in prison. Many of the really dishonest energy advisors have stayed out of water because the margins are narrower than energy and they cannot use a customer's demand to take a punt in the wholesale market as they do in energy. See, every cloud...

What Level of Switching do you Anticipate as the Market Matures?

I cannot forecast this. But I can say that those who do not investigate the savings and associated billing improvements from switching will probably be overpaying for their water and continuing to struggle with poorly constructed paper bills that show up at seemingly random intervals.

What do you Think Will Convince Customers to Switch? How Important is Price, and What Other Factors are There?

Price is the number one consideration. Consolidated billing for portfolio owners is a second along with clearer and more regularised (monthly) billing generally.

Do you Think the Water Market is Adequately Regulated?

No. Ofwat under Catherine Ross has been very poor. But then she is just one in a long line of ill-qualified, politically correct, talking heads spouting empty words and missing the point. It is all very well delivering slick presentations with buzzwords like "resilience" and (heaven forefend) "stakeholders" but - bottom line - we have not built a new reservoir in this country since 1989 and yet we have a consistently growing economy and a population that grows by one million people every three to four years.

Do you see any M&A Happening Amongst Brokers?

I am not sure about this. In principle it often looks like a good idea but in practice it is difficult to find a match on ethics, approach, re-investment in the business etc.. Brokers

are notoriously uncomfortable even being in the same room as each other at a cocktail party, let alone sharing clients and money!

Parts of this interview may have appeared in Utility Week or their excellent Water Retail publication The Aqueduct

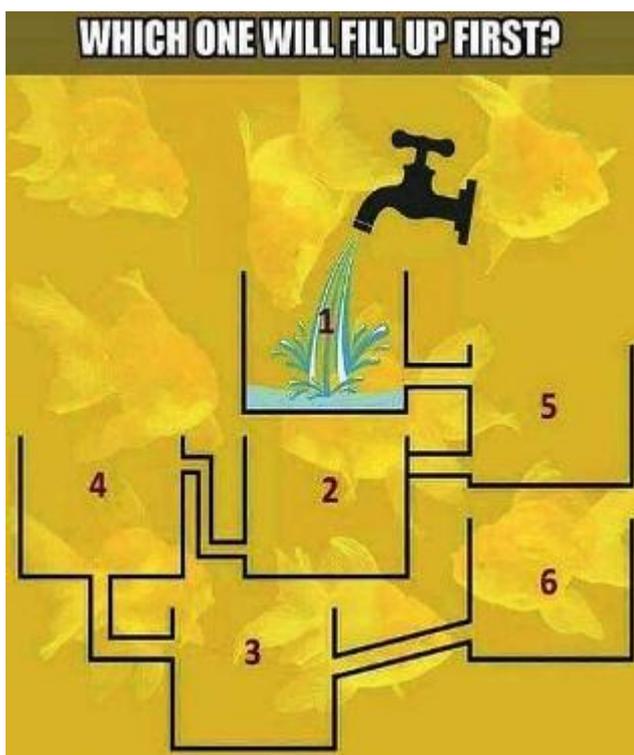
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The Importance of Being Ernest

The meaning of the word Ernest is in some part “*showing sincere and intense conviction*”.



Before the new competitive water market opened in England, there seemed to be a lack of any sincere and intense conviction to protect business and charity consumers from dishonest advisors.

The energy sector is infamous for sharp practice among so called advisors who are not regulated, or licensed and do not - by any law - need to demonstrate competence or honesty. With Ofgem AWOL on the subject, the best the energy sector has done is spawn a couple of “trade associations” which are really for-profit conference companies who, in exchange for some money, will allow anyone to sign up to a toothless code or some meaningless qualification.

It was inevitable “Flash Harry” would offer his services in the new water market and as such something needed to be done.

Sadly, our government won't put utilities advisory under the Financial Conduct Authority anytime soon, so something more grassroots needed to happen. First, the “Water Procurement Advisor Code of Conduct” (see Facebook) was conceived; six bullet points for the consumer to insist upon that eliminate much “bad advisor risk”. Following this, a somewhat watered-down (nevertheless worthy) version from the regulator in the form of the Ofwat Voluntary TPI Code (Ofwat.Gov.UK).

Simply, if your chosen TPI has not openly stated they comply with the Ofwat or WPA Codes, there is a reason. You wouldn't engage an unqualified solicitor for your house purchase, or untrained mechanic to fix your brakes.

Caveat emptor. **The Aqueduct**

Water Retailer Telephone Survey: And the Winner is...

One of the single most despised things about the companies who service our myriad needs is how long it takes to get thru to speak to a human when you call them.



“Your call is important to us...” says the robot. “Did you know you can find the answer to most questions on our website?” or in other words “Oh just go away!”

In the past, the water industry was known for CEOs on £3mio a year despite their businesses facing no competition whatsoever, and for not being great at picking up the phone to customers. But to be fair to “Old Water” it never got to the level of some tech companies who after selling you some expensive product or service direct you to a users group on Facebook in the hope an unemployed Californian nerd in his pants in the middle of night will do for free what a supplier's Help Desk really ought...

So, in the light of the old water companies shuffling off into the distance with only wholesale water and infrastructure to worry about; and new, shiny customer focussed Water Retailers being handed Help Desk duties, The Aqueduct decided to check and see how they were all doing...

On 02/10/17 we undertook a telephone survey calling each Water Retailer on their website stated phone number on the basis of a general query. All calls were made outside lunchtime which we took as 1200 thru 1430.

The joint winners were... [insert drum roll] 360 and Source for Business! Source even have a 0800 number, bless them. The Retailer who came bottom of the pack was The Water Retail Company whose phone goes thru to voice mail and no return call has yet been received. The Aqueduct alerted The Water Retail Company before publication just in case there was a technical problem.

We'll run the same, even-handed survey in future editions of this newsletter.

The Aqueduct

An advertisement for Crompton Controls featuring various BMS peripherals. The text includes 'Crompton controls', 'Control & BMS peripherals', '+44 (0) 1924 368251', 'cromptoncontrols.co.uk', and 'we even do lockout kits..!'. A circular logo with a globe and the text 'Keeping it simple' is also present.

A logo for Grand Union Water Co. featuring a blue square with 'WATER SERVICE' in white, a stick figure, and the text 'Grand Union Water Co. London. Great Britain.' below.