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“Revolution is Exhausting” Anon

Water Deregulation

Questions & Answers

When will the de regulation start?

1st April 2017.

Who will it effect?

All business water customers (which includes education establishments)– It does not apply to domestic home accounts. Unfortunately, customers in Wales and Northern Ireland will continue with the current system (monopoly suppliers).

What do you have to do?

Nothing immediately, your current supplier will still be responsible for supplying and billing your water. In some cases, the current supplier will have appointed a "new" water retailer to raise the bills but this will still be on your standard tariff.

What is the point of the deregulation?

As with the energy markets back in 1994, water suppliers currently have a regional monopoly on supply. Deregulation breaks the monopoly so other water (retail) suppliers can offer competitive prices anywhere in England and Scotland. Eventually, this competition should bring prices down and help with efficiencies of billing and service.

How will the Deregulated Water Market Operate?

The current regional supplier is responsible for supplying services and billing. Due to geographical location one premises might have three different regional suppliers, one responsible to supply the water, one responsible for waste and one responsible for the sewage and drainage. In the new world the suppliers are described as 'wholesale' operators who are responsible for the supply. The 'retail' supplier buys from the wholesale operator and sells to the end user.

Who is responsible for managing the deregulation?

OFWAT and DEFRA are overseeing the process. The water industry has been working together to get the process in place under the Open Water initiative. The big hurdle has been the development of the Central Market Operating System (CMOS). This is currently being run by MOSEL who are the company responsible for managing the central database (This started with every meter being assigned a SPIDs (equivalent to MPAN/MPR)) from which the system can be developed.

Has deregulation been done elsewhere successfully?

Water de-regulation has been running in Scotland since 2008. Initially, only the very big water customers switched to an alternative retail supplier. Small and medium customers saw very little benefit and did not switch. **Seven years on the potential savings have opened up and some customers are seeing 10-20% savings across providers**. In England, the expectation is the initial savings across provides will be small (1-3%) but within a few years this could increase (10-15%).

How can you best benefit from the deregulation?

The simple answer is to look for ways to save money on your water bills. It is imperative you have accurate data on all the elements that make up the water bill before accurate comparisons can be made on alternative offers from providers or group purchasing schemes. The water industry itself does not have an accurate centralised database on consumption and charges, so your current supplier should know it, but any alternative provider would have to base their offer on **your** information.

What needs to be done to get the best benefit?

Do not commit to any new water deal until you have accurate data – collate all your water bills for a minimum of 12 months ideally 24 months to understand all the elements that make up the total. With that knowledge and information, offers from new providers can be compared and the decision whether to switch can be considered.

What are the elements of the bill?

There are three main elements to water charges:

Water – the provision of clean fresh water. If metered, the charge is based on the recorded water used in cubic meters, if unmetered the charge is based on the rateable value of the premises.

Waste Water – the charge is for cleaning and treating the water that goes to drain. Based on the water coming in (often 95%) metered or unmetered.

Sewerage and Drainage – covers the cost of collecting and treating rainwater. Made up of two parts – property (rainwater draining form the property) and roads (contribution of public roads drainage)

The water and waste charges will have a fixed element (Standing Charge) and a volume element.

A fourth element - Trade Effluent is separately billed and only applies to limited business that deal with potentially harmful waste

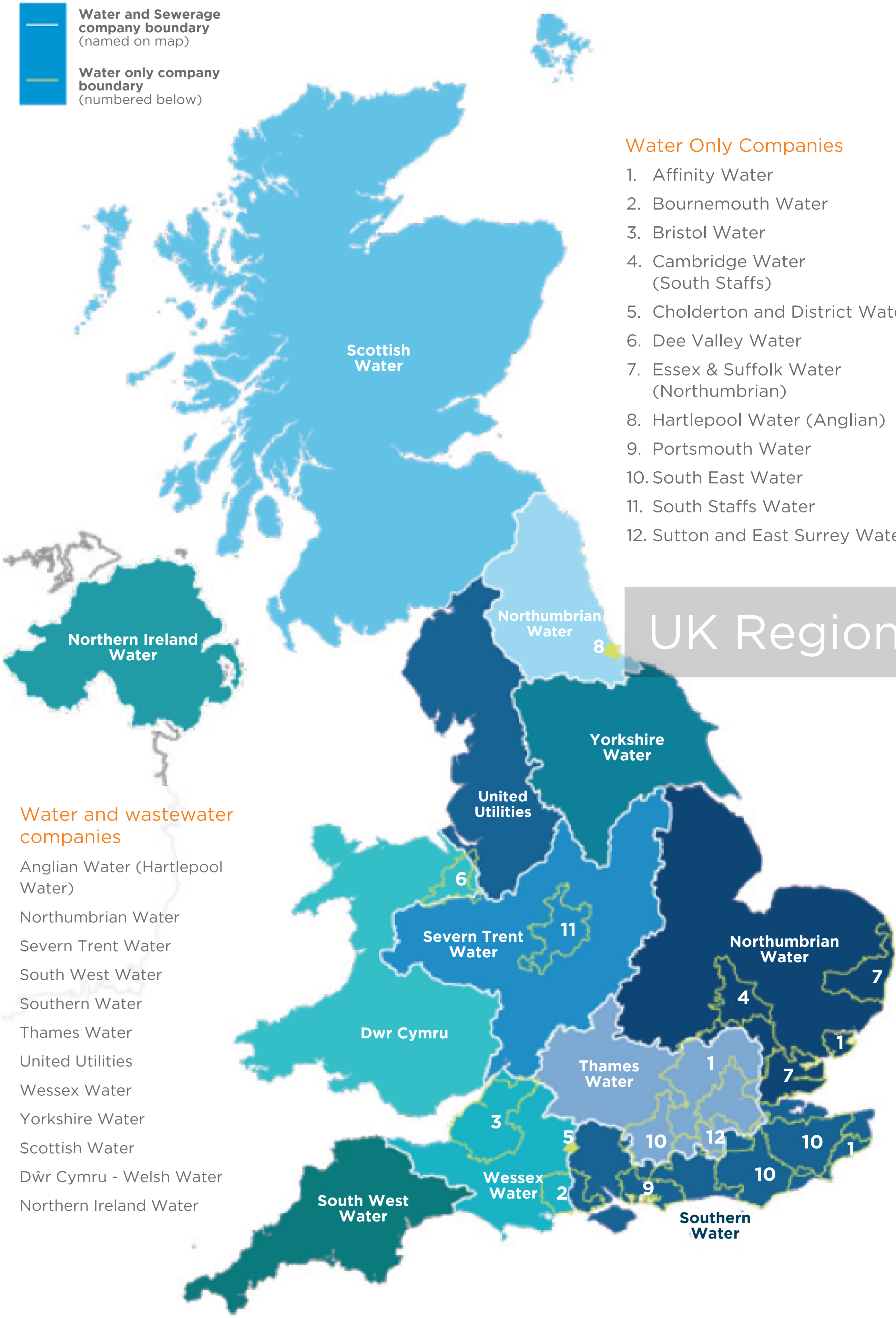
Will having a retail supplier add cost - not reduce?

In theory no – the wholesale operator loses the cost of billing and dealing with the end user, while the retailer can stream line their billing and customer interface by being one point of contact for the customer and can gain customers from many different supply regions. The price should not rise, as the operator prices are published and the retail supplier cannot charge above the publish tariff. The savings come from the retailer securing better than published prices from the wholesaler and passing some of the discount on to the end customer.

Is the customer required to sign up with retail supply when the deregulation happens in April 17?

Not all current suppliers will have a retail supplier responsible for the billing and customer interface in place for their current customers. (This is why it is inadvisable to switch suppliers until all the facts are known.) See the map attached showing current regional suppliers.

UK Regions



Water Only Companies

1. Affinity Water
2. Bournemouth Water
3. Bristol Water
4. Cambridge Water (South Staffs)
5. Cholderton and District Water
6. Dee Valley Water
7. Essex & Suffolk Water (Northumbrian)
8. Hartlepool Water (Anglian)
9. Portsmouth Water
10. South East Water
11. South Staffs Water
12. Sutton and East Surrey Water

Water and wastewater companies

Anglian Water (Hartlepool Water)

Northumbrian Water

Severn Trent Water

South West Water

Southern Water

Thames Water

United Utilities

Wessex Water

Yorkshire Water

Scottish Water

Dŵr Cymru - Welsh Water

Northern Ireland Water

Questions & Answers continued

What is the Reality?

Be guided by a company you trust and already have dealings with to plan the best way to save money on your water spend.

We believe there will be many opportunists who will offer to look for better deals but until the markets have fully tested their systems and the data in CMOS is accurate the benefit of switching is very limited. It is essential that customers understand their current costs across the 3 main elements of the bill (this would require at least 12 months' worth of bill analysis) before a comparison can be made on the potential savings (Switch). It is clear the data held in CMOS is likely to be missing elements and it will make it difficult for the water retailer to make accurate future predictions on costs – missing one element of the bills will create doubt on the validity of complete cost.

How would a new 'Retail' supplier present a new contract?

The market can already offer new deals to customers who use over 5 million cubic meters per annum. With this volume, the supplier has been willing to investigate previous bills and spend time in matching a best deal for the water supply. This has been a slow and cumbersome process with individual checks and balance. After deregulation, the system will be different but the retail suppliers have no track record in offering new contracts for all elements of the supply yet. Prior to April 17 the industry has set up a shadow (trial) market to get their systems in place. Currently this is waiting for the published prices from the wholesale suppliers for April 17-18 to be able to obtain offers.

Why not just sign up with the Retailer that offers the cheapest price?

Worth considering, but it needs to be compared with a full breakdown of all the elements of you bills before it could be said to be cheaper. Even if the headline figures are lower - what about the cost to do business i.e. payment terms, the accuracy of billing, reliability of the supplier IT systems etc. These areas are unknown at this stage and the relationship between the wholesaler and retailer will be new (totally untested if not the incumbent). Previously any issues where handled by the one company issuing the bill, after deregulation it could concern both wholesaler and the retailer, increasing timescales for the customer.

What does Zenergi recommend to do for its current clients?

To become your advisor on water procurement and management incorporated into our normal utility (energy) service. In the initial stages Zenergi will collate your water bills for the next year, so we have accurate evidence of the pricing structure for your sites. We will monitor and build a picture of water usage and associated charges. When the picture is sufficiently detailed we will discuss the options available and potentially go out to tender for a new contract. Since the initial maximum potential savings of switching away from your incumbent are predicted to be small (in the region of a few %) we see the best policy will be to data gather, understand and let the market settle down before moving into new contracts.

Does the offer of a free water Audit and efficiency report sound attractive?

We have been able to do this for years. The new deregulation does not change the philosophy of the "best savings comes from the units of water you do not use". Checking for leaks and water saving measures are fundamental to managing water. This facility has been available through third party companies that carry out audits with 'no fee no gain' approach without linking it to the contractual supply. Zenergi's approach is to use the historical and current usage, benchmarking across all our clients, to identify areas that might need further investigation. This starts with understanding the client's usage.

But what if the market moves quickly with attractive deals?

Should the market move on and obvious savings become available relatively quickly, by not signing a new supply contract you will continue to be supplied as normal under a deemed or default contract, which you can switch from at any point. By not being tied into a long-term contract, there is flexibility to act when the time is right. We do not want our clients to be stuck in a longer-term deals while we watch the market develop and prices fall. At this stage, we are not promising to make big savings but we are offering to give clear, fact based advice and be pro-active in making ongoing recommendations.

Why Use Zenergi to help with your Water bills?

You know us and what we stand for – we will be your outsourced utility procurement for energy and water.

We have tried and tested systems in place for energy and now for water. We have a great track record of successfully managing and saving money on utility bills on behalf of our clients.

Is Zenergi's knowledge of the water industry sufficient, compared to the water retailers or group purchasing organisations?

Quite simply the industry has not had any experience in providing quotes and contracts for wholesale water and are on a steep learning curve themselves as they deal with the 23 wholesale companies to provide pricing, billing and query management. Zenergi understand the education sector; understanding what is important; dealing with utility suppliers and ensuring bills are correct - this is what Zenergi do. Leaving Zenergi to deal with the water retailers will allow you to get on with what you do best. In this transition stage, there will be a lot of issues to resolve as the water industry systems get up to speed with all the permutations – if Zenergi is involved early on and understands your bills we can work from a point of strength to advise on future switching.

What is Zenergi making out of this?

Initially, we are gaining an overall knowledge of the water market and knowledge of how the water wholesale and retail suppliers operate, all focused-on education establishments. As we are not charging or getting any commission from suppliers we have no monetary gains. If the market develops, as we envisage, along the lines of the energy market after de regulation, then we would offer the same level of service on contract procurement, bill validation and account management. This would be based on an agreed fixed fee basis or a commission paid by the suppliers once we can provide value.

Positive thinking

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