

Competition

are you ready?

A quick reference guide and checklist for **Wholesalers**

What is different about competition?

Many of the fundamental operations of wholesalers will be impacted by competition including:

- The responsibility for billing non-domestic customers will be removed, instead the wholesaler will bill a retailer.
- Business processes will need to be shortened to accommodate retail processes within given SLAs.
- A retail liaison / interface team will need to be established.
- New IT systems will be required to support the wholesale business and interfaces to Central Systems.
- The business risk profile will be radically changed to consider the credit risk exposure of retail LPs and risk of performance penalties.
- Governance, Compliance and Cash Management processes will need to be redesigned.
- Staff training and cultural changes will need to be implemented.

What we can learn from Scotland

Customer switching highlights data issues: Even where data quality is good, the processes involved in tendering and switching will inevitably highlight data issues, as it has in Scotland.

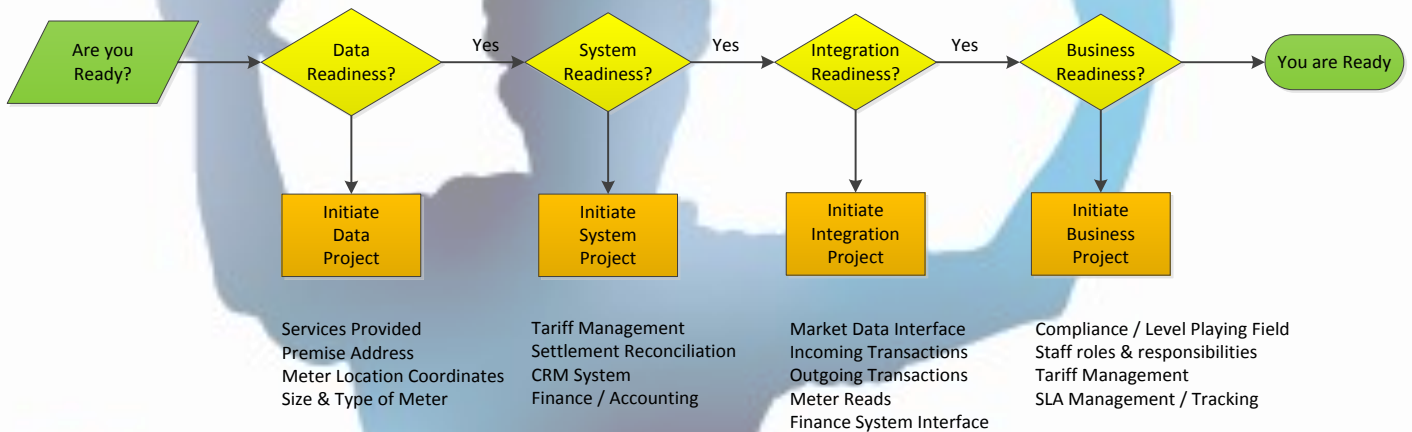
Data issues are harder to fix after market opening: Where there is a single, wholly integrated wholesaler / retailer, there is only one relationship to manage between customer and water company. After market opening there will be involvement of a customer, two retailers and a wholesaler, each with different priorities and opinions. This along with the increased distance between wholesaler and customer can cause delays and disagreements.

The requirement for a Wholesale Service Desk: With an estimated 40-50 retailers in the market by the end of 2017, wholesalers will need to ensure effective processes for efficiently managing retailers operational requests. Key considerations will be flexibility of scale, dependant on level of switching and industry knowledge of new entry retailers.

Protecting core revenues: Current market design results in key data items being owned by retailers. Most significantly retailers will be able to switch occupancy / vacancy status of properties, as well as inputting consumption figures. Controls to ensure this and other retailer data items are effectively managed will ensure that non-domestic revenues are maintained. In Scotland this has been an ongoing challenge for both the wholesaler and retailers.

The ability to compare wholesaler performance: With retailers working with multiple wholesalers, objective comparison will be possible which is likely to result in increased scrutiny on performance. One key driver for competition is to increase levels of service, so this is likely to be used proactively by retailers to push for increased service levels from underperforming wholesalers.

Getting ready



The number 1 priority for all wholesalers, as highlighted in the MAP 2 document will be data preparation.

This is likely to have the biggest impact on a successful market opening for wholesalers and is likely to take the longest time to achieve. Starting early is therefore essential.

You can read more about this in the Scottish Market Address Matching paper in this pack or on our website (below).

Working with other wholesalers on aligning operational processes for wholesale service desks will also reap rewards.

Another key consideration is ensuring data alignment by integrating fully with market systems.

Finally ensuring that robust settlement and revenue protection processes are in place will ensure that there are no financial surprises come market opening.

Additional Resources

More information and links to resources can be found at:

www.ascendancy-water.co.uk/wholesalers

or call: 0845 838 1979

Checklist

Key Considerations:

- Integration with market systems
- Top or bottom quartile
- Setting up a wholesale service desk
- Managing settlement
- Managing regulatory obligation

Key options:

- Insource / outsource service desk
- In house or outsourced systems

Key priorities:

- Getting data ready
- Setting & managing wholesale tariffs
- Protecting core revenue

Other things to consider:

- Designing business processes
- Building & implementing systems
- Ensuring regulatory compliance
- Managing operational change