

Our ref: JD/Library/Ofwat

Your ref:

17 April 2015



Eligibility Consultation
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Dear Sir

Consultation : Guidance on eligibility

We welcome the opportunity to respond to the consultation referenced above.

As we approach the time when significant market reform in the water industry in England will be introduced, we acknowledge the need for updated guidance to determine how properties should be considered either within or outside of the market. We agree that the specific details Ofwat is aiming to set out in this consultation concerns only a relatively few premises out of the 1.2 million that are estimated to have the option to switch retailer for water and/or sewerage services from April 2017. However, it is the need to make clear in the guidance about these properties that will determine whether Ofwat's aims of clarity, simplicity and consistency will be achieved.

Our responses to the specific questions you have raised are provided in an annex to this letter. In summary, our concerns are generally focused on clarity for customers and feel that further work may need to be done within the guidance to ensure that this occurs.

If there are any points you would find it helpful to explore further, we would be pleased to do so.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Downer', written over a light blue horizontal line.

Jeremy Downer
Head of Customer Services



Annex

Sutton and East Surrey Water Responses to Specific Consultation Questions

Q1 Do you have any comments or concerns in relation to our proposed guidance on the threshold requirement ?

We note that the application of the threshold requirement to customers with different water and sewerage service providers, one of which is in England and one of which is in Wales, will find it particularly confusing to understand their eligibility (or not). Being eligible to only switch their sewerage service and not their water service is a bureaucratic solution and takes no consideration of the customer perspective. We appreciate that this may be a view formed on the basis of the threshold associated with the legislation in each country, but does not seek to resolve matters for customers who are in that situation. We would in particular urge Ofwat to consider how this can be addressed to ensure that the clarity objective is fully met, and to offer a more 'legitimate' scheme from the eyes of all customers.

Q2 Do you have any comments or concerns in relation to our proposed guidance on what constitutes a single set of premises ?

We note that the proposal as set out does not allow for the fact that we currently have customers who we charge directly who are connected to a private water supply network. We identify this as a 'main and sub' supply which is a reference to the metering arrangement. The 'main' meter serves the entire site, whereas the 'sub-meter' measures the supply to the associated property. The charges to the 'main' property are calculated by deducting the 'sub-meter' consumption from that of the main meter. The property whose consumption is recorded by the sub-meter is then billed separately. We have a number of customers whose supplies are associated with this type of arrangement and we suspect that it might be equally as common in other water company areas. Our understanding of the proposal as currently drafted is that it will require this to be unwound as they will be defined as a 'single set of premises' for the purposes of the licensing regime. This will result in some customers losing the right to obtain retail services in the way they currently do. We would suggest that this is retrograde from a customer perspective and that the guidance should be amended to allow for this situation. We note that the Market Rules being devised as part of the Open Water programme specifically allows for the situation with 'mains' and 'subs'.

Q3 Which factors are relevant when deciding whether or not the principal use of mixed-use premises is as a home ?

The main factor that should be considered is the extent to which water is being used for domestic use as defined under the Act. In this instance, if the majority of water is used for domestic purposes, such as for nursing homes, then these could be excluded from the market. The difficulty will come with properties where a differing proportion of domestic use may occur, such as on farms. Many farms these days are used less for commercial 'farming' activities and more for residential accommodation and sustenance. But identifying those farms where a 'sufficient' proportion of the water use is for 'non-household' purposes would be a challenge.

Q4 Do you have any comments on our proposed guidance on the definition of eligible non-household premises?

The proposed guidance makes no reference to sites which are not able to be occupied and which will be within the market definitions e.g. troughs and field

supplies, public utility buildings, where there might not be a basis for business rates. We understand that this was the cause of some of the mismatch in the recent Open Water Data Pilot project, although the final report for this work is still yet to be published.

We do have concerns about being able to easily identify the principal use of a property at particular premises where there might be uncertainty. The guidance suggests gathering 'field based' data for instance during meter reading activities. We would expect that the only real way to do this would be to have a dedicated team investigating these properties, and this would of course increase the costs associated with that activity. This matter needs further consideration and, if the costs are significant, how this money should be recovered by companies.

Q5 Do you have any further comments or concerns in relation to the proposed changes we are making to this guidance?

No.