

South East Water's
Response to Ofwat's
Consultation on
Eligibility Guidance

April 2015

1 INTRODUCTION

This document provides South East Water's response to the eligibility guidance issued in March 2015.

2 GENERAL COMMENTS

In summary, the document provides a useful guide to eligibility and we support a move to using council tax and business rates to help categorise premises.

For the majority of premises eligibility will be able to be assessed using the proposed guidance however more work may be required to help ensure consistency in definition of mixed-use premises as detailed in our answers below.

3 ANSWERS TO SPECIFIC CONSULTATION QUESTIONS

Below are responses to the specific questions in the consultation.

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

No.

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

No.

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

The suggested rule that looks at whether the household element is dependent on the non-household element seems sensible.

The document also suggests that the amount of council tax or business rates that is paid could be assessed – if this approach is pursued then further guidance should be given on this point to ensure consistency in approaches between companies.

A balance needs to be struck between a complex set of factors that technically may give a more 'accurate' view of principal use versus a simpler approach to define if a mixed property can be included in the market that is easier for companies and customers to administer. For example a simple approach would be that any mixed property that has an element of business use could be categorised as non-household and be eligible to switch. The customer

will always have the option of separating the domestic element if they were not happy on the premise being included in the market.

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

The document states that a mixed use premise should be classified as non-household if the household part is dependent on the non-household part. A definition of 'dependent' would be helpful to determine the categorisation in different scenarios – eg shop with a flat above.

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

Consideration should be given to the impact of any changes in moving customers from a non-household to household classification (and vice versa) as a result of any new guidance. This will impact the number of customers assumed in the price control and how costs have assumed to be recovered. It may also lead to incidence impacts for some customers – consideration should be given to the phasing in of any bill impacts if this is the case.

Guidance should also be provided about the expected frequency of eligibility assessment – this could be reviewed each time a customer switches retailer or if there is a change of customer occupation within an eligible premise.