



Ofwat
Centre City Tower
7 Hill Street
BIRMINGHAM
B5 4AU

Strategy and Regulation

Name Colm Gibson
Phone 07769640703
E-Mail colm.gibson@thameswater.co.uk

17 April 2015

Dear Sir/Madam

Thank you for the opportunity to respond to Ofwat's Eligibility Guidance consultation.

Thames Water supports the approach proposed by Ofwat and agrees with the "clear", "simple" and "consistent" principles upon which Ofwat's approach is based. Thames Water believes that an approach that embodies these principles will provide an objective and effective basis for determining eligibility.

In the Appendix to this letter we provide our responses to Ofwat's consultation questions. We have also provided some examples of where we believe greater clarity is required. In particular, at the moment there are numerous examples in our area of arrangements such as a shop with one or more flats above, with water services supplied by a single metered supply, as a single account (i.e. with only 1 standing charge levied). We are keen not to be required to separate all such accounts, as we do not believe that this would be in the interests of our customers (who might face bill increases via the additional standing charges that would result, and the inconvenience of having sub-meters fitted). We would be grateful, therefore, for explicit confirmation that these accounts do not need to be split for market registration purposes, but that companies would retain the option to split the account into separate premises, if customers requested.

If you have any follow up questions or wish to discuss any of the points raised in our response please contact Julian Tranter (julian.tranter@thameswater.co.uk) in the first instance.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Colm Gibson".

Colm Gibson
Head of Economic Regulation

Thames Water Utilities Limited
Clearwater Court, 2nd East
Vastern Road
READING
RG1 8DB

M 07769640703
I www.thameswater.co.uk

Registered in England and Wales
No. 2366661 Registered office
Clearwater Court, Vastern Road,
Reading, Berkshire, RG1 8DB

Appendix 1

Question 1: Do you have any comments or concerns in relation to our proposed guidance on the threshold requirement?

We agree with the proposed approach.

Question 2: Do you have any comments or concerns in relation to our proposed guidance on what constitutes a single set of premises?

There are a range of different industry billing practices at the moment. With any approach, therefore, there is a danger of a mismatch between the definition of “premises” and existing billing arrangements. Indeed, we have many examples where there are several “premises” (according to the Valuation Office definition) billed as a single account (e.g. a shop with flats above), and equally where there are several different accounts with different customers that might (under some approaches) be regarded as a single “premise” (e.g. a shopping centre where each shop was charged separately, but all supplied through a single supply point).

Consider for example a shop with (two) flats above, with water services supplied by a single metered supply, as a single NHH billed account (i.e. with only 1 standing charge levied). We are keen not to be required to separate such accounts, as we do not believe that this would be in the interests of our customers who might face bill increases via the additional standing charges that would result, and the inconvenience of having sub-meters fitted. Equally, we would not wish to be required to aggregate accounts from several different “co-located” customers (e.g. shops in a shopping centre) because the definition required them to now be regarded as a single premise.

We are concerned that the consultation did not clarify these examples directly.

In Section 3 of the consultation, Ofwat proposes that “*In England following market opening, we are proposing that each property that is eligible to be rated separately by the Valuation Office for the purposes of local taxation should be treated as a separate set of premises*”, notwithstanding that they may currently be billed as a single account.¹ This is somewhat different to the position in the appendix, which says that where it is the case that “*a company supplies several properties through a single supply point, for example because they are connected to a private network*”, then “*these properties should be defined as a single set of premises for the purposes of the licencing regime*”,² presumably notwithstanding that they may be regarded as separate by the Valuation Office.

¹ Consultation, page 10

² Consultation, page 32

Because of the potential impact to both household and non-household customers we would be grateful if the final Guidance could confirm that we would not be required to change the level of account aggregation, and that these accounts do not need to be split (or aggregated) for market registration purposes, but that companies would retain the option to split an account into separate premises, if customers requested.

Question 3: Which factors are relevant when deciding whether or not the principle use of mixed-use premises is as a home?

We agree with Ofwat that the default criterion for assessing whether a set of premises is principally used as a home is whether it is a “domestic or a non-domestic property for the purposes of council taxes and business rates”.

We also agree with Ofwat that a set of premises is non-household if the household part of the premises is dependent in some way upon the non-household part.

As our answer to question two illustrates, our view is that the impact on current billing arrangements is an important a factor that should be taken into account when assessing mixed use premises. It would be pragmatic to ensure that the Guidance explicitly permitted existing billing arrangements to endure.

Question 4: Do you have any comments on our proposed guidance on the definition of eligible non-household properties?

Experience in Scotland has shown that it is easier for customers and retailers to validate and understand eligibility if there is an independent dataset that they can look at.

We agree with Ofwat proposals that:

- premises are liable for council tax only = household
- premises liable for business rates only = non-household
- premises not liable for either council tax or business rates = household

For premises liable for both council tax and business rates the primary criteria should be to ensure existing customer billing arrangements are not adversely impacted, but subject to that we support Ofwat’s proposed criteria that premises should be non-household.

Question 5: Do you have any further comments or concerns in relation to the proposed changes we are making in this guidance?

Supply areas

A small number of non-household premises are served by inset providers operating both in England and in Wales. It is not clear whether such suppliers are operating wholly or mainly in Wales or wholly or mainly in England for the purposes of eligibility (and market and regulatory requirements more generally). While specific sites are clearly delineated, it would be helpful to have guidance on the interpretation of “wholly” or “mainly” in circumstances where, for example, the substantial majority of an undertaker’s water business is in Wales and the substantial majority of the sewerage business is in England.

Data sources

There is a need for all market participants to agree a standard external dataset for the purposes of eligibility. We note that the Valuation Office Agency has both 2005 and 2010 valuation lists and that its lists are constantly being updated:

<http://www.2010.voa.gov.uk/rli/en/advanced>

We would suggest that either Ofwat, for the purposes of dispute resolution guidance, or Open Water, for the purposes of consistent registration, specify the precise datasets that should form the basis of eligibility.