

Severn Trent Plc

Severn Trent Centre
PO Box 5309
Coventry
CV3 9FH

Tel 02477 715000
Fax 02477 715871

07 April 2016

Dear Stakeholder,

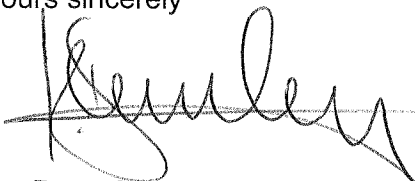
Consultation on supplementary guidance: assessing whether non-household customers in England and Wales are eligible to switch their water and wastewater retailer

Obtaining clarity on non-household customer eligibility is critical for the effective functioning of the retail market from both a customer and trading participant perspective. We therefore welcome the opportunity to comment on Ofwat's supplementary guidance on eligibility and generally consider the proposals to offer a clear pragmatic approach to resolving outstanding issues around eligibility.

Our responses to the specific consultation are set out in **Annex 1** where we have identified some comments and proposals in relation to a number of categories relating to separate water and sewerage providers, halls of residence, temporary building supplies, animal troughs, allotments and vacant properties. Where we have not raised comments we are in agreement with the proposals.

We would be pleased to provide more information about any point made in our response.

Yours sincerely



Ian Dearnley
Head of Transformation – Competitive World

ANNEX 1

1. Views on where the descriptions in the examples are not reflective of the types of issues encountered

We believe that the examples set out in the supplementary guidance are reflective of the types of issues encountered and that there is nothing materially missing.

2. Views on where there may be any inconsistency between Ofwat draft supplementary guidance and the relevant legislation

We do not believe that there is any specific inconsistency between the draft supplementary guidance and the relevant legislation.

3. Views on where the proposals in the Ofwat supplementary guidance are unreasonable

We have set out some comments below in relation to specific categories:

Para. 1.3.2: Premises with separate water and sewerage service providers

While we acknowledge that separate water services and sewerage services providers should be responsible for making their own assessments, we nevertheless believe that it is in customers' best interest for providers to adopt a consistent approach to eligibility assessment. Where there is a lack of alignment on eligibility, we propose that the Water Service provider's rules should take precedence.

Para. 1.4.1: Student Halls of Residence

The supplementary guidance makes a distinction between accommodation which is reliant on shared facilities as part of the accommodation costs (eligible) and accommodation which is self-contained/ self-catered where the principal use is considered to be a home (not eligible). While we acknowledge the underlying principles, we do not consider it to be reasonable to determine whether each building is self-catered as part of the assessment. We propose an approach informed by network data, which remains consistent with the underlying principles set out by Ofwat, but with the decision on aggregated sites taking precedence where relevant as set out below:

- a. premise (Site) to be regarded as non-household if individual buildings cannot be isolated from the rest of the University site by a meter (i.e. bulk supply to whole site);
- b. residences to be regarded as household if the building can be isolated from the rest of the university site by a meter and the building has its primary use as a home for students (e.g. large block of student flats with gym below), to include both on and off-campus residences;

- c. premises to be regarded as non-household if they have their primary use as a commercial venture (e.g. multiple shops with a few student residences above), to include on and off-campus residences.

Para. 1.4.8: Car parks and garages

While we agree that commercial car parks are non-household, we consider that the supplementary guidance will nevertheless capture a large number of non-household premises where the cost of billing exceeds the income. As such, they would not add value to the market in terms of benefiting from competition as per the last sentence of paragraph 1.3.1 and propose that they should be excluded on this basis, with individual companies using their own below minimum bill values for this purpose. Where these premises are 'associated' with a household premise, we believe that they should adopt the same classification, i.e. a garage/ car parking space attached to a house or a garage/ car parking space located nearby to the house should be treated in a consistent manner.

Para. 1.4.9: Animal Troughs

Where an animal trough is separately supplied, we do not believe that it should automatically be considered to be non-household and entered into the market. Each trough will be associated with either a household premises (e.g. residential farmhouse) or non-household premises (e.g. working farm). We believe that animal troughs should adopt the same classification as the associated premises. If we are unable to confirm the association, we would nevertheless propose it to be classified as non-household.

Para. 1.4.10: Allotments

We prefer the previous Ofwat guidance on allotments which we considered to be reasonable. Allotments are primarily associated with household premises (i.e. a garden that happens to be located away from the property) and therefore should adopt the same classification as an underlying principle. We nevertheless agree that allotments rented out for commercial production are non-household, where they can be clearly identified as such.

Para. 1.4.11: Temporary Supplies for Developers

We agree with the proposed approach for show homes, site construction use and welfare facilities (classified as eligible sites). We nevertheless believe that some uncertainty remains around eligibility classification in the period between water being connected to a property within the site and used by the builder (e.g. for testing purposes) and the property subsequently being occupied as a home. We do not believe that properties under development for household customers should be eligible for the market for this interim period.

Para. 1.4.13: Vacant properties

We note that the previous guidance advised using the last occupancy details to determine eligibility and this, together with business rates / council tax liability, should be sufficient to enable classification. We believe that this will provide more consistency than using an assessment of capability of use as a home which is subjective and difficult to determine.