



Code for Adoption Agreements Consultation  
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Dear Adoption Agreements team,

### **Consultation on Code for Adoption Agreements**

SSE has a subsidiary company - SSE Water Limited (SSE Water) - that participates in the water markets under the New Appointments and Variations (NAV) framework and is sometimes known as a “new appointee” or NAV company. Such companies provide competition to existing incumbent water companies in the provision of local water and sewerage infrastructure to serve the needs of developer customers. Once an appointment variation to cover a new area has been granted, it would be rare for a developer to involve other parties such as self-lay organisations (SLOs), having concluded commercial arrangements with the relevant NAV company. However, we recognise that the situation could arise and therefore that NAV companies, in the same way as incumbent water companies, could find that they are required to adopt assets from third parties for relevant work in their appointed areas. We would hope that the developing arrangements, for example on monitoring and reporting, will recognise the relative infrequency of activity in this area for NAV companies in the interests of proportionality of regulatory requirements in this area.

We have no particular comments on the developing structure of the Code and proposed obligations and welcome the reference to NAV companies at paragraph 4.1.1 (a) as one of the options available to developer customers for the provision of new connections infrastructure. It would, in fact, be very helpful to NAV companies if Ofwat could set out similar expectations on service levels that NAV companies should be able to expect from incumbent water companies since they, just as much as SLOs, remain reliant on non-contestable services from the incumbent water company to provide competitive services to developer customers.

We have one comment on the proposed wording of the Code and this relates to defects liability retention payments. We notice that paragraph 3.4.6 does not permit this for water infrastructure unless there is ‘robust evidence’ that it is required whereas paragraph 3.5.4 neither ‘prevents nor requires’ this for sewerage infrastructure. We understand that use of retention payment for work carried out by third parties is common practice in other industries, forming a useful protection against inadequate work from parties who will have no lasting relationship with end users once the contractual work is complete. It would seem useful for this practice to be expected, on a reasonable basis, for work on water infrastructure as well as that for sewerage.

I hope these comments are useful.

Yours sincerely

Aileen Boyd  
Regulation Manager