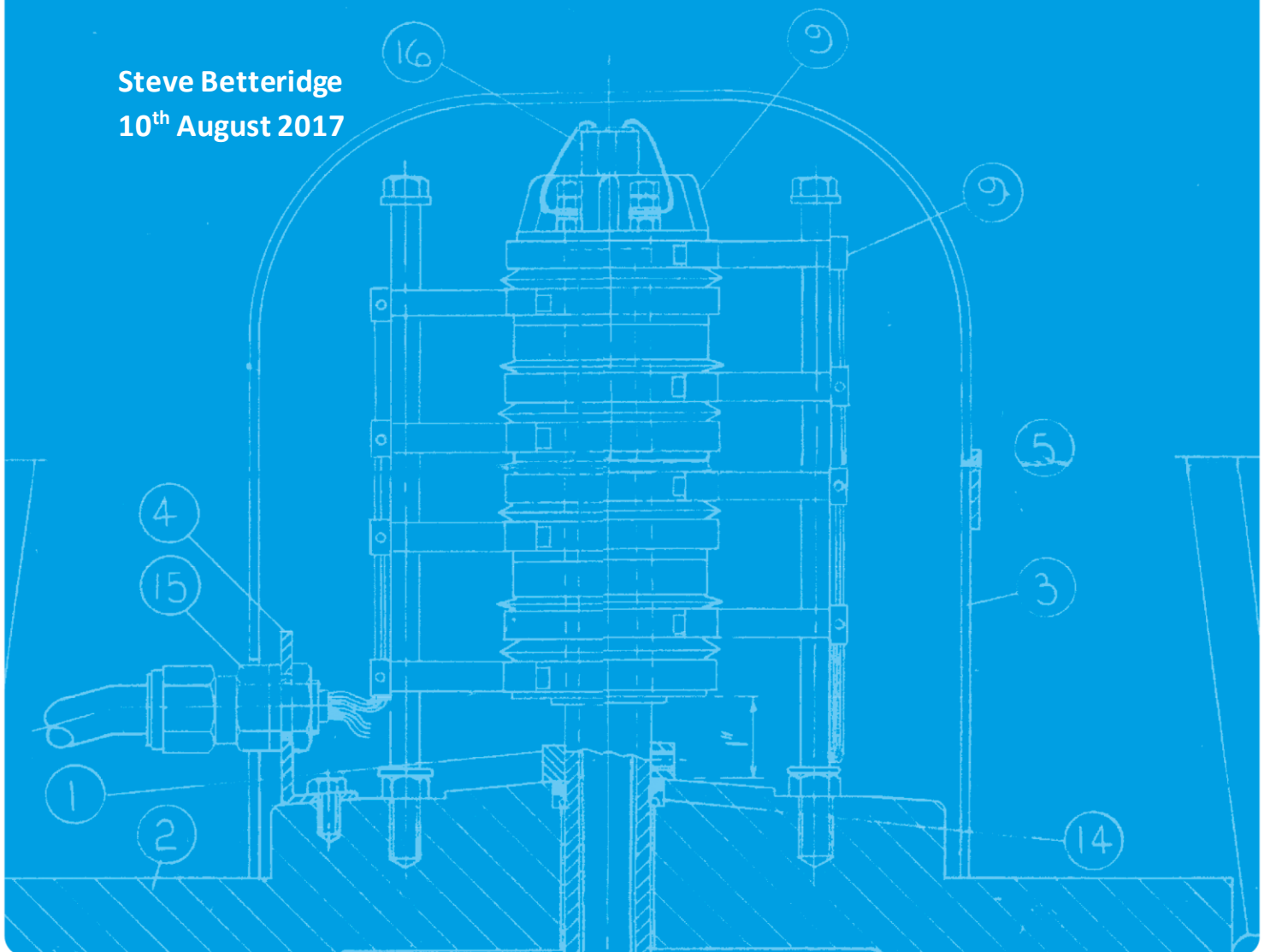


# Ofwat Consultation on the Code for Adoption Agreements

*Severn Trent Water response*

Steve Betteridge  
10<sup>th</sup> August 2017



## Summary of our Response

Thank you for providing us with the opportunity to comment on Ofwat's Code for Adoption Agreements proposals.

The Code reinforces the principles laid out in the consultation. We recognise that customers are seeking greater consistency between Undertakers and we therefore understand the need to consider a significant shift in approach to a more prescriptive framework. We also recognise that our customers ask us to look at innovative ways to improve our services to them. We are concerned that the level of consistency sought through this framework could stifle innovation and the ability to respond to our customer's needs.

We believe the current proposals will require considerable resource to implement, and subsequently maintain. Changes will be required at all levels of the Developer Services business including our staffing levels, business processes, IT systems and assurance framework in order to meet the proposed obligations. In particular, the enforceable obligation on statutory undertakers, to develop and maintain sector guidance and model adoption agreements (in collaboration with customers), is a significant task to deliver by April 2018, particularly in light of the reformation of the New Connections Charging regime which is also due to be delivered within this time frame. Both pieces of work represent significant overall change and engagement within the sector, which will ultimately be difficult for undertakers, their stakeholders and customers to absorb in both time and costs, while continuing to deliver business as usual services to the high standard we and they expect.

In recognition of these factors, we believe it would be appropriate to delay the enactment of these proposed changes by 12 months to deliver by April 2019. This will allow sufficient time to implement and properly embed the New Connection Charging mechanism next year.

We would welcome the opportunity to discuss these issues with you in more detail.



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## Response to Consultation Questions

### Q1. Do you agree with our preferred approach in terms of the content and scope of our Code? Please explain your answer.

We agree with Ofwat's preferred approach and see benefits for both our customers and undertakers.

We think clear guidance that sets out expectations and obligations for all parties is good and would improve on the current state of play.

We would suggest that the model agreement should be rationalised by making reference to the guidance held within the code rather than repeated within the agreement itself to avoid the documentation becoming overly cumbersome. A rationalised agreement operating alongside the code itself would simplify the process for new entrants and first time users.

### Q2. Do you agree with our proposed code principles and their definitions? Please explain your answer.

We agree with the proposed principles and their definitions however, there are three areas we believe should be reviewed:

- **Efficiency** – The model agreement and guidance could be used in conjunction with each other rather than repeated, which would lead to a more efficient process.
- **Encourage Innovation** – There is a need to balance the prescriptive nature of this proposal while allowing and encouraging innovation in the sector. This should be done in a manner that does not artificially lengthen the process, which could in effect deter innovation as it could be treated as non-standard practice.
- **Customer Focussed** – National model agreement and guidance has the potential to reduce the ability to be flexible and potentially limits opportunities to innovate or improve on customer service.

### Q3. Do you think our proposed minimum information and publication requirements are appropriate and sufficient?

We agree with the proposed information and publication requirements.

We would be interested to see how Ofwat foresees the proposed panels operating e.g. national and service specific (water or waste), regional and service specific, or company specific. Depending on the manner in which the panel operates, there would potentially be different time requirements on panel members, which could affect availability of the appropriate resource.

### Q4. Do you agree with our proposed approach of requiring companies to develop Sector Documents and Model Adoption Agreements in consultation with Developer Service Customers, according to a set of minimum requirements?

We agree with the proposed approach to develop Sector Documents and Model Adoption Agreements in conjunction with our customers.

**Q5. Do you agree with our proposed minimum requirements? Please explain your answer.**

We agree with the proposed minimum requirements. As mentioned above, depending on the nature of the panels, we note there may be a different level of resource required to ensure adequate governance of processes i.e. attendance at panels to propose/confirm changes, annual reporting etc.

**Q6. Do you agree with our proposed approach to deviations? Please explain your answer.**

We agree with the proposed approach to deviations and believe it is a sensible compromise to minimise effects on timescales for development where an undertaker and developer are in agreement on the deviations, while ensuring alignment with the high level principles of this code.

**Q7. Do you have any comments on our proposed approach to governing the initial approval of and subsequent changes to the Sector Documents and Model Adoption Agreements?**

We believe the proposed approach seems reasonable and promotes a collaborative approach to governance whilst ensuring that OFWAT maintains overall approval to the Sector Documents.

**Q8. Do you consider the proposed timeline for submitting the Sector Documents and Model Adoption Agreements to us for approval to be realistic and achievable? If not, what would you consider to be a suitable timeline?**

**Q9. Do you have any comments on the assurances the sector will be required to provide to us when submitting the Sector Documents and Model Adoption Agreements to us for approval?**

For questions 8-9, we have provided a combined response below.

We believe the proposed transitional arrangements and assurance requirements seem reasonable when considered standalone, however we believe implementing these changes within the required timescale may be challenging.

The Developer Services sector is currently undertaking a huge amount of regulatory change during the 17-18 period e.g. the New Connections Charging mechanism. These changes have significant impact on how we operate currently requiring us to upskill staff, create new business processes, instigate IT system changes and implement an appropriate assurance framework to deliver these proposals. This causes a potential risk of change overload within the sector and places a large burden on statutory undertakers to absorb this level of change while continuing to deliver business as usual services for customers to the high standard we and they expect.

We believe it would therefore be appropriate to delay the enactment of these changes by 12 months to deliver in April 2019, allowing for the New Connection Charging mechanism to be delivered and embedded next year.

**Q10. Do you have any comments on our proposed transitional arrangements to enable companies to comply with the Sector Documents and Model Adoption Agreements?**

We believe it would be unfair as part of the transitional arrangements to utilise the code to inform Ofwat's decision in respect of appeal to the terms of a water adoption agreement under S51b WIA91 prior to the codes enactment.