

9<sup>th</sup> April 2019

Isles of Scilly consultation  
Ofwat  
21 Bloomsbury Street  
London WC1B 3HF

Email to: [IslesofScilly@ofwat.gov.uk](mailto:IslesofScilly@ofwat.gov.uk)

Dear Sir/Madam,

**Ref: Proposal to vary South West Water's area of appointment to include the Isles of Scilly**

Thank you for giving us the opportunity to provide our comments on Ofwat's proposal to vary South West Water's area of appointment to include the Isles of Scilly.

Overall, we support the proposal in relation to South West Water operating as the undertaker for the affected area, serving both domestic customers and wholesale function for non-household customers.

However, we have a number of questions regarding the provision of retail services for business customers that we feel the consultation does not cover. We would welcome further discussion or guidance on how this will integrate into the existing regulatory framework for the competitive market, particularly in relation to the following:

**Business Customer Allocation Process**

The consultation is primarily focussed on wholesale (and domestic) services and we would welcome clarification on the process that Ofwat intends to follow to allocate business customers.

It is our understanding that Ofwat intends to replicate arrangements in place at market opening but given the unique situation of Isles of Scilly (and the fact that South West Water have already exited the market), the existing regulatory instruments (e.g. Retail Exit Code, Interim Supply Code) do not seem to easily allow for the allocation of business customers to a retailer.

**Price Control**

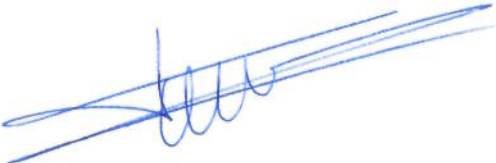
The consultation mentions that business customers will be subject to the same price and non-price protections as customers in the mainland. However, the retail cost to serve in the Isles of Scilly is likely to be different (i.e. higher) to the rest of England, and the consultation has not provided clarification on how this will be addressed.

Water Plus  
Two Smithfield  
Leonard Coates Way  
Stoke-on-Trent  
Staffordshire  
ST1 4FD

Furthermore, there is currently no associated retailer servicing these customers and it is unclear how price protections will be applied to these customers upon transfer to the allocated retailer.

We trust that you will find our response helpful, but as always please do not hesitate to get in touch.

Yours sincerely,



**Stève Hervouet**  
Head of Regulation

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