

United Utilities response to Ofwat consultation- Proposed changes to Eligibility Guidance and Supplementary Eligibility Guidance -February 2022

Introduction

United Utilities welcomes the opportunity to comment on the proposed changes to the Eligibility Guidance and Supplementary Eligibility Guidance. We have responded to each of the questions set out in the consultation below.

1. Do you have any concerns about our proposed changes?

We believe there are some elements of both the newly changed guidance and the historic unaltered guidance which could be confusing to interpret and would benefit from certain clarifying comments as set out below.

Section 2.2. How to establish the extent of premises.

The proposed guidance in section 2.2, set out in paragraph 3, could create confusion. We believe that this section could be clearer in setting out that the definitions in the guidance are for the purposes of assessing eligibility only, as opposed to applying to how charges are levied.

To avoid conflicts with market participants' own definitions of premises, we would suggest the use of the phrase 'single premises' should be made clearer. In paragraph 3 it states:

'In certain circumstances, it may be justifiable for a retailer to supply several non-household properties through a single supply point – for example because they are supplied via a private distribution network (for example, such as on certain industrial estates) and there is evidence of a joint billing agreement. In such circumstances, these properties should be treated as a single premises.'

We suggest that 'single premises' be changed to 'single set of premises'. In the previous version of the guidance, the example referred to a 'single set of premises' which was, in our view, clearer than the revised text. In addition we suggest that the following text be added to the introduction of the eligibility guidance 'definitions within the guidance are for the purpose of assessing eligibility only, as opposed to charging'.

Also within section 2.2 there is reference to joint billing agreements. To avoid confusion we suggest that it be made clear that this is a reference to retailer to customer agreements, and not wholesaler to retailer agreements. Our understanding is that joint billing agreements referenced within this guidance refer to any number of customers who have chosen to be billed on one agreement, e.g. a landlord paying for all of their tenants who are not supplied by the same meter. It needs to be made clear that the existence of a single supply is the only consideration for a wholesaler in relation to billing.

Wholesalers are responsible for the registration and maintenance of the SPID, and any billing agreements, or arrangements, are between the retailer and their customer, which is not the concern of the wholesaler.

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The following paragraph is for noting rather than a specific request to amend the text of the guidance. Paragraph 4 of section 2.2 states that the expectation is that individual non-household premises should be measured via its own supply point. We agree with this as a general principle and don't propose that the text should be revised. However, it is also the case that there are some exceptional occasions when several non-household properties are billed through a single supply point. In these situations if the customer makes a request to switch retailer, and/or to be billed directly, rather than via a joint billing arrangement, we would always look for ways to accommodate the retailer or customer request. If the customer is a part of a single set of premises supplied by one pipe and meter, the likelihood is that the existing pipework will not facilitate this without significant alternation. This alteration would usually include a cost to possibly install a new connection, or individual meter all units. There will be occasions when we are unable to reach agreement with the retailer/customer on a way to do this that is acceptable to all parties. That said, we would hope that these situations and circumstances would be uncommon.

A 1.19. Temporary supply for developers

On temporary supply for developers there are additional complexities that do not require a change to the proposed guidance, but we feel are worth setting out.

In the U UW area developers have a choice to either request a metered supply, or be charged on an unmetered basis. Metered supplies are included within the market. The unmetered building water charge is a fixed charge that is levied to a developer at the point of connection, in respect of water used both during construction and before occupation of the premises. This unmeasured charge does not solely cover the usage of water during construction, but also includes the testing of water fittings. Therefore, the services provided within our unmeasured building water charge are wider than those defined in the guidance which states:

“temporary supply would be considered to be for non-household premises where temporary supplies for building sites are used solely for the purposes of constructing premises (i.e. building water used for washing down sites, mixing cement, etc.)”.

Unmeasured charges that encompass both building water and testing of water fittings are not included within the market.

Section 2.3. How to establish the principal use of premises.

We believe that a premises can be eligible for the business retail market for surface water and highway drainage charging purposes, but not for the supply of water and/or sewerage services. We would therefore suggest that the guidance in section 2 regarding the extent and the principal use of premises is updated to recognise that two separate assessments may need to be undertaken to determine eligibility, one for water and sewerage and one for surface water and highway drainage services.

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Where we have 2 or more premises being supplied by a single metered supply point - for example where domestic accommodation is above a shop and there are separate council tax and business rate liabilities - we consider the eligibility of that metered supply to be determined by the principal use of the water supply. Our charges require that we bill a fixed charge for surface water and highway drainage to each separately rated premises, i.e. to all household premises served by a common water meter as well as to each measured non-household premises. We therefore do have a significant number of premises that are only billed for surface water and highway drainage as they are not considered to be the principal user of the metered water supply. Many of these premises will be judged to be household based on the principal use of their water supply; we therefore have a significant number of premises who are charged via the business retail market solely for surface water and/or highway drainage. Surface water needs to be treated as a separate service and therefore it needs to be assessed separately.

A1.21 Vacant property/premises

We note that for household customers a property being unfurnished is used to assist in determining if a property is unoccupied. However, in our experience the fact that a property is unoccupied or unfurnished does not mean that the supply is not in use. Therefore, UUW has moved away from using a household being unfurnished as the primary means by which to establish if a property is using water.

Where there is evidence of water usage even if a property is unfurnished we will charge for our services. Within the guidance it gives the property being unfurnished as an indication of a premises should be considered vacant.

Consideration should be given to amending the guidance to highlight that this is not always the case in relation to household customers.

We consider it very important to ensure that we are charging consistently for services provided. For unmeasured properties, where there is a benefit of supply, there is very often usage as there tends to be ongoing cleaning, use of the central heating, and occasional flushing of toilets etc.. Customers then have the option to keep and pay for the supply, temporarily disconnect, or request us to install a water meter free of charge. If the property is being renovated there is usually use of the supply during renovation so we would also charge in these situations/circumstances, but these properties are also usually unfurnished.

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2. Is there anything in respect of eligibility for the business retail market that the proposed updated guidance does not cover that you consider would be useful? If so, please provide details of why this would be useful.

As guidance is unlikely to be able to fully cover all potential scenarios we expect that as we gain further experience of the market further iterations to this guidance will be required. Some of the proposed guidance leaves some remaining ambiguity that has the potential to create difficulties in terms of interpretation that may require further examination.

Principal use

The determination of principal use remains to some extent subjective. This subjectivity is particularly likely in relation to B&Bs and accommodation associated with churches. If we are looking to achieve consistency further guidance may be required in future. Whilst eligibility is clear if there is a premises solely used as a place of worship and associated accommodation for the operator of that activity, supplied through a single supply, in reality a range of situations will occur.

Where the guidance refers to “churches”, it would likely be more appropriate to refer to “places of worship.” This will make it clearer that the guidance is intended to apply to all places of worship rather than only a subset.

Additional information requirements

The proposed guidance is based on an expectation that wholesalers have access to data to support the determination of eligibility. In our experience, this data is often not complete or not available to the wholesaler. Examples of this include animal troughs and care/nursing homes.

On animal troughs it can be very difficult for wholesalers to understand the relationship between a trough and a premises. It is a retailer responsibility to keep these customer records updated. This is an area where additional difficulties can arise. That said at present we do not suggest amending the guidance as hopefully these circumstances are rare.

In the care/nursing homes section the level of detail needed to understand the eligibility in relation to care providers leasing premises will be difficult to obtain and therefore assess eligibility. However these scenarios should be rare and therefore we do not suggest a need to amend this section of the guidance at this time.

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3. Are the scenarios provided in the updated guidance comprehensive enough? Are there any missing that would be helpful, or are there some scenarios that are no longer required? If so, please provide details of why you believe this to be the case.

A1.20 University halls of residence and accommodation

Having previously had a determination relating to this type of accommodation we welcome the additional guidance. However we feel that further advice relating to one very common scenario in our area would give the guidance additional clarity, and thus ensure that student accommodation is dealt with consistency across all areas and is managed within the correct market:

Where students are not allowed to stay in their accommodation for the full year, typically this is off campus and often a private landlord, but the accommodation is not let out or used for any other purpose during their absence and the landlord is using the time to refresh the accommodation e.g. carry out a deep clean or redecoration, would this be considered household or non-household? The period when the accommodation is not in use is commonly between 2 and 6 weeks.

Historically we considered this to be non-household, as students were unable to remain all year and have to return to their substantive home. However, on receipt of the information received in our determination this indicated that we should treat these situations as household due to the accommodation not being used for any other purpose and so because it is used as a domestic dwelling for a large part of the year the primary usage is as a home.

We would appreciate any additional guidance that can be provided for this scenario.