

*improving living in scotland*



**Water Industry Commission (WIC)  
Draft Determination of the  
Strategic Review of Charges 2010-14**

**23 September 2009**

**Introduction**

Homes for Scotland is the authoritative voice of the home building industry in Scotland. With a membership of over 200 organisations together providing 95% of new homes built for sale in Scotland, we are committed to improving the quality of living in Scotland by providing this and future generations with smart and sustainable homes in places people want to live. We aim to create an environment in which the home building industry can prosper and make a significant contribution to the social, environmental and economic well-being of Scotland.

**Draft Determination of the Strategic Review of Charges 2010-2014**

Following release of the Draft Determination of the Strategic Review of Charges 2010-14 by the WIC and detailed consideration by our Technical Advisory Groups, we wish to highlight our concern with the intention to reallocate a number of activities from Wholesale (SW) to Retail (the Licensed Providers). We refer in particular to Staff Paper 11, section **11.4 New Connections, Disconnections and Reconnections**.

**Current experience with non-domestic connections**

Our members experience to date with licensed providers for 'non-domestic' connections has not been particularly good, with developers suffering from delays in connection and general frustration with the system.

We note that you acknowledge this in Staff Paper 11, *"the interfacing has not been fully effective because of lack of clarity in the Operational Code and an over reliance on Scottish Water to progress the connection process"*. Since you acknowledge that the experience with licensed providers has not been particularly effective, we are surprised and concerned that a proposal should be brought forward to increase the role of licensed providers.

At this stage our members take the view that sufficient time has not been given to test whether or not the non-domestic connections arrangements can be made to work efficiently. We would be extremely concerned that the premature extension of the role of licensed providers would have a damaging, negative impact on domestic projects.

**Another tier of approvals, potential delays...**

The introduction of licensed providers into the domestic connection market is likely to introduce a further level in the approvals and procurement process, thereby extending what can already be a fairly protracted timescale.

Furthermore, it is unclear how the payment procedure would be affected. Developers presently pay Scottish Water both Inspection and Connection charges and presumably the connection

charge would be payable directly to the licensed provider. Depending on how this is structured, there may actually be a cash flow benefit to developers, but this has not been detailed.

Under current arrangements, we understand that licensed providers effectively bulk purchase water and resell it to their industrial and commercial clients. It is unclear if it is intended to extend this arrangement to domestic customers or if the involvement of the licensed provider will be limited to the connection. Clarity on this would be helpful.

### **Potential to improve customer service**

We acknowledge that the proposals to extend the role of licensed providers are intended to offer benefits to customers through the new connections process, and can appreciate how introducing competition may achieve this. However, given the poor customer experience to date, the industry cannot accept that commercial advantage should be achieved by the introduction of licensed providers to domestic connections at this time.

However, we do accept that if and when improvements to performance of licensed providers for non-domestic connections are proven, it would be appropriate for this proposal to be reconsidered. At an appropriate time we would suggest the introduction of a 'Customer Performance Charter' to lay down timescales for responding and providing quotations or scheduling of works to ensure minimum standards are met.

### **Summary**

In summary, Homes for Scotland has serious reservations about the impact of the changes proposed in Staff Paper 11, specifically section 11.4 New Connections, Disconnections and Reconnections. The reservations concern timescales and efficiency, as well as the overall complexity of the introduction of this proposal and for these reasons we do not support the expansion of the role of licensed providers.