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New Retail Areas Stakeholder Group: Connections working paper

Connections Activities Revised Proposals

Background

On 14 July 2010, the second workshop of the New Retail Areas Stakeholder Connections Group was held. At the workshop the main areas of discussion were:

- a study of Scottish Water's connection processes;
- a Scottish Water information portal;
- combining building water applications with new connection applications; and
- allowing Licensed Providers to direct Utility Connection Providers to make final connections.

Following the conclusion of the workshop, the Commission has met with current SLOs and Scottish Water to discuss our proposals. We have incorporated feedback received from stakeholders at the workshop, and comments received since, into our revised proposals. We have set out our proposals below with the intent of facilitating discussion at the next workshop of the Stakeholder Group in October 2010.

We also attach some further documentation for consideration. First is a document from an existing SLO which outlines where they believe the benefit of UCPs making the final mains connection to Scottish Water's existing network could save money and ensure no additional cost be passed onto the customer. Second is a copy of Scottish Water's internal connections review (as discussed at the previous workshop), together with the underlying report from their consultants, Mott MacDonald.

Connections Activities Proposals

During the Stakeholder Group workshops, themes emerged as to participants' main concerns. Concern was expressed over the lack of information during some phases of the different connections processes. Participants also said that they would like to have more control and choice during the connections process. Keeping these themes in mind, our proposals have been grouped below along similar lines.

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1. Better Information

During the workshops, customers and Licensed Providers stated that the information available during the new connections process could be improved. Both felt they were “in the dark” at different points of the process. For example, customers did not know the status of their application once submitted, or how long it would take until it was approved.

Similarly, Licensed Providers did not have this information to answer their customers' questions when they called. Participants at the workshop also commented that the information available before an application was submitted to Scottish Water is not as good as it could be and they would like to see this area improved.

Improved access to information before an application is submitted

Currently, a large number of applications for new connections are rejected and are required to be resubmitted. It seems that some customers are unsure what information they are required to submit to Scottish Water as part of their application. Other customers have difficulty determining where they should make their connection. These issues often result in applications being rejected, resulting in lost time and additional cost for customers.

We therefore propose better information be made available to customers before they submit their application for a new connection to Scottish Water. In this regard we have attached Scottish Water's review of its connections processes. In this report Scottish Water acknowledges the need to improve access to information and proposes strengthening its connections team to achieve this aim.

Both our proposals and those of Scottish Water focus on the fact that customers should have access to all the information they need in order to make designing their connection as easy as possible. Improved information should increase the number of applications approved on first submission, and also reduce the 'back and forths' between Scottish Water and Licensed Providers. Specifically, our proposals suggest:

- Network information will be made available more readily to Licensed Providers and customers. This may be along the lines of what will be available for Section 29e applications, but Scottish Water will focus in the short-term on improving its existing processes.

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- If an SACDP “data room” is created for Section 29e applications in order to provide improved capacity information and should that information be useful to customers, we propose to allow access to those who are accredited by Scottish Water.
- Licensed Providers will be free to develop sample or template applications (approved by Scottish Water) to assist their customers.

Connection Application Information Portal

Both customers and Licensed Providers commented at the workshops that they are often in the dark on the status of applications once they are submitted to Scottish Water. If a customer calls their Licensed Provider to enquire how long it will take to approve an application, the Licensed Provider does not currently have access to the information needed to answer that question immediately.

Scottish Water has agreed to develop an online portal that will allow customers (and their Licensed Providers) to check the progress of applications in real time. Customers and their Licensed Providers will be able to see the current status of an application and which stages it still needs to complete. By allowing status updates in this way, customers should receive a much better service. We note that developers often have tight timescales and this should therefore be of great benefit to them.

To summarise our proposals:

- A portal will be developed to allow the progress of applications for new connections to be checked by customers and their Licensed Providers .
- It will provide which stages of the approval process have been completed and which still remain. It will also say who the application is currently with at Scottish Water.

Combined Building Water Applications

At the first workshop, it was commented that the process for applying for building water is a considerable source of complaint from customers. Some customers are unsure when they should apply for building water meaning that applications for a new connection are often delayed because a customer has not previously applied for building water. In other cases, a customer does not need or use building water, they use tanker water for example, but their

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new connection application is held up because Scottish Water has no record of them applying for building water.

Customers who legitimately do not use building water from Scottish Water's network should not have to apply for building water just to get their permanent connection. These customers should therefore be able to sign a declaration when submitting their application for a permanent connection, stating they will not be using water from Scottish Water's network for building. This statement will then allow their connection application to proceed without delay.

Additionally, the relationship between applying for building water and applying for a new connection will be clarified. Specifically:

- An application for building water will be built into the connection application.
- As part of that change, customers who legitimately do not intend to use water from Scottish Water's network as building water will be able to sign a declaration stating such and have their new connection application proceed without delay.
- A separate building water application will remain for customers who only need building water.

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2. More Choice and Control

During the workshops, Licensed Providers highlighted that some phases of the new connections process are out of their control. If a problem arises for their customer, there is therefore little they can do to correct it. Licensed Providers expressed a desire to have greater control of the process.

As Licensed Providers are the party with a direct relationship with customers, they have the strongest incentive to provide the best level of service. In response to these comments, we propose the following changes to provide customers and Licensed Providers with a greater degree of choice.

Customers and Licensed Providers will have control over final connections

Stakeholders stated that the scheduling of physical connections by Scottish Water can be very problematic. Scottish Water's framework contractor will contact the customer directly to schedule when the work will be done, leaving the Licensed Provider uninformed. Similarly, Scottish Water stated that their contractor will often arrive at a customer's site to find it is not possible to make the connection. This could be due to the site not being ready or road works permissions not being secured.

Developers are unhappy with the delays that often result from having one party responsible for pipe work and another making the final connection to the main. We understand they would prefer to have one party do both, saving them both time and money.

We therefore propose that Licensed Providers and customers be responsible for selecting an accredited contractor to make the final connection, rather than Scottish Water's framework contractors making all connections. Customers and Licensed Providers are in the best position to select an accredited contractor who will offer the services and price that best suits the customer's needs. For example, improved multi-utility connection services will be possible through one party making water, electricity and gas connections. By shifting this responsibility, customers should receive better and more responsive service.

Customers with tight timelines will have the ability to have their connection made more urgently if needed. In addition, by having Licensed Providers and customers responsible for when and who makes the physical connection, the responsible parties in the new

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connection process will become clearer to customers, a concern expressed at the stakeholder group.

Accreditation

We propose that Scottish Water will develop a connections accreditation program for contractors to be able to make physical connections to the network. This will ensure those contractors undertaking any work have the expertise to safely make the connection.

The scheme will be based on existing accreditation schemes and training. All current SLOs have completed Scottish Water's Distributed Operations Maintenance Strategy (DOMS) training¹. DOMS provides training on safeguarding water quality on an operational basis. We propose that the connections accreditation program would build on the DOMS training.

The qualifications of employees carrying out any work can also be verified through the Energy & Utility Skills Register cards. These cards are used in other utilities and we understand they are issued once DOMS training is completed.

We intend to allow Licensed Providers to gain these accreditations if they wish.

Our proposal is based on experiences and processes in the English and Welsh water industry and the gas industry, where self-connection is possible. The gas industry has developed a series of forms and notifications allowing the network operator to track the progress of all connections. We intend to develop similar forms that will be sent to Scottish Water both before and after the network connection.

¹ It is not intended that all current SLOs will automatically be entitled to make new connections. They will need to complete the new accreditation process in the same way as non-SLO companies must.

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We are proposing that the companies who will make the final connections be known as Utility Connection Providers (UCP). Because some of the current SLOs may not have, or wish to acquire, the capacity to carry out these network connections, the use of UCP will allow this distinction to be made.

Implementation

In the first year following implementation (the financial year 2011-12), we propose to allow customers to choose between Scottish Water's framework contractors and a UCP. This choice would be indicated on the new connection application. This will allow potential UCPs to complete any training and accreditations they need. It will also provide Scottish Water with additional time to wind down their framework contracts.

From the second year following implementation (the financial year 2012-13), we propose Scottish Water no longer make final connections and all such work will be carried out by UCPs.

Charges

For the financial year 2011-12, we would continue to publish default tariffs for connections activities. From the second year following implementation (the financial year 2012-13), we would review the default tariffs with a view to removing them.

At the stakeholder workshop, participants expressed concerns that some customers could face higher charges with Scottish Water no longer providing connections through framework contracts. After the workshop, we met with SLOs to discuss how pricing for these tasks works.

While the cost of making a connection is difficult to determine, often because it is part of a package of services preformed, SLOs told us their customers would face a minimal charge if they were able to make the connection. One example of a saving is that an SLO will already have employees and equipment on site and

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the extra time involved in making the final connection will therefore be minimal.

The removal of delays should also mean shorter road closures benefiting both the customer (in terms of cost) and the wider public.

By running a parallel system in the first year and allowing Scottish Water to continue to provide connections, we will be able to monitor the types of customers continuing to choose Scottish Water. We will then use this information to safeguard the interests of customers for the second year and beyond.

Please see Appendix A and Diagram 1 for an outline of how the revised new connections process would work.

In summary:

- Scottish Water will continue to approve applications for new connections.
- Scottish Water will implement an accreditation program for contractors (UCPs) to make the final connection to the network.
- Customers will be able to pick a contractor from anyone who is accredited by Scottish Water.
- Licensed Providers will be able to recommend contractors to their customers.
- If a Licensed Provider is accredited, they may do the work themselves if they so wish.

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Licensed Providers will be able to choose who will make disconnections

At the first stakeholder workshop, it was highlighted that disconnections are not cheap and that it is not possible to collect payment at the time of disconnection (of particular relevance in the case of disconnections due to non-payment).

In order to address both points, we propose that Licensed Providers be able to choose who will make temporary disconnections. By having an agent of the Licensed Provider be the one to make the disconnection, customers will have one final opportunity to make a payment and avoid being disconnected. In the same way that we propose giving Licensed Providers the choice of who makes physical connections, giving Licensed Providers choices for disconnections should increase competition in this area and reduce costs.

Accreditation

Scottish Water will develop a disconnections accreditation program for contractors to be able to make temporary disconnections from the network. The scheme will be similar to the accreditation for connections and will also be based on existing accreditation schemes and training, e.g. the DOMS training.

This will ensure those undertaking any work have the expertise to safely perform the disconnection. Licensed Providers will be able to gain this accreditation if they wish.

In summary:

- Licensed Providers will be able to pick the contractor to make temporary disconnections from anyone who is accredited by Scottish Water, or they may do it themselves if they are accredited.
- Licensed Providers will have the option of collecting payment on site.

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Implementation

We recognize that some of our proposals are more complex than others and will require more time for market participants to be able to implement them. It is therefore our intention that proposals that can be put into practice most easily would be done as early as possible to allow the benefits of the proposals to begin to accrue. Other proposals would be implemented over a longer timeframe.

Short Term

We believe that some of our proposals could be implemented quickly as implementation would be relatively inexpensive and straightforward.

The following proposals are envisioned to fall under this scenario:

- Building water applications being joined with new connections applications.
- Customers who do not use building water being able to sign a declaration to that fact and have their connection applications proceed as normal.
- Sample and template connection applications are developed.

Medium Term

The following proposals are envisioned to take longer to implement but are expected to be ready by the beginning of the next financial year:

- An accreditation scheme for contractors to make physical connections and temporary disconnections developed by Scottish Water.
- Licensed Providers and customers become responsible for scheduling physical connections from accredited contractors.
- Licensed Providers become responsible for when a temporary disconnection is made and who will make it.
- Licensed Providers are able to accept payment on site during a disconnection.

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Longer Term

Finally, some of our proposals are more complicated and will require additional time to implement. They may require structural changes or major IT system changes. These proposals may not be fully implemented by the beginning of the next financial year. In some cases, intermediate solutions may be available.

- “Data room” for network and capacity information.
- Portal to allow Licensed Providers to access information on the progress of applications for new connections.

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Appendix A

When a UCP makes a physical connection

The following general process is how we see Utility Connection Providers (UCPs) interacting with the new connections process. It is intentionally broad enough to cover both service and mains connections:

1. Customer approaches SLO/UCP to arrange a new connection. The SLO/UCP carries out any necessary design work and prepares the connection application. The connection application will be modified to include a section for when a UCP will be making the final connection.
2. Licensed Providers will be able to recommend SLO/UCPs to their customers. Licensed Providers will also be able to become UCPs if they gain the appropriate accreditations.
3. The connection application is submitted to the Licensed Provider. The Licensed Provider reviews the application and submits it to Scottish Water.
4. Scottish Water reviews the application as normal.
5. Scottish Water will still prepare a quote, however, it will have a different role than it currently does. The quote will include the cost of charges owed to Scottish Water, such as the infrastructure charge, building water and inspection fees. It will not include the connection charge, as Scottish Water's contractor will not be doing that work. In this regard, using an UCP should not negatively affect any Reasonable Cost Contribution calculations.
6. The customer accepts the quote and the SLO/UCP begins any necessary site work, laying of pipes, disinfection and testing.
7. When the customer is ready for the connection to be made, the UCP will send Scottish Water a pre-connection notification form, along with the appropriate test results, a minimum of 5 business days before the scheduled connection date.
8. Scottish Water will arrange any necessary inspections or byelaws checks on or before the scheduled connection date. These inspections/checks will take place as frequently as they do currently.

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9. The UCP will complete the connection. Scottish Water may be present to observe if they wish, however, this must not delay the connection.
10. SLO/UCP finishes any site work required and Scottish Water carries out any necessary checks.
11. Within 2 business days of making the connection, the UCP will send Scottish Water a completion of connection notification form. This form will confirm that the connection was completed as per the approved design and pre-connection notification.
12. Steps 7 through 12 will be completed for each connection in a development.
13. Scottish Water adopts new mains where appropriate.

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Diagram 1

