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New Retail Areas Stakeholder Group: Connections working paper

**Connections Activities
Revised Proposals**

Background

On 15 October 2010, the third workshop of the New Retail Areas Stakeholder Connections Group was held.

Following the conclusion of the workshop, the Commission has been engaged in dialogue with Scottish Water regarding its proposal to allow accredited bodies to effect connections to Scottish Water's network. Set out below is an update on the workstreams in hand, as well as the results of our discussions with Scottish Water and some discussion points for the next workshop.

Current workstreams

After the last stakeholder workshop, the following workstreams are in hand:

1. Scottish Water has reviewed its connections processes and acknowledged the need to improve access to information and to strengthen its connections team. It has carried out an independent review¹ of its connections processes and is working to implement the findings of that review.
2. As well as its connections review, if Scottish Water creates the proposed SACDP dataroom, it will try and use that dataroom to improve access to information for new connections.²
3. Scottish Water has begun 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.

¹ Completed by consultants, Mott MacDonald.

² Stakeholders should note that the dataroom will not be utilised on a standalone basis, i.e. if it is not useful for Section 29E applications then it will not be used for connections applications.

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4. Metered building water has been introduced. Customers who legitimately do not intend to use water from Scottish Water's network as building water will also be able to sign a declaration stating such and have their new connection application proceed without delay. We are currently working on incorporating the application for building water into the connection application.³

Accreditation to connect

At the last workshop stakeholders discussed our proposals 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.

Issues were raised as whether these proposals should apply to all connection sizes or just smaller sizes (less than 32mm). The view round the table at the workshop was that very few developments would only have connections below 32mm and restricting the proposals in this way would therefore only be of value for a small number of developers and would likely render the proposals ineffective in providing licensed providers and customers with more choice.

However, we are pleased to confirm that Scottish Water has agreed to develop an accreditation scheme for all sizes of connection to its network. The arrangement would allow the connection of new non-household developments and would also apply to new household developments (which fall outside the remit of the retail workshops).

³ A separate building water application will remain for customers who only need building water.

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Accreditation

Scottish Water’s proposed accreditation scheme would allow for companies (including licensed providers) to be accredited for connections of differing diameters, recognising that as the size of the connection increases, the technical competencies and other requirements will vary to take account of the different circumstances associated with that connections⁴.

The scheme would cover connections to the live main from new developments and connections from new properties to the main. The arrangements will also to take account of the requirements of certain Scottish local authorities, such as Perth and Kinross.

The accreditation scheme will not remove the need for the existing inspections and regulatory requirements, such as DOMS⁵ requirements, byelaws, etc. and as now, Scottish Water personnel may be present at the connection. However, the absence of Scottish Water personnel will not mean the connection cannot take place.

We attach Scottish Water’s current thinking on what the accreditation scheme may consist of.

As indicated in our previous proposal papers, companies who are accredited to make final connections to Scottish Water’s network will be known as Utility Connection Providers (**UCPs**). Because some of the current SLOs may not have, or wish to acquire, the capacity to carry out network connections, the use of UCP will allow this distinction to be made.

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

⁴ As set out in previous proposals, it is not intended that all current Self Lay Operators (**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.

⁵ Scottish Water’s Distributed Operations Maintenance Strategy training.

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In summary:

- Scottish Water will continue to approve applications for new connections. If a UCP is being used then Scottish Water will only charge an admin fee for this part.
- Scottish Water will implement an accreditation program for UCPs to make connections to its network.
- Customers will be able to pick a contractor from anyone who is accredited by Scottish Water (including licensed providers).
- Scottish Water will continue to offer connections services in parallel to UCPs at cost levels protected by the Wholesale Charges Scheme and Default Tariffs.

Implementation

Implementing the new accreditation scheme in time for 1 April 2011 will not be possible. However, this year's Wholesale Charges Scheme contains a split charge for new connections. There is an administrative charge and a connection charge. This split will allow us to implement the proposals part-way through the coming financial year (2011-12).

Scottish Water will therefore continue to offer connection services in the upcoming financial year and there will also be a published default tariff for connections activities. Whether the Commission will continue to publish default tariffs for connections activities beyond 2011-12 will be kept under review with the focus on ensuring customers are able to access the services they need at reasonable cost.

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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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Discussion points

Below are some issues that we would like to discuss at the upcoming stakeholder workshop:

1. The principles for the graded accreditation process, i.e. where should the steps lie for the different accreditation levels?
2. What are your views on the potential components of the accreditation scheme? Is there anything that should be added or removed?
3. What information will need to go back to Scottish Water regarding the connection i.e. what should be included on the connection notification form?
4. When the accreditation process will go live?
5. How should the disconnections accreditation differ from the connections accreditation, if at all?
6. Should contractors be allowed to make permanent disconnections in addition to temporary disconnections? Would this require a two-tiered accreditation scheme?

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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. For the purposes of this example we are assuming that a UCP is to be used:

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, paying the appropriate fee (just an admin fee if a UCP is to make the connection).
4. Scottish Water reviews the application as normal.
5. Scottish Water will prepare a quote including the cost of charges owed to Scottish Water, such as the infrastructure charge, building water and inspection fees. The quote will not include the connection charge, as Scottish Water's contractor will not be doing that work. In this regard, using an UCP will 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 will 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. Scottish Water completes the necessary market processes in the usual way (SPID creation request at the CMA etc.)
13. Steps 7 through 12 will be completed for each connection in a development.
14. Scottish Water adopts new mains where appropriate.

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Diagram 1

