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New Retail Areas Stakeholder Group: New Connections working paper

Minutes of Meeting for Discussion on Connections

Thursday, 22 April 2010 12pm to 3pm

Present: Richard Khaldi, Water Industry Commission for Scotland (Chairman)
Judy Tait, Water Industry Commission for Scotland
David Walters, Water Industry Commission for Scotland
James Bream, Business Stream
Gillian Doogan, Business Stream
Brendan Grimley, Business Stream
Gary Craig, CMA Scotland Limited
Derek Morley, McKinnon & Clarke
Sean Lyons, Northern Ireland Authority for Utility Regulation
Robert Leask, Procurement Scotland
Alistair Ross, Satec Limited
Tom Harvie-Clark, Scottish Government
Alison Fraser, Scottish Water
Jessie McLeman, Scottish Water
Jim Black, Waterwatch Scotland
Liz Breckenridge, Waterwatch Scotland

In Attendance: James Saunders, Shepherd and Wedderburn LLP
Ashley Jess, Shepherd and Wedderburn LLP

Welcome (Richard Khaldi)

1. Richard Khaldi (RK) opened the meeting by giving a short introduction as to the purpose and the background to the meeting.

Format for meetings and terms of reference

2. RK noted that the terms of reference for the New Retail Areas Stakeholder Group had been revised and sent to all of the members of the Group.
3. RK explained that the purpose of the Group is as a collective to advise the Commission on the proposed changes to the retail market in relation to connections/disconnections/reconnections. Any changes to the competitive market require to be approved by the Commission and therefore any proposals put forward by the Group could only be recommendations and would have to be approved by the Commission.

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4. RK clarified the concept of a permanent member and explained that one person from the Commission would chair each meeting and other individuals and organisations may be invited along to participate if appropriate.
5. RK outlined the procedure for the meetings and stated that the Commission would produce any documentation for the Group. RK also confirmed that views within the Group may differ and this would be reflected in any documentation produced. It was further noted that the minutes of the meetings would be non-attributable.
6. The Group then approved the terms of reference.
7. It was noted that no customers were in attendance at the meeting, although customers had been invited to attend. It was hoped, however, that the licensed providers in attendance would be able to represent some customer views.

Commission's proposals

8. RK gave a brief explanation as to the rationale behind the Commission's proposals on connections. RK explained that the Commission is of the opinion that customer-facing activities should be within the retail market and that connections involve customer-facing activities. The Commission has put forward proposals on the area of connections but these proposals are subject to change.
9. RK noted that there are specific areas within the general area of connections and these are new connections, building water and disconnections. The Group would look at all of these areas in its discussion.

Licensed Providers' Experience of New Connections and Customers' Views

10. A licensed provider explained that customers are primarily concerned with timescales, duplication or "double handling" and accountability. Customers would like one point of contact for applications. Customers also have concerns around visibility, as once Scottish Water passes the application to the site manager to arrange the installation of the connection, there is a lack of clarity on the status and progress of the application. There is no "real time" method to

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track the progress of an application using the DHL analogy. It was noted that the licensed provider is working with Scottish Water to get Scottish Water's framework contractors to provide feedback on relevant dates, but the licensed provider would like the ability to see the relevant dates for applications on Scottish Water's database on a read-only basis. The licensed provider also explained that customers do not understand why the licensed provider, who submits applications for customers, cannot track them. Customers also have concerns about double handling in that licensed providers have their own KPIs and Scottish Water has its own separate KPIs. Both did not necessarily match.

11. It was noted that there is the uncertainty in the eyes of certain licensed providers on customers having a direct relationship with Scottish Water and bypassing licensed providers. A licensed provider noted that it has a role in what an application for a connection should contain but it has limited background knowledge, as licensed providers do not have access to the Geographic Information System. If customers have had prior input from Scottish Water on their applications, which the licensed provider is not aware of, the licensed provider can lose credibility with customers. An example of this is where the licensed provider requires supporting documentation from the customer but Scottish Water has told the customer that supporting document for the application is not required. It was noted that Scottish Water and licensed providers need to have better communication to resolve this problem.
12. It was noted that there could be an improvement on information provided by Scottish Water on the progress of applications. Scottish Water has discussed this with a licensed provider and an information system could be developed at a cost. If changes are required to the application process to resolve the issues raised then the information system should be developed first, as this system could resolve the issues with the application process raised by licensed providers and therefore changes to the process may be necessary.

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Scottish Water's role

13. The application for a new connection comes in with the relevant documents and if the application exceeds a certain diameter of pipe size, appropriate approvals have to be sought from the relevant authorities, such as the Fire Authority, and further examination and investigations have to take place. For a straightforward application, Scottish Water first carries out a capacity check, secondly it checks that there are no low-pressure areas and, thirdly it checks that the network is adequate to facilitate the connection and this involves the liaising internally with the Network and Asset Department. It was explained that all planning enquiries go to Scottish Water to ensure that a connection can be made.
14. Each application goes through a process of work items and each work item must be completed before the application can move on to the next work item. It was noted that if a work item cannot be completed for a reason, such as insufficient capacity, then Scottish Water would pass the application back to the licensed provider.
15. The role of licensed providers in applications for new connections was then explained. Customers download the application forms from the websites of licensed providers and submit the applications to the licensed providers with the supporting documents. The licensed providers check that the application has been completed fully and that the relevant supporting documents are included. However, licensed providers are not able to examine any of the supporting documents, such as soil reports. If a licensed provider rejects an application, it will explain the reasons for this to the customer and provide examples.
16. It was suggested that a diagram of the new connection process be created to assist with Group members' comprehension of the process.
17. It was noted that customers require the answers to two questions before they can submit their applications. The first is how much will the connection cost, and the second is what pipes the customers will have to install to connect to the network?
18. It was asked at what point the costs for the customer to upgrade the network are established? In response it was explained that the customer submits a Development Appraisal to Scottish

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Water and the quote of the cost to do the work remains valid for two years. However, Scottish Water cannot reserve the capacity for a connection for two years.

Issues with applications

19. A licensed provider suggested that the role of licensed providers in submitting customers' applications to Scottish Water is difficult because the licensed providers do not know the issues surrounding an application. This is shown by the fact that the applications of the most experienced developers tend to be granted more often, as they have a greater knowledge of the application process and their own requirements for connections.
20. It was noted that two-thirds of all issues raised from non-domestic customers are about new connections and it was suggested there are three main issues for customers, which are information, timescales and co-ordination. Customers are frustrated if they cannot speak to Scottish Water directly. Developers have tight timescales and budgets and the application process can cause delays for developments resulting in increased costs for developers and the developers seek redress from the licensed providers and Scottish Water. It was further suggested that the focus must be put on greater availability of information and more co-ordination of applications to ensure that applications are not being "bounced" backwards and forwards between the licensed providers and Scottish Water.
21. RK asked whether the Group could give an insight as to why there is so much toing and froing of applications? Was there enough information for the customer to achieve the connection it wants, and was there sufficient information available to allow to customers to make the application for a new connection?
22. It was explained that there is guidance on applications, including information on Scottish Water's website. Planning applications are automatically passed to Scottish Water who carries out rigorous checks. The customer is told if there is sufficient capacity for the connection and if there are network issues at the planning stage. If there are problems, then customers are asked to contact Scottish Water at the earliest opportunity. It was noted that the customer is required

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to appoint a relevant consultant or engineer to ensure that the customer is applying for the most suitable connection. Scottish Water will facilitate and guide but it will not design the site of the connection for the customer and one of the main problems is that customers may not appoint suitable consultants or engineers. It was explained that there is a lot of information available to the customer and where the application was straightforward and there is already information on that site held by Scottish Water, the customer could ask Scottish Water for this information.

23. The question was asked what was the percentage of applications that are rejected?
24. A licensed provider explained that it rejects 50% of applications submitted to it per week and this is due to missing information in the application. The licensed provider explained that it has a checklist on the front of the application to ensure all of the relevant documents are included in the application and that it helps customers by reviewing their application forms. If there is any ambiguity in customers' applications, the licensed provider challenges this with the customer and gives recommendations. Understandably, experienced developers are more competent at completing the application forms than the less experienced customers and therefore the applications of developers are usually submitted more quickly to Scottish Water.
25. It was noted that for a timeous application, customers must ensure that the connection they are applying for is correct, as often customers apply for the wrong connection and the applications must be passed back to licensed providers and this causes delay.
26. It was then asked what customers are expected to know about the size and type of connection they require when applying for a new connection? In response it was explained that customers can appoint a plumber who would tell them the pipes required and when an application is for one unit, the rules on design specifications are relaxed.
27. It was noted that the details of any rejection are quite specific to allow the customer to address the issues in its application and that it is easy to turn a rejection into an acceptance.
28. It was also explained that if an application is rejected by Scottish Water, there is a "snakes and ladders" approach and the application restarts at the beginning of the application process and every step of the application process must be completed again except for the connection

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capacity assessment. The application is also put to the end of the application queue. There is an escalation process to facilitate a faster turnaround for some customers, but this impacts upon the timescale for other customers.

29. It was suggested that a further problem is that customers do not know where they are situated in the applications queue. It was explained that there are clear timescales within which Scottish Water must respond and that the timescale is three months from the date of application to connection. The required timescales for response imposed upon Scottish Water and the licensed providers were then explained. It was noted that Scottish Water has 10 business days from receipt of a complete application to issue a quote for the connection works. When an application is submitted back to the licensed providers, the licensed providers have five business days to respond. It was noted that these timescales are maximums and the aim is to respond earlier than these timescales.
30. It was noted that customers have identified that no one organisation is responsible for the application process from start to finish and that there are gaps in the process, which leads to problems. There is a major issue with communication between framework contractors, Scottish Water and licensed providers.
31. It was suggested that when an application is at the stage of the framework contractor going out to install the connection, 9 times out of 10 the framework contractor goes out and the customer is not ready, for example, there are restrictions on the road and the installation has to be re-scheduled.
32. It was suggested that communication of the scheduling information for when framework contractors are going out to install a customer's connection is poor and that if the framework contractor agrees a date with the customer directly, the licensed provider is not informed.
33. In response it was explained that framework contractors are employed by Scottish Water and they have agreed with those framework contractors that if the date for installation changes, the framework contractors must inform Scottish Water to enable it to inform the licensed providers.

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34. A licensed provider explained that currently the information should be passed on via a phone call or email but by the time the licensed provider receives the information, it is out of the loop with the status of the customer's application. It was noted that this information should be available instantaneously through tracking. The licensed provider further suggested that the application process needs to be improved as well as improving the availability of information to ensure that the information can be passed through to the customer.
35. It was noted that only Scottish Water accredited contractors can install a final connection and that licensed providers could become accredited framework contractors. Likewise, it was suggested that the licensed providers could take control of the planning and scheduling of the Scottish Water framework contractors and it was agreed that this could be done under some type of accredited contractor scheme.
36. RK suggested that there is only so much that can be done to educate customers and educating customers will not solve all of the problems with the application process. He proposed two schools of thought: the first being that one organisation should be responsible for the application process from start to finish, and the second being to improve communication between the parties through the use of an information portal or something similar.
37. It was explained that the idea of a portal had been discussed and that it is a feasible option but that the information to be contained in the portal still requires discussion.
38. The views of public bodies on connections were raised. Customers feel that there is a lack of information and customers are confused about when they should be contacting Scottish Water and when they should be contacting the licensed providers. It was reiterated that when customers' applications are in process, customers are unsure of the status of their application.
39. The interactions that the customer has with Scottish Water and the licensed providers during the connection application were then explained. Often customers contact Scottish Water before they contact the licensed providers, as although customers interface with the licensed providers, it is Scottish Water who carries out the connection. Customers cannot contact licensed providers to fix any connections issues that are within the remit of Scottish Water.

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40. It was noted that an information portal would inform the customer as to the status of its application and that this would help with the application process but it would not solve the issue of customers interfacing with different organisations throughout the application process.
41. The question was asked whether these customer issues are unique to water and whether the area of water could be compared to the gas and electricity sectors? In response a licensed provider suggested that the gas and electricity sectors are slightly different models to the water sector.
42. It was suggested that there is an artificial difference being created between domestic customers and non-domestic customers, as a licensed provider is not required for applications for domestic connections. A developer therefore has two different processes for connections applications: one for domestic and one for non-domestic and this is inefficient. It was noted that any application does not need to be on a large scale for this to be a problem.
43. It was explained that a mixed-use application for domestic and non-domestic connections goes with the majority of the connection type but customers are only advised and not required to appoint a licensed provider for the domestic connection.

Improvements to connections

44. RK asked the Group what changes it would like to see in the area of new connections?
45. A licensed provider noted that Scottish Water has the expertise, the ability and the staff to process applications, so licensed providers cannot assume responsibility for Scottish Water's role. It was noted that licensed providers cannot guarantee the success of the applications as they do not have the data or expertise and they never will. However, licensed providers still want to submit applications on behalf of customers. Licensed providers therefore would like greater access to information held by Scottish Water at the beginning of the application process to help customers. This would facilitate less applications being rejected by Scottish Water.
46. It was noted that it was assumed that a developer uses one licensed provider for all of its connections, for example, sewage water and water connections. However, larger developers

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tend to use different licensed providers for different areas. This makes the application process more difficult and complicated, as it is often difficult to tie up the different applications.

47. It was agreed that the interaction between Scottish Water and the licensed providers by using a real-time information portal would make the application process more efficient, as the information would be readily available and this would give more control to the licensed providers when the application is made by the customer. As part of this, it was suggested that the quote for connections works from Scottish Water could appear in the portal as soon as it was ready.
48. It was explained that two-thirds of complaints are received from non-domestic customers and that one point of contact would make the application process more efficient. It would be easier for Scottish Water to carry out the whole process, as it has the expertise but this would be a vast amount of work for one organisation to carry out the whole application process alone.
49. It was agreed that neither Scottish Water nor licensed providers would like the role of Scottish Water to be removed from the connections process.
50. It was noted that from a customer's perspective, the customer is not concerned with who carries out the work as long as the work is done effectively and at a low cost. Customers compare the water sector with other utility sectors and also with other sectors outside the utility sector.

Building water

51. It was explained that customers building developments are required to use building water. If the customer applies for a building water connection at the same time as a new connection then the application process runs very smoothly. However, if the customer applies for a new connection before it applies for building water, this can cause problems as Scottish Water will not grant a new connection application if no application for building water has been submitted and granted.
52. The question was asked whether building water could be added to the application process?
53. It was noted that the building water application process is separate from the application process for the permanent connection, although Scottish Water carries out the same checks for capacity as for an application for a permanent connection. . Frequently, the customer is ready for the

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permanent water connection to be installed but the customer does not have a building water connection.

54. A licensed provider suggested that to speed up the process it could promise to pay the building water charges on behalf of the customer to enable the building water application to go through quickly, but there should be a better solution. At present, licensed providers pass monies to Scottish Water for customers' building water charges to speed up the application process.
55. It was noted that the other option would be to give this process to Scottish Water and for Scottish Water to include a quote for building water in their quote for a permanent connection, therefore charge building water automatically with the quote for a permanent connection.
56. It was noted that building water is not always required and RK clarified that there would be no obligation upon the customer to take the quote provided by Scottish Water.
57. A licensed provider noted that it has addressed the issue of building water on its application form for permanent connections. It explained that it writes to customers to inform them if they require a building water application. On the domestic side, it was noted that the licensed providers do not own the application forms and therefore this cannot be addressed for domestic customers.
58. It was agreed that the applications for building water for domestic permanent connections should be transferred back to Scottish Water.
59. It was noted that the charging mechanism for building water allows customers to be dishonest. If a customer feels that it is being charged unfairly for building water then this encourages the customer to be dishonest and the charging mechanism in place allows for this. It was agreed that the charging mechanism encourages dishonest behaviour if customers feel that the charges are unfair.
60. RK explained that building water is charged on a number of units and that the Commission is discussing this issue with Scottish Water. RK noted however that the issue of the amount of charges by Scottish Water is not within the remit of the Group but that the discussions on

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charges would allow the Commission to present these to Scottish Water and that this will be done within the next two to three months.

61. A member of the Group explained that it would like to have the opportunity to give feedback on the issue of building water and noted that the charging mechanisms in building water do not align with the charging mechanisms in other areas, such as connections and disconnections.
62. RK noted that the comments of the Group would be incorporated into recommendations or any work that the Commission carries out in relation to the framework.

Disconnections

63. The Group then moved on to discuss the area of disconnections and it was explained that these are carried out by Scottish Water at the request of the licensed providers.
64. There are two types of disconnections, permanent and temporary. It was noted that temporary disconnections are typically at the request of the licensed providers for non-payment of charges but temporary disconnections can take place for seasonal reasons. It was noted that temporary disconnections are for up to three months and thereafter a temporary disconnection becomes a permanent disconnection. Before a temporary disconnection takes place, the licensed providers carry out various customer notifications and then safeguards such as surveys are carried out by Scottish Water. It was explained that a permanent disconnection occurs where the water is turned off and the supply is disconnected from the network. If the customer would like to rejoin the network, it must get a new connection.
65. It was noted that the three month time period for a temporary disconnection is for health and safety reasons.
66. It was noted that there can be a substantial bill for disconnections. The prices quoted for disconnections are very high and the charges are not "in sync" with the savings which are to be gained from switching off the water supply. The benefits of turning off the water supply are eradicated by the cost of the disconnection.

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67. A licensed provider suggested that the disconnections process would be better if it was cheaper and if there was more control for the licensed providers, for example, if a disconnection is planned for non-payment, the licensed providers could visit the customer and get the payment on the day and not disconnect the supply.
68. RK noted that the licensed providers do not have the right to disconnect water supply, as this is a Scottish Water asset.
69. It was noted that the ability to take the payment right up to the day of disconnection would enhance the process but that this is not possible under the current framework. In this regard, RK noted that there is a "disconnect" as the person who physically disconnects the water supply is not the same person who takes the payment.
70. RK asked whether the licensed providers would like to be the framework contractors or whether they would like to use the framework contractors of Scottish Water? In response, a licensed provider explained that it would like to use framework contractors who are directly answerable to the licensed providers. The current situation is that if the framework contractors do not carry out the work then licensed providers do not have any recourse of action.
71. It was noted that there is scope for a framework contractor approved regime but that Scottish Water is liable for the framework contractors.
72. The issue about disputes between the customer and the licensed providers regarding the amount of debt and charges payable was raised. It was suggested that whilst these disputes are being resolved, the water supply can be disconnected by Scottish Water who are not aware of the dispute, and this is an example of further "disconnect" between the parties. It was suggested that the dispute resolution process between customers and licensed providers should be clarified in the framework.
73. It was noted that there are issues regarding the difference between sewage and water, in particular customers appointing one licensed provider to deal with sewage and one licensed provider to deal with water. It was noted that this is something that is causing difficulty.

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74. It was asked how many customers have different licensed providers for sewage and for water?
A licensed provider suggested that this occurs mainly with larger customers and the developers.
It was noted that this causes problems for Scottish Water.

Next steps

75. RK proposed that between now and the next meeting the Commission would look at the main issues from the meeting with a view to putting forward proposals for the Group to review and then discuss at the next meeting, including comparisons with the gas and electricity sectors.
76. RK suggested that the next meeting be in approximately 6 weeks time and that he would send out a proposed time in due course. He also confirmed that he would inform the Commission that the meeting had taken place and update it on what was discussed.
77. RK then declared the meeting closed.