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Mr Alan D. A. Sutherland
Chief Executive
Water Industry Commission for Scotland
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23 June 2016

Dear Alan

Our aim within the water industry is to challenge and shape policy to ensure it reflects the needs of consumers. We, therefore, welcome the opportunity to respond to the Water Industry Commission for Scotland's consultation on *Measures to ensure the Scottish water and sewerage non-household retail market works well* ("the Consultation").

General

The CFU has worked with key stakeholders, through our non-domestic water market roundtable events, to lead calls for an industry wide code of practice in the non-domestic water market in Scotland. We, therefore, warmly welcome the Commission's initiative to work with the water industry to develop a code of practice for the non-domestic water market.

It is the CFU's understanding from the Consultation that, before further work commences in this significant area, issues preventing a level playing field being provided to all licensed providers must first be addressed and that the Consultation sets out to address these issues. Against this background, it would be helpful if the Commission could confirm the stages, plan and timescales which will be used to develop, and deliver, the proposed code of practice.

We also welcome the increasing number of licensed providers in Scotland, which will lead to greater market diversity, market penetration and choice for consumers within the non-domestic water market. Recent research commissioned by the CFU also highlights that awareness of competition in the non-domestic market is growing amongst smaller organisations, including SMEs and charities. This research suggests that greater numbers of smaller organisations are able to access and enjoy the benefits of the market, where previously they were not.



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We are further aware that as competition in the non-domestic market has developed in Scotland different models for the provision of water and sewerage services have emerged. This trend is reflected in the variety of services supplied by dedicated water providers, in the increased availability of bundled services and in the services offered by brokers. Against this background, we consider that, as new models of licensed providers and service delivery develop, effective consumer protection must be put in place to ensure these developments deliver positive outcomes for consumers. We believe that the proposed code of practice can play an important role in this process, by supporting the provision of structures and processes that protect consumers, especially the smaller organisations, including SMEs and charities which are often vulnerable to impact, from unscrupulous and unhelpful business practices and behaviours.

Changes to governance and licence conditions

The CFU notes that the Consultation proposes changes to the Water Services (Governance Code) Directions 2013, to Business Stream's Ordinary Licence Condition 2 ('Charges') and to the Standard Licence Condition A9 ('Constraints on certain arrangements'). We would welcome further information about the likely impact of these changes on non-domestic consumers, and in particular about the consequences for smaller organisations including SMEs and charities.

Against this background, we believe it is important to recognise that Business Stream is just one licenced provider, and that there should be a level playing field for all licensed providers. Our understanding is that the changes in the Consultation, and the proposed code of practice, will potentially help to promote a level playing field to ensure all licensed providers are treated equally, and that the focus will then be on the licensed providers' practice and on how they are conforming with the code of practice. In this respect, it would be helpful if the Commission could provide further information about any other initiatives, including future changes to the Governance Code and to licence conditions, it believes will be necessary to achieve its aim of ensuring "that there should be a level playing field for those who compete within Scotland and also for those that come to compete from without".

The CFU's main concern is that the changes to these conditions proposed in the Consultation should not have an adverse impact upon consumers, and that any additional benefits to consumers resulting from changes, will be transparent. We also strongly believe that any future changes to licence conditions should demonstrate a clear understanding of any anticipated impact of these changes on consumers, and identify and outline the potential advantages as well as any risks for consumers.

We also note that the changes to the licence conditions mainly relate to Business Stream, and to the framework in which the licensed providers must all operate. We note, however, the statement in the consultation that the Commission proposes to "retain all of Business Stream's other general conditions". It would be helpful to have further information from the Commission about its plans for keeping Business Stream's remaining conditions under review, and for seeking additional changes as appropriate, and the timescales involved.

If you require any further information, please do not hesitate to contact in the first instance Robert McGeachy, Water Team Manager, on 0131-550-1069, or by e-mail (Robert.mcgeachy@cas.org.uk).

Yours sincerely

A handwritten signature in black ink, appearing to be 'S. Ghibaldan', with a long horizontal stroke extending to the right.

Sam Ghibaldan
Consumer Futures Unit Manager