

CONSULTATION RESPONSE



HBF response to DEFRA consultation: Cave Review

8th January 2010

HBF response to the DEFRA consultation on the Cave Review on Competition and Innovation in Water Markets

Introduction

1. The HBF welcomes the opportunity to comment on the above mentioned DEFRA Consultation. The House Building Industry sees itself as being in a rather precarious position in relation to the way it is perceived by the Water and Sewerage Sector as well as the Industry's Regulator, OFWAT. We perceive ourselves as neither a customer nor consumer who in the big picture of this Sector is small in comparison to the existing customer base. At times we seem to struggle to be heard and in many instances are victims of uncompetitive behaviour by the monopoly Companies. This situation is further compounded by the fact that our drive for more mandatory standards of performance and accountability are seldom heard by OFWAT. It is a great shame that OFWAT does not adopt the same attitude as OFGEM with regard to competition and accountability. This is one of a number of issues we raised in our response to the Cave Review's Interim Report which again failed to be acknowledged in the Final Report.

2. As previously stated our Industry does have a somewhat precarious position and is a victim of many uncompetitive practices applied by Water and Sewerage Companies and as we stand today we do not see that this will change. Our reason for reaching this conclusion is that issues which are important to the House Building Industry on competition are not even touched on in this DEFRA Consultation. Although Inset Appointments may be a long term way to instigate competition. The will not help the short term issues of the lack of competition which exists at present even though in theory competition is meant to exist in the Self-Lay of Water Mains and Service Connection. The HBF can report that in reality there is limited competition taking place in these areas. Again a point we were able to identify in our response to Professor Cave.

3. It is with much regard that we have to signal to Government the negative aspects of this Sector. However this is the world we live in and portrays the circumstances in which our Members have to conduct their business in on a daily basis with Water and Sewerage Companies.

HBF Comments on the Consultation Questions

General Comments

In relation to the Consultation Questions we will only respond to the questions which we feel are pertinent to the House Building Industry.

1. Retail

1. Do you agree with the UK Government's approach to implementing a framework of regulated access through introducing a standard market and operational codes?

Yes, we see this is as essential if competition is to be established in this Sector. In House Building it is near on impossible to compare issues between Companies and even OFWAT find it difficult to obtain information to enable comparisons to be made.

4. New appointments and variations

Large user criterion.

14. Do you agree that the large user criterion should be removed from the inset process once the new WSL regime is in place and is shown to be effective?

Yes, this is important as it will increase the Customer Base where competition can take place.

New appointments for unserved areas.

15. Do you agree with the approach to taking forward the Cave Review's recommendations for the inset process?

Yes, we agree with all of the recommendations of the Cave Review and as an Industry we will look forward to playing an active role in taking these recommendations forward with DEFRA and OFWAT.



Ensuring customer benefits

16. Is there sufficient certainty that customers will benefit over time from the existing process of new appointments?

If developers are perceived as customers then we would say that there will be a benefit, in the way that competition will help to facilitate better levels of service. This is a major issue for the House Building Industry as to date only voluntary performance criteria exists. On the few Inset Appointments that have taken place to date there have been marked signs that Companies needed to perform so not to lose the new Customers.

On the issue of cost it is unclear if there will be any major benefits to developers. However on some of the Inset Developments the consumer has been able to see lower tariffs applied by the Inset Appointee than the incumbent Company.

8. Innovation

Duty of Ofwat to support innovation

29. What would the benefits be of giving Ofwat a statutory duty to support innovation? What would the costs of such a duty?

We would question that OFWAT is the correct body to progress innovation and would suggest that this duty needs to be undertaken by another Independent Regulator or even it could be managed by DEFRA.

As previously stated in our response we do not feel that OFWAT are listening to the issues by our Industry and we see that as an Industry we are being driven to address issues of innovation by the Code for Sustainable Homes (CFSH).

30. Could there be an alternative approach which could incentivise further innovation? For example, a stronger message in social and environmental guidance?

Any incentives for innovation would be advantageous for New Build as we are having to apply innovative ideas and concepts in new homes to comply with CFSH. Yet we see little benefit to our Members from the Companies.

As previously stated in our response we do not feel that OFWAT are listening to the issues of our Industry and we see that as an Industry we are being driven to address issues of innovation by the Code for Sustainable Homes (SFSH).



Duty of Ofwat to report on competition and innovation

33. Should Ofwat be mandated to periodically evaluate innovation or competition in the water sector, or both?

As an Industry we have been saying for a long time that competition needs to be evaluative and reported on. This is an issue OFGEM provides statics on each year and Government would benefit in replicating many of the principles OFGEM are applying for New build.

35. How often should Ofwat be mandated to report on innovation and competition in the water sector and should this reporting be required indefinitely?

Please see the above comment.

Conclusion

The HBF hopes that the comments we have produced in this Consultation is of value to DEFRA and we would welcome the opportunity to work with Government in taking any future proposals forward.

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