

REPORT TO: POLICY AND RESOURCES COMMITTEE - 8 DECEMBER 2003
REPORT ON: DRAFT WATER SERVICES (SCOTLAND) BILL
REPORT BY: ASSISTANT CHIEF EXECUTIVE (COMMUNITY PLANNING)
REPORT NO: 778-2003

1 PURPOSE OF REPORT

To inform members that the Scottish Executive has issued a consultation document on the proposed provisions of the Draft Water Services (Scotland) Bill, and to recommend a response.

2 RECOMMENDATIONS

It is recommended that the Council's response to the consultation document:

- welcomes the proposed prohibition of 'common carriage' on the public water and sewerage networks in the interests of safeguarding public health and the environment
- welcomes the proposed prohibition of retail competition for domestic water customers and the maintenance of charging arrangements which broadly reflect ability to pay
- supports the introduction of a robust licensing regime to ensure that any competition in the market for non-domestic water is well regulated and that all retailers and customers contribute fairly and proportionately to the costs of the public networks on which they would still rely for service

3 FINANCIAL IMPLICATIONS

None.

4 LOCAL AGENDA 21 IMPLICATIONS

This report impacts on a number of Local Agenda 21 themes:

- access to good food, water, shelter and fuel at a reasonable cost
- access to facilities, services, goods and people is not achieved at the expense of the environment
- health is protected by creating safe, clean, pleasant environments

The consultation document states that a key objective of the proposals is to safeguard public health and the environment and to maintain arrangements for charging for water services which reflect the ability to pay.

5 EQUAL OPPORTUNITIES IMPLICATIONS

None.

6 BACKGROUND

6.1 Scottish Executive Consultation Document

6.1.1 The Scottish Executive have issued a consultation document setting out the text of the Draft Water Services (Scotland) Bill, a commentary on the draft Bill and an explanation of the Executive's policy on water services. A copy of the consultation document is available from group secretaries and in the members' lounge.

6.1.2 The key proposals set out in the consultation document can be summarised as follows:

- the Executive is committed to retaining Scottish Water in the public sector. Ministers have set Scottish Water the task of achieving significant efficiency improvements to ease pressure on customer charges, and also require Scottish Water to continue contributing towards their public health, environmental protection and social policy objectives by ensuring an uninterrupted supply of wholesome drinking water, the safe disposal of waste water and the continuation of current charging arrangements for household customers
- the Executive has considered the benefits which competition in the water industry might bring to household customers. However, it has concluded that allowing third parties to have 'common carriage' on the public water and sewerage networks would pose risks to public health and the environment, and that the introduction of retail competition would break the link between charges and Council Tax bands which currently means that charges broadly reflect the ability to pay (this includes the 25% discount for single householders). The Executive therefore proposes to prohibit common carriage on the public networks and prohibit retail competition for household customers
- the Executive does believe, however, that there may be benefits arising from retail competition for non-household premises. Such competition would mean Scottish Water continuing as the sole supplier of water and sewerage services on the public network, but would open up the possibility of new entrants to the market providing non-household customers with services such as meter reading, billing and collection of charges. In effect, Scottish Water would become the wholesaler of water and sewerage services, with the new entrant becoming the retailer of those services to the end user.
- the draft Bill contains provisions to establish a licensing regime for providers of retail water services to non-domestic customers, which will become part of the functions of the Water Industry Commissioner. The Commissioner will also regulate the wholesale charges to licensed providers by Scottish Water, to ensure that retailers pay a fair and proportionate share of the total network costs that can be attributed to their customers. The Executive also proposes that the Commissioner should play an informal role in assisting retailers reach agreement on arrangements for transferring information about customers
- it is proposed that Scottish Water will be able to compete with retail providers. It is important, however, that Scottish Water should not use, or be thought to be using, its position as the sole provider of wholesale activities to place its competitors at a disadvantage. To that end, it is proposed that Scottish Water will place its retail activities into a separate subsidiary, which will be treated as a retailer under the licensing regime and be subject to the same regulation as other retailers

- subject to the Bill being enacted, the Executive and Commissioner will develop and consult on licensing regulations and procedures and it is expected that applications for licences will be able to be submitted from April 2006.

6.2 Recommended Response

6.2.1 The consultation document contains a number of detailed questions about the draft Bill and the proposed licensing arrangements, which will be commented on in detail by organisations and consumer groups with specific knowledge of the water industry.

6.2.2 It is recommended that the Council response focuses on the policy objectives of the proposed Bill, and that this response:

- welcomes the proposed prohibition of 'common carriage' on the public water and sewerage networks in the interests of safeguarding public health and the environment
- welcomes the proposed prohibition of retail competition for domestic water customers and the maintenance of charging arrangements which broadly reflect ability to pay
- supports the introduction of a robust licensing regime to ensure that any competition in the market for non-domestic water is well regulated and that all retailers and customers contribute fairly and proportionately to the costs of the public networks on which they would still rely for service

7 **CONSULTATION**

The Depute Chief Executive (Support Services), the Depute Chief Executive (Finance), the Director of Economic Development and the Head of Environmental Health and Trading Standards have been consulted on the preparation of this report.

8 **BACKGROUND PAPERS**

Draft Water Services (Scotland) Bill : Consultation on Proposed Provisions
Scottish Executive Paper 2003/26 : October 2003

Chris Ward
Assistant Chief Executive (Community Planning)..... 04/12/03