

Process for handling disputes and appeals: Requisitioning of water mains and public sewers and adoption of self-laid water mains

1 Introduction

The Water Act 2003 ('WA03'), received Royal Assent on 20 November 2003. When the relevant provisions come into effect, which is likely to be in spring 2004, the WA03 will amend the sections of the Water Industry Act 1991 (WIA91) that relate to installing new water mains, service pipes and sewers, while recognising the need for undertakers to safeguard the quality of supplies.

The WA03 will also introduce an enabling power for the Secretary of State or the National Assembly for Wales to make Regulations under which sewerage undertakers will adopt existing sewers, lateral drains and sewage disposal works. However, the Government has not yet made any decisions on the best way forward on private sewers. This consultation does not cover these issues.

When a water or water and sewerage undertaker¹ is asked to install new water mains or sewers for domestic purposes, this is known as requisitioning. When developers, or their contractors, install new water mains or service pipes instead of asking the water and/or sewerage undertaker to do the work, this is known as self-lay. Under the amended WIA91, water undertakers will be able to enter into agreements with persons constructing or proposing to construct new water mains and service pipes - the self-lay organisation (SLO). If an SLO constructs pipes in accordance with the terms of the agreement, the water and/or sewerage undertaker will have to connect them to the existing network and take over responsibility for them.

Under the amended WIA91, Ofwat will have powers to determine disputes² about:

- the terms and financial conditions of water, sewer and/or lateral drain requisitions;
- the terms and financial conditions of self-lay agreements; and
- water undertakers' refusals to agree to adopt self-laid pipes that supply water for domestic purposes.

¹ An undertaker is an undertaker holding an appointment as a water and/or sewerage undertaker for the purposes of the WIA91.

² The powers to determine these disputes and appeals will formally reside in the Director General of Water Services ('the Director') and, subsequently, the Water Services Regulation Authority ('the Authority'), which will eventually replace the Director. For convenience, the term 'Ofwat' is used throughout this document to refer to the Director and the Authority. Ofwat (an abbreviation for 'Office of Water Services') is the organisation established to support the Director and will, in turn, also support the Authority.

WaterVoice offices will not have any statutory powers to deal with these disputes.

1.1 Purpose of the consultation

The main purpose of this consultation is to clarify the approach and procedure we propose to follow when considering such disputes. In this consultation paper we have set out how we propose to handle disputes that will be referred under the amended WIA91. We also propose a framework for charging for the handling of these disputes and others that are referred to under section 30A of the WIA91.

Once the consultation is complete we will publish a final guidance document to coincide with the commencement of the new legislation. We are also currently consulting on the proposals in our document 'Financial arrangements for self-lay and requisitioning agreements' (the financing consultation). We will publish our final guidance paper on this at the same time.

1.2 Scope of the consultation

This paper covers the procedures for handling disputes about requisitioning and the adoption of self-laid mains. We would like to hear your views on these and the approach set out in the document, and your response to the following questions.

- Do you consider that our approach is reasonable?
- Do you think that we need to include any further stages in the procedures?
- Do you agree with our proposed timescales for handling disputes?
- Do you agree, in principle, with the proposal for Ofwat to recover its costs incurred in handling disputes?
- What are your views on the proposals in section 5 for the levying and allocation of costs?

1.3 Responding to the consultation

Please mark your responses 'disputes handling' and send them, by 12 March 2004 to:

Pauline Amor
Complaints and Disputes Team
Office of Water Services
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

or by fax to: 0121 625 1359
or by email to: pauline.amor@ofwat.gsi.gov.uk

If you wish to discuss any aspect of this paper, please contact Pauline Amor on 0121 625 1381.

2. Background

2.1 Current position

Under the Water Industry Act 1991 (WIA91) water and sewerage undertakers have to respond to requests (requisitions) for water mains and sewers where these services are for domestic purposes. Either the owners or occupiers of premises in the locality or the local authority can requisition. Requisitions are normally made by developers. The undertakers can recover the reasonable costs of providing such infrastructure from the person making the request. There is a mechanism in the WIA91 for calculating requisition charges which requires requisitioners to make yearly payments for up to twelve years ('the relevant deficit' mechanism). Undertakers also allow the person who is asking for the requisition (the requisitioner) to pay in a single payment at the time that the work is carried out but this is an informal arrangement with no statutory basis. Requisitioning disputes may currently be resolved by arbitration in which Ofwat has no role.

Historically, developers have used their own contractors to lay sewers, particularly on site. They can enter into agreements for adoption of the sewers by the sewerage undertaker under section 104 of the Water Industry Act 1991. This arrangement will not change.

More recently, developers have been able to choose their own contractors to carry out the installation of water mains on development sites. This is commonly known as 'self-lay'.

2.2 Changes under the Water Act 2003

2.2.1 Requisitioning

The WA03 amends the provisions in the WIA91 about the requisitioning of water mains and sewers. It will become possible to requisition lateral drains as well as sewers. There will also be a statutory basis for the payment of a single sum (the commuted sum) for requisitioned infrastructure as an alternative to the relevant deficit payment option.

The WA03 will also introduce powers for Ofwat to determine disputes about:

- undertakings or security required by the water undertaker/water and sewerage undertaker;
- the amount payable for the requisitioned water main or sewer;
- the time by which the water main or sewer should be provided (if not provided within 3 and 6 months respectively); and
- the route of the water main or sewer.

It will formalise the arrangements for persons other than water undertakers to lay water mains and service pipes that will be adopted by the water undertakers.

2.2.2 Adoption of self-laid mains

The amended WIA91 will propose that any person (such as a developer - ‘the applicant’) who is constructing or proposing to construct a water main or service pipe can apply to enter into an agreement with a water undertaker. If the applicant installs the pipe to supply water for domestic purposes in accordance with the terms of the agreement, the water undertaker will have to connect the pipe to the existing network and take over responsibility for it (commonly known as ‘adoption’). The water undertaker will also have to make a payment to the applicant for the water main it has installed. If the water undertaker:

- refuses to enter into an agreement to adopt the main or service pipe;
- offers terms and conditions to which the applicant objects; or
- does not refuse the application or provide terms and conditions within two months;

the applicant can appeal to Ofwat.

In addition, either party will be able to refer to Ofwat disputes about the associated financial arrangements – the payments required to be made or the security that the water undertaker requires. Where payments or security are required which do not form part of an agreement, the Director will consider the reasonableness of these if asked to do so.

Ofwat’s new powers to deal with these disputes and appeals will take effect from spring 2004.

3. Our proposed approach

3.1 Requisitioning disputes

Based on our experience of complaints previously raised with us on an informal basis, we envisage that disputes may involve the following issues:

- the time taken to progress an application or to provide a water main or sewer;
- the route of the main or sewer, including point of connection – in particular the impact of these on the costs of providing the main or sewer;
- requirement for reinforcement or enhancement of existing network to meet the extra demand for water or sewerage services– in particular the impact on costs; and

- financial terms including:
 - security (deposit);
 - the recovery of undertaker costs; and
 - assumptions about income from charges that need to be taken into account.

3.1.1 Security

We will consider the reasonableness of the security requested, both amount and method, in accordance with the policy that will be set out in our financing guidance.

3.1.2 Recovery of undertaker's costs

Necessary works

We will need to consider the extent of the necessary work, including the route of the main or sewer, network reinforcement (and the timing of such work) and any infrastructure previously provided.

Reasonable costs of necessary works

Where there is a dispute about the costs incurred (and therefore the charge that is made), we will assess the reasonableness of those costs on the basis on which they were incurred. We would expect the work to be carried out under a competitively let contract for labour and/or materials. The contract for labour might be let for the individual scheme, or as a period term contract providing contract rates for the type of work required.

We will also consider the reasonableness of overhead costs incurred by the undertaker in association with the work. We consider that it is usually more appropriate to apply overheads calculated on the basis of actual costs rather than a fixed percentage of the overall cost.

Income allowance to be taken into account

When requisitioning charges are calculated, the undertakers make an allowance for the revenue that the water undertaker will receive from customers of the new main (the income allowance). We will consider the amount of income available from charges to be taken into account in accordance with the policy set out in our financing guidance.

3.2 Self-lay disputes

Based on experience of complaints raised with us since the introduction of self-lay procedures we envisage that appeals may involve the following issues.

3.2.1 Requirements for the construction of self-laid assets

These include:

- design;
- standards of work and materials;
- approval of contractors;
- date of final connection;
- maintenance provisions;
- charges for administration and overheads; or
- supervision/inspection.

When considering appeals about requirements for construction of the mains to be adopted, we propose to have regard to our guidance 'Competition in providing new water mains and service pipes' which we issued in March 2002, and the UKWIR publication 'Guide for self-laying of water mains', which is due to be published in spring 2004.

3.2.2 Financial terms

These may be about the following.

- Security – we will consider the reasonableness of the security requested, both the amount and the form it is requested in.
- The recovery of the water undertaker's costs for enhancement of its existing system, including mains that were previously constructed with spare capacity.
- The amount of the asset payment that is payable to the applicant for self-laid mains.

3.2.3 Cost of works

Undertakers' estimates of payments for self-laid water mains must be based on robust information about the anticipated actual costs of the works. To aid this process, developers must provide timely and accurate information so undertakers can provide estimates that are reasonably accurate.

We will need to consider the extent of work necessary, the timing of that work and how the reasonable costs of those works should be assessed. We may also consider the basis for estimating costs, how often the costs are reviewed, whether they are compared with market rates and if so how.

In our consultation on the financing guidance, we are proposing that water undertakers complete a cost breakdown template. This will list the costs of the work the undertakers will insist on carrying out, as well as their estimates for requisitioning charges and asset payments. If responses from the consultation exercise support this view, we will have regard to this cost breakdown template when considering disputes about the level of undertakers' costs.

3.2.4 Asset payment

The calculation of the asset payment is explained in the associated financing guidance. Undertakers must calculate the asset payment in accordance with the policy set out in our financing guidance. When considering the disputes about an asset payment, we will have regard to this guidance, in particular:

- the water undertaker's notional costs of installing the new infrastructure;
- the estimated level of revenue per unit that it will receive from the new development; and
- the expected number of properties that will be built in the new development and the dates when the units will be completed and occupied (the build rate).

4. Proposed process

- We will not consider the parties to be in dispute until it is clear that both parties (the water/sewerage undertaker and developer) have been unable to resolve a disagreement between themselves. Consultees should note that WaterVoice offices do not have powers to assist parties in resolving these disputes. Where there is a dispute with implications for water quality we will seek advice from the Drinking Water Inspectorate (DWI).

There have been criticisms about the cost and time involved in pursuing requisitioning disputes through arbitration. We understand the importance of a clearly defined and efficient procedure for dispute and appeal handling.

It is important to note the appropriate time for us to consider the different types of disputes.

Disputes considered after work is completed

- Any disputes about the charge for a requisitioned main or sewer (which will be based on the costs reasonably incurred by the water undertaker/water and sewerage undertaker) can only be dealt with after the work has been done.
- Any disputes about the charge for work associated with incorporating a main laid under an adoption agreement into the water supply network (which will be based on the costs reasonably incurred by the water undertaker/water and sewerage undertaker) can only be dealt with after the work has been done.
- Any disputes about the asset payment made for a self-laid main, which the water undertaker/water and sewerage undertaker, only has to pay when it adopts the main will only be dealt with after the work has been done.

Disputes considered before work commences

- The provisions for the adoption of self-laid mains and service pipes will only apply to those whose construction is begun after the relevant WA03 provisions come into force. They do not allow for the adoption of those already constructed.

4.1 Timescale

We understand the importance of obtaining swift resolutions to developers' disputes. We set out below our indicative timetable for dealing with disputes and appeals. However, the timescale will depend on the quality of the submissions by both parties and the speed of their responses to our enquiries. Further stages may be needed if we need to request additional information from either party before the preparation and issue of the draft and/or final report. Where we need to refer to an external consultant or the DWI for advice, the process will take longer.

Stage	Action	Time (weeks)
1	<p>(For requisitioning disputes) The person making an appeal will be expected to include the following in their appeal submission.</p> <ul style="list-style-type: none">• A full copy of their application to the water/water and sewerage undertaker, including all supporting technical details.• A full copy of the undertaker's offer of terms and conditions for the agreement. (The undertaker must explain in such an offer its requirements for any undertaker network enhancement including provision of network analysis; and detail all charges, payments and security required.)• The terms and/or conditions they disagree with and an explanation.• A full copy of all correspondence between the parties. <p>(For self-lay) If applicable, a full copy of the water undertaker's decision.</p> <ul style="list-style-type: none">• In refusing the application, the water undertaker must set out in detail the grounds for its refusal, with reference to its self-lay policy and the guidance issued by Ofwat and UKWIR.• In offering terms and conditions for the agreement, the water undertaker must explain its requirements for the self-lay construction; requirements for any undertaker network enhancement including provision of network analysis with supporting documents; and detail all charges, payments and security required.	

	<ul style="list-style-type: none"> The appellant must identify those terms and/or conditions they find unacceptable and explain why. 	
2	We will consider the dispute submission and write to the undertaker for comment and/or further information.	2
3	We will require the undertaker to provide their comments/further information.	2
4	We will advise both parties how we intend to proceed, including whether we intend to seek external advice and what, if any, charges we might make. We will allow two weeks for parties to respond.	4
5	Subject to clarifying facts, or seeking technical advice from a consultant engineer, we will prepare a draft report for determining the dispute within three weeks. This report will set out the facts of the case and the views of both parties and our provisional conclusions. For self-lay disputes where we provisionally conclude that the main and/or service pipe must be constructed for adoption other than on terms already offered by the undertaker, we will also prepare and issue a draft agreement. The agreement will include provision for final determination of the financial terms to be requested within three months of the completion of the self-laid work.	3
6	We will ask both parties to comment on the draft report documentation.	2
7	We will consider comments from both parties and prepare and issue the final decision.	3
8	We will publish determination decisions by placing them in our library three weeks after issue. If the parties wish, their names will be removed from the published determinations.	
	Total	16

We will review the arrangements, particularly the timescales, for dealing with cases in the light of our experience in considering disputes and appeals.

5. Charges for handling disputes

The amended WIA91 will provide that disputes about the terms and conditions of requisitioning or self-lay agreements and about the payments to be made and the security required in relation to the adoption of self-laid mains may be referred to Ofwat for determination under section 30A of the WIA91. Section 30A of the WIA91 provides that Ofwat may require either party to the dispute to pay a sum in respect of the costs or expenses that it has incurred. In deciding what the payment will be, Ofwat is obliged to have regard to the conduct and means of the parties and any other relevant circumstances. A new section 51B of WIA91 will give Ofwat a similar power in relation to

appeals about the refusal of a water undertaker to enter into an agreement to adopt a self-laid main or about the terms and conditions of such an agreement.

We have not previously sought to recover any of our costs from any party involved in a dispute. We have now reviewed our policy. We intend to consider recovering our costs (or a proportion of our costs) in **all** disputes referred to us under the WIA91 in which we have powers to do so (see attached annex A). Any cost recovery is likely to be minimal when set against the costs of installing infrastructure. We do not consider that any cost recovery by Ofwat will be a barrier to developers bringing disputes to us for resolution. Any award of costs will be included as part of the determination of the dispute.

There are several options for assessing such costs. These include:

- levying a charge based on actual costs including overheads incurred by Ofwat staff and in obtaining any specific external advice in respect of the particular dispute/appeal under consideration; or
- recovering only the actual costs of any external advice obtained in specific cases.

Costs recovered by Ofwat could either be apportioned between the parties or paid by the losing party.

Our estimate of the costs of seeking external advice is that this is likely to be between £1,000-2,000 for each case.

As a general rule, we would not propose to recover costs in relation to any particular case if they amounted to less than £500 or require a party to a particular case to pay costs in excess of £5,000.

On request, or at appropriate stages, we will provide parties with an estimate of the total costs that we have incurred to date in relation to a particular case. Where appropriate, we will also provide an estimate of the costs that may be incurred in seeking external advice.

In any event we will have regard to the nature of the dispute, the means and conduct of the parties involved, the level of costs (in particular where advice from consultants is required) and any other relevant circumstances in deciding what provision, if any, to make in the final determination about the recovery of our costs and expenses.

Annex A Section 30A of the Water Industry Act 1991

List of disputes for determination

Charge for connection of a water supply for domestic purposes.

Terms and conditions of water, sewer and/or lateral drain requisitions.

Reasonableness of conditions made by water undertaker prior to connection of water supply: deposit, separate supplies, in relation to metering.

Requirement for separate supplies to two houses with an existing shared supply.

Terms and financial conditions of self-lay agreements for water mains.

Adoption of water mains.

Adoption of sewers.

Right to connect to a public sewer.

Cost of connection to a public sewer where a sewerage undertaker insists on making the connection.

Requirement by a sewerage undertaker that a private drain or sewer be constructed to form part of its general system.

Restriction or closure of a public sewer.

APPENDIX 1 GLOSSARY OF TERMS

Annual borrowing cost

The total amount of interest and repayments of capital which have to be paid in any year.

Asset payment

The payment made to developers who self-lay water supplies for domestic purposes in recognition of the future revenue that will be received from the newly installed main.

Commuted sum

A single payment that is made by a developer to a water company for laying new water mains. This is paid as an alternative to relevant deficit payments (see next page). This is sometimes also referred to as a lump-sum contribution or fixed lump sum.

Contestable

Open to competition.

Developers

Those who organise the purchase of land, construction of new buildings and their sale.

Disinfection

Water is treated with, for example, small amounts of chlorine to ensure that it complies with water quality regulations.

Domestic purposes

In relation to water supplies, domestic purposes includes the use of water for drinking, washing, cooking, central heating and sanitary purposes. The term is defined more fully in section 218 of the WIA91

Easement

Legal right of way over another person's property, which may cover the laying of pipes.

Lateral drains

The part of a drain that runs from the curtilage of a building or premises to the sewer.

Non-contestable

Not open to competition.

Non-domestic purposes

Water supplies that are for purposes other than those defined as domestic purposes in the WIA91. This includes for example the use of water by a laundry or any business preparing food or drink for consumption off the premises.

Off-site

In the public highway or in land owned by people other than developers.

On-site

Land owned by developers.

Reinstatement

Work carried out to restore the surface of the ground to its original condition. For example, resurfacing a road after work to lay water mains.

Relevant deficit payments

Where developers requisition new mains for domestic purposes under sections 41 to 44 of the Water Industry Act 1991, they may pay for these over 12 years (the relevant deficit payments). The payments are calculated under section 43 of the WIA91.

Requisition

Water companies must provide water mains that are sufficient for domestic purposes when required to do so by a notice under sections 41 to 44 of the Water Industry Act 1991. This is known as a requisition. Water companies must provide the mains once the financial conditions of compliance are satisfied and the company has agreed the places for connecting the new pipes to its existing main/network.

Self-lay

Where developers or their contractors install new water mains and service pipes instead of asking the water company to do the work.

Self-lay organisations (SLOs)

These include developers who can lay their own mains and service pipes, contractors laying mains for the developers, and multi-utility infrastructure providers.

Service pipes

A pipe supplying water from a water main to any premises (whether in the highway or in private land).

Swabbing

A process to clear mains of dirt and materials before they are filled with water.

APPENDIX 2 DRAFT REGULATORY IMPACT ASSESSMENT

We are issuing two consultation papers on 'Financial arrangements for self-lay and requisitioning agreements' and 'Handling disputes and appeals'. This RIA applies to both of these consultations together. It is an assessment of the approach we are proposing to implement the provisions in the Water Act 2003 (WA03). We welcome your views on the points set out below. The final regulatory impact assessment will form part of the guidance documents when these are issued in spring 2004.

Defra published 'The Water Bill – Regulatory Impact Assessment, Environmental and Equal Treatment Appraisals' in February 2003. That paper identified how the new provisions in the Water Industry Act (1991) (WIA91) as amended by the WA03 will affect the industry. It stated that the new provisions will affect an average of 175,000 new connections to the water and sewerage distribution system each year and estimated that the value of the relevant market is around £100 million - £160 million each year.

We want to ensure that the new regime is implemented effectively and transparently without placing unnecessary burdens on developers and undertakers. The following is an assessment of how the principles set out in our consultation papers are likely to benefit the industry.

1. Purpose and effect of the consultation

The consultation papers seek views on the operation of the new regime for paying for new water mains and sewers and the proposed process for determining disputes and appeals. They aim to create a framework, which will do the following.

- Outline the methodologies for calculating the charges and payments for new water mains and sewers.
- Ask water undertakers to complete the cost breakdown template provided by our self-lay group.
- Not impose undue burdens on undertakers or developers in resolving disputes and appeals.

The consultation papers also propose alternatives to our current method of calculating the rates of interest on borrowing and deposits, which affects the payments that are made for new water mains and sewers.

2. Options and rationale

In setting out the framework for financial arrangements and handling disputes and appeals, we have identified three options.

1. Do nothing. There is no statutory requirement for us to produce guidance on these issues.
2. Propose a set of principles for the industry to follow when calculating the charges and payments that will be made when works are requisitioned.
3. Prescribe the levels of the charges and payments that they should make.

Please let us know if you think that there are other options.

Option 1 would leave water and sewerage undertakers to set up their own arrangements and procedures. If water and sewerage undertakers are unclear about the implications of the provisions, they may miscalculate payments or implement a variety of policies, which would create inconsistencies across the industry. This may generate a high number of complaints from developers and other parties requiring new water mains or sewers. This may have a detrimental effect on competition in the market for installing new infrastructure.

Option 2 will create clarity while enabling undertakers to reach their own decisions about the best way to implement the new legislation. This will enable water undertakers to plan effectively for implementing the proposals in the WA03, including developing their internal policies and procedures where necessary. There will also be greater clarity for developers about the financial arrangements of their agreements with water undertakers. We will then take account of how the undertakers have followed these principles when determining disputes referred under the new regime. This is our preferred option.

Option 3 leaves no flexibility for undertakers to decide their own policies. We could also incur greater costs in deciding the levels of the charges and payments and monitoring and auditing undertakers' policies. This may have a detrimental effect on our ability to handle disputes that are referred to us. This option is not preferred.

In reviewing our method of calculating the interest rates we have identified two options.

1. Leave the current system unchanged, without review.
2. Review the methodology that we are using and take the views of the industry into account when deciding our new policy.

The outcome of the consultation may be that the current method of calculating interest rates is still appropriate. However, the consultation will enable us to establish our reasoning for this and improve the transparency of the regulatory process. Option 1 leaves the reasoning for our policy unclear and we prefer option 2.

3. Benefits

This section outlines the benefits of the approach we have taken in developing the principles and approach as set out in the consultation paper.

Benefits to undertakers

- It enables undertakers to plan policies to implement the WA03 more effectively and to decide a business strategy in relation to the self-lay market.
- It reduces uncertainties for undertakers, by explaining when we will intervene in disputes/appeals and the information we expect from the parties to the disputes/appeals.
- It will enable undertakers to reduce some costs in the long-term as they will be aware of the principles that they should follow when deciding policies, and what information we will require when we investigate disputes/appeals.

Benefits for developers and other customers

- It gives developers greater choice in the installation of new infrastructure and the ability to influence the timetable for water and sewerage undertakers carrying out works.
- It will require undertakers to improve the efficiency of their procedures particularly with regard to estimating costs issuing quotations and responding to disputes/appeals.
- It provides clarity enabling developers to take advantage of new opportunities in the market. It enables developers to make reasoned comparisons of the costs of requisitions and self-lay options so they can make a fully informed choice about the options available to them. This option will strengthen the market and reduce complaints. Developers will be the main beneficiaries of the new legislation but may pass savings on to house buyers.

Benefits for us

- Setting out a clear framework understood by all parties to the dispute/appeal enables us to handle cases more efficiently and should reduce the number of complaints that we receive in the longer term.
- Our approach improves the transparency of regulation.

4. Expected costs

The expected costs are split into two categories: costs that the water and sewerage undertakers and developers will have to finance and the expected costs for us.

4.1 Compliance cost to the industry

- There will be the ongoing costs incurred by the water undertakers in implementing policies that meet the principles set out in the consultation paper. However, the undertakers may have to incur costs anyway when the provisions of the WA03 come into force to ensure that they are complying with the new legislation. The principles that we will set out in the final guidance paper will enable water and sewerage undertakers to focus on any changes that they need to make in their policies. This will help them increase efficiency and reduce costs.
- Clarifying the financial arrangements may generate marginal additional costs for developers but any costs are likely to be outweighed by the benefits that are likely to arise from a transparent regime, including competitive charges and improved efficiency.
- There may be a charge to undertakers and/or complainants for handling disputes that are referred to Ofwat. However, this will partly replace the costs currently incurred in

pursuing these disputes already. The industry already incurs costs in responding to developers' complaints and should not have to produce any significant new information for us to deal with disputes/appeals.

4.2 Compliance cost to Ofwat

- We will incur minimal costs for preparing the consultation paper and the final guidance, and in running a workshop in January 2004 to present key points from this consultation to the industry.
- We will incur costs in handling a new range of disputes about terms and conditions of self-lay agreements, and requisitioning disputes. There will be staffing implications for this new work. We will also incur costs in obtaining external advice. We expect our costs of dealing with disputes will reduce over time as water undertakers and developers take into account early determinations and refine their policies accordingly. We have estimated that the cost to us of handling disputes referred under the new regime to be £50,000 per annum. This figure will be reviewed in the light of our experience in handling disputes/appeals. We intend to recover some or all of our costs incurred in dealing with disputes/appeals from undertakers and developers.

Questions

We welcome your views on the draft regulatory impact assessment, in particular on the following.

- 1) Do you consider our analysis of the benefits and costs of the approach we have taken in the consultation is complete? If not, please explain why.
- 2) What other benefits or costs do you feel should be included? If possible, please quantify these.
- 3) Are the proposals broad enough to create a workable framework for implementing the new legislation?
- 4) Are the proposals too prescriptive to create a workable framework for implementing the new legislation?
- 5) Are there any other parties who should be included in this regulatory impact assessment?
- 6) Do you consider that the estimates of the effect on the market and the costs of implementing the proposals are correct?
- 7) Are there any other ways we could have approached this issue?