



Note of the Charging working group meeting held 25 February 2014

1. Issues with splitting charges

The differences between top-down and bottom-up approaches were discussed. It was recognised that top-down approaches would result be less likely to cause incidence effects, but may be less cost reflective.

Some members of the group considered that there may be some rebalancing required with a top-down approach, in order to avoid significant issues (such as come charges being negative).

It was debated whether there should be different objectives for 2015-16, 2017-18, and for 2020 and beyond.

2. Process for implementation

Working group members raised concerns over the timing of gaining visibility of charging rules. It was posed that companies would not be able to make changes to their charges if rules became available after June.

A number of working group members stated that they would want charging rules to confirm whether separate retail and wholesale charges need to be explicitly shown on customers' bills.

3. Schedule of charges

The approach of populating a standard schedule with wholesale charges was discussed. There was general support for the proposed approach, however it was recognised that there are significant differences in how companies currently charge for surface water drainage.

4. Schedule of charges

A working group member produced analysis suggesting significant differences in sewerage costs depending on geographic location.

It was considered that there are many different ways of considering cost reflectivity, and it may be beneficial to consider any changes in this area in the context of future upstream developments.

5. Next steps

Ofwat will set up the next meeting which will discuss some provisional proposals for charging rules.