

OFWAT

New appointments and variations – a consultation on Ofwat’s policy relating to highway drainage

Severn Trent Water response
22 October 2014

Our response to your proposed policy

- 1. If a new appointee’s site contains public roads (roads which have been or may be adopted) and those roads drain to the sewers of the existing appointee, we are likely to consider that it is reasonable for the bulk discharge price to include a contribution to the existing appointee’s highway drainage costs.**

We would support this proposal.

- 2. If a new appointee’s site contains public roads that do not drain to the public sewers of the existing appointee, or there are no public roads on the site, we are likely to consider that it is reasonable for the new appointee not to contribute to the highway drainage costs of the existing appointee.**

We do not support this proposal.

Whilst it arguably would be more efficient to recover the costs of providing highway drainage through vehicle taxation as it would allocate the costs to the user of the highways service, section 146 of the Water Industry Act 1991 (previously section 79 of the Water Act 1989) explicitly prohibits water and sewerage undertakers from recovering the costs of providing highway drainage from the Highway Authority. It does however allow undertakers to recover the costs incurred and therefore shifts the costs recovery from general taxation to locally recovered charges via wastewater bills.

However, the public service being provided is the drainage of all highways, not just those directly linked to a property. There are numerous highways (such as motorways) where part of the drainage enters our sewage works. But there are not necessarily properties that directly border onto these highways. The same argument applied for NAVs could be applied to these and therefore no customer should be required to fund this drainage. This would leave us unable to recover the costs for a service we are required to perform under our licence and prescribed by Government. Hence there is a need to spread the costs across all customers, irrespective of whether there is a direct causal link between their property and the connected highway. Our policy of recovering the totality of highway drainage costs from **all** sewerage customers is a fair way to distribute the cost of this public good, irrespective of whether the specific property borders onto a highway or not.

Currently all citizens in England and Wales who have a wastewater service from an undertaker pay a contribution to highways drainage, irrespective of whether their property borders onto a public highway or not or for that matter whether they use a vehicle or not. Introducing this proposed NAV charging rule exception discriminates against the generality of customers. Put simply, the residents within that New Appointments will still use roads within the communities they operate but will not have

Severn Trent Water response

to pay for that service. We cannot see why this would be a fair policy given Ofwat’s charging principle that ‘Highway drainage benefits everyone who uses the road network either directly or indirectly.’

Existing sewerage appointees recover highway drainage in a number of different ways. Some charge explicitly for the service, whilst others charge implicitly by recovering highway drainage as an on-cost to other elements of the sewerage service e.g. foul water and/or surface water drainage. However, irrespective of the basis of cost recovery, all customers whose properties have a connection to the appointee’s sewer (foul only, surface water only or foul and surface water combined) make a contribution to the overall costs incurred in providing highway drainage.

Given the above, we consider that if there is a sewerage connection of any description between the new appointees site and the public sewers of the existing appointee, then the new appointee should make a contribution to the highway drainage costs of the existing appointee.

This would not be ‘additional’ revenue to the existing appointee as it would be offset against and therefore reduce the amount of revenue in respect of highway drainage recovered from the customers of the existing appointee.

Furthermore, if this rule were to apply, NAVs could appear to offer a discount against the standard incumbent tariff whereas in reality this will simply be a rebalancing of costs onto the remaining incumbent’s customers with no net gain to customers.

3. The amount of highway drainage charges payable should be a matter for commercial negotiation between new appointees and existing appointees, on a case by case basis.

We would agree with this proposal, subject to our response to point 2 above.

4. A bulk discharge price should as far as possible be cost reflective, which should include taking into account the existence of efficient and sustainable drainage solutions which may result in less highway drainage entering the public sewers of the existing appointee.

We would agree with this proposal, subject to our response to point 2 above.

Contacts:

Please do not hesitate to contact us if you wish to discuss the above further.



Severn Trent Water response

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