



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

Strategy & Regulation

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Dear Mr Field

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

We welcome the opportunity to respond to your consultation document.

We have summarised our views, as outlined below, on the four key considerations outlined in the consultation document that Ofwat will take into account in determining an appropriate bulk supply discharge price where they receive a referral under section 110A WIA91.

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 agree that this is a reasonable approach for Ofwat to take under this scenario.

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.

As stated in the consultation the obligation to set appropriate water and sewerage charges (including highway drainage) lies with each appointee. This means that sewerage companies bear the costs of highway drainage which is then passed onto customers through their sewerage bills even

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though the charge paid by each customer is unrelated to their use of the highways.

WIA91, sections 115 and 146(4), permits highway authorities to use the public sewer system for drainage of public roads, whilst, at the same time prohibiting undertakers from charging highway authorities for that service. Inset appointees can select the area they apply to serve to avoid or substantially reduce these obligations.

We therefore have some concerns with the Ofwat principle that suggests where a new appointee's roads do not drain to the public sewers of an existing appointee, or that there are no public roads on site, that a bulk discharge price should not contribute to the highway drainage costs of the existing appointee.

It is important that when considering new appointments and variations, Ofwat ensures that a fair proportion of these costs are passed on to the inset appointees otherwise the highway drainage costs, which relate to large and diverse geographic areas, parts of which are largely devoid of any directly connected customers, will fall disproportionately on the remaining customers of the undertaker.

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 agree, subject to points 1 and 2 above, that the matter should be a commercial negotiation between new appointees and existing appointees. However we would expect that a consistent approach should be adopted in arriving at any agreement.

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.

In arriving at a bulk supply discharge price a pragmatic approach needs to be taken regarding the degree of complexity and cost reflectivity involved in any calculation. Where it can be demonstrated that reduced highway drainage enters the public sewers of an existing appointee than would otherwise be the case, and that circumstance would continue into the future then, subject to the arguments made in point 3 above, it may be appropriate that the bulk supply discharge price reflect the actual circumstances.

Please do not hesitate to contact me if you have any questions or comments on our response.

Yours sincerely

A handwritten signature in blue ink that reads "Paul Morris". The signature is written in a cursive style with a large initial "P" and "M".

Paul Morris
Regulatory Reporting Manager

