

Information notice

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Improving services for customers on new connections

This information notice provides greater clarity on our general expectations for how monopoly water and sewerage and water only companies in England and Wales should provide and charge for new connections. This is to:

- avoid disputes occurring between customers and their company; and
- enable disputes to be resolved in a timely manner where they do occur.

We use the term new connections to mean where a customer requires:

- access to the existing public water supply or sewerage system by means of a service pipe or lateral drain; and/or
- a new water main or sewer.

Context

New connections bring new customers to the water sector in England and Wales. These can be an individual property or a large-scale development site. New connections customers are also important drivers of the national

economy. So, the sector has a responsibility to enable them and their contribution to economic growth and sustainable development.

Background

If a property requires a new water main, sewer, service pipe or lateral drain for domestic purposes (cooking, cleaning, central heating or sanitary facilities), the owner or developer may ask the local monopoly company to install the infrastructure. For water mains and public sewers this is often referred to as '[requisitioning](#)' the infrastructure.

Alternatively, the owner or developer may choose their own contractor to do the work, which is then known as '[self-lay](#)'. The monopoly company will take over responsibility for (adopt) all self-laid infrastructure that meets the terms of its agreement with the owner, developer or self-lay organisation that carries out the work.

The [Water Industry Act 1991](#) (WIA91) places a number of duties

on monopoly companies for providing or enabling new connections for either individual properties or development sites. These include:

- duties under sections 41, 45, 46 and 98 of the WIA91, where the water or sewerage company will provide the infrastructure; and
- responsibilities under sections 51A and 104 of the WIA91, where the water or sewerage company will take on ownership of infrastructure built by another party.

Providing new connections for individual properties or wider development sites is one of the few areas of the water and sewerage sector in England and Wales where other parties can compete with monopoly water and sewerage companies to provide services. Potential providers of new connections infrastructure include the following.

- A [new appointee](#) or existing monopoly company which replaces another as the licensed company for a specified geographical area ([new](#)

This is a formal document that alerts our stakeholders to a change in the way that we regulate the water sector in England and Wales.

appointments and variations, or 'NAVs').

- Suitably qualified self-lay organisations (SLOs) for water infrastructure. But the monopoly company concerned must satisfy itself that SLOs are suitably qualified to provide the new connections services as they will take on ownership of the infrastructure. Monopoly companies usually, but not exclusively, use the [Water Industry Registration Scheme \(WIRS\)](#) to do this. This accreditation scheme is operated on behalf of companies by Lloyds Register.
- A wide range of contractors including developers themselves for sewerage infrastructure. But the monopoly company concerned will need to satisfy itself that the contractor has constructed the infrastructure to the [appropriate standards for connection](#) and where the developer has entered into an agreement under section 104 of the WIA91 for the monopoly company to adopt the sewerage infrastructure.

The Water Act 2014 will make significant amendments to a number of the sections of the WIA91 relating to new connections. Some sections of the WIA91 will be replaced by new charging rules for new connections, which we will issue following guidance from the Secretary of State for Environment, Food and Rural Affairs. The existing charging arrangements will continue until that part of the Water Act 2014 is brought into force and the new charging rules

are in place. We have started to engage with stakeholders to inform these new charging rules and we will consult on them publically in due course. The Water Act 2014 also includes provisions for new codes and rules for monopoly companies and providers of infrastructure for adoption.

Improving services for customers

We are aware of longstanding concerns and frustrations about the levels of service and charging arrangements for new connections. We want to help improve the services new connections customers receive – particularly where they have a dispute with their company. Our new ['Providing new connections'](#) web page provides further clarity on our general expectations of monopoly companies in terms of:

- their customer service for new connections services;
- their competition law obligations; and
- how they plan for and enable growth.

Our new ['Charging for new connections'](#) web page also provides further clarity on our general expectations for key areas of dispute between customers and monopoly companies under the current charging arrangements for new connections. These common areas of dispute include the handling of:

- administration and overhead costs;

- off-site works;
- apportionment of additional capacity;
- income offset; and
- infrastructure charges.

We summarise the main points in each of these areas below.

Customer service

All monopoly companies should:

- recognise developers, SLOs and NAVs as customers;
- recognise that the needs of these customers may differ from those of the end users of water and sewerage services; and
- apply the principles of good customer service in how they provide all of their new connections services, including setting out clear commitments on the levels of service the customer can expect.

Competition law

There are some new connections services where customers cannot choose to use their own contractor because only the local monopoly company can provide them (that is, they are 'non-contestable'). All monopoly companies must offer these services in a way that is compliant with competition law, namely on equivalent terms for all of their customers. This includes circumstances where the monopoly company is providing a non-contestable service to another part of its own business, which may be competing with other new connections providers, to enable it to provide contestable services.

Planning for and enabling growth

As well as providing new connections in response to customer requests, monopoly companies have general duties under sections 37 and 94 of the WIA91 to develop their networks to meet increasing demand through new connections. Monopoly companies should therefore have ongoing conversations with their new connections customers, local planning authorities and other relevant stakeholders to understand and plan for the timing, location and impact of future development sites. This engagement will deliver improved levels of service for new connections customers and enable monopoly companies to efficiently develop their networks.

Charging arrangements

The WIA91 gives Ofwat a duty to make determinations on certain new connections disputes. These determinations largely relate to charging and the terms and conditions of agreements between a monopoly company and its customer.

Stakeholders recognise that some of the WIA91's charging provisions are unclear and have resulted in uncertainties and inconsistencies in monopoly companies' charging arrangements. The Water Act 2014 specifically responded to these concerns by providing for Ofwat to develop new charging rules for new connections. However, until the new rules are in

place we wish to provide greater clarity on our expectations under the existing charging framework.

A number of sections of the WIA91 refer to charges for new connections being based on 'costs reasonably incurred'. Disputes between customers and monopoly companies usually focus on the level of costs and/or the range of the cost items considered to be reasonably incurred. The most common areas of dispute referred to us include where:

- monopoly companies include **administration and overhead costs** alongside the physical construction costs of materials and labour;
- monopoly companies need to carry out **off-site works**, to provide new infrastructure or reinforce existing infrastructure beyond those directly requisitioned by or self-laid by a developer;
- the infrastructure provided includes **additional capacity** beyond that required by the person requesting the new connection;
- the **income offset** provided for in the calculation of a requisition charge or asset payment has not been offset against the costs incurred in providing off-site works or capacity, or is offset twice or separately for on-site and off-site works; and/or
- a monopoly company has recovered contributions towards off-site works through its requisition or self-lay charges as well as recovering **infrastructure charges** for each property newly connected

to its network. Infrastructure charges are raised by means of section 146 of the WIA91 and condition C of a monopoly company's licence.

We investigate disputes on a case-by-case basis, considering:

- the legal framework of the WIA91; and
- the evidence provided to us by the parties to the dispute.

However, our new '[charging for new connections](#)' webpage explains our general expectations for each of the common areas of dispute set out above. These represent our starting point when considering disputes. There may be justifiable grounds for moving away from our general expectations, but we consider it is useful for monopoly companies and new connections customers to understand our starting position.

Improving transparency for customers

We recognise there is limited transparency in the charging arrangements for new connections, particularly in terms of the relationship between and use of infrastructure charges and requisition and self-lay charges. It is currently the responsibility of the companies to make sure they do not recover the same costs through these two charging routes. We are considering the transparency of costs and charges as part of our work on the future:

- charging arrangements for new connections; and

- regulatory reporting and accounting requirements for monopoly companies.

One of the aims of this work will be to ensure that customers can have greater confidence in the charging arrangements for new connections.

Next steps

We will be working with monopoly companies and their customers through the end of 2014 and into 2015 to further explore new connections issues. This will:

- support the industry's improved understanding of new connection costs and the services they are allocated against;
- inform our development of future charging rules for new connections; and
- enable the industry as a whole to provide a more customer-focused service to its new connections customers, ensuring timely and efficient delivery of new water and sewerage infrastructure.

Enquiries

If you have any questions about this information notice, please send them to:
sally.irgin@ofwat.gsi.gov.uk.



Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We are responsible for making sure that the water sector in England and Wales provides consumers with a good quality and efficient service at a fair price.

More information

[Providing new connections](#) web page, Ofwat

[Charging for new connections](#) web page, Ofwat

[Monopoly companies' licences](#) web page, Ofwat

[Requisitioning a connection](#) web page, Ofwat

[Self-laying a connection](#) web page, Ofwat

[Choosing a new appointee](#) web page, Ofwat

[Water Industry Registration Scheme \(WIRS\)](#), Lloyds Register

[Water Industry Act 1991](#), legislation.gov.uk

[Sewers for adoption](#), Civil Engineering Specification for the Water Industry, 7th edition

[Code of Practice for the self-laying of water mains and services – England and Wales](#)

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