

Charging
Ofwat
21 Bloomsbury Street
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21st April 2016

Dear Ofwat

RE: New Connections Charging Paper, 24th March 2016

We are supportive of the principles set out in your document.

The current new connections environment is one which neither water companies, nor developers are comfortable with. Disputes such as the Wing case are a distraction, and in nobody's interests. Increased transparency and predictability should help to avoid such situations. The suggestion of a single document in section 5.4 is a good one.

We are a little wary of the idea to place more ownership and accountability with water companies to develop charging approaches. There seems to be some danger that this will lead to wide variations in approach, which might make the situation more confusing for developers.

We think you should consider having a single fixed charge for each company. As long as this charge is set reasonably, companies should recover their costs on average. This will provide maximum simplicity and transparency for developers.

In response to your specific questions:

Q1 Have we missed any key issues with the current framework?

No

Q2 Do you agree with our emerging thinking to require work that is remote from the site to be recovered through infrastructure charges only, to increase transparency?

Yes, this would be a helpful development for all parties. Obviously it is important to set the charge correctly, in order to avoid large transfers between existing and new customers.

Q3 Do you agree with our emerging thinking to allow companies to develop new approaches to charging?

We have some reservations about this, as we feel there is a risk of increasing complexity for developers.

Q4 Do you agree with our emerging thinking to promote a level playing field through increased transparency?

yes

Q5 What would be the impact of requiring wastewater asset payments?

No comment – we are a WoC

Q6 Do you agree with our emerging thinking regarding information provision from companies to improve transparency?

Yes, this is a good principle (albeit easier said than done)

Q7 What further information should Ofwat seek to collect from companies to aid transparency of charging in relation to new connections, as well as enabling ongoing monitoring and enforcement?

A light touch is appropriate here. If the regime can be kept simple, in a single till environment, there is no risk of profiteering.

Q8 Do you have any specific suggestions on the draft rules set out in appendix A1?

No, they seem appropriate

Q9 Do you consider it to be appropriate for Ofwat to set requirements for companies to engage with their stakeholders as part of the charging rules?

Yes, consultation is an important principle, and should help to ensure legitimacy in this case.

Q10 Do you consider that any additional actions will be required to ensure an effective transition?

We don't have any particular suggestions.

Yours sincerely,

Tim Charlesworth
Head of Economic Regulation
Affinity Water