
Update on implementation date for new connections charging rules

About this document

This document updates stakeholders on the implementation of the new charging rules framework for new connection services provided by water undertakers and sewerage undertakers whose areas are wholly or mainly in England ('English water companies').

Summary

Following consultation, we have decided to postpone the implementation of the new charging rules framework for new connection services provided by English water companies. The framework will not be implemented from April 2017. Instead, we are considering introducing the new charging framework from April 2018.

Background

Enabling a new connections charging framework that is clear and customer-centric is an important factor in ensuring trust and confidence in the sector. We need to ensure that charges enable and encourage efficiency, are fair and give certainty to suppliers and buyers. Some stakeholders have concerns with current arrangements – for example, that charges are too complex, unpredictable and unfair.

In March 2016 we consulted on [our emerging thinking](#) and in July we consulted on [a new approach to connections charging for English water companies](#). Once Welsh guidance is published we will consider developing new connections charging rules for Welsh water companies. Our proposed approach was to use our new powers introduced by the Water Act 2014 to move from the current legislative charging framework to a more flexible charging framework. Our approach must have regard to the UK charging guidance for English water companies that sets out four overarching objectives.

- Fairness and affordability.

- Environmental protection.
- Stability and predictability.
- Transparency and customer-focused.

Charging rules for new connection services will cover charges by English water companies to developers and other customers for:

- connections with water mains and public sewers;
- the provision of new water mains, public sewers and lateral drains; and
- pipe diversions.

Rationale

Following our July consultation, we have decided to postpone the implementation of the new connection charging rules framework. We think allowing additional time for the transition period would help by giving companies more time to consult with customers and respond to feedback before their charges are finalised. It would also give time for Water UK to explore the possibility of a more harmonised approach to implementation, which would reduce the risk of arbitrary differences in companies' implementation, whilst still allowing companies to introduce innovative tariffs.

Proposed modification to Condition C (Infrastructure Charges)

Our consultation on a new approach to connections charging also set out a proposed modification to Condition C (Infrastructure Charges) of English water companies' appointments. We proposed to make the modification under section 55 of the Water Act 2014.

As we have proposed to allow an additional year for the transition period, we now propose to remove the current restrictions on the maximum amount of infrastructure charges from 1 April 2018, instead of 1 April 2017. We are not consulting on any other changes to the proposed modification.

We welcome your views on this proposal. If you have any comments, please send them by no later than 7 November 2016 to charging@ofwat.gsi.gov.uk

Next steps

We plan to finalise and publish our rules later this year, subject to any further input and evidence being provided by stakeholders or by Defra's final guidance (for example, as we review and strengthen our impact assessment)

We will continue to work with stakeholders to make sure the new framework is well understood and further consider how we can use our regulatory tools to ensure the appropriate implementation of the new framework.

We propose to make the proposed modification to Condition C (Infrastructure Charges) after we have published our final rules.

Enquiries

If you have any questions about this document, please send them to charging@ofwat.gsi.gov.uk.

More information

[New connections charging – emerging thinking for discussion](#), March 2016

[New connections charging – consultation](#), July 2016