

August 2016

Trust in water

and Bristol Water

Final determination of dispute determined under sections 45(6A) and 30A of the Water Industry Act 1991

Complaint against Bristol Water about the reasonableness of connection costs

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1. Introduction

- 1.1 This is a final determination of a dispute referred by [REDACTED] (**‘the Complainant’**) to Ofwat, on 17 January 2016, for determination under sections 45(6A) and 30A of the Water Industry Act 1991 (**‘the Act’**). The dispute is between the Complainant and Bristol Water Services Ltd (**‘Bristol Water’**) and is about whether the expenses incurred by Bristol Water in connecting one new water supply at [REDACTED] (**‘the Site’**) were reasonable.
- 1.2 This final determination was preceded by a draft determination which we issued on 25 May 2016 to both parties and invited them to make representations to us.

2. Background

A. The parties

Complainant

2.1 The Complainant is the owner of the Site.

Company

2.2 Bristol Water is appointed under the Act to provide water services to customers in Bristol and surrounding areas, where the Site is located.

B. The Site

2.3 The Site is located at [REDACTED]. The Complainant owns the property at [REDACTED] which was converted into two flats, therefore requiring an additional water connection at the Complainant's request. This is the water supply connection that is the subject of this dispute (**'the Connection'**).

C. The request for a water supply connection

2.4 The Complainant was carrying out a redevelopment of the Site, converting it from one dwelling into two flats. He sought a quotation for connecting one of the new flats at the Site to the water supply of Bristol Water.

2.5 Bristol Water provided the Complainant with a first quotation on 25 February 2015, amounting to £696. We understand that when the Complainant contacted Bristol Water to make payment and book a date for the works to be completed, this quotation had expired. Subsequently, Bristol Water issued a second quotation on 4 June 2015 for £649.89 (**"the Quotation"**). This quotation included an infrastructure charge of £353.89, and this amount was paid in full by the Complainant.

2.6 On 20 July 2015, the Complainant wrote to Bristol Water raising concerns about the reasonableness of the costs. Being dissatisfied with Bristol Water's response, and having exhausted their complaints' process, he therefore wrote

to Ofwat on 17 January 2016 to complain about the charges levied by Bristol Water for the Connection they had carried out at his renovated property.

- 2.7 To help us undertake our preliminary assessment, we issued a request for information (“RFI”) to the Complainant on 4 February 2016.
- 2.8 From the information we received, we understand that the Complainant raised two main concerns in relation to the service level he received and the cost of the connection works.
- 2.9 The Complainant was concerned that the correspondence with his wife had been poor and that Bristol Water did not meet its own performance commitment to complete works for a connection within 10 days. We note that Bristol water issued a £20 payment to the complainant in June 2015 under the Bristol Water Bond¹ in relation to not meeting the 10 day timescale for standards of service.
- 2.10 The Complainant advised that lead piping replacement was also completed as part of the works and that he was concerned that he had contributed towards the cost of this replacement.
- 2.11 The Complainant also advised that the water supply meter for the property had been replaced in error and was concerned that he had been charged for this replacement.
- 2.12 We advised the Complainant on 10 March 2016 that the scope of the investigation would be restricted to investigating whether the expenses incurred by Bristol Water in making the connection under section 45 of the Act were reasonable and that we will not consider other costs or service related issues.

¹ The Bristol Water Bond: (Bristol Water Bond, n.d.) <http://www.bristolwater.co.uk/wp/wp-content/uploads/2013/03/Bristol-Water-Bond-15-161.pdf>

3. Legal Framework

- 3.1 Section 45(1) of the Act imposes a duty on water companies (subject to certain conditions) to make a connection, where the owner or occupier of any premises serves a notice on the company requiring it, for the purposes of supplying water for domestic purposes, to connect a service pipe to those premises with one of the water company's mains.
- 3.2 Section 45(6) of the Act provides that the water company may recover from the person who has required it to make a connection the expenses reasonably incurred by it in making the connection.
- 3.3 Section 45(6A) of the Act provides that any dispute about whether the company's expenses were incurred reasonably may be referred by either party to Ofwat for determination.
- 3.4 Ofwat's decision is binding on the parties to the dispute. By virtue of section 45(6A) of the Act, read in conjunction with section 30A (5) of the Act, this determination is enforceable as if it were a county court judgment.

4. Jurisdiction to determine the complaint

4.1 Ofwat is satisfied that the dispute between the Complainant and Bristol Water is a dispute about whether the expenses incurred by Bristol Water in making a connection under section 45 of the Act were reasonably incurred, and therefore that Ofwat has jurisdiction to determine this dispute under section 45(6A) of the Act. This is because:

- a) the Complainant required Bristol Water to connect one new water supply connection at his property;
- b) Bristol Water treated this as a request for a connection under section 45 of the Act; and
- c) the charge raised by Bristol Water is disputed as being excessive by the Complainant.

5. Requests for information (RFI)

5.1 We requested information from the Complainant on 4 February 2016 and on 12 February 2016 about his understanding of the nature of the works involved in making the Connection and the total cost paid for the works. We also asked him to provide copies of any relevant correspondence he had had with Bristol Water regarding his complaint.

5.2 We also sent an RFI to Bristol Water on 10 March 2016, asking for:

- details of the work entailed in making the Connection;
- a full breakdown of the actual costs incurred in completing these works;
- details of the correspondence between Bristol Water and the Complainant; and
- details of the Quotation provided to the Complainant.

Response from the Complainant

5.3 We received responses from the Complainant on 11 March and 18 March 2016.

5.4 The Complainant advised that the surface excavated was a road and a tarmacked footpath with an approximate combined length of 4 metres.

5.5 The Complainant highlighted that he was concerned as to whether he had contributed towards the costs of replacing the lead supply, which should have been covered by Bristol Water under its lead replacement scheme. He was also concerned that the costs included the replacement of a water meter, which had been removed in error by Bristol Water.

5.6 The Complainant advised that the amount he paid to Bristol Water for the works was £650.

Response from Bristol Water

5.7 On 24 March 2016 we received a response from Bristol Water, in which they provided a breakdown of the costs associated with the Connection, as

requested. Further, on 13 April 2016, Bristol Water clarified the cost information which they had submitted. A full cost breakdown of the works associated with the Connection is set out in table 3 below.

- 5.8 The Complainant was charged £649.89, which consisted of an infrastructure charge of £353.89 and a charge of £296 for making the Connection.
- 5.9 Bristol Water also provided the cost incurred to replace the lead supply (see Table 1 below) and showed that this amount was not included in the connection costs which the Complainant paid for (i.e. the £296) but was a cost borne by Bristol Water. Table 1 below provides a breakdown of the Quotation and Table 2 below provides the actual costs incurred for making the Connection. All these figures were provided to us by Bristol Water.

Table 1 – Quotation

Components of the Quotation	Costs (£)
BW fits box and taps main, including first metre of pipe	£826
Each additional service in same trench x1	£288
Additional cost per metre of standard PE pipe @ £112 x 3	£336
Additional cost per metre for each additional service in same trench @ £2 x 4	£8
Total cost for 2 in 1 trench	£1,458
minus cost covered by lead replacement scheme (covered by Bristol Water)	- £1,162
Connection charges for additional pipe length replacement	£296
Infrastructure charge	£353.89
Total costs paid	£649.89

Table 2 – Actual costs as submitted by Bristol Water

Cost elements	Actual Costs (£)
Contractor including overheads & management fee	£140.13
Materials including overhead	£51.59

Admin (highway 50%)	£112.50
Total cost for connection charges	£304.22
Infrastructure charges	£353.89
Total actual costs	£658.11

5.10 Bristol Water stated that they reviewed the costs after receiving the Complainant's complaint, and found that the actual costs they incurred were higher than the Quotation which they charged the Complainant, by £8.22. Bristol Water did not pass on the additional cost to the Complainant. This explains the difference in the total costs between table 1 and table 2.

5.11 Following the initial RFI response from Bristol water, we asked for a further breakdown of the costs which made up the £304.22 cost for the connection charges. This is shown below in table 3.

Table 3 – Detailed breakdown of actual costs

Description of works	Actual Costs (£)
Contractor Cost	£102.49
Overheads (2.8%)	£2.87
Management Fee (33%)	£34.77
Total Contractor Costs	£140.13
Materials	£44.86
Handling Charge (15%)	£6.73
Total Materials Costs	£51.59
Admin Fee	£105
Highway Inspection Fee (£15 @ 50%)	£7.50
Total	304.22

5.12 Bristol Water also stated that the replacement of the water meter was not usual practice as the meter was under 10 years old and this was an oversight on their behalf. Although Bristol water did not provide the costs for the water meter replacement, based on the costs in Table 1 this does not appear to have been charged to the Complainant.

6. Draft determination and representations

- 6.1 On 25 May 2016, Ofwat issued a draft determination to both parties. The determination considered:
- (a) the reasonableness of the total amount the Complainant was required to pay to Bristol Water for the works involved in making the Connection; and
 - (b) the reasonableness of the amount the Complainant was required to pay to Bristol Water as administration charges.
- 6.2 We considered these costs against the benchmark costs in the [Hyder report](#)² and ‘[the Review of Section 45 costs](#)’ report³ to assess their reasonableness.
- 6.3 Under section 45(6) of the Act, the water company is entitled to recover an amount equal to the expenses reasonable incurred by it in carrying out the works. We subtracted the administration costs of £105 from the Connection costs of £304.22, to arrive at the actual cost of the works, £199.22.
- 6.4 After considering the evidence provided to us by both parties and the conclusions from the Hyder report and the Review of Section 45 costs report, we provisionally determined that:
- the connection costs of £199.22 were reasonable as these were under the minimum charges we would expect for this type of work according to

² The Hyder report - A Comparative Study: Cost of new water supply connections work (24 March 2010) http://www.ofwat.gov.uk/publications/commissioned/rpt_com_20100928s45hyder.pdf

³Review of section 45 costs - Independent review of section 45 administration and overhead costs on behalf of the Water Services Regulation Authority (Ofwat) (April 2014): http://www.ofwat.gov.uk/wp-content/uploads/2015/10/rpt_com201404s45costs.pdf

the Hyder report (see Table 4 below, which shows the range of costs assessed as reasonable for making one connection);

- the administration charges of £105 were reasonable based on the Review of Section 45 costs report.

6.5 Overall no refund was due to the Complainant.

Table 4 - Benchmark costs from Hyder Report

Length of pipe (as provided by Bristol Water)	Minimum charge	Medium charge	Maximum charge
2.7m in footway	£203.92	£394.79	£925.78
1.2m in carriageway	£246.62	£449.89	£1,469.35
Total	£450.54	£844.68	£2,395.13

Representations

6.6 Both the Complainant and Bristol Water confirmed to us that they did not wish to make any representations to our draft determination of 25 May 2016

7. Final determination

- 7.1 In line with our provisional conclusions, having had regard to the Hyder report, Ofwat considers that for a standard single connection the actual costs of £199.22 for the connection were reasonably incurred, in that they are under the minimum charge which we would expect is reasonable for this type of work.
- 7.2 In line with our provisional conclusions, having had regard to the Review of Section 45 Costs report, which considers that a standard single connection should not generally exceed £105.30, Ofwat considers Bristol Water's administration charge of £105 to be reasonable. Accordingly, as we consider both the costs charged for the Connection and the administration fees charged by Bristol Water to be reasonable, no refund is due to the Complainant.