

Dear Sirs

I am writing to respond to your consultation document on the proposed changes to New Connection Charging.

You have asked for responses to specific questions, as follows:

Q1 In light of our updates and clarifications, do you agree that we still retain the key features and approach of our March proposals?

Unfortunately, this is a lengthy and complicated consultation document. As far as we can see, your current proposals follow the approach of your March proposals. That is not to say that we agree with the approach.

Q2 Do you agree with our updates and clarifications to our proposed rules?

No. We agree with the statement in the Executive Summary that the current arrangements are too complex, unpredictable and unfair. It then goes on to state that the enhanced proposals will benefit developers and offer clearer, more predictable and stable charges. We cannot see, however, how the proposed changes to the charging rules will do anything to change the current situation for developers. Whilst you propose a number of rules you are not actually providing any clarity on how the water companies should be charging for new connections, what mechanisms they can use etc. In fact, the proposed rules put the water companies in the position of being able to determine their own charging arrangements and there is no guarantee as to how effectively their consultation will be and how transparent they will be in demonstrating that their charges balance with their costs over each charging period.

Q3 Do you agree that offsetting the infrastructure charge, rather than requisition charge, has merit? If so, when and how should this change be brought about?

This seems like a sensible approach in principle. We effectively gift assets to the water companies through the S104 / S102 adoptions and the value of these could be reflected as an offset to the infrastructure charges that are applied on each scheme.

Q4 Do you have comments on our proposed approach to implementing our rules?

You have issued a long and complicated consultation document during the summer holiday period. There remain significant concerns that the proposed changes will do little or nothing to change the current situation from a developer's point of view but you still expect to be in a position to implement the new charging rules in April 2017. We are concerned that you will not get a representative response to the consultation and that you will then not have sufficient time to address any issues that may have been raised. Thus the proposed changes will be rushed through without proper assessment of customer views.

Q5 Do you agree with the approach we have taken to our draft impact assessment? Can you provide quantitative figures in terms of the potential benefits or costs? Is there anything we have missed?

I have not had sufficient time to review the draft impact assessment in any detail.

Q6 Do you have any comments on the drafting of our new connections rules?

The rules are still overly complicated and we do not believe that they will result in a significant change to the current situation.

Q7 Do you have comments on the draft changes to the charges scheme rules?

As stated above, the rules are still overly complicated and we do not believe that they will result in a significant change to the current situation.

Q8 Do you have any comments on the drafting or our proposed licence modification, including the wording of the illustrative example.

We don't have any comments on the drafting of the modification.

New connection charging is a significant issue for the construction industry. The potential changes to the charging regime provide an opportunity to clarify how the water companies should be charging for costs associated with new connections and the potential mechanisms that they can use to recoup reasonable costs. Unfortunately, the proposed changes do not provide this clarity, leaving it up to the water companies to determine their own charging regime. The document does acknowledge the problem of developers effectively being double-charged for infrastructure upgrades through the planning system but this is then not addressed. Therefore, we do not believe that the proposals will lead to any significant changes to the current situation.

Yours faithfully

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