

Task & Finish Sub Group – Infrastructure Costs and
Monitoring
Terms of Reference
November 2016

Membership

Organisation

Ofwat (Chair)

Northumbrian Water

Bristol Water

Thames Water

Anglian Water

Affinity Water

United Utilities

Fair Water Connections

Home Builders Federation

Home Builders Association

Representative

Alex Whitmarsh

Mark Jones

Paul Fox

Crawford Winton

Beverley Lawton

Samuel Larsen

Dr Andrew Cotterall

Darren Rice

Iain Amis

Amy Johnson

Heather Blamire-Brown

Lynne Gibson

Martyn Speight (correspondence only)

Ray Farrow

Steve Wielebski

Dave Mitchell

Paul Voden

Background

Over the past year the Task and Finish Group convened by Defra have been meeting to consider the introduction of new rules with respect for charging for new connections being proposed by Ofwat.

Enabling a clear and customer-centric charging framework will be key to ensuring trust and confidence in the sector, by providing:

- Clearer, more predictable and stable charges
- Fairer charges, as revenues and costs should balance over a rolling 5 year cumulative period, as far as is reasonably practical
- Increased transparency, as companies will be required to clearly explain how their charges have been calculated
- Effective competition
- Protection because the balance of costs must remain broadly as it is now.

The key role of this group is to consider what monitoring arrangements need to be put in place to give confidence that the balance of infrastructure charges revenues and associated network reinforcement costs is being broadly maintained.

Working Group

Chaired by Ofwat, the group will act in an advisory capacity to Ofwat. We expect all participants to actively contribute to the work of the group, when required.

Objective

The key objectives of the group are to :

- Provide input into the level and detail of the infrastructure charge information to be collected in the APR
- Provide input into the format and content of the narrative to support the annual and cumulative revenue vs cost variance

Out of Scope

Areas that are deemed out of scope for the group are:

- Cost information for charges other than the infrastructure charge
 - these are less of a concern, because other than infrastructure charges, these charges are generally contestable
- Collection of non-financial information
 - although interesting supplementary information to aid the understanding of companies costs and charges it is unclear whether this is crucial or how it could be used.
- Incentive or penalty mechanisms, this will be followed up separately
- Definition of the infrastructure charge (this is being addressed elsewhere)
- Collection method
 - the information that all interested parties will want to use will be on an annual basis, so our starting point is to assume it is more efficient to require it as part of the APR rather an information request on an ad hoc basis.