

## New Connection Charges for the future-England - Consultation Response

**Q1 Do you agree that our Option 3 on the treatment of the income offset/asset payments, has merit? If not, please explain your reasoning and provide relevant evidence. If so, how and when should this change be brought about?**

1. The proposed income offset for all new connections would change the balance of payments for new mains, as currently asset payments are only applicable to the laying of new mains which are gifted to the water company free of charge by the developer, this offset payment reflects the assets being given to the water company free of charge, from which they will receive revenue in perpetuity.
2. To give this same payment to connections on an existing main would, if the balance was maintained between existing customers and developers reduce the monies payable for providing new mains to water companies. More transparency, fewer delays and more competition would be a much better approach.
3. With regards to NAVs the reason they did not get an asset payment was because they did not give the main to the water company but retained as part of their new network, and charged for any new connection to their main rather than the water company. Hence, they were not giving the water company any new asset.
4. Given the above we do not consider the new rule to be equitable and fair.
5. We believe the implementation date should be April 2018 providing the new costs have been circulated by water companies by October this year.
6. We do not believe that a fixed income offset can work given the many variables at play.
7. The proposal to give NAV's a reduction on bulk water meter use would benefit new water customers, but would not benefit developers as competition is not tangible. We do however support and encourage the approach taken to increase the number of NAV's and believe they should be encouraged to operate as water companies with the same or similar statutory rights; for example, on third party land.

**Q2 Do you agree with our draft impact assessment? Can you provide quantitative figures in terms of the potential benefits or costs? Is there anything we have missed?**

We make the following comments on the four options suggested-

1. Option one- we don't believe that keeping the current charging regime is appropriate.
2. Option two- we believe this option leaves too much flexibility with the water companies to set their own costing regime without any redress to Ofwat or Developers.

3. Option three- we agree this sets the best regime for pricing going forward, but we believe that there should be a mechanism for Ofwat to monitor the charging regime to ensure it is fair and reasonable. Although this sets the best regime for pricing we do not believe 'Option 3' is the correct approach.
4. Option four- we agree that this more prescriptive approach would lead to increased costs overall, and not give water companies the flexibility to reflect true costs.

**Q3 do you have any comments on the drafting of the future changes to our rules (set out in Appendices A3 and A4)**

Due to concerns with 'Option 3' we would not be able to answer this question.

**Q4 Do you have any comments on our proposed license modification to Condition C (Infrastructure Charges) for English Water Company's other than NAVs (including the proposed wording set out in Appendix A7)?**

Due to concerns with 'Option 3' we would not be able to answer this question.

**General points**

We strongly disagree that water companies should have the option of not publishing certain costs for works, because of the uncertainty of the end cost, we would much prefer that a price was given, setting out where assumptions had been made to cover costs, and that a contingency had been added into the cost to cover any unforeseen costs, which may reduce the bill if they were not required.

The reason for this is that the cost of much of these works needs to come off that land value, where it can be absorbed into a section of the process that tends to have a greater profit for landowners rather than developers.

If this cost is not known at this stage, and then rather than come off the land value, it would need to be added to the sales price of the house, provided this was possible, which means the homeowner would be paying for something that should be taken off the land value.

Government has made its affordable housing agenda clear and we would hope that Ofwat is supportive of measures that support both transparency and project viability.

HBA, August 2017