

Dear Sir,

Proposal to amend / delete Licence Condition C - Infrastructure Charges.

I refer to Jonathan Eddleston's letter dated 18th August on the above topic. Thank you for the opportunity to respond.

As discussed with both Jonathan, and in a subsequent telephone call with his colleague, I expressed surprise that the letter, which gave an extension of time to reply, was the first indication that I had as Developer Service Manager for Veolia Water Projects Limited [VWPL] of not only this specific amendment, but of the entirety of the connection charging rule changes that have apparently been circulating since the OFWAT Consultations in July 2016.

To make a considered response to this Condition C withdrawal proposal has involved an accelerated effort to read and comprehend the relevant literature to better understand the context in which this change occurs.

It is clear that, as a business, we have little choice but to acquiesce to the changes to our Licence Condition C as its removal forms an integral part of a wider change to the developer related Regulatory mechanisms across the Industry.

It is also clear that, similar to the Wholesale / Retail initiative, such a small company as VWPL [which experiences perhaps two or three development applications for water and / or waste connections per annum], will have to expend time, money and resources to align itself, its policies and literature to the new approaches set out in the Charging Rules for New connection Services published August 2017. Further, there seems little prospect that such costs are recoverable due to the nature of the Inset conditions that require we shall charge our customers no more than Wessex Water.

Whilst there is recognition in the new Charging Rules that, under certain circumstances, the new approach may benefit the NAV's engaged in bulk supply developments reliant on Incumbent Water Companies, it does not obviously benefit VWPL in any way. In fact it effectively takes away the potential to garner Infrastructure Charges to be invested in our wider network unless we embark on costly modelling exercises undertaken frequently in order to show in a transparent manner that we anticipate network improvements over a rolling 5 year programme.

It is also understood that VWPL should have been consulted on much of the above by Wessex Water as a stakeholder, something that we will take up with Wessex in due course.

Depending upon how Wessex Water treat their approach to publicising their new Infrastructure [Zonal] Charge regime, I understand from my discussions with OFWAT that if Wessex Water publish such a charge in their main Customers Charges Scheme [as they do now with the current Infrastructure Charges] we are then obliged to levy a charge to our developers on the "no worse off principle" which has the potential to reduce an income stream that, should we follow the above mentioned modelling regime may have demonstrated a higher contribution would be due at each new connection.

I appreciate that the above narrative far exceeds the initial request from Jonathan Eddleston, but as we seem not to have been included in the original Consultation I felt it appropriate to set out the comments specific to Tidworth Inset's unique situation that would otherwise have been made during that Consultation.

Should you wish to discuss any of the points raised in this letter or correct our current understanding of the new charging regime which we are, even now, assessing the implications for VWPL, please let me know.

Yours Faithfully,

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Please note that my working week is now Monday to Thursday inclusive.

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