



CCWater's response to Water Services Regulation Authority (Ofwat) consultation on New Connection Charges for Welsh companies

Consumer Council for Water Response

24 January 2018

1. The Consumer Council for Water (CCWater) is the statutory consumer organisation representing water and sewerage consumers in Wales and England. We welcome the opportunity to comment on this consultation on the New Connections Charging Rules for Companies operating in Wales (wholly or mainly).
2. We support the approach that Ofwat is proposing and look forward to continuing to work with Ofwat to develop this area of work. We have replied from a customer perspective, taking into account both developers and the end-user water customers. In addition, we have the benefit of learning from the implementation of the new connection charges regime in England and our responses below take this into account.
3. Overall, our concern is that implementation may result in significant increases in customer charges. We consider that Ofwat should ensure that companies take steps to avoid sudden, large scale shifts in charges to both developers and the generality of customers. If this is unavoidable, then Ofwat should ensure that companies introduce their new charges at a pace that is acceptable to their customers, particularly those that will be worse off as a result of the change.
4. Now that the New Connections Charging Rules for companies in England have been implemented, we are aware that some stakeholders have raised concerns about the balance of charges recovered from developers and the generality of customers. We feel that there may be a need to gather information on this requirement and to review how it operates in the longer term.
5. Our responses to the individual questions follow.
6. **Question 1: Do you agree with our preferred option, option 2, for Welsh new connection charging rules?**

Broadly speaking, we agree that this will provide the greatest clarity and is the most appropriate option. We feel that options one and three, which are ‘do nothing’ and ‘light touch rules’ respectively, could perpetuate the problems that existed under the current regime, such as a lack of clarity about water companies’ approach to charging.

7. **Question 2: Do you have any views on whether Welsh companies’ charging arrangements should apply differently to single-build and multiple-build applications.**

In general, the charging arrangements should apply differently if this reflects the different costs to the company. Companies should calculate their charges based on an assessment of the different costs of the various aspects of new connection work, such as the cost of inspections, administration, making the physical connection and materials. If this is done appropriately then the charges to these different groups should be a relatively fair reflection of the actual costs of the work that they are paying for. If there is likely to be a large impact on customers, or specific groups of

customers, from implementing the resulting charges, the company should consider how best to mitigate this, or phase the charge.

8. Question 3: Are transitional arrangements necessary and if so what should apply?

We agree that transitional arrangements are necessary, to help customers to manage the change to the new charging regime. We note that Ofwat is proposing to include a transitional arrangement that would allow the option for agreements that were in place before any changes to the charging framework came into effect to continue as they were. This would be to ensure that this change would not adversely impact any existing agreements and we agree with this approach.

We also consider that there is an opportunity for Ofwat to review how the transitional arrangements operated in England, with a view to understanding any learning points.

9. Question 4: Are there additional ways in which our charging rules could reasonably promote the use of SuDS?

Welsh Government commenced Schedule 3 of the Flood and Water Management Act 2010 on 7 January 2019. This will result in the establishment of Sustainable Drainage System (SuDS) approval bodies (SABs). The SABs will approve all new drainage systems for new and redeveloped sites. If Welsh standards for SuDs are met, then the SAB will be required to adopt and maintain the approved SuDS. With this in mind, it is not clear to us how water companies may be encouraged to further promote the use of SuDS through the charging rules.

11. Question 5: Does the preferred approach place an undue regulatory burden on Albion Eco? If so, what approach would maintain customer protections while avoiding an excessive regulatory burden?

The consultation is not clear about the level of burden that Ofwat's proposals will put on Albion Eco. However, Ofwat states in the consultation that it plans to subject Albion Eco to a 'proportionate version of the proposals' to avoid unreasonable burden. This sounds appropriate.

12. Question 6: Are there additional issues, not identified in this consultation, that relate specifically to Welsh companies, which we should take into account when developing new charging rules?

We have no comments on this.

13. Question 7: Do you have any comments on the drafting of our proposed new connections charging rules, proposed changes to the charges scheme rules or proposed licence modification?

