

Consultation Response

Ofwat consultation on Developer Services charges for Water Companies wholly or mainly in Wales

The Home Builders Federation (HBF) is the representative body of the home building industry in England and Wales. The HBF's membership of more than 300 companies build most of the market for sale homes completed in England and Wales in any one year, and include companies of all sizes, ranging from multi-national, household names through regionally based businesses to small local companies.

As the main trade association for the house building industry, our members constitute one of the largest customers who will be affected by the outcome of this review. As such, we trust that appropriate quantitative and qualitative weight will be attached to our response, in particular when crystallising any decisions and/or recommendations arising from this review.

Please find HBF answers in response to the questions asked by the consultation document.

Q1 Do you agree with our preferred option, option 2, for Welsh new connections charging rules? I would appreciate your thoughts on this.

Of the three options on offer the HBF would agree based on the limited information available at this stage that Option 2 is the best option to pursue. We would, however, note that Option 1 does really appear to be an option as it appears that the way charges are imposed must change. It is also difficult to see the difference between option 2 and 3 based on the information currently provided.

Q2 Do you have any views on whether Welsh companies' charging arrangements should apply differently to single-build and multiple-build applications?

The HBF can see no reason why the same rules should not apply equally, accepting that they may be applied proportionally.

Q3 Are transitional arrangements necessary and if so what should apply?

The HBF supports the provision of transitional arrangements particularly as the cost impact of the proposed changes is not yet known. It is common practice for transitional arrangements to allow a set time period following the date of implementation of changes in regulations. The reason for requiring such arrangements is to ensure that developers do not suffer additional costs part way through a development, or at a stage where costs have been already accounted for in accessing the viability of the scheme and agreeing a purchase price with the land owner. Accordingly, it is common for developments which have permission, be that Planning or Building Regulations to be exempt under transitional arrangements. As the cost implications of the proposed changes are unknown at this stage the HBF suggests that the principle of transitional arrangements is included in the proposed changes with the exact details of these arrangements agreed through consultation with stakeholders once more detail is known.

Q4 Are there additional ways in which our charging rules could reasonably promote the use of SuDS?



In principle the HBF do not believe that charging regulations should be used to promote SuDS, as the requirement for SuDS is covered by its own legislation and is now mandatory in Wales. However, if it is suggested that charges could be lower if using SuDS systems then this is something that the HBF would support in principle, with further consultation on the details and subject to alignment with the transitional arrangements associated with the SuDS legislation.

Q5 Does the preferred approach place an undue regulatory burden on Albion Eco? - f so, what approach would maintain customer protections while avoiding an excessive regulatory burden?

The HBF have no comment to make on this question.

Q6 Are there additional issues, not identified in this consultation, that relate specifically to Welsh companies, which we should take into account when developing new connection charging rules?

The HBF would request that in developing the new rules consideration is given to ensuring that developers in Wales are not put at any disadvantage compared to developers in England. Other than with regard to SuDS there appears no obvious reason why the rules should be different in Wales as the provision of water and sewerage infrastructure to serve new development in most cases is delivered in the same.

Q7 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?

HBF would in broad terms expect to see cost reflective charges on connections and all associated work. The applied infrastructure charge should be supported with detailed numerical evidence as to how the values have been calculated and not a piece of text that explains the principles on the make-up of the charges supported by housing completion numbers for Wales. We would also hope that any new rules could help avoid the potential double charging (S106 planning requirements v's water provider charges) related to network reinforcement which currently occurs.

We would wish to see how the new charging arrangements would support both Self-lay providers (SLP) and New Appointment and Variations (NAV) to promote competition in the sector.

Q8 Do you have comments on our draft impact assessment? Can you provide quantitative figures in terms of the potential benefits or costs?

With regard to Page 54-62 – Table A4.1 Option 2 Implementation Costs & Draft Impact Assessment the HBF would be interested to understand how Ofwat came to the costs. The HBF would also suggest that it is lacking detail which makes it difficult to fully assess at this stage.

Additional comments

In addition to the above answers HBF would make the following comments:

The Balance Issue - Ofwat in their rules need to set out exactly what this means and are the Charges cost reflective.

Page 22 – Income Offset - HBF disagree with the eighth bullet point as all charges should be cost reflective and not as suggested saying that a higher infrastructure charge can be reduced by lowering it and adding some on to the income offset.

