

UUW response to Ofwat's consultation: Charging rules for new connections and new developments for English companies from April 2020



Introduction

United Utilities Water (UUW) welcomes the opportunity to provide a response to the Ofwat consultation on Charging rules for new connections and new developments for English companies from April 2020.

Q1 Do you have any comments on the proposed wording for the New Connection Rules and Charges Scheme Rules (see Appendix 1 tables, and the rules for consultation), which will come into effect from April 2020?

We fully support the proposed wording changes for the New Connection Rules and Charges Scheme Rules and, further, consider that they are necessary.

In particular we support the revised wording to Rule 19 in the New Connection Rules on maintaining the balance to state *“the balance between contributions to costs by Developers and other customers prior to 1 April 2018, is broadly maintained”* rather than the original wording *“the present balance of charges between Developers and other customers prior to the implementation of these rules is broadly maintained.”*

We believe that Ofwat's proposed wording is essential in order for it to be consistent with Defra's supplementary charging guidance on connections to Ofwat published in December 2016, in respect of the requirement “that the current balance between contributions to costs by developers and bill payers should be broadly maintained”.¹

Q2 Do you have any comments on our proposal to introduce an information requirement on bill stability? More specifically:

- **Do you find the proposed requirement helpful in supporting the charging principle of bill stability?**
- **Is the suggested 10% threshold for significant bill increases appropriate for striking the right balance between more scrutiny on bill increases and flexibility for companies to make changes as necessary?**

In order to assist companies in implementing this requirement effectively, we welcome views on:

- **what criteria would be most appropriate to define typical new developments; and**
- **what services should be included in a typical package.**

We agree that the proposed information requirement would be helpful in supporting the charging principle of bill stability.

Under normal circumstances, the suggested 10% threshold for significant bill increases appears reasonable as it should broadly allow sufficient flexibility for companies to make necessary changes to charges (for example contractor rates negotiation/tender process). Informally we have been performing such checks in response to changes in unit costs for new connections.

¹ Page 9 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/575368/ofwat-charging-guidance-sewerage-connection-charges.pdf

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However where there are material changes to the charging rules or allowed income that companies are allowed to recover through the price control (for example if there are materially different assumptions set as part of the price review process) the current proposals should recognise that changes in requirements outside of the company's control may cause changes in individual charges to exceed the proposed threshold.

We agree that the proposed information requirement should be based on stylised examples covering all relevant charges (including infrastructure and income offset) rather than types of customer. In order to understand the impact across a broad range of circumstances it is important to reflect examples which cover:

- Large and small developments;
- High and low lengths of mains requisitioned per plot;
- Residential and commercial developments; and
- Both SLP and incumbent undertaking of mains requisition activity.

We already use a range of scenarios (that are based on actual schemes), which represent various sizes as part of our internal management of incidence effects - these are illustrated in the table below:

Type	Category	Number of plots	Total length mains laid (m)	Mains length per plot (m)
Residential	Small (1-9 plots)	2	55	28
Residential	Small (1-9 plots)	6	85	14
Residential	Small (1-9 plots)	9	50	6
Residential	Medium (10-199 plots)	35	152	4
Residential	Medium (10-199 plots)	54	618	11
Residential	Medium (10-199 plots)	78	1,507	19
Residential	Large (200+ plots)	213	409	2
Residential	Large (200+ plots)	242	2,785	12
Commercial	Small	3	57	19
Commercial	Medium	27	180	7
Commercial	Medium	17	285	17
Commercial	Medium	23	87	4

We also test the price impact of these schemes both on an SLP and statutory basis for the mains requisition components. We support the development of scenarios along those lines and note that because our scenarios are based on actual schemes, it would probably be helpful if these were normalised - for example a large residential scheme of 213 properties could be normalized to 200.

Whilst we use these example schemes for our internal governance on setting charges, for something intended for external publication we propose to develop such examples in conjunction with stakeholders (i.e. with developers and their representative groups).

As we consult on our charges schemes we have regular discussions with our stakeholders and they could provide valuable feedback in developing example sites, helping to ensure sites are representative across a range of stakeholders.