

25 June 2019

Trust in water

New connections charges for Welsh companies – Response document

About this document

The Water Industry Act 1991 (as amended by the Water Act 2014) allows us to set rules about the charges that developers and other customers pay water companies¹ for new connections and other infrastructure services.

Within this legislative framework we are considering options for setting rules for new connection services for **water companies whose areas are wholly or mainly in Wales**. We therefore **consulted** on three proposed approaches to setting these rules between 10 December 2018 and 24 January 2019. We also produced a draft impact assessment on these options with an aim to highlight and, where possible, quantify the impacts that we anticipate as a result of introducing each of the options considered.

This document sets out the views provided by stakeholders on these approaches and the next steps we will take for introducing new connection charging rules for companies wholly or mainly in Wales ('Welsh companies').

In our December consultation document, we set out our intention to introduce new connection charging rules for Welsh companies which would have effect on 1 April 2020. Since we consulted, the Welsh Government has advised us that it wants the new connection charging regime to come into effect at the same time as the changes to the governance of the water sector resulting from the Wales Act 2017 are implemented. The Welsh Government will therefore look to commence the relevant sections of the Water Act 2014 that are necessary for the replacement of the existing new connection charging regime for Welsh companies to take effect from April 2022. We will therefore look to issue our finalised new connections charging rules for Welsh companies in early 2021. Ahead of this, we intend to undertake further consultation with stakeholders during 2020.

¹ In this document, references to such companies means companies holding appointments as water undertakers and/or sewerage undertakers under the Water Industry Act 1991.

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1. Introduction

Welsh companies have a duty to allow new connections to be made to their existing networks, including for new housing developments.²

We use the term new connections for when a customer requires either or both:

- access to the existing public water supply or sewerage system by means of a service pipe or lateral drain; or
- a new water main or public sewer.

New connections are contestable services. If a property requires a new water main, sewer, service pipe or lateral drain for domestic purposes (defined at section 218 of the Water Industry Act 1991 ('WIA91') as drinking, washing, cooking, central heating and sanitary purposes), the owner or developer may ask the local water company to install the infrastructure. For water mains and public sewers this is often referred to as 'requisitioning' the infrastructure. Alternatively, they may choose their own contractor to do the work, known as 'self-lay'. The water company will take over responsibility for ('adopt') all self-laid infrastructure that meets the terms of its agreement with the owner, developer or self-lay provider ('SLP') that carried out the work.

The WIA91 provides for water companies to charge for new connections to their network and for associated infrastructure work. The basis for each charges is set out in the WIA91, which means that the rules are not readily adaptable to change.

The Water Act 2014 ('WA14') sets out a new framework for the regulation of charging in the water industry. Some parts of this framework are yet to be brought into force for Welsh companies and we will continue to work with the Welsh Government and the Department for Environment, Food and Rural Affairs (Defra) on the timing for commencement. The new framework, including charging for new connections, enables:

- Ofwat to develop charging rules for Welsh companies to replace the charging provisions in the WIA91;

² There are three Welsh companies – Dŵr Cymru Welsh Water, Hafren Dyfrdwy and Albion Eco Limited (Albion Eco).

- Welsh Ministers to issue us with charging guidance for new connections, the purpose of which is to enable our charging rules to reflect Welsh Government policy priorities for the water sector; and
- Welsh companies to publish charging arrangements for new connections and associated infrastructure that adhere to the charging rules.

Under the new framework, we can update our rules (subject to appropriate consultation) after they have first been issued. This enables a more flexible framework than the basis of charging currently set out in primary legislation since it allows us to monitor developments and respond to them as necessary.

Complementary to but separate from this, our price control limits the incentive for water companies to levy excessive charges onto developers, as the more revenue water companies recover from developers (in relation to their regulated activities including new connections), the less they are allowed to recover from water customers (and vice versa).

Between 10 December 2018 and 24 January 2019, we consulted on options for our approach to setting rules for new connection services for Welsh companies.

The three options for Welsh companies on which we consulted were to:

- maintain the **status quo** of the current charging framework for new connection services;
- introduce a set of **principles-based rules** for new connections services (our preferred option); and
- introduce high-level, **light-touch rules** for new connection services.

Under our preferred option, we proposed that Albion Eco would be affected by a proportionate version of our proposals, which is designed to avoid placing an unreasonable administrative burden on small companies.

We received six responses to our consultation.

The remainder of this document is structured as follows:

- In chapter 2 we provide an overview of our consultation.
- In chapter 3, we set out the responses from stakeholders and our views on the issues raised by them.

- In chapter 4, we set out an overview of the next steps in the process.

2. Overview of our December consultation

Our objectives for new connection charges

Our proposal aimed to establish a new connections charging framework with the following objectives:

- increase **predictability**, notably through water companies fixing charges prior to the work being carried out;
- increase **transparency** of charging publications, engagement between companies and stakeholders before publication, and clarity over which charges are expected to recover what costs;
- place the **ownership / accountability** with companies to develop charging approaches. This should enable greater flexibility for more straightforward approaches and fewer arbitrary calculations;
- support **cost-reflective and fair charges**, including no undue preference in the fixing of charges;
- support **environmental sustainability**. Charges provide an opportunity to improve the environmental outcomes by reflecting their value in the charging arrangements; and
- reduce the **administrative burden**, across stakeholders, in the preparation and application of charges and in disputes.

These have been prepared by adapting the objectives we have used for developing the framework for new connection charges for English water companies to have regard to Welsh Government guidance.

Full details of the regulatory and legislative framework can be found in the consultation document.³

Description of options

On the basis of the issues identified with current new connection charges we identified three options: the status quo, principle-based rules and light touch rules.

³ [New connections charges for Welsh companies – consultation](#), December 2018

Option 1 – status quo

Under this option we would not propose to modify the current new connections charging framework for Welsh companies⁴.

Option 2 – principles-based rules

Under this option we would introduce a set of principles-based rules for new connection services for Welsh companies. This approach would be similar to the approach that we have taken when introducing rules for other charges as a result of the changes made by the WA14. This includes:

- our [charges scheme rules](#) that related to charges to household customers in Wales and England, and infrastructure charges for English companies; and
- the development of [charging rules for new connection services](#) that apply to English companies.

As this option would involve setting charging rules covering to infrastructure charges, in order to introduce such an option, we would also be required to amend the licences of the Welsh companies. This is because the current licence condition C sets our rules relating to the amount that can be charged through infrastructure charges.

Box 2.1 – Summary of our proposed charging rules under option 2

Under our charging rules, Welsh companies would be required to:

- ensure charges reflect the principles set out by the Welsh Government of simplicity and transparency; stability, predictability and timeliness; fairness and cost reflectivity; and environmental sustainability;
- ensure the balance of charges between developers and bill payers is broadly maintained, unless justification is provided;
- allow a level playing field for contestable work between new appointees, self-lay providers and existing undertakers;
- set requisition charges and connection charges for most developer services as upfront fixed charges in-line with the Welsh Government's guidance that

⁴ If the Welsh Government and Defra commence the relevant parts of the WA14 that require Welsh companies to charge by reference to charging rules, under this option we would issue charging rules that match the current charging arrangement for Welsh companies.

charges should be predictable, but they may set out alternatives in their charging arrangements in addition to these fixed charges and explain the reason for doing so;

- consider how their charges incentivise the building and adoption of SuDS; and
- define requisition charges to be site specific (excluding any network reinforcement costs).

When setting infrastructure charges, Welsh companies would be required to:

- ensure they reflect the principles of simplicity and transparency; stability, predictability and timeliness; fairness and cost reflectivity; and environmental sustainability;
- ensure infrastructure charges reflect the cost of network reinforcement over a rolling five year period and do not cover the cost of providing additional network capacity, for example at wastewater and water treatment works to ensure there is no overlap between the costs that different charges ought to cover;
- include a clear methodology in their charging arrangements for how the infrastructure charge has been derived;
- consider setting infrastructure charges as a fixed charge, or calculated with a formula that is cost reflective of different decisions – including variations to promote environmental sustainability and water efficiency; and
- take account of previous connections, explaining the methodology behind any discounts or credits.

When considering the income offset:

- It should be netted off the requisition charge;
- Welsh companies would have discretion on how they calculate the income offset as required by the Welsh Government's guidance. The infrastructure charge should be cost reflective, but if this leads to an increase in the infrastructure charge, consideration should be given to increasing the income offset to ensure that the current balance of charges is maintained. Welsh companies would be required to clearly explain their methodology in their charging arrangements; and
- The methodology for calculating income offsets must be equivalent to asset payments calculations.

To promote transparency to customers, Welsh companies would be required to:

- Consider a range of options for their charging structure and consult on their charging arrangements with relevant stakeholders, in particular customers and CCWater;

- Publish a statement setting out the engagement undertaken with stakeholders and how they have taken their views into account in developing their charging arrangements, including any trade-off made between the principles set out by the Welsh Government and any competing priorities and objectives raised by stakeholders;
- Publish their charging arrangements at least two months before they apply (to be proportionate, publishing charging arrangements is optional for New appointees or variations ('NAVs'), but they must still comply with our rules); and
- Ensure their charging arrangements cover all relevant costs and explain the calculations and methodologies for how the charges were derived so that their customers can understand them, in-keeping with the Welsh Government's principle that the charges should be transparent and simple.

Option 3 – light-touch rules

Under option 3, the rules would be much shorter than option 2. For site-specific services we would issue light-touch rules. These would primarily consist of principles, reflecting Welsh Government's guidance and our statutory duties.

As with option 2, charges for non-site-specific services would take the form of an infrastructure charge.

Welsh companies would determine what types of charges may or may not be imposed and the amount of any charges that may be imposed in accordance with the principle that charges should reflect:

- (a) simplicity and transparency;
- (b) stability, predictability and timeliness;
- (c) fairness and cost reflectivity; and
- (d) environmental sustainability.

In addition to this, Welsh companies would be required to develop their charging arrangements with reference to the following:

- i. water companies should undertake effective, timely and proportionate consultation in their proposed charging arrangements before such arrangements are set;
- ii. charging arrangements must be published in a clear and accessible format, sufficiently in advance of the charging arrangements coming into effect; and
- iii. in setting charges water companies should take reasonable steps to ensure that the present balance of charges between developers and bill payers prior to the implementation of these rules is broadly maintained unless rendered necessary by circumstances and with the provision of a clear objective justification for doing so.

As with option 2, we would introduce rules for the calculation of infrastructure charges. The existing licence condition C would be amended to remove rules relating to the amount that can be charged through infrastructure charges.

3 Responses to our consultation

3.1 Introduction

This section summarises the responses to our December consultation and our consideration of these. There were six responses to the consultation:

- Dŵr Cymru Welsh Water (**WSH**);
- Hafren Dyfrdwy (**HDD**);
- The Home Builders Federation (**HBF**);
- Redrow;
- Fair Water Connections (**FWC**); and
- The Consumer Council for Water (**CCW**)

As we are publishing all responses alongside this document, we have not summarised them in detail below. Instead, our approach to this chapter is to provide a brief overview of the responses to each of the questions we asked. In some cases, Welsh companies and (non-water company) stakeholders made general comments rather than comments specifically in response to a specific question. In these cases, we discuss the points made under the question heading that we consider most appropriate.

3.2 The general approach to setting new connection charging rules

Question 1 - Do you agree with our preferred option, option 2, for Welsh new connections charging rules?

Consultation responses

Of those who responded, stakeholders preferred option 2 whereas water companies preferred option 3.

All stakeholders agreed that option 2 was their preferred option from the three options we consulted on. These stakeholders told us that this option provides the greatest clarity of the three options. Some stakeholders also commented on the benefits for organisations that work in both Wales and England of having a

consistent approach to setting new connection charging rules across England and Wales.

However, these respondents did raise concerns about option 2. These predominately relate to concerns with the implementation of similar new connection charging rules for English companies, noting the similarity between those rules and the rules proposed for Welsh companies meaning that similar concerns may arise.

Both of the Welsh water companies preferred option 3 over option 2.

WSH raised concerns that the proposed charging rules in option 2 would restrict the options it had for setting charges. For example, it would not be able to offer simple average cost per plot based pricing structure due to the proposed rules' requirement for requisition charges to relate only to site specific work. WSH refers to the Welsh Government guidance that notes an interest expressed by some customers and stakeholders in a simple, averaged cost charging structure that applies across a company's area.

HDD noted the benefits of option 2 including greater transparency of the charging arrangements, predictability of charges and confidence from developers that the charges are cost reflective. However, it also said that the proposed approach raised a number of concerns for a company of its size. It believed that the costs of implementing and complying with the proposed new charging arrangements would be manageable for large companies, but disproportionate for a smaller water company.

HDD also explained that the lower amount of new connection work carried out by HDD does not provide sufficient data to allow for the calculation of simplified and fixed charges which are cost reflective for the great majority of schemes. As a solution, HDD suggested allowing it to peg its charges to those of another company rather than determining these charges itself.

Finally HDD raised concerns that its small size means that using a five year average calculation to derive an infrastructure charge is not appropriate as it may make very little or no reinforcement investment in some years, but have need to make a significant investment in others. This could lead to some new connection customers 'free-riding' in periods where there is little reinforcement work needed.

As a result, HDD preferred option 3 despite the benefits of option 2.

Our view

We understand the benefits and concerns that have been raised by stakeholders about our options 2 and 3. Broadly, the stakeholders preferred option 2 over the other options presented, while the water companies preferred option 3. We will therefore consider the issues that stakeholders have raised with both of these options and how these could be mitigated before Welsh new connection charging rules are proposed.

With regard to HDD's specific concerns that the low volume of new connection work it is required to undertake would make it problematic to calculate simplified upfront charges, rule 47 of our proposed charging rules would allow the Welsh companies not to set upfront fixed charges where it would be unreasonable for an undertaker to do so. This should allow HDD to offer fixed upfront charges where it has sufficient data to calculate such charges, but would not require it to do so where it was not reasonably able to calculate such a charge.

WSH has concerns that option 2 would not allow it to set a fixed charge for requisitions on a per plot basis. We would be open to discuss in more detail WSH's proposal for how such an approach could be implemented without causing competition law issues. However, it is not clear how a fixed charge per plot could comply with competition law. We note that the Welsh Government Guidance sets out that, while any charging rules should not restrict innovative approaches setting charges put forward by water companies, this only applies where the approach complies with competition law. Assuming that the overall revenue that the Welsh companies receive from new connections work reflect the costs they incur in providing the services, the water companies' charge would be set below its costs in around half of all requisitions. However, while the Welsh Government Guidance⁵ notes an interest by some customers and stakeholders in a simple averaged cost charging structure that applies across a water company's area, there is no indication that this is the preference of the majority of customers. For example, the response to this consultation from the HBF indicated a clear preference for cost-reflective charges.

⁵ [Charging Guidance to Ofwat Relating to Developer Charges, Bulk Supply Charges and Access Charges](#)

Question 2 - Do you have any views on whether Welsh companies' charging arrangements should apply differently to single-build and multiple-build applications?

Consultation responses

The majority of respondents supported a single set of charging arrangements that would apply to both single and multi-build developments.

Only CCW supported separate approaches for single and multi-build developments, and this was only where there were different costs incurred by the Welsh companies in providing services to these different types of development. CCW noted that if this change resulted in a large impact on customers, or specific groups of customers, the company should consider how best to mitigate this, or phase the charge in.

HDD noted that a single charging arrangement for multi- and single build developments would need to be well designed. Simple and predictable averaged charges rather than site specific charges tend to be of more benefit to customers that build multiple developments. This is because developments where the costs of the actual works would be less than the average charge will be 'cancelled out' by other developments where the actual costs would be higher than the average cost. This is not the case for customers that only require a single or a small number of new connection services.

Our view

Overall, we believe that the benefits of a single set of charging arrangements for multi and single-build developments is a reasonable approach. For customers that only require a small number of new connection services, we believe that the benefits of upfront fixed charges based on average costs is sufficiently beneficial to outweigh the fact that these charges will not always accurately reflect the actual costs of undertaking the work. While our proposed Welsh new connection charging rules would require Welsh companies to have upfront charges, it does not preclude them from also providing alternative charging options such as charges based on the actual costs incurred in providing the work. This helps to mitigate this issue for single-build developers.

Question 3 - Are transitional arrangements necessary and if so what should apply?

Consultation responses

Most respondents considered that there was a need for a transition period, though there were mixed views on its scope.

Redrow was the only respondent that did not state that a transition period would be necessary, although this was on the assumption that there would be a suitable consultation process ahead of the implementation of any new charging arrangements.

The other respondents supported a transitional arrangement, although they had mixed views on the scope of such arrangements. Both of the Welsh companies who responded to our consultation supported a short and well defined transition period. WSH commented that this would be less confusing for customers. HDD supported a transition process in which customers with existing agreements at the time that the new connection charging rules came into effect would be honoured, but all new agreements from that point would be treated under the new charging arrangements.

Our view

It is clear from the responses that some form of transitional arrangements are necessary to ensure that customers are not surprised by a sudden change in charging arrangements. The responses also indicate that there is support for allowing existing agreements, which were made before any new charging rules come into effect, to continue to apply. The responses also indicate that, in any event, a simple process may be advantageous. We will therefore consider if the proposed approach can be simplified, while ensuring that customers with existing agreements in place are protected from any unexpected changes to their charges.

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

Consultation responses

HDD suggested that we could introduce a rule that would mandate the inclusion of an incentive mechanism to promote Sustainable Drainage Systems (**SuDS**) in Welsh companies' new connection charging arrangements. Both Redrow and HBF support the use of a financial incentive scheme that would promote the use of SuDS in developments.

WSH raised concerns that option 2 may restrict its ability to set innovative charging arrangements relating to SuDS. It also highlighted the already existing financial incentives it offers to developers that remove existing surface water from its network as part of the development of a housing site.

Both CCW and HBF pointed out that there is existing legislation in Wales that promotes the use of SuDS by requiring the adoption of SuDS that meet approved standards.

Our view

The responses to this consultation question do not indicate that there is a need for the Welsh new connection charging rules to actively promote the adoption of SuDS as there are already mechanisms in Wales that encourage their use. However, we will ensure that the Welsh new connection charging rules will not prevent Welsh companies from offering incentives to developers for developing SuDS.

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?

Consultation responses

HDD believed that the option 2 would place an undue regulatory burden on both Albion Eco and HDD.

WSH expected that any new rules would provide a level playing field with no companies put at a disadvantage. It believed that option 3 would be able to provide a set of common principles without being overly prescriptive, therefore enabling proportionate interpretation of the rules.

CCW noted that the consultation is not specific on the level of regulatory burden that would be put on Albion Eco, but agreed that a proportionate version of the proposed rules would be appropriate.

Redrow considered that Albion Eco is in a competitive market and should therefore be treated similarly to other water companies operating within Wales.

Our view

The three Welsh companies have very different sizes in terms of number of customers and the Welsh new connection charging rules will apply to all of them. Stakeholders have been clear that our charging rules should result in all companies being able to operate on a level playing field with other providers of new connections services and without undue regulatory burden, regardless of their size, and not put certain companies at a competitive advantage or disadvantage. However, there were no specific proposals on how to achieve this other than WSH's view that this would be easier to achieve under option 3.

As a result, we will focus on the principle of ensuring that any new connection charging rules do not put any Welsh company at a clear disadvantage.

We note that Albion Eco did not respond to this consultation.

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 connection charging rules?

WSH highlighted the following regulations and legislation that apply in Wales:

- Building control regulations introduced in January 2016 making fire sprinklers mandatory in all new properties in Wales;
- The mandatory adoption by Welsh companies of new sewers built to set standards;
- The implantation in Wales of schedule 3 of the Flood and Waste Water Management Act 2010 which introduced sustainable urban drainage approval bodies; and
- The statutory consultee status of Welsh companies in the planning application process.

HBF requested that consideration should be put to ensuring that developers in Wales are not disadvantaged compared to developers in England, noting that there is no obvious reason why the rules should be different in Wales other than in regards to SuDS.

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

Consultation responses

FWC included a range of issues in its response that it believed needed to be addressed, including:

- Companies having to publish a 5 year rolling budget covering infrastructure charge setting;
- Companies having (for openness and transparency) to demonstrate how they have calculated the 'balance' between costs directly funded by developers/SLPs and those which are carried by other bill payers;
- Strengthening the need for, as a minimum, annual consultations;
- Ensuring that site specific network enhancements are adequately described and company funding for such works made clear;
- Giving best practice guidance on charges publications;
- Enhancing worked examples to cover situations where the work, provided through self-lay, is a mix of site specific provision and network enhancement. Plus covering the full range of offered excavation categories; and,
- Clarifying whether, on implementation in Wales, income offset will normally defray the costs of site specific mains/fund any asset payments or if any such credits are to be set against Infrastructure Charges.

HDD asked for clarity on whether the proposed changes to the income offset for English companies that we consulted on in July 2017 would be applied to the Welsh new connection charging rules as well.⁶

Redrow, while welcoming the requirement for Welsh companies to differentiate between site-specific and non-site-specific reinforcement works and not allowing Welsh companies to recover costs for wider reinforcement to address pre-existing problems, asked for further explanation on how this could be achieved in practice.

⁶ [New connection charges for the future – England - July 2017](#)

The HBF reiterated its expectations that charges should be cost reflective and transparently evidenced and support both SLP and NAV competition in the sector.

Our view

The majority of the responses to this question related to requests for further details of how the proposed charging rules will operate and requests for Welsh companies to be required to provide additional information and transparency about the development of their charges. As we are now intending to review the options for introducing new connection charging rules for Welsh companies and consult on revised options, we will consider these points in developing revised options ahead of our next consultation on Welsh new connection charges.

Question 8 – Do you have any comments on our draft impact assessment? Can you provide quantitative figures in terms of the potential benefits or costs?

The HBF and FWC suggested that the draft impact assessment is lacking in detail making it difficult to fully assess. FWC also commented on the lack of implementation costs that Ofwat is expecting to incur.

HDD reassessed its expected implementation costs from £150,000 to £250,000.

WSH raised concerns about the use of evidence obtained from consultations relating to the development of new connection charging rules for English companies to inform the impact assessment for new connection charging rules for Welsh companies.

WSH disagreed with the conclusion that the ongoing costs of option 3 would be higher than that of option 2 as it believed that the implementation of similar new connection charging rules for English companies has led to greater inefficiencies due to the varied interpretations of the charging rules between the English companies. WSH believes that a fixed charge per plot would reduce costs because of increased certainty and transparency and allow for greater scope for WSH to amend its charging arrangements in response to customer requirements.

Finally, WSH disagreed that customer costs under option 2 would be reduced due to familiarisation with the charging arrangements for English companies due to the

range of different charging arrangements that exist in England as well as the fact that many developers only operate in Wales.

Our view

We do not agree that it is inappropriate to consider the evidence gathered as part of the development of new connection charging rules for English companies to inform the impact assessment for new connection charging rules for Welsh companies. The current regulatory regime for new connection charging is predominantly the same for Welsh companies as the regime that was in place for English companies when the rules were being developed. However, as we are now planning to introduce the new charging rules for April 2022, we intend to use the additional time to gather further evidence to inform the development of these charging rules.

We will consider the other points raised about the level of detail of the impact assessment and the expected implementation costs ahead of further consultation on Welsh new connection charging rules.

4 Next steps

In our December 2018 consultation document, we set out our intention to introduce new connection charging rules for Welsh companies which would have effect from 1 April 2020. Since we consulted, the Welsh Government has advised us that it wants the new connection charging regime to come into effect at the same time as the Wales Act 2017 provisions on legislative and executive competence for water and wastewater are implemented. The Welsh Government will therefore look to commence the relevant sections of the Water Act 2014 that are necessary for the replacement of the existing new connection charging regime for Welsh companies to take effect from April 2022.

Wales Act 2017

Legislative and executive competence for regulating water and wastewater companies is currently on the basis of a company being wholly or mainly in Wales or in England. So a water or wastewater company that is wholly or mainly in Wales may serve some areas of England but will operate under Welsh regulation, and vice versa for a company wholly or mainly in England.

Provisions in the Wales Act 2017, once implemented, will align the legislative and executive competence of the Welsh Government and UK Government with the national Welsh-English border rather than being set on the current wholly or mainly in Wales or England basis. Companies operating cross-border will take account of both Welsh and English regulation.

Our understanding is that it is currently intended that this will come into effect from 1 April 2022.

The current new connection charging regime is that:

- companies that are wholly or mainly in England are subject to the [Charging Rules for New Connection Services \(English Undertakers\)](#) which are made under the WIA91 as amended for England by the Water Act 2014; and
- companies that are wholly or mainly in Wales being subject to the charging regime set out in the WIA91, which is not yet amended for Wales by the Water Act 2014.

Further consultation

As the new connection charging rules we are developing for Welsh companies may be materially different to those we have introduced for companies whose areas are wholly or mainly in England, introducing our new connection charging rules for Welsh companies to coincide with the alignment of the legislative and executive competence of the Welsh Government and UK Government with the national Welsh-English border, can be expected to help to minimise the number of changes to the regulatory regime that the affected water companies and their customers experience.

We also intend to reflect upon the points raised in response to this consultation and undertake a further consultation on revised options for setting charging rules for new connection services for Welsh companies. We plan to issue this consultation by June 2020.

We will also continue to develop and improve the charging rules for new connection services for English companies. We recently consulted on a proposed amendment to these English charging rules relating to the treatment of the income offset.⁷ Where we make amendments to the new connection charging rules for English companies before April 2022, we will also consider whether it would be beneficial to include similar requirements in the developing Welsh charging rules.

⁷ Consultation on charging rules for new connections and new developments for English companies from April 2020.

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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June 2019

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