

## **5. Background**

### **Issues highlighted by the Frontier study**

- A key issue reported by NAVs was the difficulties they can face in obtaining key information from incumbents, in particular a) timely and transparent information for connections and offsite reinforcement works (both technical specification and costing detail), and b) bulk supply offers. This can restrict their ability to assess the viability of serving a site and producing a costed offer for a developer. It can also lengthen the time taken to reach the point at which the NAV can submit an application to Ofwat and hence delay the overall process.

**As part of the new charging arrangements for 2020 Thames Water will improve the ease of access to fixed charge information and relevant plans so that NAVs can estimate the scheme costs before / instead of submitting an application for a formal quote.**

- Some NAVs also claimed that the way in which incumbents arrive at their cost estimates (e.g. for modelling or for network reinforcements) can be unclear and they have little means of checking whether incumbents are being reasonable or even-handed compared with the service they provide to SLPs or when serving developers directly themselves. This lack of transparency can also result in lost time for the NAV in having to seek clarifications on costing before they can quote to a developer. Similar experiences were reported in relation to negotiating a bulk supply price and concluding a bulk supply agreement. Negotiating individual bulk supply agreements was described as being time consuming and unnecessary.

**Thames Water do not offer different costs across customer groups for the same service. We do not charge NAVs or any of our customers for reinforcement or modelling (unless the site does not go ahead within 5 years – for modelling, we have an Underwriting Agreement for this).**

- NAVs also told Frontier that the input service they receive from incumbents can vary significantly between incumbent companies, both in terms of timeframes and quality of service. While some incumbents have defined levels of service for responding to a NAV on its connection enquiries or other input services sought (and have adopted policies and processes to ensure equivalence with SLPs and their own in-house provision), it was reported that delivery is inconsistent across the sector.

**There seems to be conflict with what is published as a Water UK performance metric and timescales suggested for NAVs. Can Water UK inform us where they have got these suggested timescales from?**

- The lack of guaranteed timeframes for the provision of information and other input services for NAVs can risk lengthening the process involved for a developer to secure the new infrastructure it needs, relative to a developer using the incumbent. As a result, NAVs claimed that developers often 'default' to the incumbent to provide the service or opt to use an SLP as an intermediate option.

**We have published SLA's to all of our customer groups. Any differences in relation to timescales against other customer groups will be aligned to ensure NAVs have the same ability to compete for work. Within our Developer Services section of our website we promote the option to use a NAV at the same point as an SLP or to work with Thames directly.**

## **7. Pricing Transparency**

**Principle 1** - NAVs should be able to independently calculate an indicative bulk charge for the majority of sites, where on-site assets are fully funded by the developer.

Please define what is meant by "Bulk Charge". Are you referring to fix & volumetric rate or the connection charge?

**Principle 2** - Incumbents should maintain a dedicated NAV page on their websites, with all relevant information contained there or clearly signposted.

Thames Water agree with this. We currently have a dedicated NAV page on our website, and will ensure any other relevant information is added or linked.

**Principle 3** - NAV bulk charges schemes should contain worked examples to make clear how charges are calculated.

Thames Water agree with this. We have engaged with NAVs on bulk charges through an industry forum and have also had 1-2-1 sessions with them. We are working with NAVs to provide worked examples and keeping them updated.

**Principle 4** - Incumbents should inform NAVs when new bulk charges are published and consult with NAVs when they make substantive changes to their bulk charges.

Thames Water agree with this. We accept that we did not consult with NAVs for our 2019-20 NAV tariffs however, from 2020-21 onwards we will commit to doing so.

**Principle 5** - Incumbents should make efforts to provide clarity on where their new connections charging arrangements for NAVs differ to developers and Self-lay providers.

Thames Water agree with this. As part of New Connections Charging Arrangements 2020 Thames Water are considering how they can make this more transparent for NAVs and providing clear explanation if any arrangements are different and why.

**Principle 6** - NAV charges should be presented in a table format, with volumetric rates in £/m<sup>3</sup> and fixed charges in £s.

Thames Water agree with this. This is shown clearly within our NAV Tariff Document, specified in Appendix 1 & 2.

## **8. Information availability and provision**

### **Best practice principles**

**The following ten items are recommended content for application forms:**

1. **NAV Application Details** - Company Name, Address, Contact Name, Phone number, email
2. **Site Location** - Site Name, Address, Post Code, Grid Reference, Planning Number
3. **Site Details** - Site Boundary Map, Total Number of Properties, Development Phasing, Build Profile (incl. NHH information)
4. **Service(s) Requested** - Bulk Supply, Bulk Discharge, Surface Water Discharge
5. **Connection Details** - Proposed/Requested Point of Connection(s) (Grid Ref/Manhole No.), Date of First Occupancy, Proposed Date of Connection
6. **NAV Criteria/Site Survey Request** - Unserved/Consent/Large User
7. **Bulk Supply** - Land Contamination, Connecting Pipe Size, Material of Connecting Pipe
8. **Bulk Discharge** - Connecting Pipesize, Pumped/Gravity, Pumped discharge rate (if applicable), Surface Water Drainage (Private/Separate/Combined/ SUDs)
9. **Commercial** - Income Offset Information – currently based on requisitioned assets (to be discounted against infrastructure charges from April 2020). Any specific information required to calculate the bulk charge and recent/existing services to calculate infrastructure credits.
10. **General** - Checklist of attachments and declaration

Thames Water agree with these best practice principles and confirm our application forms contain all of the above.

**The following five items are recommended content for application response forms:**

1. **Proposed Development** - Confirmation of bulk service requirement including build rate, peak flow rate, etc.
2. **Services** - Confirmation of services and available capacity
3. **Connection** - Details of point of connection and connection costs
4. **Commercial Terms and Conditions** - Applicable infrastructure charges, bulk charges and link to standard bulk agreements
5. **Additional/Useful Information** – Any other relevant information

Thames Water agree with the items above. For clarity, against item 1 we expect the NAV to provide the build rate and peak flow rate, to which the incumbent confirms if this is possible.

## 9. Levels of Service

### Best practice principles

The indicative timings for each stage of the NAV process, outlined earlier in this document, are set out in the table below and are recommended for adoption:

Stage	Key process	Steps	Indicative timings	Incumbent SLA
1	Site Status review	Incumbent provides confirmation of unserved status or identifies served properties	15 business days	% responses made within target
2	Bulk service application	Applicant submits application form to incumbent – incumbent acknowledges receipt of application form and confirms completeness	5 business days	% acknowledgments made within target
		Incumbent provides a bulk service offer letter to the applicant	20 business days	% offer letters made within target
3	Bulk service agreement	Applicant confirms/or not acceptance of bulk service offer	5 business days	n/a
		Standard bulk service agreement signed	10 business days	% standard agreements signed within target
		Negotiation of bespoke terms and conditions if applicable	To be agreed between parties	n/a
4	Bulk connection	Bulk connection payment made by applicant	5 business days	n/a
		Bulk connection completed by incumbent (following payment)	15 business days	% connections made within target % connections made within agreed extended target

We would like further clarification and understanding of how these SLA's have been defined. Should they be aligned to calendar days rather than business days to align with other customer groups?

Quotes for Developers and SLPs that are above 500 plots/technically challenging have an SLA across the industry of 42 calendar days which is a contrast to the proposed 20 business days against the "Bulk service offer letter". It is likely that a NAV would always fall in to this category upon application.

The SLA of 15 business days for "Bulk connection completed by incumbent", aligns to a simple service connection to one property. In reality for a NAV bulk meter/connection there are many chambers that need constructing for the meter and verification, and other considerations such as traffic management and 3<sup>rd</sup> party land must be considered.

## **10. Bulk supply and discharge agreements**

Thames Water agree with the check list of 14 areas to be included within a Bulk Agreement (as per Ofwat's 2013 guidance) which can be negotiated. While we fully support consistent terms, we must agree on the ones that are mandatory and cannot be touched, and ones to be negotiated between a NAV and Incumbent. We look forward to seeing the feedback on the assessment of key clauses within the Bulk Agreements.