

Portsmouth Water Ltd response to Ofwat consultation on Charging Arrangements for new connections services for English companies

Q1: Do you agree with our proposal on common terminology and the way we propose to implement it? What do you think would be the impact of harmonising terminology for charges for new connection services?

We agree with the proposal on common terminology for water companies to use, and the proposed implementation.

Common terminology will increase consistency, and therefore make it easier for Developers, SLPs and NAVs to interpret companies charging arrangements, making them clearer and more accessible. This will reduce the burden on all parties in raising, and answering, queries in relation to terminology.

We believe harmonising terminology, between companies, will further help to meet the four general charging principles.

Q2: Do you agree with the definitions in the glossary (Appendix 1)? Please tell us what definitions you would amend, remove or add.

We are in general agreement with the definitions, but raise queries in regard to two particular definitions below:

“Footpath (Footway)” means a concrete covered surface.

The surface type for a ‘footpath’ can be a number of different materials, not just concrete. This needs to be reflected in the definition.

“Short length” refers to the length of the new water pipe required between the private supply pipe (at the property boundary) and the point of connection, where the length is less than 4 metres.

A ‘short length’ service connection can involve different surface types, and we suggest ‘and can be in different surface types, e.g. 2 metres in the road, 2 metres in unmade ground’, is added to this definition.

Q3: Do you agree with the proposal to set out explicit expectations on the presentation of worked examples? What do you think would be the right level of detail to be required?

Clear worked examples do help Developers, SLPs and NAVs understand charges and how they apply in different scenarios.

We believe it will aid understanding if all companies set out worked examples to the level of detail indicated in Information Notice IN 19/05 October 19, and in addition include ancillary charges, such as:

- Design, application and administration charges
- Meter installation costs
- Traffic management costs.

Due to the wide ranging requirement of traffic management, specific criteria would need to be given for each scenario.

Each worked example should show the outcome for a mains requisition and SLP installation.

Q4: Please highlight any substantive areas of our analysis you think are missing or could be improved.

We have nothing to add to the analysis provided.

Q5: What do you think are the reasons for the differences in charging levels? Do you think these differences are a problem? Please provide evidence to support your views where possible.

We feel we cannot offer a substantive response to this question, as we have no evidence to support variations in charging levels.

Companies contract individually with their delivery partners and we are aware that different approaches can be adopted to the pricing of these contracts. The differing approaches may include bundling together charges for individual jobs on the basis that the costs of pricing every job individually may outweigh the potential savings. Other contracts could be based on individual pricing of every job based on a precise schedule of materials.

Q6: Do you agree with our proposal to modify the Charging Rules for New Connection Services to explicitly include cost-reflectivity in the general principles? What other measures, if any, could be put in place to provide greater assurance that water companies' charges are cost reflective?

We believe our charges reflect the cost reflective requirements of the Charging

Rules. We have developed an in-house model to establish the final charges for these activities. The charges are cost reflective and are based on the costs of our delivery partner, who undertake this activity on behalf of Portsmouth Water, plus a sum to recover appropriate overheads.

We agree with the proposal to modify the Charging Rules to explicitly include cost-reflectivity in the general principles, and companies confirm the cost-reflectivity in their Board Assurance Statements.

Q7: What do you think are the benefits and disbenefits of having common charging methodologies? Do you think companies should adopt common methodologies?

Whilst we see the benefits, and welcome the opportunity, of the sector working together on common charging methodologies, we are nonetheless cautious in that the work that is envisaged by Ofwat's proposals would lead to the disclosure of information which could influence the way in which they contract with delivery partners.

It therefore follows that even in the absence of information about pricing, the exercise that Ofwat is proposing will reveal information which has the potential to change the way in companies' contract with their delivery partners.

For the reasons noted above, we do not support the adoption of common charging methodologies

Q8: Do you agree with the high-level scope of the proposed New Connection Charges working group? Please tell us your views on the proposed working group, including whether Ofwat should make the work mandatory, for example through a change to our new connection rules.

Drawing on our experience of the water adoption codes, we believe the biggest barrier to achieving a successful outcome is the difficulty of securing customer agreement to the output from the working group. Whilst understanding the need for Ofwat to maintain the final say in accepting the work, this does allow customers a second opportunity to comment on documentation on which they will already have been consulted.

In the water adoption code work, based on the outcome of a workshop with the most significant SLP customers, water companies believed that the changes they had made to their initial proposals had made the package of documentation acceptable. However, when that documentation was then presented to customers by Ofwat in a further consultation, new objections emerged. This ultimately led to the need for two significant revisions of the work initially carried out by the water companies.

We question therefore, how a definitive outcome can be reached if the process is in the hands of water companies, as is currently proposed.

Based on the above, and given our concerns raised by this work, we consider it essential that any work carried out in this field be the subject of a regulatory requirement or for the work to be led by Ofwat.