



Fair Water Connections

An association seeking a fair deal in water supply provision

Response to Ofwat's Consultation on regulatory reporting for the 2020-21 reporting year

July 2020

This response is from Fair Water Connections. As our members are interested in new connections activities we are specifically limiting our response, in the table below, to related matters.

Table	Line	Issue
2K	9	We recognise that the current arrangements create a mismatch in the reporting brought about by not factoring in water efficiency discounts in the network reinforcement expenditure (to income) comparison. Given that such discounts, triggered by lower water usage, should drive through into reduced need for (extensive) reinforcement works we are supportive of a move to calculate the table 2K reconciliation after the inclusion of any efficiency discounts. But only after the new line requested below has been included.
2K	New Line	<p>From an openness and transparency perspective it is imperative that customers can see how companies are doing against the rolling 5 year requirement to balance Infrastructure Charge income with expenditure on network reinforcement. The analysis we have done after the publication of the 2019-20 Company Performance Reports show that many companies are not yet close to achieving this balance – we can currently see extremes, against 2019-20 income, of a positive 250% surplus (i.e. not spending anything near raised income) to where expenditure is, at 850%, well over collected income. Other companies fall within this range, with most carrying a surplus and only one within 10% of the required balance!</p> <p>For 2018-19 and 2019-20 testing Infrastructure Charge income balance can be done by customers as a simple 2 line difference calculation (Line 14 v Line 15). But for 2020-21 Income Offsets impact on Infrastructure Charge income. So a new line is required where companies state the total Income Offset amounts so that all can readily determine how companies are doing against the Ofwat Charging Rules requirements regarding aligning Infrastructure Charge Income and expenditure on Network Enhancements (i.e. test Income + Income Offset against reported Expenditure).</p>
2N (New)	New Line(s)	<p>We see short term value in Ofwat collecting data on self-lay connections activity. This is something we have been seeking for many years so are pleased that it now looks to be happening.</p> <p>However the intention looks to us to be collecting a high level summary total rather than to gather insight on market sectors and, in particular, to spotlight where companies effectively bar SLPs from making connections to existing mains in the highway by not allowing SLPs to use company</p>

		<p>street works noticing in the way that company contractors work – this is despite both creating assets, and street work liabilities, which become the company’s responsibility to maintain. <i>(Note – SLPs are left, should they wish to do this work, with raising their own street works notices which are prohibitively expensive when compared to company noticing)</i>. So whilst just collecting high level self-lay connection volumes data address the current lack of regulatory focus on competitive connection provision it is not sufficient to stimulate any thoughts on how to open up SLP provision, and hence drive down customer charges, on the most costly types of connections (i.e. those in the highway).</p> <p>We therefore ask that Ofwat makes their proposed New Table 2N Lines 12 and 23 a total of:-</p> <ul style="list-style-type: none"> a) connections/properties that are provided within development sites; and, b) one-off connections to properties that are not within sites (i.e. typically work in the highway). <p>In the short term we know that the figure for (b) will be zero but expect the old adage that if it does not get measured it will not happen could bring focus on what is a much overlooked part of the water connections sector.</p>
Section 2 – New Table or Table Modification (to 2E?)	Where best fits	<p>Core to the Ofwat Connection Charging Rules (in their current format) is a requirement (in Paragraph 19) for “undertakers to take reasonable steps to ensure that the balance between contributions to costs by Developers and other customers prior to 1 April 2018, is broadly maintained”. From a customer perspective it is not readily possible to verify whether this ‘balance’ test is being delivered. To remedy this we ask that either a new table is created, or perhaps Table 2E modified, to provide:-</p> <ul style="list-style-type: none"> - total customer contribution towards connections in 2017-18 - adjustment to 2017-18 figure for inflation and to match with the current year connections volumes - total current year customer contributions towards connections. <p><i>Note – this check needs total customer contributions, so includes self-lay work payments and asset value make-up rather than the current ‘grants and contributions’ figures.</i></p>
4L	General	<p>We have no comments about Ofwat’s intentions to factor growth related data into this Table. We do however observe that the suite of Tables in Section 4 are often published by companies outside of their Annual Performance Reports which can make it difficult for customers to locate this data. We therefore urge that Ofwat makes it a requirement that all of their data requirements get published in a single document.</p>

The response has been submitted by:-

Martyn Speight, FWC Managing Coordinator

Martyn should be contacted over any queries which arise from this response.