



8 December 2020

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Our ref

Your ref

Dear Ofwat

### **Re. Bulk charges for new appointees – a consultation on revising our guidance**

Anglian Water seeks to support the development of markets wherever they deliver long term benefits to customers. We view NAVs and self-lay providers as valued customers, who together can help in meeting the infrastructure requirements of housing growth in our rapidly growing region. We have been active in the Water UK working group that developed the NAV service level metrics and led the development of the industry standard bulk agreement. This facilitating spirit has also informed our approach to tariffs, where we have worked hard to develop NAV tariffs in line with Ofwat's guidance and were pleased that CEPA's assessment recognised this position.

We consider the CEPA report to be a helpful contribution to the ongoing discussion regarding the basis for NAV charging and welcome Ofwat's move to update the charging guidance as a consequence.

We broadly support the revisions to the guidance proposed.

However, we retain concerns as to the appropriateness and practicality of a bottom-up approach to calculate the avoided ongoing operating costs for a site, and therefore welcome Ofwat's decision not yet to make this approach a requirement in the proposed guidance. However, we note that in relation to highway drainage there is a reference that, "Any material highway drainage costs that are avoided should be included in the **bottom-up** estimate of avoided costs". For the avoidance of doubt, and to be consistent, it would be helpful if this reference to "bottom-up" costs was removed.

We particularly welcome Ofwat initiating an industry working group, specifically to assist in developing an approach to cost estimation, and the basis and calculation of any "additional allowance", given the observations made in the CEPA report regarding the return available to NAVs on new sites



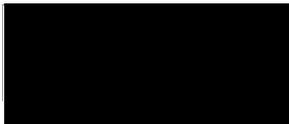
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As we have already communicated, Anglian Water would be very interested to be involved in the working group convened to help inform any future revisions to the guidance and to support the sharing of best practice and the development of more consistent, cost-reflective charges.

We consider that Anglian Water has a particular interest in this area of policy development. Ours is one of the fastest growing regions in the UK, and we continue to see significant activity by NAVs in facilitating this new development.

Yours sincerely



**Alex Plant**

Director of Strategy and Regulation