

26th May 2021

Response to Ofwat consultation on the scope and balance of developer charges and incentives

Question 1

Q1. Do you have any comments on key conclusions from the Frontier Economics report?

It is unfortunate that the Frontier Economics report did not consider why discounts were originally introduced in the first place, to contribute the costs of the mains needed to provide properties, both existing and new, with new water supplies.

Q2. What are your views on our reasoning and proposals with respect to charges for strategic assets, income offset and the balance of charges rule?

When water infrastructure is installed by SLPs, all charges are simply as 'pass through cost' which ultimately is passed onto the developer. Therefore, it is for developers to make their voices heard regarding discounts going forward.

The issue the SLP community have with any charges / discounts are the adjustments, on an annual basis, made at the start of each financial year. For an SLP it takes up so a considerable amount of resource going back to our customer (the developer) on an annual basis to renegotiate a contract for a development that may take 5 years or more to build out.

To remove the above, the best solution would be if Ofwat would change their Connection Charging Rules so that when a water company offers scheme terms then they remain fixed for the duration of that project.

As previously mentioned, any water company charges / discounts are simply as 'pass through costs' and therefore, why cannot these water company charges / discounts be passed directly onto the developer for payment. The SLP is simply a water infrastructure installer for the developer.

Q3. What environmental incentives should water companies be offering developers and NAVs? We are interested in examples of good practice. How can we better support this?

Environmental incentives is a question for developers and not SLPs, it is developers who install the internal water fittings and wastewater infrastructure.

Reduced water usage should effectively downsize the pipe diameters for new developments but the consumption per person per day have **not** changed in any water company design manuals. Therefore whilst water companies asking developers to install water efficient fittings, water companies are effectively creating double standards.