

Date: 8/6/21

Item: Consultation response

Re: Ofwat April 2021 'A Consultation on the scope and balance of developer charges and incentives'

Respondent: Damian Hill – Projects Manager – Persimmon Homes

General notes or considerations:

It is disappointing to see proposals with such significant implications being circulated for consultation at such a late stage (Late May). There appears to have been no engagement with significant stakeholders such as developers and SLP's.

I would strongly urge Ofwat to extend this consultation period to allow the affected stakeholders sufficient time to digest and analyse the proposals properly.

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

The key conclusions are weak and unsubstantiated.

Network Reinforcement

The supposition that developers do not presently pay towards network reinforcement is flawed.

The costs of bringing a suitably sized main to the development are borne by the developers, which in itself is a level of reinforcement. Developers are already paying for developing the network where network supply is inadequate. Furthermore infrastructure charges, by nature are to cover the increased costs of additional loading on the water network.

The proposed measures do not consider the timing of developments.

The water companies should take account of the relevant Development Authority Plans when presenting their price control submissions to ensure that their Capital expenditures on network development align to the outline plans.

Many water companies fail to do this and consider that developments are speculative until a full planning consent is in place. Disregarding local development plans until a much later stage leads to a lack of strategic assessment in future requirements. As such the measures proposed do not seem a reasonable solution.

The proposals would lead to a lack of transparency in charging arrangements and difficulties in cost budgeting difficulties in understanding the costs of developments.

Furthermore, water networks have suffered many years of historical underinvestment. Why should Developers pay the cost of this lack of investment in water company assets? The concept of zonal charging is not supported.

Income Offset on Network Capacity

The proposal seems ill thought out and vague and lacks any form of transparency. It is difficult to see how this can be accurately quantified and also prevents an accurate cost appraisal of any given site.

There is also no consideration on how subsequent users would benefit from reinforcement costs paid for by others.

Q2 We seek views on our reasoning and proposals with respects to charges for strategic assets, income offset and the balance of charges rule.

As noted above, strategic assets should not be paid by the developer. In theory, we would have no objection to the removal of the infrastructure charge and income offset payment and replacing those with a single per property connection charge made by the licenced statutory water company. However, the mechanics of how existing charging methodology is not clear. It cannot simply be removed without its replacement being of equal benefit or detriment. The proposals on how this would work are unclear.

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?

There are several water company policies in respect of Water Saving initiatives. However, these are voluntary and need to be supported by Regulatory rules on application and interpretation to ensure that there is consistency and a degree of certainty as to outcomes.

The general approach is 'all or nothing'. As the intention is to incentivise water savings, surely achievable. Should the process be more costly than the benefit then it is unlikely it will be successful. This would not necessarily promote water savings. Surely a sliding scale of differing incentives at different levels would be more appropriate.

Reducing the licence timeframes in respect of NAV appointments needs to be considered to drive competition and facilitate further water saving incentives. Given operational and construction obstacles, at present 6 months is too long a period to implement this on many development sites.