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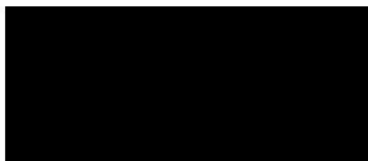
8 June 2021

Dear Sir/Madam,

South Staffs Water inc. Cambridge Water response to balance of charges consultation

Thank you for the opportunity to respond to the above consultation. Our responses to the specific questions are attached. Please let me know if you have any questions.

Yours faithfully,



Adam Stevens,
Senior Developer Services Manager
South Staffordshire Water PLC

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

We support a direction of travel which simplifies developer charges.

We note that feedback from developer customers has previously not supported zonal charges. We also note that zonal variations in the infrastructure charge are unlikely to have a significant influence on how and where large developers build.

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

We support maintaining consistency for developer customers and therefore support the proposal to maintain the existing approach to strategic assets.

We support the decision to remove the balance of charges rule.

The proposal to remove income offset and the removal of the balance of charges rule would help to separate interaction between developer charges and bill-paying customer revenue and if developer activity is removed from the price control in the next AMP the removal of offset would also help to draw a cleaner line between price control and non-price control revenue.

We note that, whilst the opportunity remains to use strengthened efficiency incentives, the removal of offset in isolation will increase developer bills and is likely to receive a negative response from developer customers.

We would like confirmation of the proposals for the revenue allowance if the decision to remove income offset goes ahead and if developer revenue remains within the price control. Our assumption would be that the revenue allowance for developer activity would be higher such that it simply reflects revenue for service connections, mains laying, infrastructure and diversions.

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?

We support the promotion of water efficient building as demonstrated by our current performance commitment on this topic.

We currently have a water efficiency discount scheme which focuses on the installation of fittings within new properties.

We believe this scheme can have a positive impact and developer customers are increasingly interested. We are mindful that there are limitations with this type of scheme for example fittings within a property can be changed after occupants move in.

A potential opportunity would be to incentivise the use of rainwater harvesting systems. An occupant could still change their internal arrangement to remove the use of this system much like the fittings however these systems tend to be more embedded and therefore harder to remove or change. It is worth noting however that

systems such as this are potentially better suited to commercial units rather than individual dwellings as we understand there are significant installation and maintenance demands. In addition these systems may require greater water regulation audits from water companies to ensure unsafe drinking water is not incorrectly plumbed and being used for drinking, cleaning etc which could drive cost into water companies.

We have received feedback that the uptake and interest in discount schemes from Self Lay providers is lower than from developers as infrastructure charges and associated environmental/efficiency discounts are simply a cost or benefit passed through from the SLP to the developer or managed directly by developers themselves and therefore the SLP has no financial incentive to promote schemes such as this. Given the growing market share of SLPs it is important for the industry to consider how future schemes incentivise SLP support.

Whilst we believe we should always consider how we can do more within developer services specifically we note that the biggest difference will be realised from more collaborative working throughout the development chain most notably with local authority planning teams.