

Fair Water Connections

An association seeking a fair deal in water supply provision

Response to Consultation on Updating Ofwat's Charging Rules

6 July 2021

This response is from Fair Water Connections which represents SLPs from across the self-lay community. Our members work across all water company areas and are pleased that Ofwat looks to be working to address some anomalies in their Connection Charging Rules. Also to better standardise the terminology used by companies and to improve the worked example scenarios.

From our members perspective all of these are important but a key element is ensuring that there is complete transparency and openness about company's charging structures sufficient for any factors meriting being disputed to be identified before, on any particular scheme, the terms issue stage is reached. This then allows appropriate discussions to take place between customers and companies without these being compromised by having to be resolved during the scheme specific time critical 'terms agreement' stage.

Whilst the worked examples that have been run for the last couple of years have value we do not feel that their structure sufficiently aligns with actual development scenarios to adequately 'showcase' the way companies charge. We therefore consider that the costing scenarios need to be much better defined such that there is no ambiguity in the way that companies deploy these and to ensure that they cover a wide range of typical development types.

Whilst some engagement has happened between companies and ourselves during the proposals consultation period these have been time limited and we still do not feel that companies have grasped the extent of the changes that we maintain are needed to completely specify the range of connection types and definitions necessary to embrace all aspects of fair and open water connection competition. Or to ensure that the worked example coverage is sufficiently complete. We therefore urge Ofwat to work through the feedback we have provided below and to incorporate all the definitions which look, to us, to be missing in the offered terminology glossary.

Our response specifically focuses on the proposed changes relating to Charging Scheme Rules (CSR) and English New Connection Rules (NCR).

Section 1 - Our Response and Commentary on Various Ofwat Proposed Rule Changes (Q1)

1.1 Changing publication dates (Ofwat 3.2.1)

We support the move to make publishing by 1st February each year a requirement. It however needs to be clear that this is the latest date that the information can be readily accessed by customers (so needs to be available on company websites by this date).

We however view the publication of worked examples, recognising that they only will only be drafts/provisional, during earlier charging consultation discussions as something meriting being promoted.

1.2 Publishing Statements of Significant Change (Ofwat 3.2.2)

We agree it would be beneficial for Statements of Significant Change to be issued at the same time as Charging Publications.

1.3 Cost reflectivity (Ofwat 3.2.3)

We support the introduction of cost reflectivity in connection charges but struggle with the concept that “charging structures must reflect the long run costs associated with providing the relevant service.” This is because connection activities are upfront provision charges not influenced by long run operating factors so surely it should be reworded to “the long run cost of providing the relevant service”.

This should then prevent significant year on year changes to specific charges which is detrimental to connection competition (as they can arise after terms have been agreed between SLPs and developer). It should also avoid the confusion that could arise, say with metering, where companies could use the Ofwat wording to factor their long run ongoing operating/renewal costs as a connection activity rather than these being recovered through future usage charges.

Another consideration is that D-MeX looks to be prompting considerable company investment in their systems. Whilst this is much needed, and should be of future benefits to customers, the associated system change costs could lead to charging ‘spikes’. So that all know how such ‘spikes’ should be handled Ofwat need to define what they mean by ‘long run’.

With regards company cost structures we have, as previously reported to Ofwat, concerns that company payments to their contractors may have both an activity specific rate and an overall performance bonus components. This being backed up by our members experiences of competing against company provision rates that are (to them) below the costs of a competent SLP.

To safeguard against this we are firmly of the view that the proposed new Rule needs to be structured in a way which prevents cross subsidies occurring. Hence our proposed new Rule 30 wording is:-

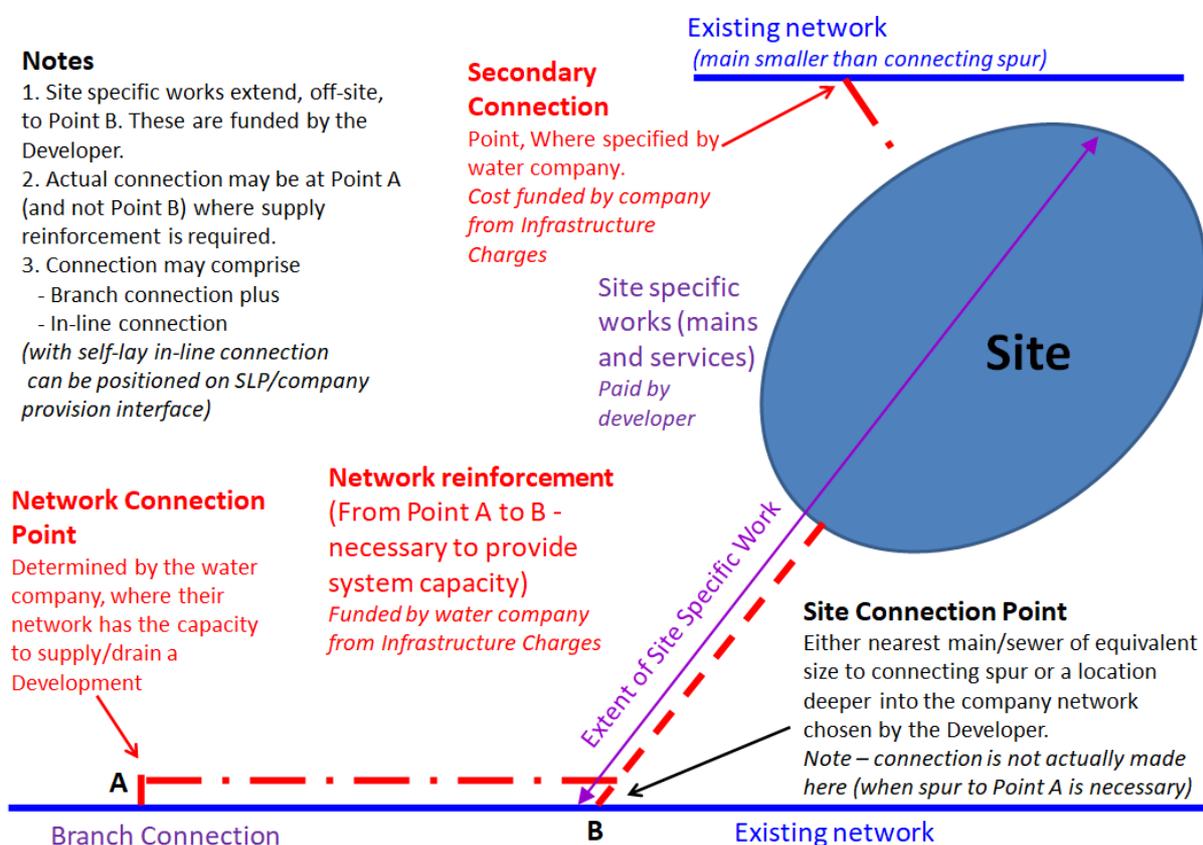
“Charging structures must reflect all aspects of the ~~long run~~ costs of providing the relevant service”.

1.4 Consistent terminology (Ofwat 3.2.4)

We fully support the intent of introducing a universally used standard glossary but feel that this needs to be backed up with a new Rule making companies define their charges in ways which align with the terminology that they have collectively been instrumental in defining. This should prescribe, as we set out in Section 2 (below), that charging in different ways is only permissible if the company can demonstrate that their customers, or those who represent them, accept the need for additional definitions and they have the prior approval of Ofwat to their introduction.

Our view, as you will see in the proposed changes we set out in Appendix 1 (below), is that the offered terminology needs to be much more extensive to cover all aspects of connection charging (and thereby align with the charging structures companies are already using). In particular our view is that competitive provision is not adequately covered and, in particular, concepts such as ‘upsizing’ and ‘enhancement payments’ need to be included along with better defining a range of (non-contestable) mains connections types.

Furthermore we are of the view that the network diagram which Ofwat originally produced, and which is fairly universally used by companies, is not sufficiently detailed to cover the 'site specific' and 'network enhancement' work interface. We therefore urge Ofwat to promote the diagram we provide below to provide a fuller explanation of the various work elements and, particularly, the concept of what we are describing as the 'Site Connection Point' and the 'Network Connection Point'.



Connection Terminology Diagram (Produced by Fair Water Connections)

As detailed in the diagram we maintain that there now needs to be a clearly defined delineation between what we are calling the 'Site Connection Point' and the 'Network Connection Point'. This is to correctly align between 'Site Specific Works' which are directly funded by developers and 'Network Enhancements/Reinforcements' which are funded through Infrastructure Charges. Getting this separation clearly defined will in our view, greatly aid clarifying competitive connection provision costs and responsibilities.

We pick up this matter, along with all the other definition wording changes we consider are necessary, so that it comprehensively covers all aspects of water connections, to the terminology glossary in Appendix 1 (below).

In this regard we disagree with the terminology of an "Alternative Connection Point" which is being proposed by companies. This is because the interface between "Site Specific Works" and "Network Reinforcement" always arises at (what we describe as) the "Site Connection Point". This itself cannot, as the use of "Alternative" implies, be moved deeper into the network (to a location where there is network capacity). But we fully recognise that the reality of (what we describe as) the "Network Connection Point" needs to be established/defined (just not through the "Alternative" description).

In making our change proposals we have tried to align with the cross company/Water UK discussions we have been able to have during the Ofwat consultation period. But these have been time constrained and we do not feel that we have been that successful in getting company thinking away from what we regard as a skewed towards company provision focus. We therefore ask that Ofwat separately considers our response to anything produced (during the consultation period) by companies. Not least because all the additions we are proposing currently arise (in various forms and often without definition) in companies own charging publications so surely therefore merit being included in the suite of standard terms.

1.5 Using worked examples (Ofwat 3.2.5)

We support the use of worked examples covering a comprehensive set of water connection scenarios. A particular benefit is that these, if well structured, provide a means to identify charging queries and anomalies well in advance of the time critical agreeing terms with a developer stage.

However, as detailed in our Appendix 2 (below), we maintain that the currently offered scenarios are not sufficiently defined or comprehensive enough to cover the charging situations of most interest to our SLP members. Hence we are looking for Ofwat to extend coverage to include:-

- network enhancement, with upsizing, situations; and,
- diversions; and,
- NAV bulk supply connections.

In addition to maintaining that the scenario coverage is not sufficiently broad we also consider that the work descriptions are not adequate to sufficiently define all the work type charges in ways which every company will consistently use. Hence in our Appendix 3 (below) we outline the level of detail we feel is necessary for a site type development.

An observation we make, though one outside of our expertise, is that all the examples look light in terms of outlining sewerage connection costs. This ranges from individual connections, where a lateral drain connection(s) could be needed, through to sites where developer laid sewers get adopted (and various company costs get applied) to larger sites where requisitioned sewers may also be needed. Hence it looks as though a detailed range of sewerage, both foul and surface drainage, need to be factored into the development scenarios.

Whilst there has been some discussion on worked examples with companies during the consultation period this has been very limited (as the greater focus has been on terminology). We therefore ask that Ofwat separately considers the issues we flag about the offered worked examples shortcomings to anything produced (during the consultation period) by companies.

1.6 Where to issue rules on infrastructure charges (Ofwat 3.2.6)

We support the proposal to consolidate Rules on Infrastructure Charges into the Connection Charging Rules.

In addition we flag that a similar disconnect arises with Building Water, or Water For Construction, Charges. These are routinely billed alongside service connection charges so it would clarify matters for customers if they were detailed in the same publications as other connection charges.

1.7 Income offset and connecting to existing mains (Ofwat 3.2.7)

Whilst we have no comments on this proposal our members are concerned that applying the change could cause companies, where schemes are on-going, to adjust their charges. Therefore safeguards to prevent this happening are surely needed.

1.8 Network reinforcement and NAVs (Ofwat 3.2.8)

This looks an anomaly that merits being addressed in the way that Ofwat proposes.

1.9 Quotes spanning different charging years (Ofwat 3.2.9)

We welcome the introduction of the Rule 49 making it a requirement for companies to explain in their Charging Arrangements the length of time over which connections quotations will be valid. This currently being a significant issue to our members who wish to confidently agree terms with the developer customer at a scheme outset without carrying the uncertainty of whatever financial year end charging changes may arise.

The charges that are currently universally set on a financial year basis are Infrastructure Charges. Given the amount of this charge, and the impact from significant annual changes, it is important to our members that companies are freed of having Infrastructure Charges being tied to the year in which each connection is made (rather than when terms are issues).

Clearly if Ofwat makes the proposed changes to where Infrastructure Charges are specified then the new Rule 49 will also cover this charge. But if this change does not happen we ask Ofwat to insert a corresponding New Rule into their Charges Scheme Rules.

Section 2 - Our Response and Commentary on Various Ofwat Proposed Changes in Appendices 1, 2 and 3 (Q2)

Our response is mainly covered in Section 1 and in the Appendices accompanying this response.

We however disagree with the proposed wording changes to Paragraph 12 of the New Connection Rules, in particular ***“using the terms as defined at Rule 5 where appropriate. Undertakers should consider publishing worked examples where this could aid customers' understanding”***.

In our view it is unacceptable that Companies:-

- a) Can, once the new definitions are issued, opt out of using the standard terminology (as the “where appropriate” allows them); and,
- b) Only have to ‘consider’ using worked examples.

This looks a legacy from when the Rules were first established and is not consistent with the wording approach Ofwat has set-out in their consultation Appendix. Our view is strongly that the standard terminology should now, after it has been made sufficiently comprehensive, be universally applied (with a proviso that where it does not fit with the way a company chooses to charge they have to seek authorisation from Ofwat, after customer consultation, to make changes). This needing to be done before companies themselves make any local additions to the national set of definitions.

Also that the Rules should specify that companies be required to publish full and complete terms (as if this was an actual terms offer in their area) against the prescribed suite of work example scenarios

but be free to consider publishing further worked examples where these would better aid customer understanding of their approach to connection charging.

Section 3 - Views on the Ofwat Proposed Clarification of their Five Year Rule Regarding Infrastructure Charges (Q3).

Our view, as we have outlined to Ofwat on previous occasions, is that customers want stability in the Infrastructure Charge amounts they are paying and the way this charge is calculated means that customers have no feel about whether charges are being calculated properly. So whilst we fully recognise the need for Infrastructure Charges to form the funding of network enhancements our view is that they should be agreed with Ofwat at each regulatory review for the coming five year period.

This, linked to the ability to have charges (see above) which are held for the life of a scheme build-out, would be a marked improvement to our members. It would also avoid, what we sense is eneviable, of Ofwat attempting to better define how this charge is to be set but for companies to continue to interpret the guidance and to use their own calculation basis. Hence we urge Ofwat, even if not until 2025, to have a different approach to Infrastructure Charge setting compared to that applied to other connection charges.

Furthermore we feel that the way that Water and Sustainable Drainage Efficiency Incentives gets funded needs to be specified. Whilst we encourage the use of both of these our view is that they are geared towards companies avoiding treatment capacity provision. As this is costs that companies fund from their general income we feel that the incentives should be funded by companies themselves and not, as looks to be done by some, by cross subsidy from those developers whose properties are not eligible for the discounts.

We also know, from our member feedback, that developers are frustrated by companies insisting that any discounts get sorted at the initial application stage. This can be in advance of developers fully specifying their sites and it creates great annoyance when customers subsequently find that, by not applying early enough, they are barred from whatever discounts companies offer. Hence we urge Ofwat to encourage companies to be more flexible in when they allow discount applications to be made.

Section 4 – Concluding Comments

We recognise that this consultation contains much detail in the terminology wording and worked example structures which was still being worked on by water companies/Water UK during the consultation period. From our feedback throughout this response it should be clear that we feel that many more work types need defining before what is being proposed is sufficiently extensive to materially aid connection competition.

Given that these are factors which now need to be quickly settled, and before the autumn of 2021 consultation round starts, we therefore ask, because of our independent sector expertise, that Ofwat further engages with us to test out wording proposals before finalising either the terminology glossary or worked example specification. This being vital to help ensure that customer views do not get overlooked should Ofwat continue with a dialogue with companies through the Water UK working group (set-up to work on terminology and worked examples).

The response has been submitted on behalf of Fair Water Connection members by:-

Martyn Speight, FWC Managing Coordinator

Tel – [REDACTED], Email – [REDACTED]

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

Appendix 1 – Our Additions and Changes To Proposed Terminology Glossary

Terminology Proposed By Ofwat (with alterations proposed by ourselves in red)	Our Comments
<p>"Accredited Entity" means a recognised organisation who, in respect of Contestable Work and Services, demonstrates competence, at all relevant times, by satisfying the following:</p> <p>(i) accreditation under WIRS; and/or</p> <p>(ii) the Water Company's local accreditation arrangements, agreed with the SLP in relation to a specified activity, published in its Annual Contestability Summary (ACS), pursuant to section 3.2 of the Water Sector Guidance.</p>	<p>Needs extending to cover 'self-certification'; i.e. where a party other than the water company can sign-off work (typically supply pipes and internal plumbing).</p> <p><i>Necessary because companies routinely reduce their inspection fees where self-certification occurs. (Hence removal of reference to ACS)</i></p>
<p>"Administration Fee" means the fee associated with general office based administration activities, after the cost advice stage, relating to the construction phase, which can includes processing any payments, scheduling the works, supervision and project management, and processing information into relevant billing/management systems.</p> <p><i>Notes</i></p> <ol style="list-style-type: none"> 1. <i>'Supervision and project management' are field activities that should be charged separately to 'administration'</i> 2. <i>If used both 'project management' and 'supervision' needs to be defined.</i> 	<p>This category is too broad and not aligned with all company approaches, as some use a Project Management charge to cover on-site oversight and connection valving.</p> <p>So need to highlight that sub-categorisation is encouraged and to protect against 'administration' costs being charged by some companies as a construction rate overhead.</p> <p>We also view the use of 'can' as facilitating companies applying admin activities in different places. Hence we propose the use of 'includes'.</p>
<p>"Adoption" means the vesting by a water company of new networks which have been installed by Accredited Entities</p>	<p>Helps position the charges associated with adoptions.</p>
<p>"Alternative Point of Connection" means the practical location indicated by the Undertaker which is neither i) a practical location indicated by the Developer Customer nor ii) the nearest practical location where the existing water main or sewer is the same size or larger than the new connecting main or sewer.</p>	<p>This has no practical meaning (as the customer led alternatives are outside the definition and what is being said is that this is the point on the network with the capacity to supply the site). Hence see our proposals relating to "Site Connection Point" (replacing Point of Connection) and our (new) "Network Connection Point".</p>
<p>"Annual Contestability Summary (ACS)" means the standard format document published annually (or more frequently) by the Undertaker on its website setting out which work and services are Contestable Work and Services and which are Non-contestable Work and Services as described in section 3 of the Water Sector Guidance (see www.water.org.uk/water-sector-guidance-approved-documents/).</p>	<p>Need to consider where self-certification (usually by plumbers, but sometimes SLPs) is identified and described.</p>
<p>"Application Fee" means the fee associated with upfront application processing, which can includes reviewing and</p>	<p>Whilst we can recognise "application fee" being used in the way described</p>

<p>acknowledging an application, checking that all relevant information has been received, and where not separately billed preparing a cost advice, an agreement or the acceptance for the proposed works.</p>	<p>for service connections it is not appropriate on mains work. This is because “design” and “terms preparation” is done on a scheme specific basis so there is a need to safeguard against charging twice and being clear how “design” and “application” fees inter-relate.</p> <p>Again we propose replacing ‘can’ with ‘includes’.</p>
<p>“Appraisal (or Pre-Development) Fees” means charges which arise when a Developer requests advance information (prior to the application stage) to identify any issues with connections to a new development being provided.</p>	<p>These charges routinely arise in company charging schemes so, when they arise, needs defining. Note – sometimes called Point of Connection Enquiries.</p> <p>Whilst some companies highlight that they offer costing of reinforcement work as part of such appraisals this is a company (network reinforcement) costs so should not feature in customer charges.</p>
<p>“Barrier Pipe” means a pipe with a metal sheaf needed to prevent impurities getting into the water from ground that has been contaminated.</p>	<p>Can cause significant cost increases so needs explaining to customers.</p> <p>Also need to include “contaminated ground” definition.</p>
<p>“Bond or Surety” means a financial guarantee underwritten by a bank or insurance company accepted by the Undertaker.</p>	
<p>“Branch Mains Connection” means the installation of pipework into an existing main to connection a new network. <i>(The work having the potential to impact on existing customers).</i></p>	<p>This is a major omission as it is typically a non-contestable high cost activity which is not specifically defined.</p> <p>Comparable sewer connections could well merit being separately defined.</p>
<p>“Building Water / Water For Construction”</p>	<p>Merits defining as this is routinely charged alongside service connections – hence our proposal that this is transferred and handled as a Connection Charge.</p>
<p>“Chamber” means a purpose built or manufactured compartment installed or constructed below ground to house network apparatus.</p>	<p>This is an omission as chambers are required on both water and sewerage systems.</p>
<p>“Charging Arrangements” means a document setting out the charges and/or the methodologies for calculating them those, applied by the water or sewerage undertaker in accordance with the Charging Rules these rules issued by Ofwat.</p>	<p>It would help customers if the ownership of the Rules were added.</p>

<p>“Connection Charging Rules” means the Charging Rules for New Connection Services (English Undertakers) issued by Ofwat under sections 51CD, 105ZF and 144ZA of the Water Industry Act 1991.</p>	<p>It would help customers if the ownership of the Rules were added.</p>
<p>“Communication Pipe” means any part of a Service Pipe which a water undertaker could be, or have been, required to lay under section 46 of the Water Industry Act 1991. It consists of a pipe laid from an existing or newly laid Water Main to the boundary of a property, and may include a meter housing and / or external stop valve.</p>	<p>Relaxed about water company proposals to insert diagrams but these need to include the Ofwat ‘meter housing/external stop valve’ addition.</p>
<p>“Contaminated Land” means land which has had a previous use in accordance with section 78A of the Environmental Protection Act 1990 such that the water company will install or request the installation of barrier pipe.</p>	<p>Links with “barrier pipe” definition.</p>
<p>"Contestable Work" means work or services that either the relevant undertaker or persons other than the relevant undertaker may do or provide can be completed by either the Undertaker or an Accredited Entity and, in the case of work and services associated with the provision of water supplies, is defined in each Undertaker’s Annual Contestability Summary.</p>	<p>Observation – surely this needs broadening to include sewerage contestable work.</p>
<p>“Design Checking Fee” means the cost of checking a design submitted by an Accredited Entity along with issuing terms and any site specific agreement.</p>	<p>This aspect of competitive connection charging has been omitted. It may also apply to sewerage schemes.</p> <p>Need to ensure that issuing terms is covered here and not as an “application” charge.</p>
<p>"Design fee" means the cost-reflective charge for designing against the application and producing a quote terms. The fee includes preparing drawings, specifying the work and producing work instructions. Also costing the works, issuing terms and any site specific agreement.</p>	<p>Offered definition is too narrow. It needs to set out all of the work activities that are covered by this charge.</p> <p>Note (see “Administration Fee”) care is needed to avoid duplication and ambiguity as to what is covered by the Admins and Design Fees (on all work other than service connections).</p>
<p>"Developer Customer" means any person or business which is responsible for a Development, and may include a Developer, NAV or Self-Lay Provider.</p>	
<p>"Developer Services" is the collective term for activities associated with serving Developer Customers, which may include the provision of new water mains, new sewers, service connections, lateral drains, waste connections and diversions, but excluding building water (water used during construction).</p>	<p>“Development” needs to be defined – and in a broad enough way to accommodate farmers requiring trough supplies etc.</p>
<p>“Diversion” means where existing water or sewerage systems need to be relocated to facilitate developments.</p>	<p>As Diversions are a discrete category in the Connection Charging Rules they need to be defined.</p>

<p>“Diversion Charges” means charges payable for Diversion Works as required by Section 185(5) of the Water Industry Act 1991.</p>	
<p>"Domestic Use" means water used primarily for domestic purposes, including for drinking, washing, cooking, central heating and sanitary purposes.</p>	
<p>"Domestic Premises" means any premises used wholly or partly as a dwelling or intended for such use, such as a house or flat.</p>	
<p>“Customer Excavation” "Excavation by others" means any work undertaken by someone other than the Undertaker in excavation, backfilling or reinstatement, and charges for excavation by others shall be construed accordingly.</p>	<p>The use of “customer” better defines who is carrying out the excavation/reinstatement – as ‘others’ could be conceived to be a company contractor!</p>
<p>“Water Company Excavation” "Excavation by water company" means any work undertaken by the Undertaker in excavation, backfilling or reinstatement, and charges for excavation by water company shall be construed accordingly.</p>	<p>Suggest changing title as it fits better with “Customer Excavation” (see above)</p>
<p>“Enhancement Payments” means money paid to the installer when the water company requires the installed works to be upsized.</p>	<p>This is an important aspect to SLPs which is invariably not picked up and detailed in company charges. Hence this concept now needs to be defined.</p>
<p>“Existing Network” means a water main, service, sewer or drain that was in operation before the development commenced or has been commissioned independently of development specific works.</p>	<p>Merits being defined (and in ways which enable a blanket definition to cover both water and sewerage). Prudent not to be time bound for works underway but not completed before scheme specific works are started.</p>
<p>“Far Side Connection” means a connection between premises and an existing water main on the opposite side of the street to those premises, to a maximum distance of 18 metres.</p>	<p>Whilst this has more materiality on company provision we observe that this is peculiarly constructed. It also registers a need to clarify how the majority of companies who charge solely on length are defining their approach. We also comment that where the 18m starts from is not defined (it surely should be the edge of the street)</p>
<p>“Fire Hydrants” means hydrants installed at the request of the Fire Service and funded by them or mains washouts which a Fire Service adopts.</p>	<p>Whilst funded by the fire service these are an important element in new mains works and hence merit defining.</p>
<p>“Fire Supplies” means supplies provided solely for fire safety provision.</p>	<p>This type of supply is becoming increasingly prevalent (and is a requirement in Wales). It would be prudent to now include it in the definitions.</p>

<p>"Footpath / Cycleway" means a hard-surfaced area intended for use by pedestrians or cyclists and includes vehicular crossings of such areas. <i>Charges maybe set for different footpath/cycleway construction and surface types</i></p>	<p>Cycleways are now routinely being built so this type of provision needs to be identified.</p>
<p>"Income Offset" has the meaning given in the Charges Scheme Rules. means a sum of money, that may be offered by the Undertaker, against the infrastructure charges, in recognition of revenue likely to be received by the Undertaker in future years for the provision of: i. supplies of water to premises connected to a Water Main; or ii. sewerage services to premises connected to a Sewer, and "Income Offsetting" shall be construed accordingly.</p>	<p>Given that these definitions are not to come into effect until April 2022, by which time Income Offsets will not have applied for 2 years we query why this definition is not been removed.</p>
<p>"Infrastructure Charge" has the meaning given in the Charges Scheme Rules means the charges described in section 146(2) of the Water Industry Act 1991. That is, a charge paid by the Developer Customer to the Undertaker when an eligible property is connected to the Undertaker's water main or sewer for the first time and which contributes to wider network reinforcement to meet the increased demand arising from the new connection.</p>	
<p>"Infrastructure Credit" means a credit that may be applied to a billable account at the same site or address as was previously used for another billable account. The eligibility criteria and method of calculating Infrastructure Credits is defined in the Undertaker's Charging Arrangements.</p>	<p>Our view is that the eligibility criteria and charging methodology should be standardised and defined here.</p>
<p>"In-Line Mains Connection or (Routine In-Line Mains Connection)" means a connection made to a newly laid main that does not supply customers and where the supply can be controlled by a valve, or squeezing off, without affecting supplies to existing customers. <i>(Typically these are at the start of site specific works or to energise a discrete phase).</i></p>	<p>The costing structure of these connections is entirely different to that of "Branch Connections" (as they do not affect customers and are routinely done by suitably accredited SLPs). Hence they need to be separately defined.</p> <p>In company's Annual Contestability Statement these are described as Routine Mains Connections covered by CRMC (Construction of Routine Mains Connections) accreditation.</p>
<p>"Inspection / Trench Inspection Fees" means charges to check work done by the Developer, such as supply pipe laying and internal plumbing, prior to a water company scheduling work</p>	<p>These are 'field' activities which routine feature in company charges (where re-inspection fees also arise). Hence these merit being separated away from "Admin" activities with a separate definition</p>
<p>"Large Diameter Service (or Non-Standard Service)" means a service sized above the standard size where needed for non-domestic usage or to supply multiple promises.</p>	<p>This, with the "Standard Service" definition is a noticeable omission and needs to be included as such connections types frequently arise and need to be individually designed (based on flows).</p>

<p>“Manifold Connection” means where a shared communication pipe feeds a manifold to which separate supply pipes are connected and meters may be fitted.</p>	<p>This is fairly standard practice for low rise flats etc. – where a Large Diameter Connection is the supplying feed. Hence merits inclusion in the definitions.</p>
<p>“Meter Fitting” means the installation of meters by a water company into chambers provided by the Developer.</p>	<p>This service is offered by multiple companies and can apply on company provided services when the developer fits a wall box.</p>
<p>“Meter Provision” means the supply of company meters to be installed by an Accredited Entity</p>	<p>A number of companies do this (when they want particular sorts of meter fitting) so the service needs defining.</p>
<p>“Near Side Connection” means a connection between premises and an existing water main on the same side of a street to those premises.</p>	<p>We find this definition ambiguous as, with “Far Side Connection” it gives no clear indication as to whether it includes all work up to the centre of the street (noting street is not defined, but “road” is) or is limited to work on a near side footpath!</p>
<p>“Network Assembly” means components, such as Sluice Valves and Washouts, including associated chambers needing to be installed for the commissioned network to be operated.</p>	<p>Whilst some companies include the cost of network assemblies in their mainlaying rates others charge separately for these items. Hence they need to be defined.</p>
<p>“Network Reinforcement” means work to provide or modify such other water infrastructure as is necessary in consequence of either providing an adequate supply or drainage capacity to a development. <i>This work is funded by the water company from Infrastructure Charge money.</i></p>	<p>We are surprised that this is not included as clearly defining this aspect of charging is a key in the Charging Rules.</p>
<p>“Non-contestable Work” means work or services that only the relevant undertaker (or an agent acting on their behalf) can do or provide. Can only be completed by the Undertaker and, in the case of work and services associated with the provision of water supplies, is defined in each Undertaker’s Annual Contestability Summary.</p>	
<p>“Non-domestic Use” means water used primarily for non-domestic purposes, including anything not for Domestic Use, such as water for industrial or business use (including manufacturing processes, washing and cleaning and cooling), agricultural use and filling swimming pools.</p>	
<p>“Non-domestic Premises” means any premises not a domestic premises, being used principally for industrial, business, recreational or community purposes and not as a dwelling, or intended for such use.</p>	
<p>“Off-Site Works” refers to construction works or charges for construction works carried out or proposed to be done outside of the site boundary carried out in the immediate vicinity of the Development, and do not include pre-</p>	<p>As the Connection Point may be some distance from a site it is surely wrong to define “Off-Site” as being in the</p>

construction activities.	immediate vicinity of a site.
"On-Site Works" refers to construction works or charges for construction works carried out or proposed to be carried out within the boundary of the Development, and do not include pre-construction activities.	
"Part Made Ground" means land within a Development where a road, footpath or cycleway is being constructed but where neither the base or running surface has been laid.	This features in many company charges so merits inclusion.
"Phase or Phasing" means a discrete part of a Development which the Developer chooses to separately progress and have commissioned. <i>(Each phase usually requiring to be separately tested, chlorinated and connected).</i>	This is an important aspect on supplies to larger developments. The costs associated with this are often not openly displayed in company terms so "Phasing" needs to be included in the definitions.
"Site Connection Point (or SCP)" "Point of Connection" means a location which is either i) a practical location indicated by a Developer customer where the existing water main or sewer is the same size or larger than the new connecting main or sewer or, where they have not indicated a location, ii) the nearest practical location where the existing water main or sewer is the same size or larger than the new connecting main or sewer. <i>Note – whilst the cost of a connection at the SCP is chargeable the actual connection maybe made 'deeper' into the existing network (with the water company bearing any higher cost which result from this).</i>	Suggest rewording as it then better fits with the proposed Network Connection Point. Also adding note about charging (when the Site Connection Point is 'conceptual' and no actual work is done here – because the network ends up being reinforced back to the Network Connection Point)
"Pre-construction" refers to activities before on-site or off-site works are begun, which might include appraisal, application administration and design.	
"Project Overheads" means the direct non-administrative costs incurred by a water company during the works construction. This can include mains connections impact assessments and valving works.	At least one company refers to this as "Project Management" costs (which they do not define). Care is needed to separate these 'field' costs from what is being recovered as "administration".
"Quality Testing and Sampling" means taking samples from connected networks and having these tested against water quality criteria.	This is an important stage in the mains commissioning process – with company provision the charges are sometimes bundled into mainlaying rates but are often charged separately. There are also charges for when a SLP uses company facilities.
"Relevant Multiplier" means a calculation, based on the number and type of water fittings, to determine the Infrastructure Charges payable relating to Non-household Premises or Household Premises subject to a common billing agreement.	Merits being defined

<p>“Requisition Charge” has the meaning given by paragraph 23 below means the charge that will be imposed by that undertaker for work carried out by it in accordance with the duties imposed by section 41(1) (provision of requisitioned Water Main) and section 98(1) (provision of requisitioned public sewer) of the Water Industry Act 1991. That is, a charge set by the water company for the provision of the new water main or public sewer (a requisition) to recover the costs reasonably incurred in providing them.</p>	
<p>"Road" means a hard-surfaced area intended for vehicles vehicular use. <i>Charges maybe set for different road construction and surface types</i></p>	<p>Suggested wording is more comprehensive.</p>
<p>“Secondary Mains Connection” means additional mains connections installed at a water company request to improve network operations. Note – such connections are funded by water companies from Infrastructure Charges</p>	<p>Because these are usually simpler than “branch connections” as they are effectively joining 2 live systems they merit having a clear and separate charging structure.</p>
<p>“Self-Lay” means the provision of water pipes and associated infrastructure and services by an Accredited Entity other than the Undertaker in accordance with section 51a of the Water Industry Act 1991.</p>	
<p>"Self-Lay Provider" or SLP means an Accredited Entity other than the Undertaker who can provide the water pipes and associated infrastructure and services in accordance with section 51a of the Water Industry Act 1991.</p>	
<p>“Service Connection” means the pipe between the supply pipe of the premises and the public water main which is provided under section 45 and 46 of the Act.</p>	<p>As services also get laid by SLPs and NAVs the reference to Section 45 and 46 looks too prescriptive.</p>
<p>“Sewerage Connections”</p>	<p>Whilst not our domain we observe that the offered definitions appear very light on sewerage terminology. This extends to all aspects of new sewerage networks and SuDs.</p>
<p>“Sewers” and “Lateral Drains”</p>	
<p>"Sewerage Sector Guidance" means guidance documents published in accordance with Ofwat’s Code for adoption agreements, relating to the adoption of sewerage asset and available at www.water.org.uk/sewerage-sector-guidance-approveddocuments/.</p>	
<p>"Site Specific" refers to means work on, or the provision of, water or sewerage structures or facilities located on a Development as well as work to provide and connect a requested water main, sewer, communication pipe or lateral drain on, to or in the immediate vicinity of, to the Development. “Site Specific Work” and "Site Specific Charges" shall be construed accordingly. It does Site Specific work or charges do not refer to costs or work required as part of Network Reinforcement as defined</p>	<p>As the Connection Point may be some distance from a site it is surely wrong to limit “Site Specific” work as being in the immediate vicinity of a site.</p>

above.	
<p>“Special Circumstances” means situations where, according to the Connection Charging Rules it would be unreasonable for the water company to charge on a fixed price basis (this is having had regard to the practicality of setting a cost-reflective upfront Fixed Charge and the benefit to customers of producing such a charge).</p>	<p>Basically needed to cover identifying for customers situations where fixed prices do not apply.</p> <p>Special Circumstances have been defined by Water UK as including one or more of the following circumstances:</p> <p>(a) the technical complexity of the work is high or the type of work required is bespoke or carried out infrequently</p> <p>(b) third parties can legitimately recover their costs and there is not a reasonable level of certainty of those costs in advance of work being undertaken</p> <p>(c) third parties have rights to protect their assets or interests in a way that affects the construction method and the third parties’ requirements are unknown up front</p> <p>(d) the work is to be carried out on or close to land with particular environmental, historical or archaeological characteristics.</p>
<p>“Standard Service Connection” means a water supply of either 25 or 32mm diameter which is the standard offering of a water company.</p>	<p>Needed to fit with the ‘non-standard’ as these are just called off so do not require bespoke designing.</p>
<p>"Supply Pipe" means the part of the Service Pipe that is not the Communication Pipe, and which remains the customer's responsibility.</p>	
<p>"Sustainable Drainage Incentive" means a cost-reflective reduction in charges that, where offered, maybe applied by the Undertaker to a Developer Customer where a Development meets a threshold for use of a sustainable drainage solution, as defined in the Undertaker's Charging Arrangements.</p>	<p>Either a company offers an incentive or they do not. Hence the discretion is not whether it may be applied but if it is being offered.</p>
<p>“Temporary Fittings” means any fittings needing to be installed, such as temporary washouts, for the works to be commissioned but which will be removed before the full installation gets completed.</p>	<p>These routinely arise so need to be covered in the definitions.</p>
<p>“Trial Hole” means an exploratory excavation to identify the location of apparatus prior to works commencing.</p>	<p>Can feature in worked examples so merits defining.</p>
<p>“Traffic Management Charges” means charges payable to a Highway Authority for compliance with the Traffic Management Act 2004.</p>	<p>This is a major element on many one-off connections so merits inclusion</p>
<p>"Unmade Ground" means ground which does not have a man-made surface. This includes grassed and both</p>	<p>Merits being adequately described.</p>

cultivated and uncultivated areas.	
<p>“Upsizing” means work of a larger capacity than is needed to supply/drain a development installed at the water company request. This maybe to facilitate future development or to enhance a company network. <i>Note – such work is defined as reinforcement and funded by the water company from Infrastructure Charges.</i></p>	<p>Whilst this does not impact on customer costs with company provision it is an important concept on self-lay and sewerage and therefore needs to be defined.</p>
<p>“Water Company” and/or “Undertaker” needs defining</p>	<p>We favour the standardised use of “Water Company” but with a definition that identifies them as the legal “undertaking” entity.</p>
<p>“Water Efficiency Incentive” means a cost-reflective reduction in charges that where offered, maybe applied by the Undertaker to a Developer Customer where a Development meets a threshold for reduced water consumption, as defined in the Undertaker's Charging Arrangements.</p>	<p>Either a company offers an incentive or they do not. Hence the discretion is not whether it may be applied but if it is being offered.</p>
<p>“Water Regulations Advisory Scheme (WRAS)” is a compliance mark that demonstrates that an item/product complies with standards set out by Water Supply (Water Fittings) Regulations 1999.</p>	
<p>“Water Industry Registration Scheme (WIRS)” means the scheme operated by Lloyd's Register EMEA on behalf of Water UK and its members, which certifies the competence of companies undertaking Self-Lay, or such other scheme as replaces it from time to time.</p>	<p><i>Note – we have been told that Lloyd's Register EMEA is in the process of separating out their quality assurance services so believe wording should be changed to read “operated by LRQA”.</i></p>

Appendix 2 – Our Additions and Changes To Proposed Worked Examples

Although Ofwat has gone further in their consultation descriptions than on their previously issued worked example guidance we still maintain that the range of scenarios is not sufficiently comprehensive. Hence we propose that the coverage should be extended and include:-

1. Single connection to a house
2. Infill development of 3 new houses on a former petrol station
3. Small (10 unit) flat development
4. Medium development of 50 units
 - a) through company supply/requisition
 - b) self-lay provision
5. Small industrial unit, at least one unit requiring process water
6. Large development of 200 units
 - a) through company supply/requisition
 - b) self-lay provision
 - c) as a supply to a NAV
7. Diversion

Although the smaller developments may not be typical of situations where competitive provision is currently a viable option they can be related to connection types that may also occur as part of a larger developments.

Why these scenarios have been selected is (referencing the list numbers above) because:-

1. The single house is a typical standard infill call-off where the base costs for a water connection, foul connection and surface water to a soakaway can be factored.
2. The scenarios do not currently test out the impact of contaminated ground so a small development on a site which has had a former use would do this. It could also demonstrate the impact of services in a shared trench and only requiring a single sewerage connection (from multiple premises).
3. The current flat scenario is ambiguous. Are all 10 flats to have separate connections, or are they fed by, say, 2 manifold connections or from a large diameter connection to a common riser from which internal connections are taken? All 3 situations can routinely arise so merit being tested out. But, for comparison purposes, specification clarity is required and our proposal would be to run with the manifold option (assuming that a larger than standard connection is demonstrated through the non-domestic process supply in Scenario 5).
4. Whilst much of the medium development scenario is currently reasonably described the pipework choice is wrong (as a 180mm diameter pipe is not needed to supply 50 units). Hence this needs reducing to 125mm pipe. Also the number of construction phases needs to be defined (as invariably a site of this size will be 'called-off' in phases).
5. There are significant nuances in non-domestic supplies and domestic supplies to non-household premises so these merit being set-out in the defined examples.
6. Whilst a large, 200 unit, development is currently described from a self-lay competition perspective this needs expanding to cover the impact of:-
 - a) upsizing; and,
 - b) a SLP being asked to install additional connectionsPlus the call-off/phasing details need to be added and a bulk supply to a NAV alternative included.

7. Diversions are a Charging Rule element and our members often report issues with the way they are being charged. Hence, to resolve these in advance, the scenario coverage needs extending to cover diversions.

Prior to fully defining all relevant terminology it is difficult to fully define these various scenarios but the offer is made to work with Ofwat to ensure that what is eventually presented is both realistic and can be priced by companies in consistent ways.

To demonstrate the level of detail which we feel is needed in each scenario specification we detail in Appendix 3 (below) what we feel is needed to adequately describe the 50 property development scenario.

Appendix 3 – Our Proposals For A 50 Unit Property Site Development

Ofwat Scenario (4) Description – covering a medium housing development (with excavation for mains by water company).

In Italics – as described by Ofwat in their consultation

Water:

50 new connections off new mains - 3m pipe per connection in unmade ground. This includes service pipe and boundary box fitting, meter installation, excavation and reinstatement for mains.

New off-site connection to the existing 180mm PE main.

New mains required – total length 300m, consisting of:

180mm PE – 10m type 3-4 road surface (leading to point of connection);

180mm PE – 50m footpath;

125mm PE – 140m unmade ground;

90mm PE – 100m unmade ground.

Note – 180mm main is not required for supplying just 50 properties

180mm parent main, serving 150 existing customers

Three commissioning phases and three sample chlorination and connections

Four washouts

Five valves (1 x 150mm, 3 x 100mm, 1 x 80mm)

One trial hole

Traffic management assumes the road (Type 3-4) is 50mph, has two lanes and requires a road closure and eight parking pay suspensions. Any additional council charges for permitting should be included.

Wastewater:

Include all relevant non-contestable charges related to new sewers, including wastewater infrastructure charges and income offsets. Sewer construction costs should be provided where applicable.

Proposed Wording For Scenario

Medium (50 unit) Housing Development requiring New Mains and services and sewerage systems.

This worked example covers a self-contained new housing development of 50 units on ground which rises from the site entrance. The water company networks has capacity to supply/drain the development in existing mains and sewers adjacent to the site entrance. The ground conditions are those typical of the region and the ground is not contaminated.

Needing to be constructed is a new mains network and separate water supply connections to each property. Mains being constructed on the basis of excavation being done by the water company. The site being built out in 3 construction phases, each requiring commissioning separately.

Each property is to be connected to a new gravity sewerage systems, for both foul sewerage and surface water. These are to be constructed by the developer and adopted by the water company.

Water supplies are to be the normal standard installation with customer excavation, the development having either 2m wide footpaths or service strips on either side of the new roads. Costs to detail any work, such as boundary box installation and meter fitting required to be done by a customer and include all private pipework/plumbing inspection charges.

Mainlaying Work

- A trial hole in Type 3-4 road (as described below)
- Branch connection (125mm diameter polyethylene (PE) main to existing 200mm ductile iron which supplies 150 existing customers).
- Main from Branch Connection through to temporary hydrant at site entrance. Mains length 5m in a Type 3-4 road which is 2 lanes wide with a 40mph speed limit. Work requires a road closure and eight parking bay suspensions. Highway Authority charges being based on the average for those councils in which the water company operates.
- In-line mains connection (at site entrance), work includes removal of temporary hydrant
- 150m of 125mm diameter PE on-site main (assume 1/3 of length in each phase)
- 145m of 90mm diameter PE on-site main (assume 1/3 of length in each phase)
- Four washouts
- Five valves (3 x 100mm and 2 x 80mm)

Service connections comprise

- 30 near side connections (i.e. not requiring road crossings); and
- 20 far side connection (using ducts provided by the developer)

(So skewed towards shorter near side connections as per design guidance)

Sewers

A new on-site network of foul and surface water sewers are to be constructed by the developer and adopted by the water company. This includes the developer making the connections in the highway. Costs should include all approval and inspection charges.

The site naturally drains to a point where the Site Connection Points for both foul and surface sewers require 10m of sewer laying off-site. 5m of this is in roadway and 5m in unmade ground. The existing sewers, at the Site Connection Points, has the capacity to drain the development.

The properties are eligible for both the Water Drainage Incentive and Sustainable Drainage Incentive