

Ofwat
Charging Team
Centre City Tower
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Email: Charging@ofwat.gov.uk

06 July 2021

Dear Ofwat

RE: Consultation on updating Ofwat's charging rules

I am writing to you on behalf of independent Water Networks Limited ("IWNL"), part of the BUUK Infrastructure Group of companies, in response to the June 2021 Ofwat consultation regarding proposed updates to the charging rules. I can confirm that this response is not confidential.

We understand the drivers of the changes Ofwat is proposing and are largely supportive of its approach. In the consultation document, Ofwat poses three key consultation questions. We present our comments in response to questions 1 and 2.

Comment on question 1: Proposed rule changes? We think the proposed changes will help to both clarify and streamline the existing charging rules. We have provided specific comments on the proposed changes.

- The proposed changes to deadlines within the wholesale charging rules, charges scheme rules, and new connection rules will provide clarity to the industry about key dates for the publication of relevant documentation. However, we think there would be merit in also reviewing timings and obligations for small company tariff setting given the short timescales currently available to NAVs to digest incumbent charges and publish corresponding tariffs for the upcoming regulatory year.
- We note the importance of securing cost-reflectivity within the charging rules and therefore welcome the inclusion of a reference to the requirement that charging structures must reflect the long run costs of providing a relevant service. We believe that a further more detailed definition of what Ofwat mean by long run costs would help to avoid future disputes.
- We welcome the proposals that the Water UK working group have drafted with the intent of standardising terminology in the new connections process and consider that

this represents a positive step forward. We have made some minor comments on the wording of the worked examples in our responses to question 2 below.

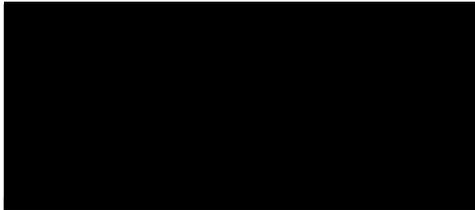
- We welcome the introduction of a new rule requiring companies to explain how they will treat quotes that cross into a new charging year. We have experienced issues in this area in the past and anticipate that this clarification will help to avoid similar such issues in the future.

Question 2: Do you agree with our proposed changes in Appendices 1, 2 and 3? As outlined above, we welcome the proposals from the Water UK working group that seek to standardise terminology in the new connections process. However, we have a few minor comments on the information requirements that Ofwat proposes to add to the English New Connection Rules for using worked examples (appendix 3).

- Page 29 of the consultation specifies that “These scenarios assume that all contestable activities are undertaken by self-lay providers”. We welcome the clarity that this provides but consider the reference should reflect all possible options for the completion of the work, including a NAV or an incumbent carrying out the activities.
- The worked examples do not currently contain any principles with respect to the approach to charging for legacy schemes e.g. grandfathering rights. It would be helpful to provide clarity on how these arrangements would operate in practice.
- It would be useful to complement the worked examples with diagrams / illustrations to further clarify how the arrangements would operate in practice.

I hope that these comments are helpful; please do not hesitate to contact me if you have any further questions. I can confirm that this response is not confidential.

Yours Sincerely,



Keith Hutton
Regulation Director (Heat, Fibre and Water)

