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Cathryn Ross



6th July 2021

Consultation on updating Ofwat's charging rules

Dear Emily

Thank you for the opportunity to respond to the consultation on updating Ofwat's charging rules, which was published in June 2021. We support Ofwat's aim of streamlining, simplifying and clarifying the approach to developer charges. We agree with most of the proposals and a detailed response to each of the questions asked is included in the attached document. There are a few specific points that I felt it was worth emphasising in this letter.

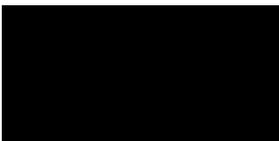
Water UK will respond on behalf of the working group with a consolidated consultation response in relation to the terminology and work examples, and regarding the issues caused by Ofwat including an amended version of the working groups outputs, whilst expecting the working group to consult in parallel on the original versions.

We welcome clarity to the charging rules, however we think that Ofwat particularly needs to provide further clarity as to how "Long Run" costs apply to New Connections activity. Without this clarity there is a significant risk that this will be interpreted differently by water companies, resulting in confusion for customers. We suggest aligning it to the forward-looking five-year forecast method for Infrastructure Charge calculations.

There also appear to be conflicting requirements relating to the calculation of Infrastructure charges and the APR reporting. You have reminded us that the purpose of the APR reporting is to provide assurance to customers that any over/under recovery will be corrected in future years, but your clarification that infrastructure charges should be calculated on a forward view only prevents any correction of under/over recovery from being corrected in future years. This is compounded by the Network Reinforcement definition including "additional capacity from an earlier main/sewer" which suggests a retrospective element is included. In line with your intention, which we support, to provide greater clarity, it would be helpful if you could resolve this apparent conflict before incorporating any changes to the rules.

We look forward to working with you to implement improvements to the charging arrangements.

Yours sincerely



Cathryn Ross
Strategy & Regulatory Affairs Director