



Statutory consultation on changes to our charging rules

Southern Water Response

Thank you for the opportunity to respond to your statutory consultation on changes to the charging rules. In general, we support the proposed rule changes. Where we have comments or minor proposed amendments, we have included this in the specific consultation questions below.

Consultation

2.2.1 Changing publication dates

We are supportive of the fixed publication dates proposed.

2.2.2 Publishing statement of significant change

We support the proposal to allow simultaneous publication of the statement of significant changes together with the publication of the charges scheme.

2.2.3 Cost reflectivity

We welcome the changes Ofwat has made following the consultation feedback. Specifically, we support the removal of the “long run” definition of new connection costs and the acceptance that companies have scope to apply these rules based on their own circumstances and in a balanced way to ensure that charges are stable and predictable, and to ensure companies do not incur unnecessary expenditure.

2.2.4 Consistent Terminology

We are supportive of the use of consistent terminology and recognise the benefit to customers and the industry. However, we have identified two terms which do not align with the existing catalogue of services offered by Southern Water. We will continue to present these at the level of detail in our charges for the benefit of our customers, as recognised in the consultation.

- Road Surfacing: The suggested terminology recognises only one category: “road”. We differentiate between different types of road for connection charges and traffic management. We will continue to recognise these different road categories to avoid consolidating road surfaces into a single category which would reduce cost reflectivity and lead to a negative outcome for customers.
- Long side connections: It is proposed that a long side connection includes provision for up to 18m of pipe. This type of connection is primarily intended for developments sites where the main lies on the opposite of a standard road - approximately 5-6m wide. We will continue to



offer long side connections with provision for up to 8m of pipe, in view of the fact that adjusting our pricing model to cater for unusually long connections is a negative outcome for the majority of customers.

As future issues are discovered, we request that the use of standard terminology is a matter of discretionary best practice rather than compelled by rules.

2.2.5 Worked examples in new connections charging arrangements

We support the use of worked examples to enable fair comparison between water companies and provide developers with information to help explain and illustrate charges.

As the industry considers the use of efficiency incentives within developer services, these should be identified clearly in worked examples. We therefore suggest the following line items for infrastructure charges including “gross” reflecting the nominal amount due, “Income offset” to show the size of offset, an “incentive” line to show the effect of environmental schemes e.g. water efficiency and finally a “net” line detailing the amount the customer should pay. This is intended to improve transparency and consistency between water companies.

2.2.6 Where to issue rules on infrastructure charges

We agree that the rules relating to infrastructure charges should be moved into new connection charging rules from the Charges Scheme rules.

2.2.7 Income offsets and existing mains

We support the clarification of the definition to include connections to new and existing mains, however, however as noted in the consultation, this will result in changes to our charges.

2.2.8 Network reinforcement and NAVs

We fully support the proposal to amend the definition of "network reinforcement" to include reinforcement costs incurred by bulk service NAVs connections as well as connections within area of appointment.

2.2.9 Quotes for new connections spanning different charging years

We support the proposed new rule that requires companies set out in their transitional charging arrangements. We currently include transitional arrangements in our new connection charging document.

3.1 Setting the Infrastructure Charge – Clarification

We welcome the recognition that the five-year rule needs further consideration to ensure that charges reflect expenditure and retain bill stability. However, we would appreciate further clarification and guidance on this as soon as practicable, given that we will be consulting on our charges in the near future, and any change to how we currently apply the five-year rule could have a significant impact on our infrastructure charge.

Should you have any queries on our response or would like to discuss further, please do not hesitate to contact me.

Yours sincerely,

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