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01 September 2021

Dear Ofwat,

**Re: Draft Charging Rules for New Connection Services (English Undertakers) and Draft Common Terms and Worked Examples (English New Connection Rules)**

Thank you for the opportunity to review and provide feedback on the two consultations on the draft Charging Rules, and Common Terms and Worked Examples published in August 2021.

We have reviewed the proposals, including the draft text for modifications, and additions to the charging rules, and we append our responses in this letter below. We have also included comments related to the draft Common Terms and Worked Examples consultation.

Should you have any questions in relation to this response please contact

[REDACTED]

Yours faithfully,

[REDACTED]

**Michele Robinson**  
**Head of Customer Experience Markets**

## **Yorkshire Water Response: For consultation – draft Charging Rules for New Connection Services (English Undertakers)**

We agree with many of the changes proposed as red text in the updated version of the draft Charging Rules which add further clarity to the charging rules for companies. However, we have identified the following points for further clarification.

### **Definition of an SLP for Waste Activities**

In the defined terms, there is a detailed definition where a Self-Lay Provider (SLP) can provide water pipes and associated infrastructure and services in accordance with section 51A of the Water Industry Act 1991. However, we are still unclear how the definition applies to third parties who provide waste services, and alongside the granularity request, where data is required, we request a clear definition of those parties who would deliver these services.

### **Infrastructure Charges and Income Offsetting (English Undertakers)**

The updates to the rules and the explanation of the proposals within the consultation provide some more clarity on the setting of infrastructure charges and we welcome the transfer of relevant text from the Charges Scheme Rules and the inclusion of text regarding reinforcement costs incurred as a result of providing bulk supplies to new appointees.

In response to the consultation, we have updated our thinking on how we set infrastructure charges for our region in future. We plan to take an approach where we look forward five years as required based on forecasts of network reinforcement expenditures and connection numbers. These forecasts will be reviewed on a timely basis as we roll forward the five-year period as relevant. We will also look to incorporate any material historical imbalance between revenues and expenditures from the start of the five-year period being considered, in order to recognise the impacts of variances between forecasts and actual expenditures, revenues and connection numbers. In our opinion this complies with the text of new rule 52 as drafted. We believe this approach will more accurately reflect “the costs of Network Reinforcement that the relevant undertaker reasonably incurs” and is in line with the cost causation principle discussed in Ofwat’s recent balance of charges consultation and is not detrimental to developer customers.

As we discussed in our response to Ofwat’s June 2021 consultation on charging rules, we remain concerned with an approach where any material imbalance between costs and revenues is attempted to be addressed through wholesale revenues to the generality of customers. As Ofwat notes, a number of companies have mentioned that the Developer Services Revenue Adjustment mechanism only corrects for differences in the number of properties connected and applies to general customers, not developers. We consider the DSRA does not correct but rather compensates to some degree for differences between forecast values in companies allowed revenues and actual connection numbers. The

mechanism does not specifically address Network Reinforcement and infrastructure charges revenue imbalances.

We agree with Ofwat that there is need for greater consideration of the balance between the desire for developers to have stable predictable charges and to have charges that reflect cost, and the interaction with annual reporting and with PR24. We welcome further work on this with Ofwat and the sector, on the detail, in due course.

### **Yorkshire Water Response: For consultation – draft Common Terms and Worked Examples – English New Connection Rules (English Undertakers)**

We welcome the publication of Common Terms and Worked Examples for English New connections which add more clarity to the publication of charges and transparency in the build-up of typical customer quotes, for new water and sewerage connections. However, we have identified the following points for further clarification.

#### **Bond or Surety**

This definition currently only refers to a 'financial guarantee' or 'surety'. There is no reference to a 'cash bond' which could be added to the definition since it is widely used in the industry for sewerage activities.

#### **Far Side Connection**

The definition currently refers to an 18m limit to the length of a 'far side' connection from the centre line. We are unsure of the reason for 18m as a measurement, and request confirmation on the background. There is also no definition for a length greater than 18m.

The definition also, currently specifies that a connection beyond 18m, will incur an additional linear charge per metre length. We are concerned this definition is setting a methodology for how a company should set their charges which shouldn't be included in this definition.

#### **Footpath**

We suggest that this definition could be improved since a footpath is not always a hard surface. A footpath could be defined as an area intended for use by pedestrians or cyclists.

#### **Pre-Development Enquiry**

From our understanding 'Pre-Development Enquiry' is no longer a current term and has been replaced by the term 'Pre-Planning Enquiry'. The new terminology was confirmed when the new Codes for Adoption rules and approach we built with Water UK and put in place January 2020. We believe this term should be updated.

### **Pre-Development Enquiry Response**

As explained above we believe this definition has been replaced by 'Pre-Planning Enquiry Response' to match the terminology used in Codes for Adoption.

### **Scenarios - Table Structure**

On the suggested Table format, we believe it will be difficult for customers to disaggregate charges for water and sewerage activities. Our reporting has separated the charges into two separate sections (water and sewerage) and presented them in total. In the current format we will need to add new lines which could lead to non-standard reporting based on alternative methods of formatting and the addition of new charge lines. Specifically, the Tables do not include S104 sewer adoption application charges or fees which we have reported previously. We require confirmation that these lines should still be included.

We have also identified that for Mains scenarios there are no ancillary costs included in the Table which would include activities such as pre-planning enquiries or point of connection applications. We included these last year and require confirmation on whether they should be included either individually or in aggregate as pre-construction costs within the Table.

We also note that with NAV and SLP reporting in the last columns of the Tables it could cause unnecessary repetition. We propose an alternative format as a single column for charges to an 'accredited third party' with footnote that specifies that the charges would be charged to an SLP or a NAV.

We also require clarification on how much of the work in each scenario should be interpreted as contestable (for an SLP) in order to align with the ACS where all new connection work is potentially contestable. This will avoid assumptions in the reporting and allow customers to compare more easily the relevant costs presented by different WaSC's.

We would also like to ask if the final version of the Tables will be issued in Excel format, as this will assist us to populate and publish the Tables in a consistent manner.