

OFWAT PR24 Consultation Questions – Taylor Wimpey Response

Creating tomorrow, together: consulting on our methodology for PR24

Section 3 - Design and implementation of price controls (Appendix 3 - Developer services)

Consultation questions

Q3.1 Do you agree that in our final methodology we should commit to introducing either an adapted water trading incentive or a new water trading incentive at PR29? If you have a preferred approach, please provide reasons, including any thoughts on how the options we set out in Appendix 2 could be improved.

Response

TW are not in a position to comment on this question.

Q3.2 (a). Do you agree with our proposal to continue to include network reinforcement in the network plus price controls?

Response

Yes, we agree with the proposal, that network reinforcement should remain within the jurisdiction of network plus price controls.

Q3.2 (b). Do you agree with our proposal to remove wastewater site-specific developer services from the wholesale wastewater network plus price control?

Response

We do not agree to the proposal to remove wastewater site-specific developer services from the wholesale wastewater network plus price control due to a lack of consistent market competition across geographies.

Q3.3. Do you agree that the inclusion of network reinforcement in cost sharing would be enough to manage uncertainty around the volume and mix of network reinforcement work to be delivered?

Response

TW agrees with the position of cost sharing as outlined in Appendix 3, but concerned with the possibility of this approach disincentivizing water and sewerage companies from finding efficiencies.

Q3.4. For water site-specific developer services:

a) Do you agree with our proposal to exclude new developments of more than 25 properties from the wholesale water network plus price control at PR24, but with transitional arrangements for companies with low levels of competition?

Response

Please refer to the response given in Q3.2(b). Price controls are implemented to create and deliver an honest and open market for all. Currently, there is an imbalance across regions in terms of NAVs and SLPs.

Do you think that new developments of 25 properties and below should remain in the wholesale water network plus control or be removed? If they were removed from the price control, what alternative protections could we introduce to protect developer services customers from potential monopoly power?

Response

They should not be excluded. Price controls should remain on Waste and Water services

Q3.5 Do you agree with our proposals:

a) To raise the size threshold above which companies should deliver schemes through DPC to around £200m lifetime totex?

Response

No comment on this question.

b) For companies to deliver schemes through DPC by default above this threshold?

Response

No comment on this question.

Q3.6. Do you have any views on any other aspect of our proposals?

Response

We believe that the SLP/NAV market, and especially the NAV market, has not yet reached its full potential across all geographical areas. We believe that removing the price controls now would have an impact on these weaker areas in terms of competition and performance.

Qu6.8. Do you agree with our proposed approach to implementing nutrient neutrality (NN) in the PR24 regulatory framework?

Response

TW objects strongly to the strategy described in the Consultation paper. After reading the proposal in Appendix 9, it appears that you are implying that if upgrades are allocated under WINEP, developers cannot use them as part of their nutrient mitigation, and that we will be required to pay a lump sum to fund the appropriate WWTW upgrades in line with our demand or participate in a credits programme. This appears to contradict the written ministerial statement from the SoS for Environment, Food and Rural Affairs of 20 July 2022 that stated improvements to WWTW would "REDUCE" the need for mitigation, and that improvements to be factored in for the purposes of a Habitats Regulation Assessment. We are essentially getting charged twice. We respectfully request that this situation be resolved as soon as possible.