

FAO [REDACTED]
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13th October 2023

Dear [REDACTED]

Re: Proposed licence modifications to Condition B Charges

Thank you for your email of 24 August attaching "Consultation under sections 12A and 13 of the Water Industry Act 1991 on proposed modifications to Condition B: Charges of 16 water companies' licences". We are content that the wording you propose, namely, to add charges relating to certain described activities into the definition of "Excluded Charges" will have the desired effect of moving them outside the Price Control. However, we do not agree that *all* the activities selected are suitable for moving outside the price control in their entirety.

I wrote to Ofwat on 26 May 2023 explaining Anglian Water's concerns on the issue of moving revenues and costs associated with the installation of public laterals, in accordance with section 101B of the Act, to connect premises to first time sewerage schemes constructed under section 101A. I cannot see that our concerns have been reflected in the wording proposed.

Our belief is that as drafted, both the revenue and costs associated with this activity, would be moved outside the price control, and that ultimately, because subsidies from general bills will no longer be granted, this will have the effect of making otherwise environmentally-valuable schemes financially and operationally unviable. They would then no longer subject to the section 101A duty, which is predicated on viability, unless the Environment Agency may be prepared to take enforcement action to compel participation. This would be a terrible shame, not for the state of water companies' finances (which would be neutral), but for the environment.

For the avoidance of doubt, we have no issue with moving section 101B charges associated with *section 98 requisitions* outside the price control.

We have considered carefully whether the inclusion in proposed paragraph B2(3A) of the words "(which, for the avoidance of doubt, does not include any charges fixed in accordance with a charges scheme under section 143 of the Water Industry Act 1991)" would mitigate the problem. Our conclusion is that it does not. The section 101B activity is to "provide at the same time one or more lateral drains" where a public sewer is provided "pursuant to a duty to do so imposed on it by section 98 [requisition schemes] or section 101A [first time sewerage schemes]". Section 101B(3) makes it clear that charges for either activity are those "as the undertaker may impose in accordance with charging rules". Section 144ZA(1)(e) further reinforces the point that these are developer charges, not part of general charges fixed under section 143. The proposed phrase works well for the provision of the public sewer pursuant to section 101A, but not for the provision of the public lateral pursuant to section 101B, in our view.

We urge you again to re-consider this specific point and would be pleased to discuss it further.

Yours sincerely

[REDACTED]
Regulation Director