



Ofwat New Connections Charging – Consultation
HBA response

Q1. In light of our updates and clarifications, do you agree that we still retain the key features and approach of our March proposals?

The HBA are of the opinion that the main features outlined in the March proposals, remain fundamentally the same. However there is a still concern that the Water Companies being allowed to set their own charging regime, with no guidance from Ofwat as to what is reasonable, could present a serious problem to the industry. Inconsistencies between water companies could lead to inappropriate costs being levied.

Q2. Do you agree with our updates and clarifications to our proposed rules?

The updated rules clearly set out the parameters that Water Companies should take when setting charges. However with no upper limit set by Ofwat, the Water Companies are still free to charge what they perceive to be a fair price, with no redress for the industry to take, if they feel the charge is too high.

Q3. Do you agree that offsetting the infrastructure charge, rather than requisition charge, has merit? If so, when and how should this charge be brought about?

Combining the infrastructure charge and requisition charges into one payment may give some clarity to upfront charges. For the purposes of land buying this ensures the industry is not being double charged for upgrading the network, to accommodate development.

However, requisition and infrastructure charges can be disproportionate for small and medium developers, housing associations and co-operatives. A historical lack of investment by water companies to meet local planning need continues to impact delivery. With new models reflecting future need, many developers will be asked to fund underinvestment as well as future investment. This isn't proportionate or conducive to solving the housing crisis.

Capacity transparency would be helpful as it would identify strategic investment and reduce considerable delays in delivering supply.

Transparency may also help to distinguish whether statutory requirements by the water companies are being fulfilled, for example on concerns relating to surface water infiltration.



We welcome Bristol Water's effort to stimulate opportunity through identifying sites with little or no remote augmentation works. Ofwat may seek to use this example as a first step to further supporting the housebuilding industry.

As an example, small sites and infill deliver homes more quickly than large sites; it is pertinent to get those sites released.

Further impact assessments are needed. It would be difficult to propose a timeframe on implementing this charge.

Q4. Do you have comments on our proposed approach to implementing our rules?

The HBA believe the proposed implementation of the rules as set out by Ofwat could work, provided the Water Companies can provide the framework for their charging regime by February 2017, so the industry is able to take account of the relevant charges at the earliest opportunity. However the HBA questions whether this time frame is realistic? Cost must be fed into the development charges at the appropriate time because delays severely hamper supply.

Q5. Do you agree with the approach we have taken to our draft impact assessment? Can you provide quantitative figures in terms of the potential benefits or costs? Is there anything we have missed?

The draft impact assessment does not give any figures as to the overall impact on the industry in terms of costs, but merely assumes that, provided the Water Companies keep the balance between developers and customers broadly the same, then there should not be an impact on the industry. However given the freedom of the Water Companies to set their own cost base, it could produce anomalies across the country, in terms of cost affordability.

Q6. Do you have any comments on the Drafting of our new connections rules?

The connections rules provide a base guidance for the industry to work to. Provided Water Companies are transparent about their charges and practice, and take a fair and reasonable approach to allocating costs between developers and their statutory duties, to ensure they upgrade the network as required at their cost, the rules will be satisfactory.



Q7. Do you have comments on the draft changes to the charges scheme rules?

The scheme rules have clarified the responsibilities of water companies in terms of what they are allowed to charge developers for, and what is the responsibility of the Water Companies to provide, to ensure development is not hindered, due to lack of investment by Water Companies.

It has not however tackled transparency on pre-existing deficiencies. Developers should not pay for underinvestment.

Q8. Do you have any comments on the drafting or our proposed licence modification, including the wording of the illustrative example?

Without a fuller exploration of the actual impact on the housebuilding industry and supply it would be difficult to support disproportionate charges arising from a licence modification.

General Comments.

1. The HBA are still of the opinion that Ofwat should set a minimum and maximum amount that a Water Company can Charge for infrastructure charges, so that there is some consistency across the Water Companies in terms of cost.
2. We also believe that there should be a service level charter set out by Ofwat, so developers can appeal to Ofwat if the level of service received by a Water Company falls short of this charter.
3. Water Companies must recognise the impact of costly delays on delivering supply. SMEs who operate on small sites, infill and brownfield within the existing network should not be disproportionately charged as they unlock the immediate housing supply that is needed.
Many of these sites are historically supplied, or within regions where capacity has seen underinvestment.

HBA response, 25 August 2016