

Development Guidance – Ofwat

(Full content available - <http://www.ofwat.gov.uk/regulated-companies/company-obligations/new-connections/>)

Summary information provided for reference in relation to growth and connection charges. Further information in relation to water company duties and Ofwat operations may be accessed via their website - <http://www.ofwat.gov.uk/>

Planning for and enabling growth

Monopoly companies have general duties under section 37 and 94 of the WIA91 to develop their networks in order to meet increasing demand through new connections.

- Section 37 requires a water company to develop and maintain the system of water supply such that it can make such supplies available to persons demanding them.
- Section 94 requires a sewerage company to provide, improve and extend a system of public sewers to ensure an area is effectually drained.

[Monopoly companies' price controls](#) include allowances – where they provide sufficient evidence – for them to:

- invest in their water and sewerage networks to support growth; and
- recover the costs of this investment from customers.

In order to plan for and enable new developments schemes we expect monopoly companies to speak with and listen to:

- new connections customers
- local planning authorities
- other relevant statutory bodies
- other infrastructure providers

Strong and on-going conversations between monopoly companies and their new connections customers should deliver a range of benefits to all parties, including both new connections customers and monopoly companies' existing customers. These benefits include the monopoly companies:

- providing levels of service for new connections customers based on greater trust and confidence and a stronger understanding of their needs
- having a better and earlier understanding of the impact of changes in demand on their networks
- efficiently planning the development of their networks, with investment and business planning based on robust assumptions of growth
- effectively managing the investment risks of providing new capacity, only doing so where they are confident that it is required and that they will be able to recover the costs of providing it

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- being able to deliver strategic, joined-up solutions where there are multiple development sites coming forward, rather than a succession of smaller schemes
- recovering fair and proportionate contributions from new connections customers and existing customers to the infrastructure required to respond to growth

On-going and timely conversations between monopoly companies and their new connections customers and planning authorities is essential for all parties to understand the timing, location and impact of future developments. Alongside the statutory planning system, these conversations are one of the ways in which monopoly companies should identify and enable the delivery of development schemes. Where appropriate, monopoly companies should use these conversations to work with multiple developers to identify and deliver joined-up solutions where several sites are coming forward together.

Charging for new connections

We use the term new connections to describe where a customer requires either or both:

- access to the existing public water supply or sewerage system by means of a service pipe or lateral drain
- a new water main or sewer.

The Water Industry Act 1991 (WIA91) gives Ofwat a duty to make determinations on certain new connections disputes. These determinations largely relate to the level of charges and the terms and conditions of agreements made between a monopoly company and their customer.

Sections 42-43A, 99-100A and 51C of the WIA91 sets out the methods for calculating both:

- the requisition charge a monopoly company can recover from a customer when it provides a new water main or public sewer, and
- the asset payment a monopoly company will pay to a developer or self-lay organisation (SLO) when a water main is self-laid and later adopted by the monopoly company. Asset payments are only paid for self-laid water mains – no asset payment is paid to the constructor of self-laid sewers, service connections or lateral drains.

Both of these calculation methods are based on what are considered to be the 'costs reasonably incurred' in providing the infrastructure.

Also, under sections 45, 47, 51C and 99 of the WIA91 the charges monopoly companies can recover the costs or expenses reasonably incurred by the monopoly company when they provide:

- service connections
- lateral drains

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- works to enable the adoption of self-laid water mains

Disputes arise about both the level of costs and the range of the cost items considered to be 'costs reasonably incurred'. The most common areas of dispute referred to us include where:

- [administration and overhead costs](#) are included alongside the physical construction costs of materials and labour
- [off-site works](#), to provide new infrastructure or reinforce existing infrastructure beyond those directly requisitioned or self-laid by a developer, are required to enable the requisitioned or self-laid infrastructure
- the infrastructure provided includes [additional capacity](#) beyond that required by the person requesting the new connection
- the [income offset](#) provided for in the calculation of a requisition charge or asset payment has not been offset against the costs incurred in providing off-site works or capacity, or is offset twice or separately for on-site and off-site works
- a water or sewerage company has recovered contributions towards off-site works through its requisition or self-lay charges as well as recovering [infrastructure charges](#) for each property newly connected to its network. Infrastructure charges are permitted by section 146 of the WIA91 and condition C of monopoly companies' licences. We investigate disputes on a case-by-case basis. We consider

When an SLO provides new connections it must enter into a self-lay agreement with the relevant water company under section 51A of the WIA91. Ofwat has powers under section 51B of the WIA91 to consider appeals about the terms on which a water company offers to enter into a self-lay agreement under section 51A. Common areas of dispute referred to us include the terms a water company has offered in order to satisfy itself about the quality of the self-laid assets it will be taking ownership of (['assurance terms'](#)).

- the legal framework of the WIA91
- the evidence provided to us by the parties to the dispute

Given that we do investigate disputes on a case-by-case basis, there may be justifiable grounds for moving away from our general expectations in light of the facts of an individual case.

However, we have general expectations on each of the issues set out above that represent our starting point when considering disputes. We set these out below.