

Evidence from Welsh Water

Thank you for the opportunity to submit evidence to the Committee's consultation on barriers facing small home building firms.

These comments are from Dŵr Cymru Welsh Water, the statutory water and sewerage undertaker that supplies over three million people in Wales and some adjoining parts of England. We are owned by Glas Cymru, a single purpose, not-for-shareholder company. We provide essential public services to our customers by supplying their drinking water and then carrying away and dealing with their wastewater in a sustainable manner. Our services are also essential to the sustainable economic development of Wales, with an independent report from Cardiff Business School estimating that we contribute around £1 billion a year to the Welsh economy.

One of Welsh Water's key responsibilities is to support all forms of economic development including new housing provision. Our record demonstrates that we are an industry leader for delivering the full suite of services required by our developer customers and, we are the best performing Water Company in Wales and England according to the WaterUK Developer Services Levels of Service since their introduction in April 2015. Independently conducted surveys of our developer customers confirm that we continue to improve the quality, responsiveness and value of our services year on year with high levels of customer satisfaction at 86% and trust at 89%. We also support in excess of 99% of all new housing that is the subject of a planning application and this is only possible because of our record investment of £1.7 billion over the current investment period (2015 – 2020).

Our role in supporting the work of developer customers is primarily governed by the provisions of the Water Industry Act 1991.

We connect around 7,500 new properties every year to our water and wastewater networks and we appreciate that our developer customers face many challenges. This is why we do our utmost to ensure that we offer a service that meets and indeed exceeds their expectations and we are proud of the results we have achieved so far.

In this context, it is important to note that the provision of new water and sewerage infrastructure to serve new developments of all sizes is substantially open to competition and allows developer customers to choose their own installer. Developer customers are then free to compare our costs with those of

their own installer(s) and decide who they wish to use, whether this be ourselves, an external contractor or self-lay provider. All of our costs for undertaking any service for developer customers is based on a cost reflective approach and we are specifically prohibited by the Water Industry Act 1991 from making any profit for providing any of these statutory services.

The choice the developer customer makes about who will install the new infrastructure does not change our focus of ensuring that the new assets are designed and constructed to the relevant industry standards. This not only safeguards the public health of our customers but also that the assets will last a lifetime therefore negating premature financial liabilities for bill paying customers in the future. We enable this by using suitable contractual (financial) obligations with our supply chain or where the developer customer chooses to use their own installer a surety will be put in place and this typically takes the form of a bond from a financial institution.

The Water Industry Act 1991 sets out prescriptive requirements of how charging for both water and sewerage infrastructure relating to new development must be undertaken however following the Welsh Government publishing “Charging Guidance to Ofwat Relating to Developer Charges, Bulk Supply Charges and Access Charges”, Ofwat (the water industry regulator), have recently consulted on proposed changes to these charging arrangements.

In order to remain open and honest with our customers, we have always operated an ‘open book’ approach where developer customers can examine the detail of how we arrive at a charge for their development. Appeal mechanisms for the majority of these activities are available to developer customers so that Ofwat, the water industry regulator who has extensive powers in this area, can investigate and conclude whether a water company is acting appropriately and the relevant charges are justified. Whilst appeals to Ofwat by developer customers involving Welsh Water have been very few and go back some considerable time, Ofwat has never concluded that our costs have been unreasonable.

In terms of upfront costs, the Water Industry Act 1991 places a legal requirement on the developer customers to pay most of the charges applicable to a water company upfront. This payment is required to provide us with the subsequent legal powers (for example to serve land entry notice to lay new water mains or sewers in third party land) to undertake the work the developer has requested from us. However it should be noted that some charges are payable after the service has been provided.

We have worked exceptionally hard to ensure the services we provide developer customers are industry leading, efficient and absolutely transparent. I hope that

this evidence will inform your understanding of the way we work with developer customers and the legal requirements and regulations that inform and guide our work. If you require any further information, please do not hesitate to contact us.