



25 February 2014

Dear Customer

Southern Water has been reviewing its records in relation to surface water drainage charges for St Mary's Island, Chatham in Kent. Our investigation has established that there is a surface water sewer adoption agreement for the 193 properties in Section 2 of the development.

Southern Water's intention was to adopt the surface water sewers for this part of the development, however to date, this has not happened. The adoption agreement is dated 27 March 2002 and therefore from this date, Southern Water had been made aware of the private drainage arrangements for Section 2 of the development. Regrettably, surface water drainage charges should not have been raised from this date and Southern Water sincerely apologies for this oversight. We are pleased that this has been brought to our attention so that we can put things right.

To correct this, Southern Water will be refunding the total of the annual surface water drainage charges paid by each current occupier, of the 193 properties affected, since they occupied the property. Whilst I hope you will appreciate it will take a bit of time to update our records, Southern Water will confirm the refund amount as it happens, to each of the bill payers living in Section 2 of the development. This work will be completed by 24 March 2014. Following this, the surface water drainage charge will not be raised again until such time as the surface water sewers are adopted by Southern Water. This is the intention in the future, however there is currently no timescale as to when this will happen.

With regards to the remaining properties in St Mary's Island which are outside of the Section 2 development and are not subject to the current surface water sewer adoption agreement, we have checked our records and can find no other such requests or agreements. In these situations, our policy is consistent with other water companies and with Ofwat guidance. This is to rebate current occupiers effective from the beginning of the financial year, in this case to 1 April 2013. This will require further investigation on a street by street basis. If we do find properties that have been given the rebate since a policy change in April 2008 we will check neighbouring properties and amend them from the same date. This policy change of 2008 is explained in detail below.

Southern Water understands that our Surface Water Drainage rebate policy may seem unfair to some customers. As such, we hope by the end of this rather lengthy letter that you will have gained a clearer understanding of the background to our Surface Water Drainage rebate policy, and the reasons behind why we will only set the backdate period to the start of the current financial year, (unless our review on a street by street basis identifies neighbouring properties which have been given the rebate prior to the financial year, in which case we will amend them from the same date). There is considerable history, relating to the charge for Surface Water Drainage, which I hope will make our position clear.

Rebating Back Multiple Years

The decision to rebate customers for the year when they apply, and then not charging them in the future, signals the responsibility householders have in making the change happen. Individual householders have access to the best knowledge on their surface water drainage arrangements. The Director General of Water Services (now Water Services Regulation Authority) has confirmed the one year backdating of rebates.

Why not?

During this transition, Surface Water Drainage is still a shared, common good until a householder shows that he or she is not draining water into the public sewers. Then, the surface water drainage for that householder becomes an individual service, which the householder does not receive or pay for. The householder triggers the change.

A Second Reason: Fairness

We also have a responsibility to minimise volatility of pricing, particularly for customers with lower abilities to pay. Since the charge for treating and disposing of surface water is divided among our customers, whenever customers claim backdating rebates, that increases the charge. If the number of rebates issued to our customers so far were to 2000, we estimate that this would cause an increase of approximately 4% to an average bill for next year. That 4% does not include all the administrative costs of finding people who have moved and so forth. The true increase would be higher and unfair to our vulnerable customers.

2008 – Present

In 2007, Ofwat asked water companies if they could draw on their knowledge of rebates granted at that point to make it easier for customers to claim them. We came up with a rough solution for this process. Householders in the same post code generally have the same way of draining surface water. There are plenty of exceptions. New houses in old neighbourhoods tend to have their own soakaways. Nevertheless, Southern Water used this insight to become more customer friendly.

Starting in 2008, if one householder in a postal code shows that his or her property does not drain surface water into the public sewer, then, unless we have evidence otherwise, we automatically extend the rebate to all householders in the postal code. The burden is on us to find exceptions. Further, if we make an administrative error and miss a member of a postcode, we rebate back to the time after 2008 when the first neighbour called in.

To confirm, for those properties outside Section 2 of the Development, Southern Water will be reviewing the situation for current occupiers, effective from 1 April 2013. Each bill payer will be advised of the update and any refund due to them. This work will take some time to complete for the whole development and Southern Water asks you to bear with us. We can confirm that the work will be completed by 30 April 2014, having notified all the customers affected.

Southern Water would like to thank you for your patience in allowing us time to investigate the situation of Surface Water Drainage rebates for St Mary's Island and would ask that any questions you feel have not been answered, are referred to Bob Muid, Secretary of SMIRA, St Mary's Residents Association. Bob has a direct contact at Southern Water who will help with answering any questions fully and promptly.