

Our Ref : ID/den

28 November 2008

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Dear Mr Charlton

Re Surface Water Charging

I refer to your letters of 12th November 2008 regarding the introduction of a new method of charging for surface water drainage and the impact this will have on Scout Groups. Our Chairman and my fellow directors have requested that I reply on their behalf.

Throughout the region charges to non-domestic properties for surface water drainage were traditionally based upon the rateable value of the property, or in the case of properties which were not rated, a fixed charge may have been applied.

Customers have, for many years, felt that charging for surface water on the basis of rateable value was unfair. In recognition of this, Ofwat, the water industry regulator, wrote in 2004, to all water companies advising them that their preferred option was to base the calculation of surface water drainage charges on the area of the customer's site that was drained. In moving to such a charge, the industry is providing customers with a more cost-reflective charge for the service that is provided.

As with any change to the basis of charge, some customers will see increases to their bills while others will decrease depending on the characteristics of the customer's site. Overall, I can assure you that there is no financial benefit to Northumbrian Water as the total income we receive remains unchanged.

As a strictly regulated business the terms and conditions of our operating licence state that we must not show any undue preference to individual customers or specific groups of customers and therefore we are unable to apply different methods of charging or concessions to specific property or customer groups.

To provide some assistance to customers, we agreed with Ofwat that the new method of charging be phased in for existing metered customers over three years commencing April 2006. As metered bills are provided in arrears, the first bills to be based entirely on the new charges were issued between July-September 2008.

I would recommend that you advise those responsible for the payment of water and sewerage charges to review the surface area information that we have sent to ensure that the surface area measurement calculated is correct.

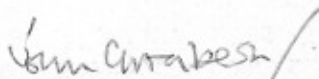
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I acknowledge that there will be a financial implication associated with the introduction of site based surface water drainage charges and would recommend that your members explore the feasibility and costs associated with installing alternative drainage arrangements to some or all of their properties. This could significantly reduce the level of charge that is applied. A 'soakaway' drainage system is commonly used in rural locations and at sites that have a large amount of land. This method of drainage can be used for individual properties or groups of properties. A soakaway safely diverts rain water to a purpose built natural drain rather than in to our sewerage system. Once a soakaway has been commissioned and it is confirmed that the connection from the sewer has been removed, we will provide an allowance against charges equivalent to 70% of the surface area band charge. The remaining element of the charge is in respect of highway drainage and is due from all customers who have a connection to either foul or surface water drains.

If any of your members would like any information on alternative drainage arrangements please ask them to contact the company and we will arrange for the appropriate person to provide site specific information.

I realise that you will be disappointed with my reply and regret that we are unable to reduce charges however I am sure that you will understand that we must not show any undue preference to specific groups of customers.

Yours sincerely



John Cuthbert
Managing Director