

# New Connections Charging

Statement of significant changes

31 January 2020

WONDERFUL ON TAP



## Introduction

Each year the 'Charging Rules for New Connections Services (English Undertakers)' and the 'Charges Scheme Rules' permits recovery of the reasonably incurred costs of carrying out new connections activity, and every year we refresh our assessments to set our charges for the coming year. The purpose of this document is to highlight if charges paid on typical developments in 2019/20 will increase by more than 10% in 2020/21 and explain how we've managed any impacts that such increases will have on our customers.

## This year's changes

We've changed the way we've structured a number of our charges following changes made to the New Connections charging rules and an internal review of our charging approaches. A summary of our key charges can be seen below.

### Changes to income offset

From 1 April 2020 the way we apply income offset will change following a rule change from Ofwat. Previously we applied this offset against the mains and sewer requisition charges which only larger developers and Self Lay providers (SLPs) required. The rule changes means that the income offset will now be applied to infrastructure charges and therefore will be available to all developer customers and in the same format, including customers who require single service connections and New Appointment and Variations (NAVs). The rule changes also mean we'll no longer pay asset payments to adopt new mains assets and that new mains and sewers requisition charges will be charged at full cost.

Following our consultation with customers and trade bodies we'll be structuring the new offset in a simple per plot structure (one charge for water and one charge for sewerage) which mirrors our infrastructure charge approach.

The new rule changes mean that water companies will be dividing the total offset (and asset payments for water assets) previously applied to requisition schemes in a year by all connected properties. Previously they have only applied to those connections which require a new main or sewer. As a result of dividing the total offset by more connections there will be a reduction in the offset provided for each property for those customers who already receive this (large developers and SLPs). Customers requiring individual service connections (but no mains or sewer requisition) will now receive an offset where they previously didn't. NAVs will receive the offset in the per plot structure against the infrastructure charge in line with other developer customers where previously they received the offset against the bulk supply arrangement in the Severn Trent region.

Whilst this is a regulatory change rather than a company decision we've engaged heavily with our customers and trade bodies to communicate these changes and seek feedback on the best way to implement the changes.

For more information on these changes please click [here](#) to access the material we've shared during consultation and engagement sessions.

### Main requisition charges

Since the charging rules came into place in April 2018 we've used a simplified 'per plot' structure for our new mains requisition charges which was favoured by customers and trade bodies during our consultation sessions. We committed to review this approach each year and we've decided to change the structure in 2020/21 to a fixed menu of rates approach which more closely aligns to the wider market. Over the past two years we've not seen the demonstrable benefit regards ease of quoting for our customers that we expected and with this in mind we've moved to an approach which enables greater consistency across water companies for our customers. We've also acknowledged that the introduction of self-serve estimator tools and greater worked examples enable customers to estimate scheme costs effectively regardless of the structure of the charges.

The financial impact of this structure change will be scheme specific however across all of our mains schemes we expect the overall costs to developers to be the same. There will be some customers who pay over 10% more for their mains requisition charges in 2020/21 compared to 2019/20 however these charges will be completely reflective of the activity carried out on site and the assets laid.

The structure change only impacts standard polyethylene (PE) schemes. Schemes laid in protective pipework (also known as barrier pipe) are already charged on a menu of rates approach and so there will be no change here.

### Section 45 service connection charges

We've recently changed our operating model for delivering service connections, moving from a largely outsourced service to a service delivered with mainly in-house resource. In making this change we've also changed our contract provider for specific activities to provide tailored support to our internal teams. This change has meant that some of our incurred connection costs have risen and our traffic management costs have fallen. The result is that some of our connection charges have increased whilst our traffic management charges have fallen.

As we have a menu of rates for connection charges the impact of these changes cannot be fully understood by comparing like-for-like component charges as the effect is cumulative and best seen as part of a work package. The work packages and the overall customer impacts can be seen in the bill stability examples below. Customers who see increases in the service connection charges will also receive income offset which conversely reduces the overall charges payable in each scenario.

## Bill stability scenarios

Below is a number of worked examples to bring the above changes to life and how different customer segments will be impacted:

### Single short connection

Description of the works:

- Single connection to existing mains – no new mains/sewer required
- 25-32mm PE pipework
- Short connection – 4m road surface
- Two way traffic lights included within connection charges (without manual control)
- Assumed the sewer connection is not in highway and connection is for a new build

### Please note:

- Application fees, infrastructure charges and income offset figures reflect both the water and sewerage charges
- Application fees include the cost of the design activity

### 2019/20 charges

App fees (water & sewerage)	Connection charges	Infrastructure charges (water and sewerage)	Income offset (water and sewerage)	Meter charges	Total
£339.88	£1,416.55	£703.97	£0.00	£27.84	£2,488.24

#### 2020/21 charges

App fees (water & sewerage)	Connection charges	Infrastructure charge (water and sewerage)	Income offset (water and sewerage)	Meter charges	Total
£348.10	£1,412.39	£686.59	-£569.12	£0.00	£1,877.86

Variance: -£610.38 or -25%

#### Single long connection

Description of the works:

- Single connection to existing mains – no new mains/sewer required
- 25-32mm PE pipework
- Long connection – 4m road surface and 4m in unmade ground
- Two way traffic lights included within connection charges (without manual control)
- Assumed the sewer connection is not in highway and connection is for a new build

#### Please note:

- Application fees, infrastructure charges and income offset figures reflect both the water and sewerage charges
- Application fees include the cost of the design activity

#### 2019/20 charges

App fees	Connection charges	Infrastructure charges	Income offset	Meter charges	Total
£339.88	£1,812.57	£703.97	£0.00	£27.84	£2,884.26

#### 2020/21 charges

App fees (water & sewerage)	Connection charges	Infrastructure charge (water and sewerage)	Income offset (water and sewerage)	Meter charges	Total
£348.10	£1,867.71	£686.59	-£569.12	£0.00	£2,333.28

Variance: -£550.98 or -19%

#### New block of flats – short connection

Description of the works:

- 10 new units connected to an existing main – no new mains/sewer required
- Large diameter (63mm) water connection in barrier pipe
- Short connection – 4m road surface
- Two way traffic lights included within connection charges (without manual control)
- Connection assumed under pressure
- Assumed the sewer connection is not in highway and connection is for a new build

#### Please note:

- Application fees, infrastructure charges and income offset figures reflect both the water and sewerage charges
- Application fees include the cost of the design activity

#### 2019/20 charges

App fees (water & sewerage)	Connection charges	Infrastructure charges (water and sewerage)	Income offset (water and sewerage)	Meter charges	Total
£470.37	£3,145.31	£7,039.70	£0.00	£333.14	£10,988.52

#### 2020/21 charges

App fees (water & sewerage)	Connection charges	Infrastructure charge (water and sewerage)	Income offset (water and sewerage)	Meter charges	Total
£481.75	£3,400.38	£6,865.89	-£5,691.20	£366.41	£5,423.23

Variance: -£5,565.29 or -51%

#### New block of flats – long connection

Description of the works:

- 10 new units connected to an existing main – no new mains/sewer required
- Large diameter (63mm) water connection in barrier pipe
- Short connection – 4m road surface
- Two way traffic lights included within connection charges (without manual control)
- Connection assumed under pressure
- Assumed the sewer connection is not in highway and connection is for a new build

#### Please note:

- Application fees, infrastructure charges and income offset figures reflect both the water and sewerage charges
- Application fees include the cost of the design activity

#### 2019/20 charges

App fees (water & sewerage)	Connection charges	Infrastructure charges (water and sewerage)	Income offset (water and sewerage)	Meter charges	Total
£470.37	£3,445.15	£7,039.70	£0.00	£333.14	£11,298.36

#### 2020/21 charges

App fees (water & sewerage)	Connection charges	Infrastructure charge (water and sewerage)	Income offset (water and sewerage)	Meter charges	Total
£481.75	£3,756.66	£6,865.89	-£5,691.20	£366.41	£5,779.51

Variance: -£5,518.85 or -49%

#### Small housing development

Description of the works:

- 10 new connections off a new mains
- New mains has a total length 50m, consisting of
  - 90mm PE – 10m road surface (type 1/2 carriageway used)
  - 90mm PE – 20m unmade surface
  - 63mm PE – 20m unmade surface
- Two way traffic lights are included within new mains charges
- Service connections are 25-32mm short connections in unmade ground
- Sewer adoption inspection costs based on new sewer laid by the developer of 50m

- Assumed the sewer connection is not in highway

**Please note:**

- Application fees, infrastructure charges and income offset figures reflect both the water and sewerage charges
- Application fees include the cost of the design activity
- 20/21 mains charges are based on a menu of rates approach which provides charges which are specific to the individual requirements of each scheme. For the schemes within this document a series of assumptions have been made, from simple traffic management through to the number of fittings included to arrive at the mains requisition charges for 20/21. Likewise we are required to provide examples which include 10m of pipework within the carriageway (mains connection length), in reality standard schemes will have up to 22m of mains connection length. Our mains charges for 19/20 are provided using 'open cut' (excavation and lay) per plot charges which are fixed charges that cater for a range of circumstances including cheaper scenarios, such as use of two way lights rather than road closures, through to more costly scenarios which include a mains connection length 22m rather than 10m.

**2019/20 charges**

App fees	Mains requisition charges	Sewer inspection charges	Connection charges	Infrastr. charges	Income offset	Meter charges	Total
£1,674.83	£6,205.80	£528.50	£2,847.40	£7,039.70	-£5,585.22	£278.40	£12,989.41

**2020/21 charges**

App fees	Mains requisition charges	Sewer inspection charges	Connection charges	Infrastr. charges	Income offset	Meter charges	Total
£1,715.35	£9,716.74	£533.50	£3,274.50	£6,865.89	-£5,691.20	£0.00	£16,414.78

**Variance: +£3,425.37 or +26%**

**Medium housing development**

Description of the works:

- 50 new connections off a new mains
- New mains has a total length 300m, consisting of
  - 180mm PE – 10m road surface (type 1/2 carriageway used)
  - 180mm PE – 90m unmade surface
  - 125mm PE – 100m unmade surface
  - 90mm PE – 100m unmade surface
- Two way traffic lights are included within new mains charges
- Service connections are 25-32mm short connections in unmade ground
- Sewer adoption inspection costs based on new sewer laid by the developer of 300m
- Assumed the sewer connection is not in highway

**Please note:**

- Application fees, infrastructure charges and income offset figures reflect both the water and sewerage charges
- Application fees include the cost of the design activity
- 20/21 mains charges are based on a menu of rates approach which provides charges which are specific to the individual requirements of each scheme. For the schemes within this document a series of

assumptions have been made, from simple traffic management through to the number of fittings included to arrive at the mains requisition charges for 20/21. Likewise we are required to provide examples which include 10m of pipework within the carriageway (mains connection length), in reality standard schemes will have up to 22m of mains connection length. Our mains charges for 19/20 are provided using 'open cut' (excavation and lay) per plot charges which are fixed charges that cater for a range of circumstances including cheaper scenarios, such as use of two way lights rather than road closures, through to more costly scenarios which include a mains connection length 22m rather than 10m.

#### 2019/20 charges

App fees	Mains requisition charges	Sewer inspection charges	Connection charges	Infrastr. charges	Income offset	Meter charges	Total
£1,674.83	£31,029.00	£3,171.00	£14,237.00	£35,198.50	-£27,926.10	£1,392.00	£58,776.23

#### 2020/21 charges

App fees	Mains requisition charges	Sewer inspection charges	Connection charges	Infrastr. charges	Income offset	Meter charges	Total
£1,715.35	£23,780.84	£3,201.00	£16,372.50	£34,329.45	-£28,456.00	£0.00	£50,943.14

**Variance: -£7,833.09 or -13%**

#### Large housing development

Description of the works:

- 200 new connections off a new mains
- New mains has a total length 1000m, consisting of
  - 180mm PE – 10m road surface (type 1/2 carriageway used)
  - 180mm PE – 290m unmade surface
  - 125mm PE – 300m unmade surface
  - 90mm PE – 400m unmade surface
- Two way traffic lights are included within new mains charges
- Service connections are 25-32mm short connections in unmade ground
- Sewer adoption inspection costs based on new sewer laid by the developer of 1000m
- Assumed the sewer connection is not in highway

#### Please note:

- Application fees, infrastructure charges and income offset figures reflect both the water and sewerage charges
- Application fees include the cost of the design activity
- 20/21 mains charges are based on a menu of rates approach which provides charges which are specific to the individual requirements of each scheme. For the schemes within this document a series of assumptions have been made, from simple traffic management through to the number of fittings included to arrive at the mains requisition charges for 20/21. Likewise we are required to provide examples which include 10m of pipework within the carriageway (mains connection length), in reality standard schemes will have up to 22m of mains connection length. Our mains charges for 19/20 are provided using 'open cut' (excavation and lay) per plot charges which are fixed charges that cater for a range of circumstances including cheaper scenarios, such as use of two way lights rather than road

closures, through to more costly scenarios which include a mains connection length 22m rather than 10m.

#### 2019/20 charges

App fees	Mains requisition charges	Sewer inspection charges	Connection charges	Infrastr. charges	Income offset	Meter charges	Total
£1,674.83	£124,116.00	£10,570.00	£56,948.00	£140,794.00	-£111,704.40	£5,568.00	£227,966.43

#### 2020/21 charges

App fees	Mains requisition charges	Sewer inspection charges	Connection charges	Infrastr. charges	Income offset	Meter charges	Total
£1,715.35	£61,421.72	£10,670.00	£65,490.00	£137,317.80	-£113,824.00	£0.00	£162,790.87

**Variance: -£65,175.56 or -29%**

#### Self Lay scenarios

##### Small housing development

Description of the works:

- 10 new connections off a new mains
- The source of water connection (connection between existing main and new main) is for 90mm PE main which includes 10m road surface (type 1/2 carriageway used) and associated fittings
- Two way traffic lights are included within new mains charges

##### Please note:

- Only charges pertinent to the Self Lay provider have been included in the figures below, for example sewerage inspection charges have been excluded
- Application fees only relate to water and not to sewerage
- Infrastructure charges and income offset cover both water and sewerage rates
- Asset payment figure for 2019/2020 is a gross asset payment figure ie the SOW costs have not been deducted from this figure

#### 2019/20 charges

App fees	SOW charges	Self Lay admin fees	Infrastr. charges	Asset payment	Total
£1,449.85	£5,637.93	£970.00	£7,039.70	-£5,585.22	£9,512.26

#### 2020/21 charges

App fees	SOW charges	Self Lay admin fees	Infrastr. charges	Income offset	Total
£1,484.93	£5,637.93	£993.50	£6,865.89	-£5,691.20	£9,291.05

**Variance: -£221.21 or -2%**

##### Medium housing development

Description of the works:

- 50 new connections off a new mains



- The source of water connection (connection between existing main and new main) is for 180mm PE main which includes 10m road surface (type 1/2 carriageway used) and associated fittings
- Two way traffic lights are included within new mains charges

**Please note:**

- Only charges pertinent to the Self Lay provider have been included in the figures below, for example sewerage inspection charges have been excluded
- Application fees only relate to water and not to sewerage
- Infrastructure charges and income offset cover both water and sewerage rates
- Asset payment figure for 2019/2020 is a gross asset payment figure ie the SOW costs have not been deducted from this figure

**2019/20 charges**

App fees	SOW charges	Self Lay admin fees	Infrastr. charges	Asset payment	Total
£1,449.85	£6,503.32	£4,850.00	£35,198.50	-£27,926.10	£20,075.57

**2020/21 charges**

App fees	SOW charges	Self Lay admin fees	Infrastr. charges	Income offset	Total
£1,484.93	£6,503.32	£4,967.50	£34,329.45	-£28,456.00	£18,829.20

**Variance: -£1,246.37 or -6%**

**Large housing development**

Description of the works:

- 200 new connections off a new mains
- The source of water connection (connection between existing main and new main) is for 180mm PE main which includes 10m road surface (type 1/2 carriageway used) and associated fittings
- Two way traffic lights are included within new mains charges

**Please note:**

- Only charges pertinent to the Self Lay provider have been included in the figures below, for example sewerage inspection charges have been excluded
- Application fees only relate to water and not to sewerage
- Infrastructure charges and income offset cover both water and sewerage rates
- Asset payment figure for 2019/2020 is a gross asset payment figure ie the SOW costs have not been deducted from this figure

**2019/20 charges**

App fees	SOW charges	Self Lay admin fees	Infrastr. charges	Asset payment	Total
£1,449.85	£6,503.32	£19,400.00	£140,794.00	-£111,704.40	£56,442.77

**2020/21 charges**

App fees	SOW charges	Self Lay admin fees	Infrastr. charges	Income offset	Total
£1,484.93	£6,503.32	£19,870.00	£137,317.80	-£113,824.00	£51,352.05

**Variance: -£5,090.72 or -9%**

## Managing changes in New Connections charges

Our aim is to maintain stable charges year on year so that developer customers can predict their water and wastewater service costs for their schemes with relative ease and to ensure charges are affordable. We have taken all reasonable steps to prevent charges from rising rapidly for 2020/21, however we also have to make sure our network can support the new developments which are being connected to it and of course ensure other customers do not pay for our incurred costs which are development-related.

We have engaged with our customers, trade bodies and regulators to explain all of the changes described within this document. The consultation and engagement sessions that we have hosted are below.

- Fair Water Connections (FWC) informal meeting on 3 May.
- Consumer Council for Water on 10 May.
- Water UK meeting on 24 July.
- Developer Day forum 1 on 25 July.
- Home Builders Federation (HBF) on 1 August.
- Self Lay Forum on 20 August.
- Developer Day Forum 2 on 19 September.
- Consumer Council for Water on 27 September.
- Home Builders Federation (HBF) on 2 October.
- Fair Water Connections (FWC) on 4 October.
- New Appointments and Variations (NAV) on 5 November.
- Developer Day Forum 3 on 12 December.
- Self Lay Forum December on 16 December

The outputs of our consultation sessions and our corresponding action can be seen in our Board Assurance statement [here](#).