

## 2023–24 New Connection Charges

### Statement of significant changes

#### Introduction

Each year the 'Charging Rules for New Connections Services (English Undertakers)' permits recovery of the reasonably incurred costs of carrying out new connection activity, and every year we refresh our assessments to set our charges for the coming year to ensure they reflect the costs of providing the relevant service. The purpose of this document is to highlight where charges paid for typical developments in 2022-23 will increase by more than 10% in 2023-24, explain the principal reasons behind the changes and share our considered approach to handling strategies.

#### This year's changes

There will be some significant changes for 2023-24. This year we are operating in a challenging economic climate. At the time of the Government's autumn statement the Office for Budget Responsibility stated that CPI inflation is at the highest level in 40 years. Economic challenges influence our new connection charges and property forecasts are unlikely to accelerate next year. The effects of the macro-environment have been seen nationally with regards to fuel, materials and labour.

When setting charges companies must comply with the Ofwat rules and consider several principles. Our priorities include providing transparent and cost reflective services thereby recovering all reasonable costs and providing a level playing field allowing markets to compete fairly.

The proposed key charges are shown below:

		Purpose	2022-23 values		2023-24 values		Change
Covers fixed activity & not site specific	Application Fee	Covers front-end administrative activities up to providing a quote	£1,781.92 (new mains) £170.86 (Std Conn) £97.76 (106 Waste)		£1,781.92 (new mains) £170.86 (Std Conn) £97.76 (106 Waste)		↔ Held flat ↔ Held flat ↔ Held flat
	Infrastructure Charges	Income used to cover network reinforcement costs required to cater for connected properties/new development schemes	£363.34 (water) £295.37 (waste)	£658.71 (both)	£405.41 (water) £329.57 (waste)	£734.98 (both)	£42.07/11.6% ↑ Per plot £34.20/11.6% ↑ Per plot 11.6% for both
	Income offset / Asset Payments	Offsetting mains construction costs to account for future income / providing asset payments to adopt SLP laid mains	£474.37 (water) £72.91 (waste)	£547.28 (both)	£340.41 (water) £72.91 (waste)	£413.32 (both)	£133.96/28.2% ↓ Per plot £0/0% ↔ Per plot £133.96 /24.5% for both
site specific activity	Connection Charge	Individual service connections to each new property	£360.19 (0-5m no ex) £1,253.79 (0-5m Highway)		£323.25 (0-5m no ex) £1,957.78 (0-5m Highway)		↓ £36.94/10.3% ↑ £703.99/56.2% Per Conn
	Mains Requisitions	Laying new water mains to serve a development or adopting a new water mains laid by a SLP	PE – menu of rates Barrier pipe – menu of rates		PE – menu of rates Barrier pipe – menu of rates		Scheme specific AMP 7 rates Scheme specific AMP 7 rates
	Waste Inspection and Bond Charges	Covers the end-to-end process of adopting new sewers.	£10.69 (inspection) £42.78 (bond)		£8.43 (inspection) £42.17 (bond)		↓ £2.26/21.1% ↓ £0.61/1.4%

In terms of mains requisitions we pass through the rates agreed with our contract partners, appointed following a competitive tender process.

#### Why charges are changing

The challenging economic climate with significant inflationary pressures is a key contributing factor in increasing charges for 2023-24.

There are several charging principles to balance when setting charges and, over the last couple of years, we have provided stable charges and a market leading value for money tailored service that provides high levels of satisfaction to our customers and continues to support effective markets; as can be demonstrated by the significant increase in NAVs within our area, and the many self-lay organisations who currently undertake around 60% of our new connections. As a result, we have made changes to our organisational design and have reassessed the costs to provide relevant new connection services for water and sewerage across all of our customer segments.

A further consideration is that Ofwat will no longer allow for incumbent companies to provide for an income offset from 2025 therefore a reduction in the value during 2023-24 will help smooth the transition to its removal by the end of this AMP, a change we began signalling to our customers last year.

## **Managing changes in New Connections charges**

In deciding how to make these changes for 2023-24 we have considered the important principle of affordability.

The proposed cost of a one-off water connection continues to compare favourably with a new electricity connection. When considering the cost of constructing a one-off house our proposed charges equate to an insignificant percentage of total construction. For large developments the situation is similar in that the cost of building new water assets and making new connections is insignificant in the context of the overall development costs and property sale values.

We have considered customer handling strategies and initiatives to support our developer customers with the changes.

We regularly engage with our developer customers and have enhanced our programme of proactive engagement to share this information before 2023 and help forecast costs for their schemes going forward. This will also include one to one personal engagement with our NAV customers who will see some of the larger increases.

We continue to provide the opportunity for all developers to significantly reduce their charges through our Environmental Discount Scheme, offering the same discount values in 2023-34 as in 2022-23.

We are also working with other areas of Severn Trent to facilitate customers accessing discounts to help reduce the cost of a new connections in certain scenarios for example, when requiring a new connection as a result of private leakage or, the separation of a shared supply, where these costs would not have been foreseen and could be genuinely unaffordable to one off customers.

We have undertaken industry benchmarking analysis that suggests our proposed charges are unlikely to represent as an industry outlier.

## **Worked Examples**

Below are several worked examples for typical developments, as provided by Ofwat, that set out the year-on-year changes for different customer groups, all of which will be detailed within our published charging arrangement document.

For all six typical development scenarios the relevant charge elements were documented within the prescribed sector template and the total charge summarised below to evidence the year-on-year overall charge. We have also included the environmental discount scheme value, in the purple section of each example, that developers can benefit from if they build to our qualifying criteria.

Please note that all relevant sewerage connection scenarios include a S106 application fee only to allow for industry comparability.

**Example 1: Single connection to a house from an existing main**

This worked example provides charges for a single connection to an existing water main of 90mm diameter polyethylene (PE). If applicable, the worked example should include the associated charges for a single property connection to an existing sewer, which is completed by the Developer Customer. These charges are specified under 'Other Charges'.

Within construction charges, this includes: Service pipe installation; Boundary box fitting; Meter installation; Excavation; Reinstatement.

Pipework:

- 25 – 32mm diameter PE pipe
- 4m pipework in road

Traffic management assumes the road (Type 3-4) is 40mph, has two lanes and does not require a road closure or lane closure. Two way automated lights are required. This is also an assumption that the only payable council charges are for permitting.

Delivery method	2022-23 Total	2023-24 Total	Variance	Percentage	23-24 total with environmental discounts
Severn Trent delivery	£2,176.62	£3,117.24	£940.62	43.21%	£2,613.24
Self-Lay related charges	N/A	N/A	N/A	N/A	N/A

**Example 2: Single connection to a block of flats from an existing main**

This worked example provides charges for a block of 10 flats to be connected to an existing water main of 90mm diameter polyethylene (PE). Each flat would be individually metered. If applicable, the worked example should include the associated charges for connection to an existing sewer, which is completed by the Developer Customer.

Within construction charges, this includes: Service pipe installation; Boundary box fitting; Meter installation; Excavation; Reinstatement.

Pipework:

- 63mm diameter PE pipe
- 4m pipework in road, 4m pipework in unmade ground

Traffic management assumes the road (Type 3-4) is 40pmh, has two lanes and does not require a road closure or lane closure. Two-way automated lights are required. There is also an assumption that the only payable council charges are for permitting.

Delivery method	2022-23 total	2023-24 total	Variance	Percentage	23-24 total with environmental discounts
Severn Trent delivery	£6,342.66	£9,006.79	£2,664.13	42.00%	£3,966.79
Self-Lay related charges	N/A	N/A	N/A	N/A	N/A

**Example 3: Medium housing development requiring new mains and communication pipes (excavation and reinstatement by others)**

This worked example provided charges associated with the provision of new water mains and individual connections from them for each of the 50 new houses. If applicable, the worked example should include the associated charges for the 50 property connections to an existing sewer, which are completed by the Developer

Customer. This worked examples assumes excavation and reinstatement activities are completed by others, except for the excavation leading to the connection to the existing water main.

Within construction charges, this includes: Mains laying; Service pipe installation; Boundary box fitting; Meter installation.

Technical Specification (Connection)	Technical Specification (Mains)
Pipework (no excavation): <ul style="list-style-type: none"> <li>• Connection to Existing Main of 180mm diameter PE</li> <li>• 3m pipework laying (per communication pipe)</li> </ul>	Pipework: Total length 300m, consisting of: <ul style="list-style-type: none"> <li>• 125mm diameter PE – 10m road type 3-4 (leading to the point of connection to an existing water main)</li> <li>• 125mm diameter PE – 190m</li> <li>• 90mm diameter PE – 100m</li> </ul>

Design Considerations:

- 180mm diameter existing main, serving 150 existing customers
- Three commissioning phases
- Three sample chlorination and connections – footpath
- Four washouts – unmade ground
- Five valves (1 x 150mm, 3 x 100mm, 1 x 80mm) – unmade ground
- One trial hole – unmade ground

Traffic management assumes the road (Type 3-4) is 50pmh, has two lanes and requires a road closure and eight parking bay suspensions. Additional council charges for permitting should be included.

Delivery method	2022-23 total	2023-24 total	Variance	Percentage	23-24 total with environmental discounts
Severn Trent delivery	£49,346.96	£62,605.24	£13,258.28	26.87%	£37,405.24
Self-Lay related charges	£14,845.35	£26,863.97	£12,018.62	80.96%	£1,663.97
NAV related charges	£12,070.39	£26,002.77	£13,932.38	115.43%	£802.77

#### **Example 4: Medium housing development requiring new mains and communication pipes (excavation and reinstatement by Water Company)**

This worked example provided charges associated with the provision of new water mains and individual connections from them for each of the 50 new houses. If applicable, the worked example should include the associated charges for the 50 property connections to an existing sewer, which are completed by the Developer Customer. This worked examples assumes excavation and reinstatement activities are completed by the Water Company. However, should the developer appoint an SLP or NAV, this worked example assumes these (and other contestable items) would be carried out by the SLP or NAV.

Within construction charges, this includes: Mains laying; Service pipe installation; Boundary box fitting; Meter installation; Excavation; Reinstatement.

Technical Specification (Connection)	Technical Specification (Mains)
Pipework (unmade ground): <ul style="list-style-type: none"> <li>• Connection to Existing Main of 180mm diameter PE</li> <li>• 3m pipework laying (per communication pipe)</li> </ul>	Pipework: Total length 300m, consisting of: <ul style="list-style-type: none"> <li>• 125mm diameter PE – 10m pipework in road (leading to the point of connection to an existing 180mm PE main)</li> <li>• 125mm diameter PE – 50m pipework in footpath</li> <li>• 125mm diameter PE – 140m pipework in unmade ground</li> <li>• 90mm diameter PE – 100m pipework in unmade ground</li> </ul>

## Design Considerations:

- 180mm diameter existing main, serving 150 existing customers
- Three commissioning phases
- Three sample chlorination and connections – footpath
- Four washouts – unmade ground
- Five valves (1 x 150mm, 3 x 100mm, 1 x 80mm) – unmade ground
- One trial hole – unmade ground

Traffic management assumes the road (Type 3-4) is 50pmh, has two lanes and requires a road closure and eight parking bay suspensions. Additional council charges for permitting should be included.

Delivery method	2022-23 total	2023-24 total	Variance	Percentage	23-24 total with environmental discounts
Severn Trent delivery	£60,065.49	£75,355.40	£15,289.91	25.46%	£50,155.40
Self-Lay related charges	£14,845.35	£26,863.97	£12,018.62	80.96%	£1,663.97
NAV related charges	£12,070.39	£26,002.77	£13,932.38	115.43%	£802.77

**Example 5: Large housing development requiring new mains and communication pipes (excavation and reinstatement by others)**

This worked example provided charges associated with the provision of new water mains and individual connections from them for each of 200 new houses. If applicable, the worked example should include the associated charges for the 200 property connections to an existing sewer, which are completed by the Developer Customer. This worked examples assumes excavation and reinstatement activities are completed by others, except for the excavation leading to the point of connection to the existing water main.

Within construction charges, this includes: Mains laying; Service pipe installation; Boundary box fitting; Meter installation.

Technical Specification (Connection)	Technical Specification (Mains)
Pipework (unmade ground): <ul style="list-style-type: none"> <li>• Connection to Existing Main of 180mm diameter PE</li> <li>• 3m pipework laying (per communication pipe)</li> </ul>	Pipework: Total length 1,000m, consisting of: <ul style="list-style-type: none"> <li>• 180mm diameter PE – 20m pipework in type 3-4 (leading to the point of connection)</li> <li>• 180mm diameter PE – 100m pipework</li> <li>• 125mm diameter PE – 480m pipework</li> <li>• 90mm diameter PE – 400m pipework</li> </ul>

## Design Considerations:

- 250mm diameter existing main, serving 150 existing customers
- Six commissioning phases
- Six sample chlorination and connections – footpath
- Ten washouts – unmade ground
- Eight valves (1 x 150mm, 5 x 100mm, 2 x 80mm) – unmade ground
- Two trial hole – unmade ground

Traffic management assumes the road (Type 3-4) is 50pmh, has two lanes and requires a road closure and eight parking bay suspensions. Additional council charges for permitting should be included.

Delivery method	2022-23 total	2023-24 total	Variance	Percentage	23-24 total with environmental discounts
Severn Trent delivery	£153,537.56	£199,122.82	£45,585.26	29.69%	£98,322.82
Self-Lay related charges	£40,543.99	£86,801.89	£46,257.90	114.10%	-£13,998.11
NAV related charges	£31,858.07	£85,771.01	£53,912.94	169.23%	-£15,028.99

**Example 6: Large housing development requiring new mains and communication pipes (excavation and reinstatement by Water Company)**

This worked example provided charges associated with the provision of new water mains and individual connections from them for each of 200 new houses. If applicable, the worked example should include the associated charges for the 200 property connections to an existing sewer, which are completed by the Developer Customer. This worked examples assumes excavation and reinstatement activities are carried out by the Water Company, however, should the Developer appoint an SLP or NAV, this worked example assumes these (and other contestable items) would be carried out by the SLP or NAV.

Within construction charges, this includes: Mains laying; Service pipe installation; Boundary box fitting; Meter installation; Excavation; Reinstatement.

Technical Specification (Connection)	Technical Specification (Mains)
Pipework (unmade ground): <ul style="list-style-type: none"> <li>• Connection to Existing Main of 180mm diameter PE</li> <li>• 3m pipework laying (per communication pipe)</li> </ul>	Pipework: Total length 1,000m, consisting of: <ul style="list-style-type: none"> <li>• 180mm diameter PE – 20m pipework in type 3-4 road (leading to the point of connection)</li> <li>• 180mm diameter PE – 100m pipework in footpath</li> <li>• 125mm diameter PE – 480m pipework in unmade ground</li> <li>• 90mm diameter PE – 400m pipework in unmade ground</li> </ul>

**Design Considerations:**

- 250mm diameter existing main, serving 150 existing customers
- Six commissioning phases
- Six sample chlorination and connections – footpath
- Ten washouts – unmade ground
- Eight valves (1 x 150mm, 5 x 100mm, 2 x 80mm) – unmade ground
- Two trial hole – unmade ground

Traffic management assumes the road (Type 3-4) is 50pmh, has two lanes and requires a road closure and eight parking bay suspensions. Additional council charges for permitting should be included.

Delivery method	2022-23 total	2023-24 total	Variance	Percentage	23-24 total with environmental discounts
Severn Trent delivery	£180,503.37	£231,568.36	£51,064.99	28.29%	£130,768.36
Self-Lay related charges	£40,543.99	£86,801.89	£46,257.90	114.10%	-£13,998.11
NAV related charges	£31,858.07	£85,771.01	£53,912.94	169.23%	-£15,028.99