

CHARGING ARRANGEMENTS FOR NEW CONNECTION SERVICES

Transitional arrangements relating to our 2020/21 Charging Arrangements

This document sets out our transitional arrangements that apply to some of our charges for new developments as a consequence of the introduction of Ofwat's "Charging rules for new connection services (English undertakers)", published on 22 July 2019 (the "new rules"). These transitional arrangements take effect from 1 February 2020 and apply to our 2020/21 Charging Arrangements document for "new connection services".

The transitional arrangements to which this document refers are limited to:

- Income offsets where water mains and/or sewers are requisitioned;
- Income offsets where water mains are offered to us for adoption;
- Income offsets associated with development sites where a NAV has provided water mains and/or sewers; and
- Water and wastewater infrastructure charges.

Moving to new charging arrangements presents uncertainty for customers, particularly where they may have already committed to a development based on previous charging arrangements.

Income Offsets

Up until 31 March 2020, where new water mains are provided for a development, we take into account the future revenue of new properties connected to the new mains. This future revenue is used to fund some or all of the cost of providing the new water mains and is known as an income offset.

We make an income offset payment which is an equivalent amount whether the new mains are constructed by us, an SLP or a NAV. Where customers requisitioned sewers from by us, we also provide for an income offset.

As a consequence of Ofwat's new charging rules of July 2019, all water companies are required to remove income offsets from the costs of new water mains and requisitioned sewers. They may however, apply income offsets to infrastructure charges but are not required to do so.

Our transitional arrangements are as follows:

1. Where a quotation has been provided for a water mains requisition and/or a sewer requisition under current arrangements (the “old rules”) before 1 February 2020, it can be accepted¹ by customers before 1 April 2020.
2. Where a self-lay offer has been made under current arrangements before 1 February 2020 it can be accepted² by customers before 1 April 2020.
3. Where a quotation was provided for a bulk supply of water for a NAV (delivered as a water mains requisition) and/or a bulk discharge of wastewater (delivered as a sewer requisition) under current arrangements before 1 February 2020, it can be accepted³ by customers before 1 April 2020.
4. Customers that submit applications⁴ for water main requisitions, sewer requisitions, self-lay water mains and NAV bulk supplies/discharges that are received by us in the period of 1 February 2020 and 31 March 2020 inclusive, will be quoted under the old rules. Such quotations will be subject to a validity period for acceptance of six months from the date of our quotation or offer. When accepted within the validity period, the old rules are to continue to apply to the charges that are subject to these transitional arrangements. Customers can opt to be quoted under the new rules, if they prefer, during this period. Quotations and offers not accepted within the validity period will lapse. Customers will need to re-apply for a quotation or offer under the new rules.
5. Where a legal agreement is already in place in relation to water mains as part of an adoption, then the charges defined within that agreement remain valid for the life of the agreement unless we agree to vary those charges in consultation with the customer.
6. Where a legal agreement is already in place with a NAV, the income offset amounts defined within that agreement remain valid for the life of the agreement unless we agree to vary those amounts in consultation with the customer.
7. Developers, SLPs and NAVs that have received a quotation or draft agreement under the old rules, but have not formally accepted can re-apply after 1 February 2020 for a quotation in accordance with the new rules.

¹ By returning a completed proposal acceptance and the relevant payment

² By entering into a signed adoption agreement

³ By entering into a signed bulk supply/discharge agreement

⁴ That contain all of the required information and are accompanied by any relevant fees

Infrastructure Charges

Water and wastewater infrastructure charges are reducing from 1 April 2020.

From 1 April 2020, the new water infrastructure charges will be charged when a property is connected, either directly or indirectly:

- a) to an existing water main, a water main subject to an adoption agreement or a requisitioned water main, or
- b) via a NAV's infrastructure where there is a legal agreement with us for a bulk supply.

From 1 April 2020, the new wastewater infrastructure charges will be charged when a property is connected, either directly or indirectly:

- a) to an existing sewer, a sewer subject to an adoption agreement or a requisitioned sewer, or
- b) via a NAV's infrastructure where there is legal agreement with us for a bulk discharge.

Other charges

Where a quotation or legal agreement includes an appropriate provision for adjusting charges, they will be adjusted by inflation, with the exception of infrastructure charges.