

## **STATEMENT OF SIGNIFICANT CHANGES IN CHARGES FOR NEW CONNECTIONS AND NEW DEVELOPMENTS FOR 2020/21**

This statement is published in accordance with the Information Note IN19/05 published in October 2019.

In July 2019, the Water Services Regulation Authority (Ofwat) made changes to the charging rules for new connection services and also the Charges Scheme Rules. As a consequence, all water companies are required to change the way they charge customers that require new connections to their networks from 1 April 2020. Our Charging Arrangements for 2020/21 incorporate the new rules and can be found on our websites at:

<https://www.nwl.co.uk/services/developers/our-charges/>, and

<https://www.eswater.co.uk/services/developers/our-charges/>.

### **Comparisons with 2019/20 Charges**

The Ofwat guidance for the new rules envisages that the increase in requisition charges due to the removal of the income offset should be largely offset by a corresponding reduction in infrastructure charges, leaving the balance of charges broadly the same. This is true for NWL charges, when 2020/21 costs are compared to pre 1 April 2018 charges, though there has been a temporary reduction in costs during the intervening transitional period.

In response to Ofwat's requirement that infrastructure charges should be equal to network reinforcement costs over a five year period from 1 April 2018, NWL introduced reduced infrastructure charges for 2018/19 and 2019/20. This was not offset by increases in requisition charges, which will only increase from 1 April 2020, as the income offset is removed. The effect of this is that the 2019/20 balance of charges is not the same as that pre 1 April 2018, as costs exceed charges. This is a temporary situation that has been adjusted for in 2020/21.

When we set the 2020/21 charges in order to maintain the balance of charges compared to those in place pre 1 April 2018, this resulted in an increase in the level from 2019/20. In practice, this ends the temporary two year imbalance from 2018-20, as we now have an income offset of zero and lower infrastructure charges.

To try to limit the changes in charges from 2019/20 to 2020/21 to less than 10% would mean we could not comply with the charging rules (which instead refer to charging levels pre 1 April 2018). We have communicated with developers on this issue, who understand that the key comparison is with the pre 1 April 2018 charging levels, as per the Defra and Ofwat rules. We have included our examples of consultation material in Appendix 1 and Appendix 2.

We have set out in our Charging Arrangements worked examples of our new charges. In Appendix 3 we have included a comparison of 2020/21 charges against the 2019/20 charges. Whilst the increases from 2019/20 are material in a number of instances, the more relevant comparison is with the charges from 2017/18, of which the majority are stable or reduced (see Appendix 2).

### **Consultation**

In October 2019 we consulted with our developer services customers i.e. developers, self-lay providers (SLP) and new appointments and variations (NAV), about the changes to charges introduced by Ofwat. We responded to and considered the feedback we gathered.

## **Transitional arrangements**

Moving to new ways of charging presents uncertainty for customers, particularly where they may have committed to a development based on previous Charging Arrangements charges. We consulted on draft transitional arrangements in October 2019 however, on review of feedback we have further developed our transitional arrangements which can be found at the links above.

## **Handling strategies**

We have assessed the effects of the new 2020/21 charges on these typical developments and produced impact assessments to allow us to consider any handling strategies that are required where typical development would increase by greater than 10% from 2019/20 charges. These can be found in Appendix 3. As a result of the revised charging rules, all developments where water mains and/or sewers are requisitioned are expected to experience an increase in charges of greater than 10%, with the effect being greatest in the Essex and Suffolk areas.

We believe that through our early consultation and our generous transitional arrangements we have mitigated the increase in charges. We will continue to consult with our developer services customers with regards to cash flow implications for requisitions and we will publish our recommendations before the charges apply.

**31 January 2020**

## Appendix 1

### Example of our consultation material with developers



#### Important changes to charges for new developments from 1 April 2020

Dear customer

We are writing to you to inform you of some important changes that affect the way we charge for services to support new developments. These changes, which affect our developer services customers i.e. developers, self-lay providers (SLP) and new appointments and variations (NAV), are as a consequence of new charging rules that have been introduced by our regulator, Ofwat:

<https://www.ofwat.gov.uk/publication/charging-rules-new-connection-services-english-undertakers/>

#### Background

In April 2019, Ofwat issued a consultation in which they confirmed their latest charging rules for new development, to be applied from 1 April 2020. As a consequence of the new charging rules, all water companies will be changing the way they charge customers that require new connections to their networks.

Ofwat's consultation can be found at:

<https://www.ofwat.gov.uk/consultation/consultation-on-charging-rules-for-new-connections-and-new-developments-for-english-companies-from-april-2020/>

In summary, the key changes and rules are:

1. Currently, developers pay a proportion of the cost of providing new water mains and sewers. The remainder of the cost has been funded by the future water and/or sewerage revenue we receive from occupiers of the new homes and buildings that that developers connect to our water and sewerage networks. The use of this future revenue is commonly referred to as income offsetting. The new charging rules mean there are to be no income offsets for requisitioned water mains and sewers in the future. Thus, where a developer requisitions water mains or sewers from us they will be charged the full cost. Where a developer asks an SLP to construct water mains for them and we agree to adopt the mains, we will no longer pay an asset payment (equal to the income offset amount) to the SLP or developer. This will result in a significant increase the charges developers pay us in relation to new water mains and requisitioned sewers from 1 April 2020.

Ofwat has made this change to enable NAVs to compete on a 'level playing field' with SLPs and incumbent water companies for the provision of new water mains and sewers required to serve new development sites.

2. If water companies wish to continue applying income offsets, the charging rules require that they must be applied to infrastructure charges. This would enable the same amount of income offset to be applied to developments irrespective of whether water and/or sewerage infrastructure is constructed by a water company, self-laid or provided by a NAV. Ofwat has confirmed they do not require water companies to offer an income offset and have not said how it should be calculated or what level it should be.
3. Ofwat has confirmed that they expect the balance of charges developer services customers to pay to be equivalent to the position that existed prior to 1 April 2018.
4. Ofwat has confirmed that the infrastructure charge income water companies receive must continue to match their average spend on network reinforcement over the five years to 31 March 2023.

### **Our position**

In the three years prior to 1 April 2018 the aggregate income (related to new mains, service connections, requisitioned sewers and infrastructure charges) we received from developer services customers matched our costs to support development.

As a consequence of Ofwat's latest charging rules we are required, in the five years from 1 April 2020, to maintain the matching balance in our charges that existed prior to 1 April 2018. We are projected to have, on average, £18 million per year of costs to support development across our operating areas in the North East and in Essex and Suffolk.

In order to match our income to our forecast of network costs required to support new development growth, it is our intention to:

1. Apply a zero income offset to water and wastewater infrastructure charges, and
2. Reduce water and wastewater infrastructure charges to match our current forecast of network reinforcement costs.

From 1 April 2018 we reduced our water infrastructure charges significantly from £365 per house to £185 per house<sup>1</sup> and our wastewater infrastructure charges from £365 per house to £335 per house<sup>2</sup>. These changes came about as a consequence of new charging rules that Ofwat introduced at the time. Rules were introduced to ensure water companies' infrastructure charge income matched the forecast of network reinforcement costs for their water and wastewater networks.

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<sup>1</sup> We introduced a scheme to incentivise developers to construct water efficient houses. Where a house meets certain water efficiency eligibility criteria (105 litres per capita per day) we charge zero infrastructure charges, on receipt of a relevant claim.

<sup>2</sup> We introduced a scheme to incentivise developers to construct houses that drain surface water away from our existing sewers. In such cases we charge a wastewater infrastructure charge of £50 currently for eligible houses.

Since 1 April 2018 we have been monitoring our expected network reinforcement costs and, if the current trend continues, we will require less income than originally forecast to fund reinforcement work up to 31 March 2023. We therefore intend to reduce our water infrastructure charges to around £135 per house and our wastewater infrastructure charges to around £235 per house for the charging year that begins on 1 April 2020. We will continue to offer incentives for water efficient houses and those where surface water drains away from our existing sewers.

Our intention is to publish some comparison scenarios to show the transition of charges from before April 2018 to post April 2020. We will share these with you by the end of this month.

### **Transitioning to the new way of charging**

Moving to new ways of charging presents uncertainty for customers, particularly where they may have already committed to a development based on previous charging arrangements. We have drafted transitional arrangements to cater for those instances and they are attached as an appendix below. The transitional arrangements set out our intended approach for those developments already underway and those being proposed in the lead up to 1 April 2020.

### **Your feedback**

These new charging rule changes will have an impact on the way we charge customers going forward. We hope that this communication is useful in helping you to understand how things will change from next April. If you have any comments that you would like to share with us, we would be pleased to hear from you by 15 November 2019. You can write to us using our email address [ConnectConsult@nwl.co.uk](mailto:ConnectConsult@nwl.co.uk) or contact the following members of our Developer Services team who will be happy to talk to you:

Ian McCrickard, Customer Service Manager 0191 4196576  
Sue Hill, New Development Team Leader 0191 4196580  
Steve Wharton, Planning Manager 0191 4196617  
Laura Clegg, New Development Team Leader 0191 4196605



## Appendix

### Draft transitional arrangements for new development charges post 1 April 2020

This document sets out our proposed 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 2 July 2018 (the "new rules").

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
- 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

Our proposed transitional arrangements are as follows:

1. Quotations for water mains and/or sewer requisitions provided under current arrangements, which apply up to and including 31 March 2020 (the "old rules"), and accepted before 1 April 2020 are to continue to apply until 1 April 2025 unless we agree to vary the quotation in consultation with the customer.
2. Where a legal agreement is already in place in relation to water mains and/or sewers 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.
3. Where a legal agreement is already in place with a NAV then 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.
4. Charges relating to the old rules will be adjusted by inflation if the quotation or legal agreement includes an appropriate provision for adjusting the charges.
5. Applications for water main requisitions, sewer requisitions, self-lay water mains and those relating to NAVs received between 1 February 2020 and 31 March 2020 for relevant work that will be carried out after 1 April 2020, will be quoted under

the old rules. During this period, developers, SLPs and NAVs can opt to be quoted under the new rules, if they prefer.

6. 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.

#### **Infrastructure Charges**

1. After 1 April 2020, connections made to a water main or sewer that was provided as a requisition under s41 or s98 of the Water Industry Act 1991 respectively, or a water main that was self-laid under s51 between 1991 and April 2018 will be charged using the new infrastructure charge.
2. After 1 April 2020, connections made to assets other than those above will be charged in accordance with the new infrastructure charge as defined in the rules.

## Appendix 2

### Illustration of charges between 2017/18 and 2020/21 – NW and ESW



#### Important changes to charges for new developments from 1 April 2020

Dear customer

We wrote to you earlier in October to you to inform you of some important changes that affect the way we charge for services to support new developments. The detail of changes is included in our earlier correspondence but we have summarised the main changes that will come into effect from 1 April 2020:

- Ofwat requires water companies to remove income offsets from requisition charges
- This means we will pay no asset payment to self-lay providers (SLP) when mains are self-laid and offered to us for adoption
- We will no longer make a payment that is the equivalent to the income offset amount to New Appointments and Variations (NAV)
- We intend to reduce our water and sewerage infrastructure charges
- We will continue offer discounts for houses that are built to be water efficient and/or drain surface water away from our existing sewers
- Water companies are required to achieve the broad balance of charges that existed prior to April 2018

To illustrate how the changes to our charges may affect typical new developments we have included some examples with this communication. The examples show a number of scenarios where developers have requisitioned water mains from us as this is the area of charging that we believe needs some detailed illustration.

The changes that will affect developments where SLPs and NAVs provide new infrastructure are mentioned above and in our earlier correspondence. Where customers require connections to our existing water mains and sewers there will be no change to the way we charge currently, although those customers will also benefit from lower infrastructure charges.

Our examples, which are for illustrative purposes only, are intended to show any difference in the value for the types of charges that are changing i.e. requisition charges, income offsets and infrastructure charges. To simplify things, we have excluded other types of fees and charges (e.g. service connection charges, design fees, etc.) that are not changing in the way that we apply them. We have used some actual developments where customers have requisitioned water mains from us prior to April 2018 and shown how charges transition in the period before April 2018 to post April 2020.





We hope that this communication is useful in helping you to understand how things will change from next April. If you have any comments that you would like to share with us, we would be pleased to hear from you by 15 November 2019. You can write to us using our email address [ConnectConsult@nwl.co.uk](mailto:ConnectConsult@nwl.co.uk) or contact the following members of our Developer Services team who will be happy to talk to you:

Ian McCrickard, Customer Service Manager 0191 4196576  
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Laura Clegg, New Development Team Leader 0191 4196605

Development parameters	
Number of houses	8
Length of water main outside development site (m)	8
Length of water main within development site (m)	97

Cost information	2017/18 DADS calculation	2018/19 fixed income offset per house	2020/21 no income offset
Construction cost of water main	£7,500	£7,500	£7,500
Income offset amount	-£1,236	-£3,320	£0
Developer's payment for water mains	£6,264	£4,180	£7,500
Water infrastructure charges	£2,920	£1,480	£1,080
Sewerage infrastructure charges	£2,920	£2,680	£1,880
Combined cost of mains and infrastructure charges	<b>£12,104</b>	<b>£8,340</b>	<b>£10,460</b>
<u>Discounts for water efficient houses that drain sustainably</u>			
Discount if all houses are water efficient	£0	-£1,480	-£1,080
Discount if all houses drain surface water away from NW's sewers	£0	-£2,280	-£1,480
Combined cost of mains and infrastructure charges	<b>£12,104</b>	<b>£4,580</b>	<b>£7,900</b>

#### Infrastructure charge and income offset information

Water Infrastructure charge rates	Standard charge	Water efficient charge
2017/18	£365	£0
2018/19	£185	£0
2020/21	£135	£0

Sewerage Infrastructure charge rates	Standard charge	Sustainable drainage charge
2017/18	£365	£365
2018/19	£335	£50
2020/21	£235	£50

Income offset per house	DADS calculation
2017/18	£415
2018/19	£0
2020/21	£0

Infrastructure charge values are indicative for 2020/21

Development Parameters	
Number of houses	60
Length of water main outside development site (m)	5
Length of water main within development site (m)	472

Cost information	2017/18	2018/19	2020/21
	DADS calculation	fixed income offset per house	no income offset
Construction cost of water main	£21,500	£21,500	£21,500
Income offset amount	-£21,500	-£21,500	£0
Developer's payment for water mains	£0	£0	£21,500
Water infrastructure charges	£21,900	£11,100	£8,100
Sewerage infrastructure charges	£21,900	£20,100	£14,100
Combined cost of mains and infrastructure charges	£43,800	£31,200	£43,700
<u>Discounts for water efficient houses that drain sustainably</u>			
Discount if all houses are water efficient	£0	-£11,100	-£8,100
Discount if all houses drain surface water away from NW's sewers	£0	-£17,100	-£11,100
Combined cost of mains and infrastructure charges	£43,800	£3,000	£24,500

#### Infrastructure charge and income offset information

Water Infrastructure charge rates	Standard charge	Water efficient charge
2017/18	£365	£0
2018/19	£185	£0
2020/21	£135	£0

Sewerage Infrastructure charge rates	Standard charge	Sustainable drainage charge
2017/18	£365	£365
2018/19	£335	£50
2020/21	£235	£50

Income offset per house	DADS calculation
2017/18	£415
2018/19	£0
2020/21	£0

Infrastructure charge values are indicative for 2020/21

Development parameters	
Number of houses	228
Length of water main outside development site (m)	88
Length of water main within development site (m)	1662

Cost information	2017/18	2018/19	2020/21
	DADS calculation	fixed income offset per house	no income offset
Construction cost of water main	£85,000	£85,000	£85,000
Income offset amount	-£84,878	-£85,000	£0
Developer's payment for water mains	£122	£0	£85,000
Water infrastructure charges	£83,220	£42,180	£30,780
Sewerage infrastructure charges	£83,220	£76,380	£53,580
Combined cost of mains and infrastructure charges	<b>£166,562</b>	<b>£118,560</b>	<b>£169,360</b>
<u>Discounts for water efficient houses that drain sustainably</u>			
Discount if all houses are water efficient	£0	-£42,180	-£30,780
Discount if all houses drain surface water away from NW's sewers	£0	-£64,980	-£42,180
Combined cost of mains and infrastructure charges	<b>£166,562</b>	<b>£11,400</b>	<b>£96,400</b>

#### Infrastructure charge and income offset information

Water Infrastructure charge rates	Standard charge	Water efficient charge
2017/18	£365	£0
2018/19	£185	£0
2020/21	£135	£0

Sewerage Infrastructure charge rates	Standard charge	Sustainable drainage charge
2017/18	£365	£365
2018/19	£335	£50
2020/21	£235	£50

Income offset per house	DADS calculation
2017/18	£415
2018/19	£415
2020/21	£0

Infrastructure charge values are indicative for 2020/21

Development parameters	
Number of houses	384
Length of water main outside development site (m)	179
Length of water main within development site (m)	2805

Cost information	2017/18	2018/19	2020/21
	DADS calculation	fixed income offset per house	no income offset
Construction cost of water main	£157,000	£157,000	£157,000
Income offset amount	-£157,000	-£157,000	£0
Developer's payment for water mains	£0	£0	£157,000
Water infrastructure charges	£140,160	£71,040	£51,840
Sewerage infrastructure charges	£140,160	£128,640	£90,240
Combined cost of mains and infrastructure charges	£280,320	£199,680	£299,080
<u>Discounts for water efficient houses that drain sustainably</u>			
Discount if all houses are water efficient	£0	-£71,040	-£51,840
Discount if all houses drain surface water away from NW's sewers	£0	-£109,440	-£71,040
Combined cost of mains and infrastructure charges	£280,320	£19,200	£176,200

**Infrastructure charge and income offset information**

Water Infrastructure charge rates	Standard charge	Water efficient charge
2017/18	£365	£0
2018/19	£185	£0
2020/21	£135	£0

Sewerage Infrastructure charge rates	Standard charge	Sustainable drainage charge
2017/18	£365	£365
2018/19	£335	£50
2020/21	£235	£50

Income offset per house	DADS calculation
2017/18	£415
2018/19	£0
2020/21	£0

Infrastructure charge values are indicative for 2020/21



## **Important changes to charges for new developments from 1 April 2020**

Dear customer

We wrote to you earlier in October to you to inform you of some important changes that affect the way we charge for services to support new developments. The detail of changes is included in our earlier correspondence but we have summarised the main changes that will come into effect from 1 April 2020:

- Ofwat requires water companies to remove income offsets from requisition charges
- This means we will pay no asset payment to self-lay providers (SLP) when mains are self-laid and offered to us for adoption
- We will no longer make a payment that is the equivalent to the income offset amount to New Appointments and Variations (NAV)
- We intend to reduce our water infrastructure charges
- We will continue offer discounts for houses that are built to be water efficient
- Water companies are required to achieve the broad balance of charges that existed prior to April 2018

To illustrate how the changes to our charges may affect typical new developments we have included some examples with this communication. The examples show a number of scenarios where developers have requisitioned water mains from us as this is the area of charging that we believe needs some detailed illustration.

The changes that will affect developments where SLPs and NAVs provide new infrastructure are mentioned above and in our earlier correspondence. Where customers require connections to our existing water mains there will be no change to the way we charge currently, although those customers will also benefit from lower infrastructure charges.

Our examples, which are for illustrative purposes only, are intended to show any difference in the value for the types of charges that are changing i.e. requisition charges, income offsets and infrastructure charges. To simplify things, we have excluded other types of fees and charges (e.g. service connection charges, design fees, etc.) that are not changing in the way that we apply them. We have used some actual developments where customers have requisitioned water mains from us prior to April 2018 and shown how charges transition in the period before April 2018 to post April 2020.



We hope that this communication is useful in helping you to understand how things will change from next April. If you have any comments that you would like to share with us, we would be pleased to hear from you by 15 November 2019. You can write to us using our email address [ConnectConsult@nwl.co.uk](mailto:ConnectConsult@nwl.co.uk) or contact the following members of our Developer Services team who will be happy to talk to you:

Julie Maxwell, Developer Services Team Leader 01268 664460

Ian McCrickard, Customer Service Manager 0191 4196576

Development parameters	
Number of houses	8
Length of water main outside development site (m)	4
Length of water main within development site (m)	108

Cost information	2017/18	2018/19	2020/21
	DADS calculation	fixed income offset per house	no income offset
Construction cost of water main	£5,246	£5,246	£5,246
Income offset amount	-£4,680	-£3,840	£0
Developer's payment for water mains	£566	£1,406	£5,246
Water infrastructure charges	£2,920	£1,920	£1,520
Combined cost of mains and infrastructure charges	<b>£3,486</b>	<b>£3,326</b>	<b>£6,766</b>
<u>Water efficient homes</u>			
Discount if all houses are water efficient	£0	-£1,920	-£1,520
Combined cost of mains and infrastructure charges	<b>£3,486</b>	<b>£1,406</b>	<b>£5,246</b>

**Infrastructure charge and income offset information**

Water Infrastructure charge rates		Income offsets	
2017/18	£365	2017/18	DADS calculation
2018/19	£240	2018/19	£480
2020/21	£190	2020/21	£0

Infrastructure charge values are indicative for 2020/21

Development parameters	
Number of houses	55
Length of water main outside development site (m)	20
Length of water main within development site (m)	201

Cost information	2017/18	2018/19	2020/21
	DADS calculation	fixed income offset per house	no income offset
Construction cost of water main	£12,300	£12,300	£12,300
Income offset amount	-£10,997	-£12,300	£0
Developer's payment for water mains	£1,303	£0	£12,300
Water infrastructure charges	£20,075	£13,200	£10,450
Combined cost of mains and infrastructure charges	<b>£21,378</b>	<b>£13,200</b>	<b>£22,750</b>
<u>Water efficient homes</u>			
Discount if all houses are water efficient	£0	-£13,200	-£10,450
Combined cost of mains and infrastructure charges	<b>£21,378</b>	<b>£0</b>	<b>£12,300</b>

#### Infrastructure charge and income offset information

Water Infrastructure charge rates	Income offsets	
	2017/18	DADS calculation
2017/18	£365	2017/18
2018/19	£240	2018/19
2020/21	£190	2020/21

Infrastructure charge values are indicative for 2020/21

Development parameters	
Number of houses	114
Length of water main outside development site (m)	30
Length of water main within development site (m)	767

Cost information	2017/18	2018/19	2020/21
	DADS calculation	fixed income offset per house	no income offset
Construction cost of water main	£32,400	£32,400	£32,400
Income offset amount	-£28,998	-£32,400	£0
Developer's payment for water mains	£3,402	£0	£32,400
Water infrastructure charges	£41,610	£27,360	£21,660
Combined cost of mains and infrastructure charges	£45,012	£27,360	£54,060
<u>Water efficient homes</u>			
Discount if all houses are water efficient	£0	-£27,360	-£21,660
Combined cost of mains and infrastructure charges	£45,012	£0	£32,400

#### Infrastructure charge and income offset information

Water Infrastructure charge rates		Income offsets	
2017/18	£365	2017/18	DADS calculation
2018/19	£240	2018/19	£480
2020/21	£190	2020/21	£0

Infrastructure charge values are indicative for 2020/21



Development parameters	
Number of houses	362
Length of water main outside development site (m)	280
Length of water main within development site (m)	2516

Cost information	2017/18	2018/19	2020/21
	DADS calculation	fixed income offset per house	no income offset
Construction cost of water main	£81,400	£81,400	£81,400
Income offset amount	-£72,090	-£81,400	£0
Developer's payment for water mains	£9,310	£0	£81,400
Water infrastructure charges	£132,130	£86,880	£68,780
Combined cost of mains and infrastructure charges	<b>£141,440</b>	<b>£86,880</b>	<b>£150,180</b>
<u>Water efficient homes</u>			
Discount if all houses are water efficient	£0	-£86,880	-£68,780
Combined cost of mains and infrastructure charges	<b>£141,440</b>	<b>£0</b>	<b>£81,400</b>

#### Infrastructure charge and income offset information

Water infrastructure charge rates		Income offsets	
2017/18	£365	2017/18	DADS calculation
2018/19	£240	2018/19	£480
2020/21	£190	2020/21	£0

Infrastructure charge values are indicative for 2020/21

## Appendix 3

### Impact assessment of charges for 2020/21

We have assessed the impact of changes to charges using the worked example scenarios set out in Ofwat's Information Notice IN 19/05 October 2019. In the examples we have included the following:

- Requisition charges – relating to the work we do when constructing new water mains/sewers
- Connection charges – relating to the work we do when connecting properties to our new or existing network
- Infrastructure charges
- Income offset, if applicable

We have also included the other charges that are relevant to the scenarios. These include, but are not limited to:

- Application fees
- Design fees
- Administration fees
- Meter installation fees
- Fees to determine Water Regulations compliance
- Traffic management fees
- Pre-occupancy fees

Our worked examples reflect our customers' typical preferences. For example, when water mains are requisitioned by a developer, in nearly all cases, they prefer to pre-excavate the ground within their development site, therefore we have used our charges for mains construction using the pre-excavated rate. It is also the case that customers prefer a) to construct lateral drains and connect to our sewers and b) to construct new sewers and offer them to us for adoption. Therefore our worked examples do not include for us constructing sewerage assets.

The examples are for illustrative purposes only. In all of the examples the following assumptions have been made:

- The development sites have not been developed previously, such that no infrastructure charge credits apply
- None of the houses are eligible for discounts for water efficiency or sustainable drainage
- No circumstances exist such that any of the connection services would be exempt from fixed upfront charges (see Appendix B of our Charging Arrangements for 2020/21)
- That sewer connections will be made directly to our existing public sewer network
- The fees and charges are exclusive of VAT

For the Northumbrian area, we have shown all of the water and wastewater fees and charges that typically apply to the development types in the examples. In that way, customers can see the expected total bill for connecting the development to our water and wastewater networks.

For the Essex & Suffolk area, we have shown all of the water fees and charges that typically apply to the development types in the examples. The wastewater charges and fees which may apply will be payable to the relevant sewerage undertaker in the area which the development is situated.

Where our examples include for the adoption of sewers an additional fee is payable that is not been included within our calculation. The fee is 2.5% of our estimate of the construction costs of the sewers or a minimum of £500. The fee includes for the following:

- Inspection and testing (including CCTV) of the self-laid sewers
- Provision of a maintenance certificate
- Issue of a final sewer adoption certificate

## Single connection

Water:

- Connection to existing mains – No new mains/sewer required
- 25-32 PE pipe
- Short connection – 4m road surface

Wastewater – include relevant sewer connection costs, including sewer construction costs where applicable (if the water company would expect to undertake most of the construction activities)

### Northumbrian area

Charge item	Length or Quantity	Unit	Rate 19/20	Charge 19/20	Rate 20/21	Charge 20/21
Application fee	1	no.	£96	£96	£115	£115
Administration fee	1	no.	£134	£134	£136	£136
Water Regulations compliance fee	1	no.	£0	£0	£53	£53
25 mm diameter connection, 2 to 5m in length, in made up ground	1	no.	£540	£540	£677	£677
Pre-occupancy charge	1	no.	£42	£42	£32	£32
Water infrastructure charge	1	no.	£185	£185	£135	£135
Wastewater infrastructure charge	1	no.	£335	£335	£235	£235
Sewer connection application fee	1	no.	£103	£103	£105	£105
Sewer connection administration fee	1	no.	£196	£196	£200	£200
				£1,631		£1,688

### Essex & Suffolk area

Charge item	Length or Quantity	Unit	Rate 19/20	Charge 19/20	Rate 20/21	Charge 20/21
Application fee	1	no.	£96	£96	£115	£115
Administration fee	1	no.	£134	£134	£136	£136
Water Regulations compliance fee	1	no.	£0	£0	£53	£53
25 mm diameter service connection, 2 to 5m in length, in made up ground	1	no.	£1,132	£1,132	£1,102	£1,102
Pre-occupancy charge	1	no.	£24	£24	£20	£20
Water infrastructure charge	1	no.	£240	£240	£140	£140
				£1,626		£1,566

## Single connection

Water:

- Connection to existing mains – No new mains/sewer required
- 25-32 PE pipe
- Long connection – 8m (4m road surface and 4m unmade ground)

Wastewater – include relevant sewer connection costs, including sewer construction costs where applicable (if the water company would expect to undertake most of the construction activities)

### Northumbrian area

Charge item	Length or Quantity	Unit	Rate	Charge	Rate	Charge
			19/20	19/20	20/21	20/21
Application fee	1	no.	£96	£96	£115	£115
Administration fee	1	no.	£134	£134	£136	£136
Water Regulations compliance fee	1	no.	£0	£0	£53	£53
25 mm diameter connection, 5 to 10m in length, in made up ground	1	no.	£897	£897	£1,096	£1,096
Pre-occupancy charge	1	no.	£42	£42	£32	£32
Water infrastructure charge	1	no.	£185	£185	£135	£135
Wastewater infrastructure charge	1	no.	£335	£335	£235	£235
Sewer connection application fee	1	no.	£103	£103	£105	£105
Sewer connection administration fee	1	no.	£196	£196	£200	£200
				£1,988		£2,107

### Essex & Suffolk area

Charge item	Length or Quantity	Unit	Rate	Charge	Rate	Charge
			19/20	19/20	20/21	20/21
Application fee	1	no.	£96	£96	£115	£115
Administration fee	1	no.	£134	£134	£136	£136
Water Regulations compliance fee	1	no.	£0	£0	£53	£53
25 mm diameter connection, 5 to 10m in length, in made up ground	1	no.	£1,849	£1,849	£1,590	£1,590
Pre-occupancy charge	1	no.	£24	£24	£20	£20
Water infrastructure charge	1	no.	£240	£240	£140	£140
				£2,343		£2,054

## Block of flats

Water:

- 10 new units connected to an existing main – No new mains/sewer required
- Large diameter (63mm) water connection – barrier pipe
- Short connection – 4m road surface

Wastewater – include relevant sewer connection costs, including sewer construction costs where applicable (if the water company would expect to undertake most of the construction activities)

### Northumbrian area

Charge item	Length or Quantity	Unit	Rate 19/20	Charge 19/20	Rate 20/21	Charge 20/21
Application fee	1	no.	£96	£96	£115	£115
Administration fee	1	no.	£440	£440	£136	£136
Water Regulations compliance fee	1	no.	£0	£0	£343	£343
Internal meter administration fee	10	no.	£21	£210	£22	£220
63 mm diameter barrier pipe service connection, 2 to 50m in length, in made up ground	1	no.	£1,122	£1,122	£1,190	£1,190
Internal meter installation charge	10	no.	£116	£1,160	£119	£1,190
Pre-occupancy charge	10	no.	£42	£420	£32	£320
Water infrastructure charge	10	no.	£185	£1,850	£135	£1,350
Wastewater infrastructure charge	10	no.	£335	£3,350	£235	£2,350
Sewer connection application fee	1	no.	£103	£103	£105	£105
Sewer connection administration fee	1	no.	£196	£196	£200	£200
				£8,947		£7,519

### Essex & Suffolk area

Charge item	Length or Quantity	Unit	Rate 19/20	Charge 19/20	Rate 20/21	Charge 20/21
Application fee	1	no.	£96	£96	£115	£115
Administration fee	1	no.	£440	£440	£136	£136
Water Regulations compliance fee	1	no.	£0	£0	£343	£343
Internal meter administration fee	10	no.	£21	£210	£22	£220
63 mm diameter barrier pipe service connection, 2 to 5m in length, in made up ground	1	no.	£1,536	£1,536	£1,484	£1,484
Internal meter installation charge	10	no.	£116	£1,160	£119	£1,190
Pre-occupancy charge	10	no.	£24	£240	£20	£200
Water infrastructure charge	10	no.	£185	£1,850	£140	£1,400
				£5,532		£5,088



## Block of flats

Water:

- 10 new units connected to an existing main – No new mains/sewer required
- Large diameter (63mm) water connection – barrier pipe
- Short connection – 8m (4m road surface and 4m unmade ground)

Wastewater – include relevant sewer connection costs, including sewer construction costs where applicable (if the water company would expect to undertake most of the construction activities)

### Northumbrian area

Charge item	Length or Quantity	Unit	Rate 19/20	Charge 19/20	Rate 20/21	Charge 20/21
Application fee	1	no.	£96	£96	£115	£115
Administration fee	1	no.	£440	£440	£136	£136
Water Regulations compliance fee	1	no.	£0	£0	£343	£343
Internal meter administration fee	10	no.	£21	£210	£22	£220
63 mm diameter barrier pipe connection, 5 to 10m in length, in made up ground	1	no.	£1,722	£1,722	£1,668	£1,668
Internal meter installation charge	10	no.	£116	£1,160	£119	£1,190
Pre-occupancy charge	10	no.	£42	£420	£32	£320
Water infrastructure charge	10	no.	£185	£1,850	£135	£1,350
Wastewater infrastructure charge	10	no.	£335	£3,350	£235	£2,350
Sewer connection application fee	1	no.	£103	£103	£105	£105
Sewer connection administration fee	1	no.	£196	£196	£200	£200
				£9,547		£7,997

### Essex & Suffolk area

Charge item	Length or Quantity	Unit	Rate 19/20	Charge 19/20	Rate 20/21	Charge 20/21
Application fee	1	no.	£96	£96	£115	£115
Administration fee	1	no.	£440	£440	£136	£136
Water Regulations compliance fee	1	no.	£0	£0	£343	£343
Internal meter administration fee	10	no.	£21	£210	£22	£220
63 mm diameter barrier pipe connection, 5 to 10m in length, in made up ground	1	no.	£2,359	£2,359	£2,121	£2,121
Internal meter installation charge	10	no.	£116	£1,160	£119	£1,190
Pre-occupancy charge	10	no.	£24	£240	£20	£200
Water infrastructure charge	10	no.	£185	£1,850	£140	£1,400
				£6,355		£5,725

## Small housing development

### Water:

- 10 new connections off new mains
- New mains required – total length 50m, consisting of
  - 90mm PE – 10m road surface
  - 90mm PE – 90m pre-excavated
  - 63mm PE – 20m pre-excavated

Wastewater – include relevant sewer connection costs, including sewer construction costs where applicable (if the water company would expect to undertake most of the construction activities)

### Northumbrian area

Charge item	Length or Quantity	Unit	Rate 19/20	Charge 19/20	Rate 20/21	Charge 20/21
Water mains application fee (valid POC)	1	no.	£104	£104	£103	£103
Mains design fee for up to 20 properties	1	no.	£364	£364	£373	£373
Mains administration fee	1	no.	£463	£463	£445	£445
Supply and construct 90 mm diameter PE water main - in made up ground	10	m	£153	£1,530	£154	£1,540
Supply and construct 90 mm diameter PE water main - in pre-excavated ground	20	m	£40	£800	£42	£840
Supply and construct 63 mm diameter PE water main - in pre-excavated ground	20	m	£32	£640	£33	£660
Income offset (capped at construction cost of mains)	10	no.	-£422	-£2,970	£0	£0
Administration fee - connection to newly laid mains	10	no.	£67	£670	£46	£460
Water Regulations compliance fee	10	no.		£0	£23	£230
Supply and install 25 mm service connection (pre-excavated)	10	no.	£274	£2,740	£297	£2,970
Pre-occupancy charges	10	no.	£42	£420	£32	£320
Water Infrastructure charge	10	no.	£185	£1,850	£135	£1,350
Wastewater infrastructure charge	10	no.	£335	£3,350	£235	£2,350
Sewer connection application fee	1	no.	£103	£103	£105	£105
Sewer connection administration fee	1	no.	£196	£196	£200	£200
Sewer adoption application fee (includes initial administration)	1	no.	£500	£500	£500	£500
Sewer adoption legal fee (provision of a standard sewer adoption agreement)	1	no.	£219	£219	£219	£219
				£10,979		£12,665

Essex & Suffolk area

Charge item	Length or Quantity	Unit	Rate 19/20	Charge 19/20	Rate 20/21	Charge 20/21
Water mains application fee (valid POC)	1	no.	£104	£104	£103	£103
Mains design fee for up to 20 properties	1	no.	£364	£364	£373	£373
Mains administration fee	1	no.	£463	£463	£445	£445
Supply and construct 90 mm diameter PE water main - in made up ground	10	m	£213	£2,130	£210	£2,100
Supply and construct 90 mm diameter PE water main - in pre-excavated ground	20	m	£42	£840	£58	£1,160
Supply and construct 63 mm diameter PE water main - in pre-excavated ground	20	m	£74	£1,480	£75	£1,500
Income offset (capped at construction cost of mains)	10	no.	-£487	-£4,450	£0	£0
Administration fee - connection to newly laid mains	10	no.	£67	£670	£46	£460
Water Regulations compliance fee	10	no.		£0	£23	£230
Supply and install 25 mm service connection (pre-excavated)	10	no.	£239	£2,390	£243	£2,430
Pre-occupancy charges	10	no.	£24	£240	£20	£200
Water Infrastructure charge	10	no.	£240	£2,400	£140	£1,400
				£6,631		£10,401

## Medium housing development

Water:

- 50 new connections off new mains
- New mains required – total length 300m, consisting of
  - 180mm PE – 10m road surface
  - 180mm PE – 90m pre-excavated
  - 125mm PE – 100m pre-excavated
  - 90mm PE – 100m pre-excavated

Wastewater – include relevant sewer connection costs, including sewer construction costs where applicable (if the water company would expect to undertake most of the construction activities)

### Northumbrian area

Charge item	Length or Quantity	Unit	Rate	Charge	Rate	Charge
			19/20	19/20	20/21	20/21
Water mains application fee (valid POC)	1	no.	£104	£104	£103	£103
Mains design fee for up to 20 properties	1	no.	£364	£364	£373	£373
Mains design fee for additional multiples of 20 properties	2	no.	£66	£132	£68	£136
Mains administration fee	1	no.	£463	£463	£445	£445
Supply and construct 180 mm diameter PE water main - in made up ground	10	m	£189	£1,890	£191	£1,910
Supply and construct 180 mm diameter PE water main - in pre-excavated ground	90	m	£58	£5,220	£60	£5,400
Supply and construct 125 mm diameter PE water main - in pre-excavated ground	100	m	£43	£4,300	£45	£4,500
Supply and construct 90 mm diameter PE water main - in pre-excavated ground	100	m	£40	£4,000	£42	£4,200
Income offset (capped at construction cost of mains)	50	no.	-£422	-£15,410	£0	£0
Administration fee - connection to newly laid mains	50	no.	£67	£3,350	£46	£2,300
Water Regulations compliance fee	50	no.		£0	£23	£1,150
Supply and install 25 mm service connection (pre-excavated)	50	no.	£274	£13,700	£297	£14,850
Pre-occupancy charges	50	no.	£42	£2,100	£32	£1,600
Water Infrastructure charge	50	no.	£185	£9,250	£135	£6,750
Wastewater infrastructure charge	50	no.	£335	£16,750	£235	£11,750
Sewer connection application fee	1	no.	£103	£103	£105	£105
Sewer connection administration fee	1	no.	£196	£196	£200	£200
Sewer adoption application fee (includes initial administration)	1	no.	£500	£500	£500	£500
Sewer adoption legal fee (provision of a standard sewer adoption agreement)	1	no.	£219	£219	£219	£219
				£47,231		£56,491

Essex & Suffolk area

Charge item	Length or Quantity	Unit	Rate 19/20	Charge 19/20	Rate 20/21	Charge 20/21
Water mains application fee (valid POC)	1	no.	£104	£104	£103	£103
Mains design fee for up to 20 properties	1	no.	£364	£364	£373	£373
Mains design fee for additional multiples of 20 properties	2	no.	£66	£132	£68	£136
Mains administration fee	1	no.	£463	£463	£445	£445
Supply and construct 180 mm diameter PE water main - in made up ground	10	m	£272	£2,720	£257	£2,570
Supply and construct 180 mm diameter PE water main - in pre-excavated ground	90	m	£74	£6,660	£75	£6,750
Supply and construct 125 mm diameter PE water main - in pre-excavated ground	100	m	£50	£5,000	£66	£6,600
Supply and construct 90 mm diameter PE water main - in pre-excavated ground	100	m	£42	£4,200	£58	£5,800
Income offset (capped at construction cost of mains)	50	no.	-£487	-£18,580	£0	£0
Administration fee - connection to newly laid mains	50	no.	£67	£3,350	£46	£2,300
Water Regulations compliance fee	50	no.		£0	£23	£1,150
Supply and install 25 mm service connection (pre-excavated)	50	no.	£239	£11,950	£243	£12,150
Pre-occupancy charges	50	no.	£24	£1,200	£20	£1,000
Water Infrastructure charge	50	no.	£240	£12,000	£140	£7,000
				£29,563		£46,377

## Large housing development

Water:

- 200 new connections off new mains
- New mains required – total length 1000m, consisting of
  - 180mm PE – 10m road surface
  - 180mm PE – 290m pre-excavated
  - 125mm PE – 300m pre-excavated
  - 90mm PE – 400m pre-excavated

Wastewater – include relevant sewer connection costs, including sewer construction costs where applicable (if the water company would expect to undertake most of the construction activities)

### Northumbrian area

Charge item	Length or Quantity	Unit	Rate 19/20	Charge 19/20	Rate 20/21	Charge 20/21
Water mains application fee (valid POC)	1	no.	£104	£104	£103	£103
Mains design fee for up to 20 properties	1	no.	£364	£364	£373	£373
Mains design fee for additional multiples of 20 properties	9	no.	£66	£594	£68	£612
Mains administration fee	1	no.	£463	£463	£445	£445
Supply and construct 180 mm diameter PE water main - in made up ground	10	m	£189	£1,890	£191	£1,910
Supply and construct 180 mm diameter PE water main - in pre-excavated ground	290	m	£58	£16,820	£60	£17,400
Supply and construct 125 mm diameter PE water main - in pre-excavated ground	300	m	£43	£12,900	£45	£13,500
Supply and construct 90 mm diameter PE water main - in pre-excavated ground	400	m	£40	£16,000	£42	£16,800
Income offset (capped at construction cost of mains)	200	no.	-£422	-£47,610	£0	£0
Administration fee - connection to newly laid mains	200	no.	£67	£13,400	£46	£9,200
Water Regulations compliance fee	200	no.		£0	£23	£4,600
Supply and install 25 mm service connection (pre-excavated)	200	no.	£274	£54,800	£297	£59,400
Pre-occupancy charges	200	no.	£42	£8,400	£32	£6,400
Water Infrastructure charge	200	no.	£185	£37,000	£135	£27,000
Wastewater infrastructure charge	200	no.	£335	£67,000	£235	£47,000
Sewer connection application fee	1	no.	£103	£103	£105	£105
Sewer connection administration fee	1	no.	£196	£196	£200	£200
Sewer adoption application fee (includes initial administration)	1	no.	£500	£500	£500	£500
Sewer adoption legal fee (provision of a standard sewer adoption agreement)	1	no.	£219	£219	£219	£219
				£183,143		£205,767

Essex & Suffolk area

Charge item	Length or Quantity	Unit	Rate 19/20	Charge 19/20	Rate 20/21	Charge 20/21
Water mains application fee (valid POC)	1	no.	£104	£104	£103	£103
Mains design fee for up to 20 properties	1	no.	£364	£364	£373	£373
Mains design fee for additional multiples of 20 properties	9	no.	£66	£594	£68	£612
Mains administration fee	1	no.	£463	£463	£445	£445
Supply and construct 180 mm diameter PE water main - in made up ground	10	m	£272	£2,720	£257	£2,570
Supply and construct 180 mm diameter PE water main - in pre-excavated ground	290	m	£74	£21,460	£75	£21,750
Supply and construct 125 mm diameter PE water main - in pre-excavated ground	300	m	£50	£15,000	£66	£19,800
Supply and construct 90 mm diameter PE water main - in pre-excavated ground	400	m	£42	£16,800	£58	£23,200
Income offset (capped at construction cost of mains)	200	no.	-£487	-£55,980	£0	£0
Administration fee - connection to newly laid mains	200	no.	£67	£13,400	£46	£9,200
Water Regulations compliance fee	200	no.		£0	£23	£4,600
Supply and install 25 mm service connection (pre-excavated)	200	no.	£239	£47,800	£243	£48,600
Pre-occupancy charges	200	no.	£24	£4,800	£20	£4,000
Water Infrastructure charge	200	no.	£240	£48,000	£140	£28,000
				£115,525		£163,253



## Self-laid scenario – based upon large housing development

Water:

- 200 new connections off new mains
- New mains required – total length 1000m, consisting of
  - 180mm PE – 10m road surface
  - 180mm PE – 290m pre-excavated
  - 125mm PE – 300m pre-excavated
  - 90mm PE – 400m pre-excavated

Wastewater – include relevant sewer connection costs, including sewer construction costs where applicable (if the water company would expect to undertake most of the construction activities)

Northumbrian area

Charge item	Length or Quantity	Unit	Rate 19/20	Charge 19/20	Rate 20/21	Charge 20/21
Water mains application fee (valid POC)	1	no.	£104	£104	£103	£103
Mains design approval fee	1	no.	£173	£173	£197	£197
Self-lay administration fee	1	no.	£413	£413	£331	£331
Self-lay legal fee	1	no.	£59	£59	£58	£58
Connection of self-laid main to existing water mains	1	no.	£2,355	£2,355	£2,237	£2,237
Administration fee - self laid connection	200	no.	£28	£5,600	£34	£6,800
Water Regulations compliance fee	200	no.	£53	£10,600	£23	£4,600
Pre-occupancy charges	200	no.	£42	£8,400	£32	£6,400
Water Infrastructure charge	200	no.	£185	£37,000	£135	£27,000
Wastewater infrastructure charge	200	no.	£335	£67,000	£235	£47,000
Sewer connection application fee	1	no.	£103	£103	£105	£105
Sewer connection administration fee	1	no.	£196	£196	£200	£200
Sewer adoption application fee (includes initial administration)	1	no.	£500	£500	£500	£500
Sewer adoption legal fee (provision of a standard sewer adoption agreement)	£1	no.	£219	£219	£219	£219
Charge for the development				£132,722		£95,750
Charge to SLP (i.e. excluding charges in shaded areas above)				£131,704		£94,726

Essex & Suffolk area

Charge item	Length or Quantity	Unit	Rate 19/20	Charge 19/20	Rate 20/21	Charge 20/21
Water mains application fee (valid POC)	1	no.	£104	£104	£103	£103
Mains design approval fee	1	no.	£173	£173	£197	£197
Self-lay administration fee	1	no.	£413	£413	£331	£331
Self-lay legal fee	1	no.	£59	£59	£58	£58
Connection of self-laid main to existing water mains	1	no.	£2,779	£2,779	£2,851	£2,851
Administration fee - self laid connection	200	no.	£28	£5,600	£34	£6,800
Water Regulations compliance fee	200	no.	£53	£10,600	£23	£4,600
Pre-occupancy charges	200	no.	£24	£4,800	£20	£4,000
Water Infrastructure charge	200	no.	£140	£28,000	£140	£28,000
				Charge to SLP	£52,528	£46,940