



South Staffs Water

incorporating



# Developer Services Charges 2018 - 2019



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## 1. Introduction

This document provides our customers with guidance and information about our new charging arrangements from [1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019](#).

These are the charges that developers and other customers will pay when requesting either new water mains or water connections.

In December 2016, Ofwat published [rules](#) requiring water companies to review their charging arrangements for developer customers, these requirements and other improvements are reflected in this document.

As part of this document we also describe how we will calculate infrastructure charges. Following public consultation the calculation will change from [1<sup>st</sup> April 2018](#), we have therefore included some transitional arrangements.

We will also explain the alternative provider options open to you for supplying water mains and connections by using [Self Lay Providers \(SLP\)](#) and [New Appointee Variations \(NAV\)](#).

As water scarcity becomes a greater issue for us all, we want to ensure that we are supporting developers by ensuring that we develop sustainable homes for the future.

All our customers will be entitled to our newly introduced water efficiency incentives when implementing sustainable approaches for their new developments.

Our new charging arrangements will come into effect on [1<sup>st</sup> April 2018](#) and will next be reviewed on [1<sup>st</sup> April 2019](#).

## 2. Background

### 2.1 New Charging Rules

Ofwat published its [final charging rules](#) in December 2016. These rules are principles-based, with a strong focus on:

- fixed charges
- clear methodologies to support predictability
- transparency to support development

The rules state that water companies can levy charges for both off-site water and infrastructure. Also, while they do not require companies to illustrate environmental price signals in their charges, they do allow them to offer incentives for sustainable solutions.

We are supportive of the additional clarity and transparency that Ofwat is promoting and we are committed to ensuring fairness for all current and future customers in this area.

### 2.2 The Connections Market

In 2008, Ofwat introduced guidance about the [Connections Market](#) to inform customers that competition could reduce the price of water mains and connections.

We are committed to supporting developer customers in making the best choices as to how Water Mains and Services are provided, and will promote how to access the Connections Market on every estimate issued.

Within this document we will explain the Charges and Payments options available to all our customers.

#### Local Water Company

If you require a new water main, water connection(s) or diversions, we are happy we to install these for your new development.

#### Self-Lay Provider (SLP)

As a developer, you have the option to appoint an accredited SLP to complete all main-laying and service connections on your new development site.

### New Appointee & Variation (NAV)

If you are not already served by a NAV, but wish to choose this option to provide connections for your new development, then the NAV will need to engage with us to agree a point of connection to our network.

### 3. Developer Services Consultation

We have consulted with our customers and provided the opportunity for feedback on proposals before making changes to connections and infrastructure charges in our supply areas.

You can visit our [customer consultation forum website](#) to read the publications from our consultations with customers and the published feedback.

We invited the following customer groups who regularly engage with or use our developer services:

- Small Builders
- Large Developers
- Industrial & Commercial (I&C)
- Self-Lay Providers (SLP)
- New Appointees (NAV)

During the consultation process customers suggested the following areas of improvement:

- Disappointment with the variability of our costs (often due to reinforcement work required to supply the development)
- Small Builders voiced concern regarding how confusing our processes are when they generally build one or two properties per annum
- All customers requested greater transparency from us, so they can have clearer detail within calculations to allow them to estimate accurately and make more informed decisions on which provider best suits their development
- Feedback indicated a clear customer preference for our costs to be aggregated and allow fixed [per plot](#) or per connection rates
- A desire for increased water efficiency in planned new developments with practical and realistic associated discounts or rebates to our customers

In 2018, we intend to continue our customer discussions on a regular basis, with discussions around:

- Further embedding and encouraging Water Efficiency
- Advances & Improvements in Water Metering
- Feedback on how our charges and processes are working

Register your interest to take part in these seminars at:

[Developerforum@south-staffs-water.co.uk](mailto:Developerforum@south-staffs-water.co.uk)

## 4. Customer Charges – 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019

After undertaking a review of the [consultation](#) feedback from our customers, it was clear that they wanted a **cost per plot** pricing mechanism to assist with costing projects.

Defra and Ofwat require that a developer should not pay more for a development in the future than they do currently; we have ensured our costs reflect this.

From 1<sup>st</sup> April we will introduce our new charging arrangements based around **cost per plot**, greater transparency and visibility of alternative provider options.

Our Developer Services Team will, irrespective of your chosen delivery method or scale of development, be happy to provide advice on the design, pricing and construction of new water mains, connections, firefighting and other temporary supplies for your developments.

Please contact us if you wish to discuss any aspects of your new development with our team.

### Administration Application Fees

We charge an administration application fee for new developer services requests within both of our supply areas.

The application fee covers 4 hours administration resource; if the work takes longer we will not request any additional fees.

| Household Development | Non household Development | Mixed Development | Diversion    |
|-----------------------|---------------------------|-------------------|--------------|
| £70.00                | £70.00 + VAT              | £70.00 + VAT      | £70.00 + VAT |

If you require alterations to an estimate that has already been issued and this is within the stated validity period we will undertake the changes at no charge.

In the event that your offer has expired, you will need to re-apply and the appropriate application fee will be charged again.

## 4.1 Infrastructure Charges

Depending on the location and scale of your new development, our network may need upgrading to meet the supply requirements of new connections.

Infrastructure charges contribute towards the expenditure required to provide enhancements to the local distribution system, these are necessary to meet increased demands as a result of new or additional connections to our water supply system.

Infrastructure charges are payable for all types of connections, whether they are household or non-household, irrespective of who delivers the connection.

Each year we will recalculate the total of the anticipated reinforcement costs and will divide by the revised number of anticipated connections. This is calculated over a 5 year period.

### Water Company

From 1<sup>st</sup> April 2018 under our new framework, infrastructure charges will fund offsite reinforcement works, a rate of **£325 per plot** will apply across both our operating regions.

This will ensure that we only recover our costs; any changes to these charges will be made annually and will be published well ahead of them coming into force on **1st April 2019** and beyond.

Water and sewerage infrastructure charges are payable whether you decide to use Water Company, SLP or NAV.

### SLP

We recognise that SLPs offer customers an important alternative for providing water infrastructure to serve their developments.

For SLPs, we will provide an asset value (AV) contribution based on the future revenue we anticipate to receive from water consumption at the new development.

We have calculated this AV contribution on a **per plot** basis at **£612**.

From April we will publish our SLP application service level performance using Water UK's service level agreement (SLA) criteria.

At the same time we have also introduced a specific application form for SLPs, which can be found in the [SLP portal](#)

On request, we will be pleased to complete work for SLPs. For example, where the existing water main is located on the opposite side of a dual carriageway, the SLP can engage us to complete the works on their behalf if they choose to.

## NAV

As with SLPs, we recognise NAVs as an important customer group, and will provide a service package that is equivalent to those we would provide to any other customer.

For NAV's we will charge the full cost of providing the connection onto our network.

As stated above a NAV will also be liable for infrastructure charges however, the company will apply the same income offset to the water element as offered to developer and SLP customers.

Again, we have calculated this AV contribution on a cost [per plot](#) basis at [£612](#).

This will also include costs relating to any feasibility studies carried out, and will be applied consistently regardless of the type of application.

We also intend to introduce a specific application form for NAVs after April 2018.

Ofwat has recently concluded a [study](#) of the NAV market. Any action that Ofwat takes as a result of this study or its work on applying income offsets could affect our charging proposals for NAVs.

We will monitor these developments to ensure we continue to offer our NAV customers an equivalent service to that offered to developers and SLPs.

## 4.2 Charges for Site-Specific, Network Reinforcement and Other Work (Water Supply)

### Service Connection Charges (Non-contestable)

| WIA ref | Charge Item   | Charge Unit                         | Charge                       |            |
|---------|---|-------------------------------------|------------------------------|------------|
| S45     | Application fee - Company Laid Connection (for first connection)  | per application                     | £70.00                       |            |
| S45     | Application fee - Company Laid Connection - (each subsequent connection)  | per application                     | Inclusive in application fee |            |
| S45     | Application fee - Self- Laid Connection (for first connection)  | per application                     | £70.00                       |            |
| S45     | Application fee - Self- Laid Connection (each subsequent connection)  | per application                     | Inclusive in application fee |            |
| S45     | Administration fee - Company Laid Connection (for first connection)   | per application                     | Inclusive in application fee |            |
| S45     | Administration fee - Company Laid Connection - (each subsequent connection)   | per application                     | Inclusive in application fee |            |
| S45     | Administration fee - Self- Laid Connection (for first connection)   | per application                     | Inclusive in application fee |            |
| S45     | Administration fee - Self- Laid Connection (each subsequent connection)   | per application                     | Inclusive in application fee |            |
| S45     | >63mm Connection - via ferrule to main & 2 linear metres of service pipe (except where the connection is to be constructed as part of the agreed main laying Works)   | per connection                      | POA                          |            |
| S45     | Extra metres  | per m                               | POA                          |            |
| S45     | Service connections less than 63mm on existing mains where the Water Company assess that the condition of the main or the material heightens the risks to existing assets or could affect supplies to existing customers. | 20mm NbPE connection incl. first 2m | £385.00                      | Verge/Site |
|         |   |                                     | £615.00                      | Footpath   |
|         |   |                                     | £720.00                      | Type 3/4   |
|         |   |                                     | £760.00                      | Type 1/2   |

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|      |  | >20mm NbPE <63mm NbPE connection incl. first 2m  | POA                                     |            |
|------|--|--|---|------------|
| S45  | Extra metres   | 20mm NbPE per m                                  | £25.00                                  | Verge/Site |
|      |  |  | £50.00                                  | Footpath   |
|      |  |  | £70.00                                  | Type 3/4   |
|      |  |  | £85.00                                  | Type 1/2   |
|      |  | >20mm NbPE <63mm NbPE connection incl. first 2m  | POA                                     |            |
| S45  | Install 15mm meter and / or meter box (only for meter types that necessitate that meter installation be carried out by the water company) flats only | per meter (based on size or type)                | £90.00                                  |            |
| S45  | Commission 15mm meter (only for meter types that necessitate that meter commissioning be carried out by the water company)                           | per meter (based on size or type)                | Incl. in above install cost             |            |
| S45  | Design of service connection (where contestable)   | Fixed Fee, %, or Deposit                         | Inclusive in application fee            |            |
| S45  | Connection charge for Building Water (where a company's approach to charging for building supply connections differs from their other charges).      | e.g. per connection                              | No difference from standard application |            |
| S51A | <b>Water Regulations Inspection (External) (where company inspects service connections laid by others)</b>   | <b>e.g. Per inspection, % fee etc.</b>           | <b>Inclusive in application fee</b>     |            |
| S51A | <b>Water Regulations Inspection (Internal) (where company inspects service connections laid by others)</b>   | <b>e.g. Per inspection, % fee etc.</b>           | <b>Inclusive in application fee</b>     |            |
| S51A | <b>Approving Site-Specific water distribution systems designs (except where self-certification arrangements are in place)</b>                        | <b>e.g. Per connection or per block or units</b> | <b>Inclusive in application fee</b>     |            |

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Service Connections (Contestable) i.e. service connections on low risk existing or new mains

| WIA ref    | Charge Item  | Charge Unit  | Charge                       |            |
|------------|--|--|------------------------------|------------|
| S51A / S45 | Point of connection enquiry (customer has not selected the POC, or wants confirmation of their chosen POC) | Fixed Fee, %, or Deposit                             | £70.00                       |            |
| S51A / S45 | Design of service connection (where contestable)   | Fixed Fee, %, or Deposit                             | Inclusive in application fee |            |
| S45        | <63mm Connection via ferrule to main & 2 linear metres of service pipe                                     | 20mm NbPE connection incl. first 2m                  | £385.00                      | Verge/Site |
|            |  |  | £615.00                      | Footpath   |
|            |  |  | £720.00                      | Type 3/4   |
|            |  |  | £760.00                      | Type 1/2   |
|            | >20mm NbPE <63mm NbPE connection incl. first 2m  | POA  |                              |            |
| S45        | Extra metres   | 20mm NbPE per m                                      | £25.00                       | Verge/Site |
|            |  |  | £50.00                       | Footpath   |
|            |  |  | £70.00                       | Type 3/4   |
|            |  |  | £85.00                       | Type 1/2   |
|            | >20mm NbPE <63mm NbPE connection incl. first 2m  | POA  |                              |            |
| S45        | >63mm Connection via ferrule to main & 2 linear metres of service pipe                                     | e.g. per connection                                  | POA                          |            |
| S45        | Excavate, supply and lay additional pipe in verge/ unmade ground and reinstate                             | e.g. per m   | POA                          |            |
| S45        | Excavate, supply and lay additional pipe in footpath and reinstate   | e.g. per m   | POA                          |            |
| S45        | Excavate, supply and lay additional pipe in road and reinstate   | e.g. per m   | POA                          |            |
| S45        | Supply and fit domestic fire sprinkler connection  | e.g. Per connection or uplift on standard connection | POA                          |            |
| S45        | Traffic management   | e.g. Fixed fee, rates, or %                          | POA                          |            |
| S45        | Road closure fees  | Fixed fee  | POA                          |            |

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|            |   |                             |  |
|------------|---|-----------------------------|--|
| S45        | Cycle lane closure  | Fixed fee                   | POA                                      |
| S45        | Parking bay suspension  | Fixed fee/day               | POA                                      |
| S51A / S45 | Pressure testing  | e.g. Fixed fee              | £105.00                                  |
| S51A / S45 | Chlorination  | e.g. Fixed fee, rates, or % | Inclusive in charge for pressure testing |
| S51A / S45 | Sampling  | e.g. per sample             | Inclusive in Overhead                    |
| S51A / S45 | Connection charge for Building Water (where a company's approach to charging for building supply connections differs from their other charges). | e.g. per connection         | As per standard connection               |

### Adopting Self-laid mains (Non-Contestable Works)

| WIA ref | Charge Item  | Charge Unit   | Charge                       |                           |
|---------|--|---|------------------------------|---------------------------|
| S51A    | <b>Pre-commencement Fee (this is charged to cover the cost of responding to a SLPs request for an adoption agreement)</b>  | e.g. % of value of works                                    | <b>Inclusive in Overhead</b> |                           |
| N/A     | Service Connections Admin fees (where an SLP is providing these. Use appropriate parts of the service connections tables).   | e.g. per connection   | Inclusive in Overhead        |                           |
| S51A    | Work that the company will provide as part of an adoption agreement such as mains connections where the Water Company assesses that the condition of the main or the material heightens the risks to existing assets or could affect supplies to existing customers - SOW    | Bespoke arrangement. Detail provided in a separate schedule | £4,195.00                    | Up to and including 300mm |
| S51A    | Work that the company will provide as part of an adoption agreement such as mains connections where the Water Company assesses that the condition of the main or the material heightens the risks to existing assets or could affect supplies to existing customers -In Line | Bespoke arrangement. Detail provided in a separate schedule | £1,820.00                    | Up to and including 300mm |
| S51A    | Providing and / or commissioning company specific telemetry for assets offered for adoption  | e.g. per installation                                       | POA                          |                           |
| S51A    | <b>Mains Design Approval Fee (design provided by others)</b>   | <b>e.g. per requisition or per m2 of development</b>        | <b>Inclusive in Overhead</b> |                           |

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|      |  |   |           |
|------|--|---|-----------|
| S51A | Contribution by Company towards the cost of upsizing, or enhancement work to be funded by the Company (will show as a credit in the quotation) | Bespoke arrangement. Detail provided in a separate schedule | POA       |
| S51C | Income Offset offered to Developer - Asset Value   | AMOUNT in £   | £612/plot |

### Providing New Mains Assets under an Adoption Agreement (Contestable Works)

| WIA ref | Charge Item   | Charge Unit   | Charge                |
|---------|---|---|-----------------------|
| S51A    | Site Specific Work that the company will provide as part of an adoption agreement | Bespoke arrangement. Detail provided in a separate schedule | POA                   |
| S51A    | Mains Design Fee  | e.g. per connection, or per m2 of development               | Inclusive in Overhead |

### Providing a Public Main (s41 Requisition) - Non-Contestable Work

| WIA ref | Charge Item  | Charge Unit                                   | Charge                       |
|---------|--|---|------------------------------|
| S41     | Mains Application fee  | Fixed Fee                                     | £70.00                       |
| S41     | Mains Administration fee   | Fixed Fee                                     | Inclusive in application fee |
| S41     | Mains Design Fee   | e.g. per requisition or per m2 of development | Inclusive in Overhead        |
| S41     | Mains connection that involves heightened risk to existing assets or could affect supplies to existing customers | e.g. per connection                           | POA                          |
| S41     | Charges associated with installing DMA Metering (only Site Specific for larger developments)                     | e.g. per meter                                | POA                          |
| S41     | Traffic management   | e.g. Fixed fee, rates, or %                   | POA                          |

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|     |   |  |                  |
|-----|---|--|------------------|
| S41 | Road closure fees   | e.g. Fixed fee, rates, or %  | POA              |
| S41 | Land entry, compensation, and other third party charges not included above  | e.g. Fixed fee, rates, or %  | POA              |
| S41 | <b>Charges for elements of work affected by "Exceptional Circumstances"</b>   | <b>Bespoke arrangement. Detail provided in a separate schedule</b> | <b>POA</b>       |
| S41 | <b>Contribution by Company towards the cost of upsizing, or enhancement work to be funded by the Company (will show as a credit in the quotation)</b> | <b>Bespoke arrangement. Detail provided in a separate schedule</b> | <b>POA</b>       |
| S42 | <b>Income Offset offered to Developer (if the company offers an Income Offset) (will show as a credit in the quotation)</b>                           | <b>AMOUNT in £</b>   | <b>£612/plot</b> |

### Providing a Public Main as a s41 Requisition (Contestable)

| WIA ref | Charge Item   | Charge Unit  | Charge                       |                            |
|---------|---|--|------------------------------|----------------------------|
| S41     | <b>Point of connection enquiry fee (customer has not selected the POC, or wants confirmation of their chosen POC)</b> | <b>Fixed Fee, %</b>                                  | <b>£70.00</b>                |                            |
| S41     | <b>Mains Design Fee</b>   | <b>e.g. per requisition or per m2 of development</b> | <b>Inclusive in Overhead</b> |                            |
| S41     | Re-design fee where layout subsequently amended   | e.g. Fixed fee, rates, or %                          | Inclusive in Overhead        |                            |
| S41     | Supply pipe where developer digs and reinstates the trench  | e.g. per m   | £58.74                       |                            |
| S41     | Excavate, supply and lay additional pipe in verge/ unmade ground and reinstate  | e.g. per m   | N/A                          | Costed on a per plot basis |
| S41     | Excavate, supply and lay additional pipe in footpath and reinstate  | e.g. per m   | N/A                          | Costed on a per plot basis |
| S41     | Excavate, supply and lay additional pipe in road and reinstate  | e.g. per m   | N/A                          | Costed on a per plot basis |
| S41     | Supply and fit district meter / leakage meter   | per meter  | POA                          |                            |
| S41     | Providing a booster where a developer desires guaranteed pressure greater than 0.7bar at areas of the site.           | e.g. per booster                                     | POA                          |                            |

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|            |   |  |                       |                           |
|------------|---|--|-----------------------|---------------------------|
| S41        | Mains construction up to and including 300mm diameter                       | Per Plot   | £779/plot             |                           |
| S41        | Mains construction exceeding 300mm diameter                                 | Per Plot   | POA                   |                           |
| S41        | Traffic management  | e.g. Fixed fee, rates, or %  | POA                   |                           |
| S41        | Road closure fees   | e.g. Fixed fee, rates, or %  | POA                   |                           |
| S41        | Land entry, compensation, and other third party charges not included above  | e.g. Fixed fee, rates, or %  | POA                   |                           |
| S41        | Environmental charges not included above                                    | e.g. Fixed fee, rates, or %  | POA                   |                           |
| S41        | Pressure testing  | e.g. Fixed fee, rates, or %  | £365.00               |                           |
| S41        | Routine in-line mains connections   | e.g. per connection  | £1,250.00             | Up to and including 300mm |
| S41        | Chlorination  | e.g. Fixed fee, rates, or %  | £345.00               |                           |
| S41        | Sampling  | e.g. per sample  | Inclusive in Overhead |                           |
| <b>S41</b> | <b>Charges for elements of work affected by "Exceptional Circumstances"</b> | <b>Bespoke arrangement. Detail provided in a separate schedule</b> | <b>POA</b>            |                           |

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### Diverting a Public Asset (S185 Diversion) - Major or Minor Diversion

*Note: The New Connections Rules confirm that the water company is only entitled to recover costs reasonably incurred as a result of providing the Diversion*

| WIA ref | Charge Item   | Charge Unit                                     | Charge                |
|---------|---|---|-----------------------|
| S185    | Application fee   | e.g. Fixed fee, rates, or %                     | £70.00                |
| S185    | Legal fee (letter of agreement)   | e.g. Fixed fee, rates, or %                     | Inclusive in Overhead |
| S185    | Appraisal fee (where a critical main is to be diverted) (determining whether a diversion is viable, or whether the asset should be protected rather than diverted)                          | e.g. Fixed fee, rates, or %                     | Inclusive in Overhead |
| S185    | Diversion Design Fee (Note, mains design work may be a contestable activity in some circumstances, such as where the proposed Diversion route is an intrinsic part of any new onsite mains) | e.g. Fixed fee, rates, or %                     | Inclusive in Overhead |
| S185    | Technical assessment fee (would apply where Diversion design work is contestable and is provided by the SLP or Developer)   | e.g. Fixed fee, rates, or %                     | Inclusive in Overhead |
| S185    | Inspection fees (where some of the Diversion work is provided by the SLP or Developer)  | e.g. Fixed fee, rates, or %                     | Inclusive in Overhead |
| S185    | Security (if appropriate)   | e.g. Fixed fee, rates, or %                     | Inclusive in Overhead |
| S185    | Excavate supply and lay 150mm pipe (per linear metre) (and reinstate where required) - in highway   | e.g. Fixed rate per m, or budget estimate per m | £155.00               |
| S185    | Decommissioning redundant mains following a diversion (e.g. capping off)  | e.g. Fixed fee, rates, or %                     | £1,040.00             |

### Disconnection Charges (Non-contestable)

*Payable when an existing supply is to be removed permanently i.e. when premises are demolished*

| WIA ref | Charge Item   | Charge Unit           | Charge |
|---------|---|-----------------------|--------|
| S62     | Permanent disconnection (noting also the requirements of S62 (2) with regard to the potential restriction on charges for disconnection) | e.g. Fixed fee, rates | £0.00  |

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### Infrastructure charges

| WIA ref | Charge Item  | Charge Unit                                     | Charge                |
|---------|--|---|-----------------------|
| Licence | Infrastructure credits to account for relevant use within the last 5 years   | number of credits (see separate schedule)       | £325.00               |
| S146    | Standard Infrastructure charges due for the development (i.e. single or zonal)   | Charge per dwelling                             | £325.00               |
| S146    | Infrastructure Charges for domestic use in premises other than houses or flats with their own discrete water supplies (using the relevant multiplier or other appropriate means) | Charge based on fittings. See separate schedule | £325/24 loading units |
| S146    | Water Efficiency Multiplier (if applicable)  | -25%  | £243.75               |
| S146    | Water Efficiency Multiplier (if applicable)  | -10%  | £292.50               |
| S146    | Water Efficiency Multiplier (if applicable)  | -25%  | £243.75               |
| S146    | Water Efficiency Multiplier (if applicable)  | -40%  | £195.00               |

### Other Charges (Do not include in a quotation for Site-specific Works)

*Note: Customers would access these services outside of statutory services, so are neither Site Specific Work, nor Network Reinforcement*

| WIA ref | Charge Item  | Charge Unit              | Charge |
|---------|--|--------------------------|--------|
| N/A     | Extract of Companies Network Map (i.e. Map of Sewers or Mains)   | e.g. per site, or per m2 | £40.00 |
| N/A     | Viability Letter to confirm whether capacity can be provided by the company in line the proposed development programme (Note: companies may offer this service to reduce the need for LPAs to apply a phasing condition, particularly where the water company can already confirm that it is able to deliver any necessary Network Reinforcement in line with the developers proposed programme) | e.g. per site, or per m2 | £70.00 |

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### Memo Items (Do not include in the quotation Total)

*Note: These charges are stated at the quotation stage for clarity*

| WIA ref | Charge Item       | Charge Unit                | Charge  |
|---------|-------------------|----------------------------|---------|
| N/A     | Abortive Charges  | Refer to separate schedule | £500.00 |
| N/A     | Re-inspection Fee | e.g. per site visit        | £70.00  |

All of the above charges are exclusive of VAT

In order to aid understanding, we have included some worked examples below showing how the current charging rules are changing. Please note that these examples exclude connection charges which are not affected by the change in rules.

### 4.3 Example 1: South Staffs region – five-plot development

In this example, it is assumed that the proposed development is for five properties which will all be built within one year. The cost of the on-site work is £8,000.

#### 4.3.1 Mains requisition (direct to water company)

Under the **current charging rules**, if we carry out all of the work, we would charge the developer based on the DAD calculation (which works out at a charge of £358) with a fixed infrastructure charge of £365 per property connected (that is, £365\*5 properties = £1,825).

Therefore, the total amount the developer pays is £358 + £1,825 = £2,183.

Under the **new charging rules**, we calculate a cost per plot (which is the same for all developments) rather than the DAD calculation. We have worked this out by reviewing the historic average cost per plot over the last five years and is estimated at £779 per plot. An income offset is then applied, again based on the historic split over the past five years, which is 78.5%. Therefore, the cost per plot is £779 \* (100% – 78.5%) = £167.

Under the **new charging rules**, the infrastructure charge is now based on the projected costs of off-site reinforcement over the next five years. We have based this on expected developments (taken from local plans) and developer enquiries. This has been estimated at £8.4 million, which when divided by the 25,937 expected connections gives a charge of £325/plot.

Therefore, the developer would now pay (£167+£325) \*5 = £2,460.

#### 4.3.2 SLP

Under the **current charging rules**, if an SLP carries out all of the work, we would pay an asset payment based on the DAD calculation (which works out at a payment of £7,647). This would be offset by a fixed infrastructure charge of £365 for each property connected (that is, £365 \* 5 properties = £1,825).

From this would also be deducted any non-contestable costs (for example, mains commissioning costs). In this example, we have assumed that there are £1,000 of such costs.

Therefore, the total amount we would pay to the SLP is £7,647 – £1,825 – £1,000 = £4,822.

Under the **new charging rules**, we calculate a cost per plot (which is the same for all developments) rather than the DAD calculation. As set out above, the cost per plot is £779. An income offset is then applied based on the historic split over the past five years, which is 78.5%. Therefore, the cost per plot is  $£779 * 78.5\% = £612$ .

Under the **new charging rules**, the infrastructure charge is now based on the projected costs of off-site reinforcement over the next five years. As set out above, this charge is £325.

From this would also be deducted any non-contestable costs (for example, mains commissioning costs). In this example, we have assumed there are £1,000 of such costs.

Therefore, we would now pay the SLP  $(£612 - £325) * 5 - £1,000 = \underline{£435}$ .

#### 4.3.3 NAV

Under the **current charging rules**, in a NAV development, we would not carry out any of the on-site works (including any non-contestable work). Because of this, a NAV would not receive an income offset as there would not be any mains requisition costs to offset against it. So, the NAV would be charged a fixed infrastructure charge of £365 per property connected (that is,  $£365 * 5$  properties = £1,825).

Therefore, the total amount a NAV would pay is £1,825.

Under the **new charging rules**, the same income offset received by SLPs would be applied to NAVs, which is calculated at £612 per plot.

Under the **new charging rules**, the infrastructure charge is now based on the projected costs of off-site reinforcement over the next five years. As set out in section 5.1.1 above this charge is £325.

Therefore, we would now pay the NAV  $(£612 - £325) * 5 = £1,435$ .

## 4.4 Example 2: Cambridge region – 1,000-plot development

In this example, we have assumed that the proposed development is for 1,000 properties at a build rate of 100 a year. The cost of the on-site work is £500,000.

### 4.4.1 Mains requisition (direct to water company)

Under the **current charging rules**, if we carry out all of the work, we would charge the developer based on the DAD calculation (which works out at a charge of £72,632) and then a fixed infrastructure charge of £365 for each property connected (that is,  $£365 * 1,000$  properties = £1,825).

Therefore, the total amount the developer pays is  $£72,632 + £365,000 = £437,632$ .

Under the **new charging rules**, we calculate a cost per plot (which is the same for all developments) rather than the DAD calculation. We have worked this out by reviewing the historic average cost per plot over the last five years and is estimated at £779 per plot. An income offset is then applied, again based on the historic split over the past five years, which is 78.5%. Therefore, the cost per plot is  $£779 * (100\% - 78.5\%) = £167$

Under the **new charging rules**, the infrastructure charge is now based on the projected costs of off-site reinforcement over the next five years. We have based this on expected developments (taken from local plans) and developer enquiries. This has been estimated at £8.4 million, which when divided by the 25,937 expected connections gives a charge of £325

Therefore, the developer would now pay  $(£167 + £325) * 1,000 = £492,000$ .

#### 4.4.2 SLP

Under the **current charging rules**, if an SLP carries out all of the work, we would pay an asset payment based on the DAD calculation (which works out at a payment of £427,368) and this would be offset by a fixed infrastructure charge of £365 for each property connected (that is,  $£365 * 1,000$  properties = £365,000).

From this would also be deducted any non-contestable costs (for example, mains commissioning costs). In this example, we have assumed there are £50,000 of such costs.

Therefore the total amount we would pay to the SLP is  $£427,368 - £365,000 - £50,000 = £12,368$ .

Under the **new charging rules**, we calculate a cost per plot (which is the same for all developments) rather than the DAD calculation. As set out above, the cost per plot is £779. An income offset is then applied based on the historic split over the past five years, which is 78.5%. Therefore, the cost per plot is  $£779 * 78.5\% = £612$ .

Under the **new charging rules**, the infrastructure charge is now based on the projected costs of off-site reinforcement over the next five years. As set out above, this charge is £325.

From this would also be deducted any non-contestable costs (for example, mains commissioning costs). In this example, we have assumed there are £50,000 of such costs.

Therefore, we would now pay the SLP  $(£612 - £325) * 1000 - £50,000 = \underline{£237,000}$ .

#### 4.4.3 NAV

Under the **current charging rules**, if an NAV carries out all of the work, we would not undertake any of the on-site works (including any non-contestable work). Because of this, a NAV would not receive an income offset as there would not be any mains requisition to offset it against. So, the NAV would be charged a fixed infrastructure charge of £365 for each property connected (that is, £365 \* 1,000 properties = £365,000). Therefore, the total amount a NAV would pay is £365,000.

Under the **new charging rules**, the same income offset received by SLPs would be applied to NAVs, which is calculated at £612 per plot.

Under the **new charging rules**, the infrastructure charge is now based on the projected costs of off-site reinforcement over the next five years. As set out in section 5.1.1 above this charge is £325.

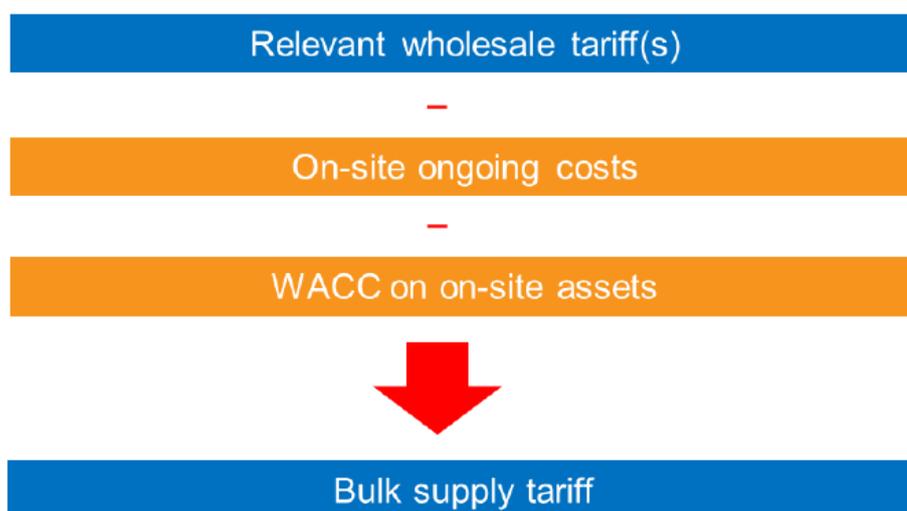
Therefore, we would now pay the NAV  $(£612 - £325) * 1000 = £287,000$ .

## 5. Bulk charges for NAVs

When a NAV is appointed as a water company for a development, it may have its own supply of water which could be used to supply its customers. Alternatively, it may wish to purchase a supply of water from us. This supply is known as a bulk supply.

In November 2017, [Ofwat published a consultation](#) setting out draft guidance on how bulk charges should be set by water companies when providing this service to NAVs.

Although the outcome of this consultation has not been published, we will adopt its principles in arriving at a bulk supply charge. This is set out below and taken from Ofwat's consultation document.



The starting position in deriving the bulk charge is the standard volumetric wholesale charge published in our 2018-19 wholesale charges scheme.

This charge is the same for both business and residential customers. Our standing charges only represent the cost of the meter and any associated maintenance at the customer's property. This is provided by the NAV and so should not be part of the bulk charge.

We then deduct the costs included in our wholesale charge which relate to on-site costs that we will avoid as this is the responsibility of the NAV.

This has been calculated by taking the proportion of distribution costs that relate to the local infrastructure network and dividing this by the total volume of water supplied to give a £/m<sup>3</sup>.

Finally, the return earned by us as the incumbent for any on-site assets should not be included in the bulk charge as these assets are owned and paid for by the NAV.

This return has been calculated by taking the value of local mains as a percentage of our total asset base and using this to work out the proportion of our Regulatory Capital Value (RCV) which relates to local mains.

The allowed return on this proportion has been calculated using the wholesale return allowed by Ofwat at the last Price Review (3.6%). This has then been divided by the total volume of water supplied to give a £/m<sup>3</sup>.

Ofwat's consultation also highlights that NAVs face a different cost of capital to that of incumbent water companies and asks whether there should be a further adjustment to ensure a level playing field. In our consultation response, we supported this proposal but as yet, there is no guidance as to how this should be derived.

We will therefore discuss this with potential NAVs when agreeing any bulk charge and when final guidance is available, we will update our charges accordingly.

Below are our NAV charges for [1<sup>st</sup> April 2018](#) to [31<sup>st</sup> March 2019](#)

|  | <b>South Staffs Region (£/m<sup>3</sup>)</b> | <b>Cambridge Region (£/m<sup>3</sup>)</b> |
|--|--|---|
| <a href="#">Standard wholesale tariff</a>    | <a href="#">£0.9783</a>                      | <a href="#">£0.7892</a>                   |
| LESS On-Site ongoing costs                   | (£0.327)                                     | (£0.327)                                  |
| LESS Incumbent WACC on on-site assets        | (£0.044)                                     | (£0.044)                                  |
| LESS Adjustment to reflect the WACC of a NAV | TBD  | TBD                                       |
| <b><a href="#">NAV bulk charge</a></b>       | <b><a href="#">£0.6073</a></b>               | <b><a href="#">£0.4182</a></b>            |

Note: As our wholesale tariffs differ across regions due to different treatment and distribution costs, there is a NAV bulk tariff for each region.

## 6. Non-Standard Works

Due to the nature of connections, there are sometimes circumstances where the cost incurred by water companies is affected by external factors.

These external factors may be outside the immediate knowledge or control of the water company and, in a limited set of exceptional circumstances, could lead to significant cost variance.

For this reason, Ofwat has confirmed that water companies should provide fixed upfront charges in respect of the following:

- Diversion works (see s185 of the Water Industry Act: <https://www.ofwat.gov.uk/regulated-companies/ofwat-industry-overview/legislation/> )
- Water infrastructure work requested by the developer (see s41 and s98 of the Water Industry Act) where *“it would be unreasonable to expect an undertaker (i.e. Water Company) to do so”*.

In the following circumstances, it may not be reasonable or practical to provide an upfront fixed charge for the work:

- The technical complexity of the work is high or the type of work required is bespoke or carried out infrequently
- Third parties can legitimately recover their costs from companies and there is not a reasonable level of certainty of those costs in advance of connection work being undertaken
- Third parties have rights to protect their assets or interests in a way that affects the construction method. The third parties’ requirements are unknown upfront
- The work is to be carried out on or close to land with particular environmental, historical or archaeological characteristics. These characteristics mean that specific measures are required during construction or reinstatement. The details of these measures may not be fully defined in advance of construction

We will provide an estimate for any non-standard work using the best information available and based on the recovery of reasonable costs. The actual cost of the work may be higher or lower than this and any variances will be set out in a final invoice.

## 7. Diversion of Water Mains

If an existing water main is in the vicinity of planned works, we can, if practical, divert the main. This process of altering or removing those assets is known as a [diversion](#).

In cases where we carry out some or all of the diversion work, we will provide a quote based on our best estimate; we are only entitled to recover our reasonable costs which could be more or less.

All or part of the diversion works may be constructed by a suitably qualified third party contractor (SLP); this applies to contestable elements and requires prior agreement.

The approach we have taken to charge for diversions is set out below.

### Water Company

If you require the water company to undertake the diversion works, this is known as a C4 enquiry.

With a C4 we will design and estimate the cost of this work, this estimate is valid for six months from the date issued.

The estimated cost refers only to the scope of works detailed within the diversion required.

Should the scope of works change in any way, it is possible that variations will apply.

### SLP

You are welcome to select an accredited SLP to undertake the water main diversion on our behalf.

In many instances diversions by SLPs can be agreed, but please note that where we have existing connected customers this may not be possible.

### Highway Diversions

Major diversionary works required by Highway/Transport Authorities will be in accordance with New Road and Street Works Act section 85, this is a statutory requirement. In this case, payment will be in accordance with regulation 8(1) including any adjustment for betterment or deferment where applicable.

In all other cases, the allowable costs of the diversionary works must be paid in full.

## 8. Water Efficiency Incentives – 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2019

We are committed to supporting construction development in our supply regions and believe developers can play a key water efficiency role when designing and building more water-efficient properties now and in the future.

To demonstrate our commitment, we are introducing water efficiency incentives to all new build BRE accredited properties; [Home Quality Mark](#) (HQM) for housing and the [Environmental Assessment Method](#) (BREEAM) for high-rise residential developments.

### 8.1 Developer Rebates

When new homes are built in the UK, developers must comply with Part G of the Building Regulations 2010. This states that any new homes must be built to provide no more than 125 litres of water per person per day (l/p/d).

If a developer, SLP or NAV is able to commit to water efficiency levels of 100 l/p/d in each new-build development, we will provide the following rebates:

- A **25%** reduction in the applicable infrastructure charge for HQM-accredited properties
- A **10%** reduction in the applicable infrastructure charge for BREEAM-accredited properties with a 'Very Good' rating
- A **25%** reduction in the applicable infrastructure charge for BREEAM-accredited properties with an 'Excellent' rating
- A **40%** reduction in the applicable infrastructure charge for BREEAM-accredited properties with an 'Outstanding' rating

The customer will be obliged to pay 100% of the infrastructure charge in the first instance.

On presentation of the HQM/BREEAM assessors report (providing evidence that the building meets the 100 l/p/d) we will issue a rebate payment within 30 days based on the accredited status level.

We will review the water efficiency incentives next on [1<sup>st</sup> April 2019](#).

## 8.2 Water Metering

Water metering is an important consideration in any new development. This is mandatory regardless of which provider (Water Company, SLP or NAV) is engaged.

As with connections, water meters are chargeable for both household and non-household developments; this charge is dependent on meter size and configuration.

## 8.3 Social Housing

With many developments there is a customer responsibility to provide social housing properties to meet local planning conditions.

We have an established Social Tariff in place for customers who struggle to pay for water, our [Assure Tariff](#) could be advantageous for the end customer once they have moved into their new property.

## 8.4 Consumption Monitoring for Major New Sites

For developments exceeding 300 properties, the Company reserves the right to charge for the installation of new meter chambers, meters and associated logging equipment.

This equipment may be required to monitor consumption data in the new development area, this data is used for environmental, usage, network management and leakage control purposes.

The charges will be at cost.

## 9. Payments

Dependant on your choice of water provider for the delivery of water mains and connections for your new development, you will need to be aware of the payment requirements and methods below.

### Water Company

Once we have undertaken our surveys and provided our offer you will need to make the following payments with your acceptance:

- Payment for water mains (on-site) will be required 100% in advance
- Payment for water connections will be required 100% in advance

As the majority of payments are in advance of works being completed, we do not require security deposits.

Water and sewerage Infrastructure Charges will be invoiced to you after the connection(s) are completed on your development.

### SLP

The Water Company will prepare an asset value offer; in preparing this it will be necessary to make certain assumptions, the main one being the non-contestable costs.

Upon completion of the works, the non-contestable costs will be confirmed and the asset value payable will be adjusted to take into account the actual non-contestable cost incurred.

During the construction phase we will advise of any potential non-contestable variances as they arise.

The SLP will need to invoice the Water Company in order that payment can be made.

Traditionally the AV is paid by the Water Company to the SLP when the new water mains are commissioned on the network.

If the development has a phased construction plan, the Water Company will need to be advised so that AV payments can be apportioned.

When the connections are made to the Water Company network, we will invoice the SLP or developer (as agreed) for water meters and infrastructure charges.

Alternatively, we offer the option to offset the infrastructure charge with the asset value payment.

## NAV

When a NAV engages with the Water Company the following payment terms will apply:

- Advance payment of non-contestable costs advised to the NAV
- Infrastructure Charges will be payable once the development is connected to our water network offset by the asset value payment.

### 9.1 Payment Method

We accept the majority of current payment methods, we would prefer:

- Bank Transfer (Faster Payment, BACS or CHAPS)
- Debit or Credit Card
- Cheque

### 9.2 Value Added Tax (VAT)

Where water mains and water connection services are requested solely for domestic purposes, VAT will be zero rated (0%)

- For developments intended to be non-household, VAT will be charged at the current rate at the time of estimate and invoice
- Further details can be obtained from our Developer Services Team, alternatively you can visit HM Revenue & Customs website (<https://www.gov.uk/government/organisations/hm-revenue-customs>)

## 10. Transitional Arrangements

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

We are committed to providing the following transitional arrangements with our customers in relation to infrastructure charges:

- Quotations for some site specific work provided under the old rules, and accepted before 1<sup>st</sup> April 2018 will continue to be valid until 1<sup>st</sup> April 2023 unless the customer and the Water Company agree to vary the quotation
- Where a legal agreement is already in place in relation to charges for site specific work carried out as part of an adoption, then the charges defined within that agreement remain valid for the life of the agreement unless the customer and the Water Company agree to vary those charges
- Charges relating to the old charging rules will be adjusted by inflation if the quotation or legal agreement includes an appropriate provision for adjusting the charges
- Applications received between 1<sup>st</sup> February 2018 and 31<sup>st</sup> March 2018 for site specific work that will be carried out after 1<sup>st</sup> April 2018 will be quoted on either the old rules or the new charging rules
- Developers and SLPs will be invited to choose their preferred method
- Developers or SLPs which have received a quotation or draft adoption agreement under the old rules, but have not formally accepted can re-apply after 1<sup>st</sup> February 2018 for a quotation in accordance with the new charging rules.

## 11. Contacting us

### 11.1 Developer Services

If you have any questions or queries relating to your current and future water requirements for new developments, please use the following methods to contact with our dedicated Developer Services Teams:

|           | Cambridge Water  | South Staffs Water  |
|-----------|--|---|
| Address   | Developer Services<br>90, Fulbourn Road, Cambridge<br>CB1 9JN  | Developer Services<br>Green Lane, Walsall<br>WS2 7PD  |
| Telephone | 01223 403115   | 0845 34 51 399  |
| email     | <a href="mailto:networkdevelopment@cambridge-water.co.uk">networkdevelopment@cambridge-water.co.uk</a> | <a href="mailto:developerservices@south-staffs-water.co.uk">developerservices@south-staffs-water.co.uk</a>  |
| website   | <a href="http://www.cambridge-water.co.uk/developers">http://www.cambridge-water.co.uk/developers</a>  | <a href="https://www.south-staffs-water.co.uk/developer">https://www.south-staffs-water.co.uk/developer</a> |

## Disputes & Complaints

### Disputes

We aim to provide you with an excellent service experience, but sometimes things can go wrong.

In the first instance you should make contact with the Developer Services team and raise your concerns directly.

### Complaints

If we are unable to provide you with a satisfactory response to your initial query you have the option to report your concerns to the Water Company directly.

Your complaint will be taken very seriously and will be reviewed in a three step approach with appropriate escalation at each step in the complaints process.

To start your complaint you can call **0345 60 70 456** or write to:

Customer Relations

South Staffs Water

Green Lane

Walsall

WS2 7PD

## 12. Definitions

| Explanation of charges                            |   |
|---|---|
| Ofwat   | The Water Services Regulation Authority (Ofwat) is a non-ministerial government department  |
| Local Water Company                               | Your local monopoly water company which has duty to operate the network to provide clean and sustainable water  |
| Small Builder                                     | individual or organisation which normally builds less than 10 properties per annum  |
| Developers  | individual or organisation which normally builds more than 10 properties per annum  |
| SLP   | A provider, other than the Water Company, who is appropriately Accredited to undertake Contestable Works in relation to the provision of new water connections, i.e. mains, services and associated works   |
| NAV   | A new appointment is made where a limited company is appointed by Ofwat to provide water and/or sewerage services for a specific (existing) geographic water area   |
| I&C   | Industrial & Commercial type building (e.g. Fire Station, Factory and Commercial Shop)  |
| Household   | deemed to be a residential type of accommodation  |
| Non-household                                     | deemed to be a non residential type of accommodation  |
| POC   | Point of Connection - the point on the water network where the connection of mains/connections can be accommodated  |
| Requisitioning of water mains                     | The process to request a new main to serve a development is known as mains requisitioning.  |
| Connection charges                                | Includes the cost of connection to the water main, a meter and the first two metres of pipe   |
| Infrastructure charges                            | Must also be paid in addition to the cost of new service connections. These charges are regulated by Ofwat  |
| Diversion   | the act or an instance of diverting or straying from a course, activity, or use   |
| VAT   | The current rate of VAT may be applicable in certain circumstances and will be added, as appropriate, to the prices shown. New household properties are zero-rated.   |
| AV  | Asset Value - allowance offered by water company for revenue against new water mains construction   |
| Payment Profile                                   | Your record of a recurring transaction for a single buyer   |
| Surety Bonds                                      | performance bond and other third-party guarantees to ensure contractual obligations are met   |
| Transitional                                      | belonging or relating to a change, or the process of change, from one form or type to another   |
| BRE   | Building Research Establishment is a leading centre of building science owned by charitable organisation the BRE Trust  |
| BREEAM  | World's leading sustainability assessment method for masterplanning of projects, infrastructure and buildings   |
| Housing Quality Mark                              | HQM demonstrate high quality of houses in design, build and cost effective to run   |
| Rebate  | Return of a portion of a purchase price by a seller to a buyer, usually on purchase of a specified quantity, or value, of goods within a specified period   |
| Water Metering                                    | Water metering is the process of measuring water consumption  |
| WaterSure   | Watersure is a scheme which helps some people with their water bills  |
| Non-Standard                                      | not average or usual  |
| Disputes  | If the customer remains unhappy with the charge levied by water company, Ofwat may be asked to determine the costs. Its decision is final and binding on both parties. The address is shown on the inside back cover of this scheme.  |
| Made-up ground                                    | A maintained road or footpath where a permanent reinstatement will be required. The charge includes any fee for inspection by the highways authority  |
| Pipe-laying charge per metre                      | This covers the materials, excavation and back-fill required per linear metre of pipe laid. Lengths of less than a whole metre will be rounded to the nearest whole metre.  |
| Visits by Water staff or a company representative | The charges for a connection include the cost of the pre-connection survey, the underground compliance inspection and the above ground compliance inspection. Where additional visits are required (whether through non-compliance or failure to keep an appointment on your part) these will be charged as extras. |
| New connections with pipe larger than 25mm bore   | Estimates will be provided, but charges for larger new connections are based on the actual cost of the work.  |