



South Staffs Water

incorporating



New connections charges 2020/21

Consultation and awareness document

December 2019



1. Introduction

The views and preferences of our developer services customers have an important role to play in how we review our new connections charges and the key decisions we make each year.

Our consultation has included feedback from a series of face-to-face meetings with developers, Self-Lay Providers (SLPs), New Appointments and Variations (NAVs), and trade bodies. We have also attended a number of broader sessions, including industry-wide events hosted by Water UK, and have actively participated in forums hosted by two key neighbouring water and sewerage companies to ensure we deliver charges that enable consistency for our customers and achieve best practice.

This direct feedback has helped define our policy review; but we also want to hear the views of as many customers as possible. So, we have published this document and are making it available to the developer customers that we work with as part of the evolution of these arrangements for 2020/21.

This document seeks the views of our customers; we also want to use it to provide greater awareness of the upcoming regulatory changes to income offset and asset payments that will take effect from April 2020.

2. Changes to income offset and asset payments

In April 2020, there will be a series of changes to the income offset and asset payments that water companies provide against developer charges. There have been a number of changes to the charging arrangements defined under Ofwat's guidelines, including the following.

- Income offset will be removed from onsite requisitioned mains and will be applied across all connections as a credit against the infrastructure charge.
- There will no longer be asset payments for self-laid water mains.

3. Ofwat's guidelines

These changes are happening as a result of a regulatory change to Ofwat's guidelines on [charging arrangements for new connections](#)¹.

The key reason for the changes defined by Ofwat is to facilitate a level playing field for all developer services customers so that they receive the offset in a consistent way.

¹ 'New connections charges rules from April 2020 – England: Decision document', Ofwat, November 2017. www.ofwat.gov.uk/wp-content/uploads/2017/11/New-connections-charges-rules-from-April-2020---England-Decision-Document.pdf

Based on this decision document and subsequent guidelines issued by Ofwat, we will ensure this offset is applied consistently across all customers, and not just those who require a new main.

Question:

What is your view on how we present and explain our charges within our charging arrangements document to align with Ofwat's guidelines?

4. Industry alignment

In 2018/19, we introduced a 'per plot' structure for our new mains requisition charges. However, the majority of other water companies in England and Wales opted instead for a more granular and cost-reflective 'menu of rates/materials' approach. Through discussions at Water UK and with and developers, there is an alignment across the industry to implement this standardised approach.

As a result, we will be moving to a menu of rates/materials approach from April 2020. This means we will publish a series of charges for laying new mains broken down into components – for example, lengths of pipework, connection, traffic management and fittings.

Question:

Do you support a change to a menu-styled approach that facilitates cost development?

5. Transition period

The changes to income offset and asset payments will require a transition period to ensure they are implemented effectively. We are aware that moving to new charging arrangements can mean uncertainty for some customers. So, for simplicity, we have set out our transitional arrangements below.

- Mainlaying quotations will remain valid up to the end of the six months' validity period.
- Our service quotations expire on 31 March each year. Any services unpaid as of 1 April will require a fee for an updated quotation.
- Any mainlaying schemes that have been paid prior to 1 April will be honoured under the existing arrangement.

Question:

We recognise that this change will require a transition period. Do you have any recommendation on how this transition between the two arrangements can be managed and how long it should take?

6. General charging feedback

While we are seeking specific feedback on the primary changes to our charges this year, we are also interested in any broader feedback that our developer services customers want to provide to help us continually improve how we shape our charges.

With this in mind, we would appreciate feedback on the following questions.

Questions:

Do you have any feedback on any of the other charges – for example, the application fee?

Do you have any feedback on any of our charging processes or mechanisms as outlined in this document?

Is there any feedback you would like to provide to us on how we have interpreted the new rules and our proposals?

7. Providing your views

If you would like to provide feedback to the questions within this document or share views on other elements of our charges, please contact us by **13 January 2020**.

We will look to share our charge figures at the earliest opportunity. However, we will include detailed worked examples in our charging arrangements document, which we will publish on 31 January 2020.

Please email your responses to: Developerforum@south-staffs-water.co.uk

Worked examples

We have prepared the following examples to show the impact the changes to the charging rules and our charging arrangements will have on the costs our developer services customers pay.

We also highlight that the costs within these examples are indicative and may be subject to change before they are published in 2020.

Single connection	Today	Future
Application fee	£70	£90
Service connections – 4m road surface in PE pipe	£1,230.02	£1,256.71
Infrastructure charge (water only)	£325.00	£381.00
Incomes offset	£0.00	-£599.00
Total	£1,555.02	£1,128.71
Single connection	Today	Future
Application fee	£70.00	£90.00
Service connection – 8m (4m in road surface and 4m in unmade ground)	£1,832.42	£1,880.59
Infrastructure charge (water only)	£325.00	£381.00
Incomes offset	£0.00	-£599.00
Total	£2,227.42	£1,752.59
New block of flats (10 flats)	Today	Future
Application fee	£70	£90
Service connections – 4m road surface in barrier pipe	£4,992.74	4,935.99
Infrastructure charge (water only)	£3,250.00	£3,810.00
Incomes offset	£0.00	-£5,990.00
Total	£8,242.74	£2,845.99
New block of flats (10 flats)	Today	Future
Application fee	£70	£90
Service connection – 8m (4m in road surface and 4m in unmade ground - barrier pipe)	£5,642.10	£5,606.87
Infrastructure charge (water only)	£3,250.00	£3,810.00
Incomes offset	£0.00	-£5,990.00
Total	£8,962.10	£3,516.87

New connections charges 2020/21
Consultation and awareness document

Small housing development – 10 plots	Today	Future
Application fee	£70.00	£90.00
90mm PE – 10m road, 90mm PE – 20m unmade, 63mm PE – 20m unmade surface (mains requisition)	£2,090.00	£8,959.38
Service connections short connection (2m) (meter cost not included)	£4,500.00	£4,500.00
Infrastructure charge (water only)	£3,250.00	£3,810.00
Meter cost	£451.90	£386.10
Income offset	£0.00	-£5,990.00
Total	£10,291.90	£11,665.48
Medium housing development – 50 plots	Today	Future
Application fee	£70.00	£90.00
180mm PE – 10m road, 180mm PE – 90m unmade, 125mm PE – 100m unmade, 90mm PE – 100m unmade surface (mains requisition)	£48,700.00	28,362.38
Service connections if 2m to the main (no meter included)	£22,500.00	£22,500.00
Infrastructure charge (water only)	£16,250.00	£19,050.00
Meter cost	£2,259.50	£1,930.50
Income offset	-£38,250.00	-£29,950.00
Total	£51,459.50	£41,892.88
Large housing development – 200 plots with connecting main in highway	Today	Future
Application fee	£70.00	£90.00
180MM PE – 1km road , 180MM PE – 290m unmade , 125mm PE – 300m unmade, 90mm PE – 400m unmade surface	£194,800.00	193,962.00
Service connections if 2m to the main (no meter included)	£90,000.00	£90,000.00
Infrastructure charge	£65,000.00	£76,200.00
Meter cost	£9,038.00	£7,722.00
Income offset	-£153,000.00	-£119,800.00
Total	£205,838.00	£248,084.00
Self-lay scenario – 200 plots	Today	Future
Application fee	£70.00	£75.00
Asset payment	-£153,000.00	£0
Meter cost	£9,038.00	£7,722.00

New connections charges 2020/21
Consultation and awareness document

Non-contestable connection	£6,500.00	£6,500.00
Infrastructure charge	£65,000.00	£76,200.00
Meter fit	£8,962.00	£8,962.00
Income offset	£0.00	-£119,800.00
Total	-£63,430.00	-£20,341.00