

SOUTH STAFFORDSHIRE WATER PLC

2020-21 CHARGES

STATEMENT OF SIGNIFICANT CHANGE TO DEVELOPER CHARGES

Under the charges scheme rules for new connection services issued by the Ofwat, we are required to include a statement in the charging arrangements for new connection services setting out any significant changes to bills for typical developments when publishing those arrangements for 2020-21. This is set out below:

(a) Worked examples of typical development bills for new connection services.

We have included a list of typical examples as set out by Ofwat in appendix 5 of our charging arrangements.

(b) Confirmation of whether the water company is expecting there to be any bill increases of more than 10% from the previous year (for a given type of development) and, if such increases are expected:

- what size increase is expected;
- what types of typical developments are likely to be affected; and
- the handling strategies adopted by the water company or why the water company considered that no handling strategies are required.

There is a change in how the income offset is now applied as a result of regulation changes to the rules which underpin new connection charges. Last year, the income offset was only given to developments where mainlaying was undertaken. From 2020-21, all properties that pay an infrastructure charge will now receive an income offset. This reduces the level of income offset that is due per connection in order to pay the same total for the year and ensure that the balance of charges is maintained.

This results in a reduction in bills for small developments where mainlaying was not required but an increase in larger developments.

There is a change in how our mains charges are structured for 2020/21. We are moving from using a 'per plot' structure to using a menu of rates approach. This change ensures we align to the majority of the market which provides greater consistency for developer customers whilst still providing fixed and transparent rates.

In terms of the value of our charges the application fee is increasing from £70.00 to £90.00, this additional cost reflects continued manual processing of applications with all activities defined in the documentation.

The infrastructure charge is also increasing from £325 to £381 per plot, this charge is calculated by dividing five years of forecast investment for developer-driven reinforcement by the corresponding forecast of property connections. The increase

in this charge is simply reflecting the increase in the investment profile for the coming five years.

As a result of the changes described above the developer customers which will typically see an overall bill increase will be small and large developers who require a new main. This can be seen in our worked examples published within our Charging Arrangement document which show that for smaller developments around 10 connections, there will be an increase in the typical bill of greater than 10%. Large developers around 200 connections are also showing an increase of above 10% based upon the worked example scenarios.

In December we published a consultation document outlining our proposed changes and inviting comment.

Recognising that some developments may be materially affected, we have held a number of face to face meetings with larger developers and SLPs, including their trade body Fair Water Connections, to communicate impact and take into account any further comments.

Based on the above, the Board of Directors has assessed the effects of the new charges on customers' bills for a range of different types of development, and approves the impact assessments and handling strategies developed in instances where bill increases for particular developer types exceed 10%;



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South Staffordshire Water PLC