

SOUTH STAFFORDSHIRE WATER PLC

BOARD APPROVAL OF DEVELOPER CHARGES FOR 2022-23

ASSURANCE STATEMENT

In approving the charges for 2022-23, the Directors confirm that they comply with the three provisions below. This statement also sets out how the Board has assured itself of each provision.

1. The Company complies with its obligations relating to these rules.

The Board has considered each of the 58 charging rules for new connection services as set out in Appendix A to ensure that the Company's charges scheme is compliant.

2. The Company has appropriate systems and processes in place to make sure that the information contained in the Charging Arrangements, and the additional information covered by this assurance statement is accurate.

The information contained with the charges scheme has been collated by the Developer Services team who are familiar with the processes and data sources. This has been reviewed by both the Regulation department and members of the Executive team to ensure that it is reasonable.

The Company has considered the assurance requirements using its assurance framework. The outcome of this assessment was as follows:

Likelihood Score	Impact Score	Total Risk Score	Assurance Risk Category
2	4	8	Medium

The likelihood score is medium reflecting that some of the data used has been collated manually and uses projections of future developments.

The impact score is critical reflecting the potential impact of inaccurate data on competition and compliance with the level playing field.

Overall, the assurance risk category has been identified as medium and in line with the Company's assurance framework independent

internal assurance has been used to check that the information is accurate.

3. The present balance of charges between Developers and other customers has been broadly maintained.

The charging rules require us to take reasonable steps to ensure that the balance between contributions to costs by developers and other customers prior to the 1 April 2018 is broadly maintained.

Prior to this date, the Discounted Aggregated Deficit (DAD) calculation was used to determine the estimated site-specific income stream we would receive from customers. From 1 April 2018, this approach was replaced by a fixed percentage reduction against mains requisition charges and from 1 April 2020 this approach was replaced again with a single income offset per connection (both changes in response to changes in charging rules), which is the same, irrespective of the type of development.

We have compared the three-year average historic balance of charges prior to the 1 April 2018 to the five-year average covering the three years of actuals for 2018-19, 2019-20 and 2020-21, the forecast for 2021-22 and the projection for 2022-23. This confirms that the balance of charges over this period are broadly maintained.

The infrastructure charge is a cost reflective charge based on the projected costs of off-site reinforcement over the next five years as well as projected connections in the same timeframe. This has been estimated by reviewing the expected future developments (taken from Local Plans) and current developer enquiries.

4. That its 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 types of new developments exceed 10%;

There are no increases to developer customer bills in our 2022/23 charges compared to our 2021/22 charges.

5. Confirmation of whether the undertaker 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:

There are no increases to developer customer bills in our 2022/23

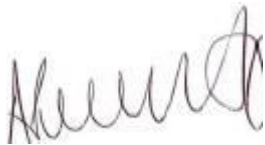
charges compared to our 2021/22 charges.

6. The Company has consulted with stakeholders in a timely and effective manner on their developer charges scheme.

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 held engagement sessions with CCW, Fair Water Connections, TDS, SLPs, NAVs and developers.

Approved by the Board of Directors ahead of publication and signed on its behalf.

A handwritten signature in black ink, appearing to read 'Andy Willicott', is positioned above the printed name and title.

Andy Willicott
Managing Director
South Staffordshire Water Plc

**CONFIRMATION THAT THE COMPANY COMPLIES WITH ITS
OBLIGATIONS RELATING TO DEVELOPER CHARGING RULES**

Charging rule number	Requirement	How the Company complies with the requirement
1-4	Introduction and relevant legislation	No specific requirement
5-6	Definitions of wording in the rules	No specific requirement
7	Undertakers must determine what types of charges covered by these rules may or may not be imposed, and the amount of such charges, in accordance with the principle that changes to charges covered by these rules should only be made after proportionate, timely and effective consultation with groups of persons likely to be significantly affected by the proposed Charging Arrangements (or their representatives) and any other persons the undertakers consider it appropriate to consult.	<p>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.</p> <p>We have held a number of virtual meetings with developers, SLPs, including their trade body Fair Water Connections, NAVs and CCW to consult on our charges, communicate the impact and take into account any further comments.</p>
8	Relevant undertakers must publish charges developed under these rules in a single document (the Charging Arrangements). The Charging Arrangements must be published on the undertaker's website and in any other manner the undertaker considers appropriate for the purpose of bringing the Charging	The Company has published its developer charges in a single document on its website and also contacted all stakeholders who either attended the developer forums or responded to the consultation.

	Arrangements to the attention of persons likely to be affected by it.	
9	The maximum amount of any charge that may be imposed by an undertaker under the provisions of the Water Industry Act 1991 covered by these rules shall be the amount set out in, or calculated in accordance with, the Charging Arrangements published by that undertaker. For the avoidance of doubt, the charges and charging methodologies set out in the Charging Arrangements must therefore include any relevant miscellaneous and ancillary costs such as assessment, inspection, design, legal and supervision charges that the undertaker is entitled to recover, unless there is a different legal basis for the recovery of such costs.	The Company will only charge developers based on the charges and information contained within its charging arrangements and will not include any additional ancillary costs not already set out in the document.
10	The Charging Arrangements must be published no later than 1 February in the year immediately preceding the Charging Year in relation to which they have effect.	The Company's latest charging arrangements were published on the 1 February 2022 in line with the charging rules.
11	The Charging Arrangements must explain how each charge has been calculated or derived, including through the use of worked examples. As a minimum, undertakers must publish worked examples showing the scenarios set out in the worked examples published by Ofwat in the document entitled "Common Terms and Worked Examples – English New Connection Rules". Where an undertaker determines the applicable charges other than	The Company's charging arrangements set out how each charge has been calculated and provide a methodology for how any exceptional work would be charged. In addition the Company's charging arrangements also includes the worked examples as published by Ofwat in the document entitled "Common Terms and Worked Examples – English New Connection Rules".

	by Fixed Charges, the methodology for the calculation of such charges must be explained clearly in the Charging Arrangements.	
12	The Charging Arrangements are to be written and presented in a clear and accessible manner, which takes due account of the varying levels of expertise of all Developer Customers or other customers who may rely on the Charging Arrangements, and using, where appropriate, the terms as defined at Rule 5 and those set out in the list of common terms published by Ofwat in the document entitled "Common Terms and Worked Examples – English New Connection Rules".	The charging arrangements have been reviewed to ensure that they are written in plain English and avoid the use of technical jargon. In addition the charging arrangements include and use (where appropriate) the terms as set out in the document entitled "Common Terms and Worked Examples – English New Connection Rules".
13	Charges must be published with such additional information or explanation as is necessary to make clear what services are covered by each charge.	The charging arrangements set out the detail of what service is provided for each charge.
14	Undertakers must publish the charges covered by these rules in such a way that a Developer Customer or other customer can confidently work out a reasonable estimate of the charges payable if they know the relevant parameters of a Development.	The Company has set out a list of charges in its published charging arrangements which allow developers or other customers to estimate the charges payable for all standard works.
15	The Charging Arrangements must identify which charges are associated with Contestable Work and Non-contestable Work.	The charging arrangements set out which charges are contestable and which are non-contestable.
16	Undertakers must provide a reasonable choice of times and methods of payment of the charges and set these out in the Charging Arrangements.	The charging arrangements set out different methods of payments.

17	Rules for small companies	South Staffs is not classed as a small Company
18	<p>Relevant undertakers must determine what types of charges may or may not be imposed and the amount of any charges that may be imposed in accordance with the principle that charges covered by these rules should reflect:</p> <p><i>(a) fairness and affordability;</i> <i>(b) environmental protection;</i> <i>(c) stability and predictability;</i> <i>(d) transparency and customer-focused service; and</i> <i>(e) costs of the relevant service.</i></p>	<p>The Company has set charges in accordance with this rule as follows:</p> <p><i>(a) fairness and affordability;</i> The charges have been set to ensure no type of customer is discriminated against irrespective of whether they are a developer, a self-lay provider or a NAV. The Company has set charges to only recover the costs incurred. These charges are based on the current contract rates it has in place with its contractors which were competitively tendered.</p> <p><i>(b) environmental protection;</i> The Company is incentivising developers to design and construct their new homes and buildings to be water efficient. As part of our water efficiency campaign we are encouraging a rebate of the water infrastructure charge off 40% on achieving 100 litres per person per day (l/p/d).</p> <p><i>(c) stability and predictability;</i> The Company has set infrastructure charges based on the latest projection of development over the next five years. This has been based on Local Plans and current applications from developers. The Company also takes all reasonable steps to mitigate against significant annual changes in charge values.</p> <p><i>(d) transparency and customer-focused service.</i> With regards to transparency of charges see charging rules 11 and 12. The Company has ensured that its charges are customer focused by</p>

		<p>ensuring that the document is easy to understand, allows developers to estimate likely charges without the need to contact the Company or have to wait for a quote and allowing different payment arrangements where applicable.</p> <p><i>(e) costs of the relevant service.</i></p> <p>Each of our set of charges are set to recover the incurred costs when providing those corresponding services specifically.</p>
19	<p>In setting charges in accordance with the present rules, undertakers should take reasonable steps to ensure that the balance between contributions to costs by Developers and other customers prior to 1 April 2018, is broadly maintained. Section 3 of Annex A to the Government’s Charging Guidance to Ofwat published in January 2016 lists the charges under which Developers contribute costs relevant to this rule. For the avoidance of doubt, Income Offset also needs to be included. An undertaker may only depart from this general requirement where (and to the extent that) this is rendered necessary by circumstances providing clear objective justification for doing so. Any such justification must be clearly identified in any Charging Arrangements prepared pursuant to these rules.</p>	<p>The Company has set its charges to ensure that the level of recovery from developers is broadly the same as the historic average prior to the 1 April 2018.</p>
20	<p>Consistent principles and approaches must be applied to the calculation of charges and when they are payable for different classes of customer. For the avoidance of doubt, this includes the calculation of charges and when they are payable for Non-contestable Work,</p>	<p>As set out in charging rule 18, the Company has ensured that its charges are fair and consistent for different classes of customers.</p>

	whether or not a person other than the undertaker is carrying out Contestable Work.	
21	Charges and arrangements for when they are each payable must be set in accordance with the principle that they should promote effective competition for Contestable Work.	This is set out in charging rule 18.
22	For the avoidance of doubt, in charges covered by these rules undertakers may recover reasonable administrative expenses and other overheads incurred in discharging any rights or obligations under the relevant provisions of the Water Industry Act 1991.	The Company's charges include the reasonable recovery of costs for administration and other overheads.
23	Each undertaker shall set out in its Charging Arrangements charges that will be imposed by that undertaker for work carried out by it in accordance with the duties imposed by section 41(1) (provision of requisitioned Water Main) and section 98(1) (provision of requisitioned public sewer) of the Water Industry Act 1991 (together, "Requisition Charges").	The charging arrangements include charges for the provision of requisitioned mains. As we are a Water only Company it does not include charges for the provision of requisitioned public sewers.
24	These charges are concerned with the cost to the undertaker of providing Site Specific infrastructure necessary for the provision of a Water Main and/or Public Sewer.	No specific requirement.
25	In relation to Requisition Charges, an undertaker: a) must provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker; and b) may also provide for other alternative methods for calculating	The Company has clearly set out the list of fixed charges for mains requisitions in its charging arrangements.

	charges but, where it does so, each alternative method must be explained clearly in the charging arrangements.	
26/27	<p>Requisition Charges must relate to the costs of providing the requisitioned Water Main and/or Public Sewer. Such charges may not include any amount for Network Reinforcement costs.</p> <p>Any Requisition Charges imposed by an undertaker:</p> <p>a) must relate only to Site Specific Work carried out and costs incurred by the undertaker in order to meet its duties under sections 41(1) or 98(1) of the Water Industry Act 1991; and</p> <p>b) must not relate to work needed or desired to modify or enhance existing network infrastructure in order to address pre-existing deficiencies or to enhance network flexibility, in capacity or capability.</p>	The requisition charge is only based on the cost of site-specific mains. Any offsite reinforcement is covered within the calculated infrastructure charge.
28	Where an undertaker provides a Water Main or Public Sewer pursuant to a requisition and, in so doing, decides to increase the capacity of pipes or other infrastructure beyond that which is needed to meet the undertaker's duty under section 41(1) or section 98(1) of the Water Industry Act 1991, the costs of this work shall, if this increases the costs of the work, be apportioned so that the person making the requisition only pays costs which are in proportion to the particular capacity required by his or her requisition.	The Company confirms that any additional capacity beyond that required to meet the duties under the Water Industry Act for a mains requisition would not be charged to the developer.
29	Undertakers shall not provide for Income Offsets in setting Requisition Charges.	The Company no longer provides an income offset against mains requisition costs. This is now

		provided against the infrastructure charge.
30	Not Used	
31-34	Charges for the Provision of Lateral Drains, the Connection of Water Mains and Communications with Public Sewers and for Ancillary Works.	These rules refer to sewer connections and so are not applicable to a Water only Company.
35-36	<p>Each undertaker shall set out in the applicable Charging Arrangements the charges to be imposed in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991.</p> <p>These charges are concerned with the cost of Site Specific Work necessary as part of the adoption or connection of a Water Main, Communication Pipe, Public Sewer and/or Lateral Drain. Such charges may not include any amount for Network Reinforcement costs.</p>	The charging arrangements are set out in the Company's charges document.
37	<p>Any charges imposed by an undertaker in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991:</p> <p>a) must relate only to Site Specific Work carried out and costs incurred by the undertaker in order to meet its duties under such an agreement; and</p> <p>b) must not relate to work needed or desired to modify or enhance existing network infrastructure in order to address pre-existing deficiencies, in capacity or capability, unrelated to requirements associated with the agreement.</p>	Similar to rule 28 for mains requisitions, any non-contestable charges will only cover the cost in relation to the needs of the site. Any work to resolve existing issues of capacity will not be included.

38	Insofar as section 51A agreements are concerned, water undertakers shall not provide for Asset Payments for the adoption of a water main.	The Company no longer provides for asset payments for the adoption of a water main, other than for those agreements in place prior to 1 April 2020.
39	Insofar as section 104 agreements are concerned, sewerage undertakers shall not provide for Asset Payments for the adoption of a Sewer.	As a Water only Company this rule is not applicable.
40	Not Used	
41	Undertakers shall not provide for Asset Payments for the adoption of a Communication Pipe or Lateral Drain.	The Company does not provide asset payments for communication pipes.
42	Each undertaker must set out in its Charging Arrangements its method(s) for calculating the charges imposed by that undertaker pursuant to section 185(5) of the Water Industry Act 1991 ("Diversion Charges"). In relation to Diversion Charges an undertaker: a) may provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker; and b) may also provide for other alternative methods of calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements.	The Company has set out its methodology in relation to mains diversions.
43	Charges levied pursuant to section 185(5) must be calculated by reference to the principle that the undertaker is only entitled to recover costs reasonably incurred as a result of complying with the duty imposed by section 185(1) of the Water Industry Act 1991.	The Company will only charge for costs reasonably incurred and will make an appropriate adjustment for any 'betterment' or 'deferment' of the new main.

44-46	<p>An undertaker is allowed to require security prior to commencing work, whether in the form of a sum deposited with the undertaker or otherwise:</p> <p>a) under section 42(1)(b), 47(2)(a), 99(1)(b), 101B(3A), 107(3)(b)(ii) or 185(4); or</p> <p>b) for the purposes of any charges imposed under an agreement under section 51A or section 104 of the Water Industry Act 1991.</p> <p>The type and amount of security should not be unduly onerous, taking into account the risk to be borne by the undertaker in carrying out the work in question. Where undertakers require security, the type and amount of security and the payment of interest on the security should reflect the general charging principles set out in paragraph 18.</p> <p>The undertaker must clearly set out requirements for security in relation to any charges to be applied in its Charging Arrangements.</p>	The Company does not require any security.
47-48	<p>Undertakers are not required to provide for the option of upfront Fixed Charges in accordance with paragraphs 25 (Requisition Charges) of these rules, or to comply with paragraph 14, where, and to the extent that, it would be unreasonable to expect an undertaker to do so (having had regard to the practicality of setting a cost-reflective upfront Fixed Charge and the benefit to customers of producing such a charge).</p> <p>Where paragraph 47 applies, an</p>	The Company has set out in its charging arrangements the method that will apply for charges which are unusual or difficult to estimate.

	undertaker must set out, and explain clearly, in its Charging Arrangements the alternative method or methods that will apply for calculating charges.	
49	Where an undertaker intends to provide quotations for charges set out in its Charging Arrangements, it must explain in its Charging Arrangements the length of time over which such quotations will be valid and explain the approach the undertaker will take where the period over which a quotation is valid would cross into a new charging year. For the avoidance of doubt, provisions in Charging Arrangements relating to the validity of quotations across Charging Years may provide for charges covered by such quotations to be payable as set out in the quotation within the period so specified in the Charging Arrangements even if that charge would have been different if the quotation were provided at the time that the charges are in fact paid or payable.	The Company has set out in its charging arrangements the validity period and transition arrangements for quotes between charging years.
50	Each relevant undertaker whose area is wholly or mainly in England must fix Infrastructure Charges in their Charging Arrangements.	Information relating to our infrastructure charges is included within our Charging Arrangements.
51	Not used.	
52	Infrastructure Charges must be determined in accordance with the principle that the amount of such charges will over each period of five consecutive Charging Years ending on 31 March 2023 and, thereafter, on 31 March in each subsequent year cover the costs of Network Reinforcement that the relevant undertaker reasonably incurs, taking into consideration both the number and relevant costs arising in consequence of new connections in	Our infrastructure charges have been set using an assessment of infrastructure spend and connection volumes in the coming five charging years as described within rule 52.

	the undertaker's own area, and in the areas served by New Appointees with whom the undertaker has an agreement for bulk supplies of water or bulk discharge and before the application of any Income Offset.	
53	Charging Arrangements must include a clear methodology explaining how Infrastructure Charges have been calculated.	See response to rule 11.
54	<p>For the avoidance of doubt, Infrastructure Charges must not relate to the costs of reinforcing, upgrading or otherwise modifying existing network infrastructure in order to address pre-existing deficiencies in capacity or in capability unrelated:</p> <p>(a) to the provision of a new water main or public sewer pursuant to an agreement with, or a duty owed under the Water Industry Act 1991 to, a person other than a relevant undertaker (including, but not limited to, the provision of a new water main or public sewer pursuant to a requisition under sections 41(1) or 98(1), a section 66D agreement or a section 117E agreement);</p> <p>(b) to the adoption of infrastructure under a section 51A or 104 agreement; or</p> <p>(c) to connections described in section 146(2) of the Water Industry Act 1991.</p>	The infrastructure charge is not set to recover any costs for reinforcing, upgrading or otherwise modifying existing network infrastructure in order to address pre-existing deficiencies in capacity or in capability unrelated to the points noted in rule 54.
55	In setting Infrastructure Charges an undertaker may (but is not required to) provide for an Income Offset. Each undertaker has discretion as to the methodology to be applied to calculate Income Offset.	Income offset is provided against the infrastructure charge.

56	<p>Infrastructure Charges may be set as a fixed charge per new connection, or calculated in accordance with a formula. As long as the difference between amounts is cost-reflective, the amounts of Infrastructure Charges may vary to reflect different circumstances and, in particular, may be different for different geographical areas.</p>	<p>The infrastructure charge is set as a fixed per plot charge</p>
57	<p>In making Charging Arrangements, each relevant undertaker must ensure that:</p> <p>(a) the Charging Arrangements clearly set out how Infrastructure Charges have been calculated;</p> <p>(b) the amount of Infrastructure Charges applied in respect of the modification or redevelopment of existing buildings or premises is determined in accordance with the principle that the amount must take due account of any previous usage in the 5 years before the modification or redevelopment began (including supplies of water that were not for domestic purposes and drainage that was not for domestic sewerage purposes) associated with the buildings and/or premises to which the charges are to be applied and be discounted accordingly;</p> <p>(c) the Charging Arrangements clearly explain the methodology to be applied for determining a discount to reflect previous usage; and</p> <p>(d) the Charging Arrangements clearly explain the methodology to be applied for determining any</p>	<p>The Company Charging Arrangements set out how the infrastructure charge has been calculated, includes the relevant information regarding credits (related to the modification or redevelopment of existing buildings or premises) taking into account previous usage in the 5 years before the modification or redevelopment began and the methodology to be applied for determining income offset.</p>

	Income Offset.	
58	Rules 50 to 57 above do not apply to: (a) New Appointees; or (b) any charges scheme that has effect in relation to a period ending before 1 April 2018.	