

Proposed 18/19 Charges

We want to hear your views

19 October 2017

Purpose of the session

- Previous stakeholder feedback
- Overview of approach to setting charges in relation to new connections applicable from 1 April 2018
- Indicative charges
- Example developments
- Infrastructure charges discount
- Your thoughts?

What did you tell us in April and August?

- Concerns in relation current charges - based on uncertainty with infrastructure charges and the lack of clarity and accuracy surrounding charges in general – what do the charges fund?
- Definitions are clear surrounding site-specific and non-site specific although clarification is needed around network reinforcement.
- Standardised fixed charges for connections and infrastructure will make it clear and simple for developers.
- The majority of developers, self-lay providers, new appointments and variations, and consultants would prefer a per plot calculation for an income offset / asset payment.
- The transition period is an important factor and we need to think carefully to minimise risk where exceptional costs could materialise. Clarity and transparency is really important here.
- Moving forward UU should build more recognition of NAVs into the consultation.

Principles

**Stable &
predictable**

**Transparent
& customer
focused**

**Fairness &
affordability**

**Environmental
protection**

Overview of approach

- We want our charges to be transparent and fair
- We want to minimise the incidence effect on developers
- We want to continue having charges which are cost reflective
- We want to encourage competition
- We want to promote sustainability



How the charges are set (applicable 1 April 2018):

Charge	Types of charges
Water Connections	<p>Fixed application fee and fixed processing fee Fixed charges for different surface types (includes up to 2m pipe service and two way lights) Fixed charges for additional metres</p> <p>Different rates for different diameter pipes ranging from up to 25mm through to 160mm</p> <p>Additional published fixed charges (e.g. additional site visits/traffic management)</p>
Water Requisitions* (Site specific)	<p>Fixed application fee, fixed processing fee and fixed connection administration fee Fixed charges for different surface types (includes two way lights)</p> <p>Different rates for different diameter pipes ranging from up to 63mm through to 315mm</p> <p>Income offset – fixed £ per on site plot (capped at the value of the scheme) (applied to all new developments with requisitions including SLPs and NAVs. NB: this is expected to change again in 2020)</p> <p>Additional published fixed charges (e.g. additional site visits/traffic management)</p>
Wastewater Requisitions (Site specific)	<p>Individual quotation provided (as requests are infrequent and bespoke)</p> <p>Proposing to publish Indicative rates to assist developers in estimating costs</p> <p>No income offset applicable to wastewater requisitions</p>
Water Infrastructure charge* (Non site specific)	<p>Fixed standard charge to reflect our forecast 5 year view of expenditure Lower fixed charge for water efficient schemes (subject to relevant criteria)</p> <p>No change to infrastructure credits process</p>
Wastewater Infrastructure charge* (Non site specific)	<p>Fixed standard charge to reflect our forecast 5 year view of expenditure Lower fixed charge for schemes where there is no surface water connection into the sewerage network</p> <p>No change to infrastructure credits process</p>

*you will no longer pay for offsite reinforcement through the requisition

Any upsizing of a water main to provide capacity for a future development will be funded through water infrastructure expenditure

Indicative 2018/19 prices (applicable 1 April 2018)

Connections (25mm) and infrastructure charges:

Charge	17/18 charges	Indicative 18/19 charges*	Industry median**	Comments
Water Connections (25mm)				
Unsurfaced (up to 2 metre of pipework)	£407	Circa £400 to £410	£633	Charges set based on the costs related to providing the service.
Surfaced (up to 2 metre of pipework)	£471	Circa £470 to £570	£774	
Additional metre of service				
Unsurfaced	£48	Circa £50 to £60	£40	
Surfaced	£74	Circa £70 to £90	£118	
Water standard infrastructure charge	£365	Up to £370	N/A	Charges set based on our forecast 5 year view of network reinforcement expenditure and forecast number of new connections over the same period
Wastewater standard infrastructure charge	£365	Up to £430	N/A	

*18/19 indicative charges are subject to final forecasts and final board approval

**Ofwat new independent comparison of monopoly water companies' new water supply connection costs

Published (Information Note: IN 17/02 February 2017 (16/17 prices))

Example schemes

- We want to share some example schemes with you today so you can see the impact of our proposed charges
- We have used small and medium schemes from our 16/17 requisition analysis
- We have calculated the cost of these schemes for 18/19 using our indicative charges
- In calculating a per plot income offset/asset payment there will be winners and losers. (Just as there are winners and losers using the current DADs approach)
- We will cap the income offset/asset payment at the value of the scheme
- An assessment of maintaining the balance is being performed to ensure the overall balance of contributions is broadly maintained.

Example Scheme – Self Lay

Small development 33 plots (all on site). One point of connection. 175m of unsurfaced mains laying (92m of 63mm diameter, 83m of 90mm diameter).

Water Connections: assumes SLP supplies and fits meter. Infrastructure: No previous site use.

	Self Lay Cost	Example scheme details	Current charges (16/17 scheme)	Indicative 18/19 charge
1	Application fee			£225.00
2	Processing fee			£335.00
3	Branch Connection	90mm branch surfaced		£3,848.00
4	End connection			£0.00
5	Mains laying	92m x 63mm & 83m x 90mm		£19,775.00
	Total requisition cost (sum of 2-5) (excluding application fee)		£23,166.59	£23,958.00
6	Income offset/Asset payment (capped at value of scheme)		(£21,220.59)	(£23,958.00)
	Net requisition cost (sum of 2-5 less 6)		£1,946.00	£0.00
	Asset payment payable to SLP		£21,220.59	£23,958.00
7	25mm Metered connection (per plot)	Cost of meter fit only	£0.00	£0.00
8	Service connection administration charge associated with mains requisition scheme (per plot)		£0.00	£528
9	Building water		£825.00	£825.00
10	Water infrastructure charge	No credits applicable	£11,800.96	£11,748.00
11	Wastewater infrastructure charge	No credits applicable	£11,800.96	£13,959.00
	Total scheme cost		£26,372.93	£27,285.00
	% Variance			3.5%*

Breakdown of cost to be published in 18/19 charges scheme

Example Scheme – Self Lay

Medium development 284 plots (all on site). One point of connection. 3049m of unsurfaced mains laying required (1894m of 63mm, 391m of 90mm, 254m of 110mm and 510 of 160mm diameter)*

Water Connections: assumes SLP supplies and fits meter. Infrastructure: No previous site use.

Self Lay Cost	Example scheme details	Current charges (16/17 scheme)	Indicative 18/19 charge
1 Application fee			£225.00
2 Processing fee			£335.00
3 Branch Connection	160mm branch surfaced		£4,829.00
4 End connection			£0.00
5 Mains laying	1894m x 63mm, 391m x 90mm, 254m x 110mm & 510 x 160mm)		£362,873.00
Total requisition cost (sum of 2-5) (excluding application fee)		£331,061.55	£368,037.00
6 Income offset/Asset payment		(£287,274.55)	£(211,012.00)
Net requisition cost (sum of 2-5 less 6)		£43,787.00	£157,025.00
Asset payment payable to SLP		£287,274.55	£211,012.00
7 25mm Metered connection (per plot)	Cost of meter fit only	£0.00	£0.00
8 Service connection administration charge associated with mains requisition scheme (per plot)		£0.00	£4,544
9 Building water		£7,100.00	£7,100.00
10 Water infrastructure charge	No credits applicable	£101,559.81	£101,104.00
11 Wastewater infrastructure charge	No credits applicable	£101,559.81	£120,132.00
Total scheme cost		£254,006.61	£390,130.00
% Variance			53.6%**

Breakdown of cost to be published in 18/19 charges scheme

Example Scheme – Requisition: UU lay the main

Small development 3 plots (all on site). One point of connection. 73m of unsurfaced mainslaying required (73m of 63mm diameter).

Water connections: 25mm unsurfaced (up to 2m). Infrastructure: No previous site use.

	Developer Cost	Example scheme details	Current charges (16/17 scheme)	Indicative 18/19 charge
1	Application fee			£371.00
2	Processing fee			£242.00
3	Branch Connection			£0.00
4	End connection	63mm end surfaced		£1,325.00
5	Mains laying	73m x 63mm unsurfaced		£8,249.00
	Total requisition cost (sum of 2-5) (excluding application fee)		£53,316.53**	£9,816.00
6	Income offset (capped at value of scheme)		(£3,084.53)	(£2,229.00)
	Net requisition cost (sum of 2-5 less 6)		£50,232.00	£7,587.00
7	25mm Metered connection (per plot)	25mm unsurfaced (up to 2m)	£1,266	£1,188
8	Service connection administration charge associated with mains requisition scheme (per plot)		£0	£48
9	Building water		£75.00	£75.00
10	Water infrastructure charge	No credits applicable	£1,072.81	£1,068.00
11	Wastewater infrastructure charge	No credits applicable	£1,072.81	£1,269.00
	Total scheme cost		£53,718.63	£11,606.00
	% Variance			(78.4)%*

Breakdown of cost to be published in 18/19 charges scheme

Example Scheme – Requisition: UU lay the main

Medium development 141 plots (all on site).

One point of connection. 29m of unsurfaced mains laying (29m of 160mm diameter).

Water connections: 25mm unsurfaced (up to 2m). Infrastructure: No previous site use.

	Developer Cost	Example scheme details	Current charges (16/17 scheme)	Indicative 18/19 charge
1	Application fee			£371.00
2	Processing fee			£242.00
3	Branch Connection			£0.00
4	End connection	160mm end surfaced		£1,645.00
5	Mains laying	29m x 160mm unsurfaced		£3,973.00
	Total requisition cost (sum of 2-5) (excluding application fee)		£6,636.66	£5,860.00
6	Income offset (capped at value of scheme)		(£6,620.66)	£(5,860.00)
	Net requisition cost (sum of 2-5 less 6)		£16.00	£0.00
7	25mm Metered connection (per plot)	25mm unsurfaced (up to 2m)	£59,502	£55,836
8	Service connection administration charge associated with mains requisition scheme (per plot)			£2,256
9	Building water		£3,525.00	£3,525.00
10	Water infrastructure charge	No credits applicable	£50,422.30	£50,196.00
11	Wastewater infrastructure charge	No credits applicable	£50,422.30	£59,643.00
	Total scheme cost		£163,887.60	£171,827.00
	% Variance			4.8%*

Breakdown of cost to be published in 18/19 charges scheme

Infrastructure discount:

How can we incentivise sustainable development?

Rule 27
Infrastructure charges should reflect environmental protection

We want to incentivise developers to build houses that use less water and drain in a sustainable way

Water options based on water efficient fittings

Wastewater options based on surface water strategy

Infrastructure discount for sustainable development

Infrastructure	Qualifying condition	Discount available	Indicative 18/19 standard charge
Water infrastructure charge	Build to 110 litres or less of water per person per day (based on The Building regulations 2010 Part G, section G2)	Up to 90% discount	Up to £370
Wastewater infrastructure charge	No surface water connection to our existing network	Up to 90% discount	Up to £430

- We recognise that every new connection will place an incremental demand on our water and wastewater network
- We want to work with you to mitigate the impact of new connections on our network

Recap

- You said a per plot calculation for an income offset / asset payment was preferable – we are proposing to introduce a per plot income offset
- You said standardised fixed charges for connections and infrastructure will make it clear and simple for developers – we have standard fixed charges for connections and infrastructure
- We want to mitigate the impact of new connections on our network so we have introduced a discounted infrastructure charge for sustainable development to incentivise developers to build houses that use less water and drain in a sustainable way
- Charges shared today are subject to final forecasts, RPI and final board approval
- Examples of schemes demonstrate the indicative charges result in minimal impact to developers
- We plan to follow Water UK guidance on transition
- The charges for 18/19 presented today are applicable from 1 April 2018 per the updated rules. The rules do not apply to charges prior to 1 April 2018.

Tell us what you think/ Do you have any questions?