

# AffinityWater

## Charging Arrangements for New Connection Services

### Board Assurance Statement 2023/24



## Introduction

The charges sub-committee of Affinity Water Limited (the "Company") have overseen the preparation of our tariffs and charges for 2023/24. Both the charges sub-committee and the Board of Affinity Water Limited have:

- Reviewed the requirements published in "Information Notice 22/03", setting out Ofwat's expectations for new connection services charging arrangements 2023/24;
- Considered the requirements of Ofwat's Charging Rules for New Connection Services (English Undertakers) (October 2021) ("Ofwat's Charging Rules")
- Considered the actions undertaken by management to prepare our Charging Arrangements to meet these requirements; and
- Approved the Board Assurance Statement set out below

## Significant Changes

For the 2023/24 charging period the industry will use a set of consistent worked examples; ours can be found in both our summary charges document and new connection charging arrangements publication. These can be found [here](#).

There is a significant increase to the total charge of some of our worked example calculations which exceed the 10% guideline threshold outlined in the Ofwat Information Notice. These charges are set out in the table below.

Scenario	Description	Equivalent 22/23 Charge	23/24 Charge
1	Single connection to a house from an existing main	£3,207	£3,449
2	Single connection to a block of flats from an existing main	£7,446	£8,455
3	Medium housing development requiring new mains and communication pipe (excavation and reinstatement by others)	£74,259	£86,731
4	Medium housing development requiring new mains and communication pipe (excavation and reinstatement by Water Company)	£102,190	£122,014
5	Large housing development requiring new mains and communication pipe (excavation and reinstatement by others)	£269,735	£296,566
6	Large housing development requiring new mains and communication pipe (excavation and reinstatement by Water Company)	£351,845	£417,656

Our Board of Directors have assessed the effects of the new charges on customers' bills for a range of different types of development using the above information and approves the impact assessments and proposed handling strategies.

These significant changes, along with our handling strategies, are referred to in our statement of significant change which can be found [here](#).

# External Assurance

As part of the assurance process for the new connections charging works, Frontier Economics was commissioned by the Board to review the approach and methodology of developer charging including the infrastructure charge and associated credits; and, to review the functionality of the calculation models to comment on the extent of which our approach satisfies the guidance provided by Ofwat and Defra.

A detailed assurance report was provided which concluded:

*"We have reviewed AFW's approach to setting developer charges for 2023/24, and ultimately we find that its approach is in line with Ofwat's guidance. Also, based on our understanding of the economic principles that underpin competition law we believe that AFW is unlikely to be exposed to a material risk of a competition complaint. Ofwat's charging rules have remained largely unchanged compared to last year. At a high level, AFW must ensure that its charges are cost reflective. AFW's charges for 2023/24 have increased by more than 10% compared to last year. This is largely driven by (i) high levels of inflation; and (ii) a higher infrastructure charge due to a planned increase in reinforcement work and a relative decrease in the income offset. However, AFW's charges are still cost-reflective and comply with Ofwat's guidance, and AFW has developed a handling strategy to help mitigate the impact on developers."*

## Board Assurance Statement

The Board of Affinity Water Limited, having made due enquiry of management confirms, to the best of its knowledge, that:

- a)** The Company complies with its obligations relating to the Charging Rules;
- b)** The Company has appropriate systems and processes in place to make sure that the information contained in its Charging Arrangements, and the additional information covered by the annex to the Charging Rules is accurate;
- c)** The present balance of charges between developers and other customers is broadly being maintained; and
- d)** It 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%.

  
Ian Tyler (Jan 6, 2023 16:18 GMT)

Ian Tyler  
Chairman Non-Executive  
On behalf of the Board