

# AffinityWater

## Charging Arrangements for New Connection Services

### Statement of Significant Change 2023/24



## Introduction

The purpose of this statement is to provide our stakeholders with information on changes to the structure of our charges and any other significant changes to our charges which are anticipated for the 2023/24 charging period beginning 1st April 2023.

The information included in this document is published in accordance with the [new connections charges scheme rules](#) issued by Ofwat. We will publish our New Connection Charging Arrangements and Summary of Developer Services Charges by 1st February 2023.

Affinity Water Developer Services provide advice and guidance, and if requested, delivery capability for the provision of new water services for developer customers, including self-lay providers and new appointments and variations.

If you would like further information, including details on how to apply for a developer services activity, please see our website: <https://www.affinitywater.co.uk/developing>.

## Significant Changes

For the 2023/24 charging period the industry will use a new set of consistent worked examples; ours can be found in both our New Connection Charging Arrangements and Summary of Developer Services Charges publications. These can be found [here](#). We use these to help determine significant changes to our charges and the impacts that may be felt by our customers.

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 latest Ofwat Information Notice. These 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 developments using the above information and approves the impact assessments and handling strategies developed

These significant changes are also referred to in our Board Assurance Statement, which can be found [here](#).

Further information on the detail of the significant changes, the drivers and the handling strategies can be found below.

## Onsite Charges

Our onsite charges are increasing for 2023/24. This is due to a combination of the following:

### **Inflation (CPIH)**

While our delivery rates absorb a proportion of inflation - 0.7%, inflation is added to our construction rates as well as our pre-construction and post-construction fees. CPIH has been confirmed at 9.3%, which is much higher than previous years. This therefore has a material impact on our ability to maintain inflation below the 10% threshold for significant change.

### **New delivery rates**

Some of our rates have increased and this is reflective of a general increase in the cost in providing services across the construction industry as a result of wholesale increases in material costs.

Having now worked with our appointed delivery partners since April 2021, we have re-apportioned the underlying rates to better reflect the recent mix of works we have undertaken and expect to deliver in 2023/24.

### **Material shortages and supply chain increases**

We are currently impacted by wholesale increases in the cost of materials, fuel and other supply chain elements. We are obliged to ensure this increase is reflected in our charges, to ensure that fair competition in our region can be maintained. As such, material increases have been calculated using index mechanism tracking and are reflective of the increase in costs we are predicting moving into 2023/24.

This increase is not specific to the Affinity Water region. We are working closely with our delivery partners and supply chains to forecast as far in advance for the supplies required for developer services activities to mitigate the impact, however, we are already experiencing the impact of these costs and it is vital that we reflect these in our onsite charges moving forwards to protect competition.

## Infrastructure Charge, Income Offset and Water Efficiency

There is no significant change to the structure or methodology in calculating our infrastructure charge for 2023/24; it remains a per property (domestic) flat rate.

As a result of the July 2022 Ofwat paper, which confirmed the removal of provision of income offset from 2025, we consulted on a range of options by which we could help to prepare our customers for this change. There was significant support for us to provide a balance between our income offset and water efficiency discount.

Our income offset calculation methodology continues to align with best practice and ensures we maintain a balance of charges between the contribution developer customers and household customers make for the provision of infrastructure, as required under the Charging Rules. The calculation has also undergone consultation with our customers as well as internal and external assurance. The detail behind this calculation can be found in our charging arrangements [here](#).

The full calculated income offset will be set at 50% for all new connections in 2023/24. The remaining 50% of the calculated income offset will be available via the water efficiency discount, in addition to the inflated water efficiency discount as would otherwise have been offered.

We anticipate this to encourage developers to:

- take up our water efficiency discount,
- deliver water efficient connections to our network,
- utilise the increased discount to trial more innovative and viable efficiency technologies and,
- help prepare our customer base for the removal of the income offset in 2025.

## Handling Strategies

Through our consultation work, we understand that our developer customers are keen that our charges are reflective of the work we carry out. We have an obligation under competition law to ensure our charges are cost reflective, and this is also governed through a general charging principle. We recognise that any increase may have a negative impact on our developer customers, therefore, we have taken the following steps to help our customers plan for the increases to our charges and ultimately attempt to mitigate any negative impacts:

- Trialled a new consultation approach utilising alternative media and developing a short, digestible summary video. This successfully broadened our customer reach with almost 200 views.
- Publication of our written technical consultation alongside the summary video to provide further detail and explanatory calculations where required for our customers, on our website and across additional media platforms.
- Publication of our consultation response decision document at the beginning of December on our website.
- Provided an open opportunity for customer stakeholders to request 1-2-1 meetings to further explore the impacts of our proposed changes.
- Throughout our assurance activities, we have engaged with our partners to understand best practice and have ensured that our approach is consistent with the industry.
- Continue to offer an application fee calculator for customers to use to accurately understand the cost of their application.
- Continue to offer a new connections cost estimator tool for customers to use to obtain a budget estimate for their new connection. This allows customers to self-serve information before committing to a full application, and the associated application fees.
- Updated our website with advanced warning messaging regarding upcoming 2023/24 charges.
- Updated our email signature with advanced warning messaging regarding upcoming 2023/24 charges.
- Reviewed our position on transitional arrangements, to ensure they are best practice and made attempts to make these clearer in our charging arrangements.
- Continue to monitor and encourage open conversations with our customers via our charges email account: [charges@affinitywater.co.uk](mailto:charges@affinitywater.co.uk)