



Developer Services

New Connections Charging Arrangements 2021/2022

Consultation - October 2020

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1 Introduction

1.1 Affinity Water

We are the largest water-only supplier in the UK, and we are committed to delivering a high-quality water service to all our customers.

We provide on average 900 million litres of water each day to a population of more than 3.6 million people in parts of Bedfordshire, Berkshire, Buckinghamshire, Essex, Hertfordshire, Surrey, the London Boroughs of Harrow and Hillingdon and parts of the London Boroughs of Barnet, Brent, Ealing and Enfield. We also supply water to the Tendring peninsula in Essex and the Folkestone and Dover areas of Kent.



Each year, around 12,000 new properties are connected to our network. Most properties are connected to our existing water mains while others require our network to be extended (and sometimes reinforced) to facilitate connection.

From 1 April 2018, the basis for charging for the new connections services we provide changed. From this date, water companies are required to set charges in accordance with rules made by Ofwat, the water industry regulator.

There are two sets of rules that we must follow in setting our charges for the period 1 April 2021 to 31 March 2022, both published by Ofwat in July 2019:

- Ofwat's Charging Rules for New Connection Services (English Undertakers)¹
- Charges Scheme Rules issued by the Water Services Regulation Authority under sections 143(6A) and 143B of the Water Industry Act 1991²

These rules apply to the provision of water mains and new connections provided for domestic purposes as well as the diversion of water mains situated in private land. They do not apply to:

- a) requests for a supply of water for non-domestic purposes,
- b) requests made by a water supply licensee for the connection of premises to our network, or other steps in respect of that system; or
- c) charges under an agreement to provide one or more water undertakers with a supply of water in bulk.

We are required to determine our charges for new connections services in accordance with the principle that charges covered by the rules should reflect:

- a) fairness and affordability;
- b) environmental protection;
- c) stability and predictability; and
- d) transparency and customer-focused service.

We must also take reasonable steps to ensure the balance between contributions to costs by developers and other customers prior to 1st April 2018, is broadly maintained.

This consultation document sets out our proposals for the main changes to our charges to be implemented on 1st April 2021. We are not proposing to increase any specific charge for the new connections services we provide by more than 5%, except where stated in this consultation document.

The charging rules and charges scheme rules made by Ofwat in July 2019 has introduced a significant policy changes from 1 April 2020. These changes mean that income offsets will no longer be applied to our costs of providing requisitioned water mains and that asset payments will no longer be made to self-lay providers. Instead, income offsets will be applied to infrastructure charges payable on each new connection made to our network³.

The changes to the charging rules and charges scheme rules will affect:

1. Developers
2. Self-Lay Providers (SLPs); and
3. New Appointees (NAVs)

Whilst there are no significant changes made to charging rules for 2021/2022, we would like to receive your feedback on the following areas of focus for our annual review:

- a) Pre-Development enquiries;
- b) Infrastructure Charges;
- c) Income Offset;
- d) Administration, Application and Design Fees;
- e) Approved Plumbers;

¹ www.ofwat.gov.uk/publication/charges-schemes-rules-from-april-2020/

² www.ofwat.gov.uk/consultation/consultation-on-charging-rules-for-new-connections-and-new-developments-for-english-companies-from-april-2020/

³ We note that Ofwat's Charges Scheme Rules define the income offset as being applied to connections to new water mains rather than all connections.

- f) Traffic Management; and
- g) Transition Arrangements

Please note that we will publish our final charges for new connections services and infrastructure charges by 1st February 2020. The proposed charges in this consultation document are for consultation purposes only and may be different to our final charges.

Your opinions and comments on our proposed changes are greatly appreciated and are key to helping shape our thinking.

We invite you to provide feedback by returning responses to the questions set out throughout the document.

We request responses to charges@affinitywater.co.uk by 11:59pm on 1st November 2020.

Privacy notice

The information you provide about yourself will help us understand the views of different stakeholders in the new connections market to inform the development of our Charging Arrangements for New Connections Services. It will be securely stored for one year and only held for the purposes of this project, after which it will be securely disposed of. For more information about privacy please visit: www.affinitywater.co.uk/privacy-notice.aspx By submitting your response, you agree to us using your response in our results. We will not publish names of individuals but may refer to names of organisations.

2 Definitions

1. Developer

Any person or business which is responsible for a development.

2. Fixed charge

This means charges set for a given Charging Year which are fixed in amount or which are calculated by reference to a predetermined methodology set out in the undertaker's Charging Arrangements, the application of which allows calculation at the outset of the total amount owing in that Charging Year in respect of the charges in question. Such charges are to be fixed for a Charging Year, as defined above. For the avoidance of doubt, and subject to the above, undertakers may impose Fixed Charges by reference to a unit measurement (for example, per mega-litre). Furthermore, undertakers may offer more than one Fixed Charge in charging for a service provided in accordance with the present rules (for example, by differentiating between different geographic areas).

3. Income Offset

A sum of money offset against the charges that would otherwise be applied for the provision of a Sewer or Water Main in recognition of revenue likely to be received by the relevant undertaker in future years for the provision of: i. supplies of water to premises connected to the new Water Main; or ii. sewerage services to premises connected to the new Sewer, and "Income Offsetting" shall be construed accordingly.

4. Infrastructure Charge

"Infrastructure Charge" means the charges described in section 146(2) of the Water Industry Act 1991. That is, a charge paid by the developer to the water company when a property is connected to the company's water supply or sewer for the first time which contributes to wider network reinforcement to meet the increased demand arising from the new connections.

5. Network Reinforcement

This refers to work other than Site Specific Work, as defined below, to provide or modify such other: i. Water Mains and such tanks, service reservoirs and pumping stations, or ii. Sewers and such pumping stations as is necessary in consequence of the Site Specific installation or connection of Water Mains, Service Pipes, Public Sewers and Lateral Drains pursuant to an agreement with, or a duty owed under the Water Industry Act 1991 to, a person other than a relevant undertaker, including a requisition (under sections 41(1), 98(1) or 98(1A)), under an agreement for adoption (under sections 51A or 104), under a section 66D of or a section 117E agreement, pursuant to section 45(1) (Duty to make connections with main) or in accordance with another duty imposed by the Act, or in consequence of the exercise of rights under section 106(1) (Right to communicate with public sewers). It also includes the additional capacity in any earlier Water Main or Sewer that falls to be used in consequence of the provision or connection of a new Water Main or Sewer.

6. New Appointments and Variations/New Appointee (NAVs)

New appointment and variations provide water and/or sewerage services to customers in an area previously served by the incumbent monopoly provider. A new appointment is made when Ofwat appoints a company for the first time to provide services for specific geographic area. A variation is where an existing appointment is varied to extend the areas served.

7. Pre-Development Enquiry

Pre-development enquiries allow a developer customer to obtain information regarding feasibility of providing water services to a development. This helps with the decision-making process regarding whether to develop a piece of land and/or support in the planning permission process.

8. New Connection Services

This is the collective term for New Water Mains, New Sewers, Service Connections, Lateral Drains, Waste Connections and Diversions.

9. Self-Lay Providers (SLPs)

An accredited operative who can lay the pipework for a new water main or sewer rather than the infrastructure being laid by the water company.

3 Pre-Development Enquiries

3.1 Pre-Development Enquiries 2020/2021

Affinity Water are committed to supporting growth in our region and would like to encourage developer customers to talk to us at the earliest stages of planning their development using our pre-development enquiry service. This is so that we can understand how water may be provided to the proposed development in the most efficient and timely way. Early engagement ensures we can fully appreciate our customer requirements and plan for any infrastructure requirements in the best possible way.

Our pre-development service will help you to understand the costs involved in serving the site, the most appropriate point of connection and also if there are any existing water assets within your development area which may need diverting. It will also inform us where reinforcement may be required in order to support your development.

Considering our view that this early engagement is vital, our intention is to remove the pre-planning enquiry fee and offer this service at a zero charge.

3.2 Questions on Pre-Development Enquiries

Q1) Do you agree with our proposed approach to charging for pre-development services?

4 Infrastructure Charges

4.1 Application of Infrastructure Charge 2020/2021

The purpose of an infrastructure charge is to enable a charge to be levied to reflect broadly the expected additional load placed on our network by the connection of premises not previously connected to it. Infrastructure charges do 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.

In line with Ofwat charging rules, we have reviewed our infrastructure charge for 2021/2022 alongside our forecasted connections volumes for AMP7, beside the future expected expenditure for network reinforcement. We expect that these charges will remain stable across the remainder of AMP7.

Our Infrastructure Charge is set at a flat rate per property connected for domestic purposes. We are not proposing any change for 2020/21. The 2020/2021 and proposed 2021/22 charges are laid out in the table below.

2020/21 Standard Water Infrastructure Charge per property (£)	375
2021/22 Standard Water Infrastructure Charge per property (£)	253

4.2 Questions on Infrastructure Charges

Q2) Do you agree with our approach on reducing the infrastructure charge in line with expected volumes and subsequent reinforcement need?

5 Income Offset

5.1 Income Offset – Current Approach

An income offset payment under these charging arrangements are for all new connections where an infrastructure charge is applicable. The income offset is placed against the infrastructure charge, instead of the mains requisition cost following the policy change in Ofwat’s Charging Rules. We will apply an income offset for each new connection for a supply of water to the premises connected to a water main where an infrastructure charge is applicable.

Currently, where an income offset is due in line with our charging arrangements, this payment becomes due when the connection is made to the main and when the customer billing account set up is complete. As a result of the income offset being larger than the infrastructure charge, this often results in a refund due to customers at the end of the scheme, upon connection completion. We do not feel this provides the best possible customer experience; therefore, we are consulting on a new approach to applying the income offset to applicable schemes.

5.2 Income Offset – Proposed Approach

In order to promote a more refined customer experience, we are consulting on providing the income offset payment as part of upfront cost-advice process. As part of our annual review of charges, the income offset amount has been reviewed and updated as per the table below.

Income Off-Set Calculation		
Description	Percentage Uplifts	£ Excluding VAT
Total Income Offset / Asset payments for period 19/20		4,237,323
Total number of valid domestic connections to New Mains for the period 19/20		11,002
Calculated income Offset Value		385.14
CPIH Increase November 2019	1.5%	5.78
Calculated income Offset Value 2020		390.92
Forecasted CPIH Increase November 2020	0.28%	1.09
Calculated Income Asset Value for 1 April 2021		392.01

As the proposed income offset value exceeds the proposed infrastructure charges, our intended approach for 2021/2022 would be to provide the resulting discount as part of the scheme cost-advice.

5.3 Questions on Income Offset Proposed Approach

Q3) Would you welcome our proposed approach to the application of the income offset payment as part of the upfront cost-advice activity? Please provide justification for your response.

6 Administration, Application and Design Fees

Each year when setting out our charges, we try to structure them in a way that is easy for our developer customers to calculate cost associated with their projects. With this in mind, we are considering changing the structure of our administration, application and design fees to reflect our desire to be easy to do business with.

6.1 Administration, Application and Design Fees – Current Approach

The below tables show our **current structure** for administration, application and design fees:

Application Fees

2020/21 Mains Application Fees:

Table 6.2: Mains Application Fees			
Ref	Item	Unit	£ Excluding VAT
6.2.1	Application Fee for Mains (with an existing pre-development report)	per application	393
6.2.2	Application Fee for Mains (no pre-development report)	per application	786
6.2.3	Re-application Fee for Mains (with an existing pre-development report)	per application	196
6.2.4	Application Fee for Mains (with revised pre-development report)	per application	393

2020/21 New Connections Application Fees:

Table 7.2: New Connections Application Fees			
Ref	Item	Unit	£ Excluding VAT
7.2.1	Application Fee (first property connected)	per application	157
7.2.2	Application Fee (each subsequent property connected)	per application	31
7.2.3	Application Fee Change of Requirements (50% Minimum Charge)	Per application	78
7.2.4	Application Fee Change of Requirements (each subsequent property connected - 50% Minimum Charge)	Per application	15

2020/2021 Self-Lay Connections Application Fee:

Table 9.2: Self-lay Service Connections Application Fees			
Ref	Item	Unit	£ Excluding VAT
9.2.1	Application Fee Service Connections (first property connected)	per application	157
9.2.2	Application Fee Service Connections (each subsequent property connected)	per connection	21

2020/2021 Self-Lay Mains Application Fee:

Table 8.2: Self-lay water mains Application Fees			
Ref	Item	Unit	£ Excluding VAT
8.2.1	Application Fee for self-lay mains (with an existing pre-development report)	per application	393
8.2.2	Application Fee for self-lay mains (no pre-development report)	per application	786

2020/2021 Diversions Application Fee:

Table 10.2: Diversion Application Fees			
Ref	Item	Unit	£ Excluding VAT
10.2.1	Application Fee for diversion (with an existing pre-development report)	per application	393
10.2.2	Application Fee for diversion (no pre-development report)	per application	786

Administration Fees

2020/21 Mains Administration Fees:

Table 6.4: Mains Administration Fees			
Ref	Item	Unit	£ Excluding VAT
6.4.1	Mains Administration Fee (fixed element)	per application	577
6.4.2	Mains Administration Fee (variable element)	per linear metre of main laid	15

2020/2021 Self-Lay Mains Administration Fees:

Table 8.4: Self-lay water mains Administration Fees			
Ref	Item	Unit	£ Excluding VAT
8.4.1	Administration Fee	per application	577
8.4.2	Site Visit	per visit	159

2020/2021 Self-Lay Connections Administration Fees:

Table 9.3: Self-lay communication pipes Administration Fees			
Ref	Item	Unit	£ Excluding VAT
9.3.1	Administration Fee (all properties connected)	per connection	52

2020/2021 New Connections Administration Fees:

Table 7.3: New Connections Administration Fees			
Ref	Item	Unit	£ Excluding VAT
7.3.1	Administration Fee (properties connected)	per connection	110
7.3.2	Administration Fee (each subsequent property connected)	per connection	110

2020/2021 Diversions Administration Fees:

Table 10.4: Diversion Administration Fees			
Ref	Item	Unit	£ Excluding VAT
10.4.1	Diversion Administration Fee (fixed element)	per application	577
10.4.2	Diversion Administration Fee (variable element)	per linear metre of main laid	15

Design Fees

2020/21 Mains Design Fees:

Table 6.3: Mains Design Fees					
Ref	Item	Unit	£ Excluding VAT		
			Design Fee	Minor Design Change	Major Design Change
6.3.1	0-50 properties	per scheme / phase	944	236	755
6.3.2	51-100 properties	per scheme / phase	1,132	283	905
6.3.3	101-200 properties	per scheme / phase	1,320	330	1,055
6.3.4	201 -300 properties	per scheme / phase	1,508	377	1,205
6.3.5	301-400 properties	per scheme / phase	1,696	424	1,355
6.3.6	401-500 properties	per scheme / phase	1,884	471	1,505
6.3.7	501-600 properties	per scheme / phase	2,072	518	1,655
6.3.8	601-700 properties	per scheme / phase	2,260	565	1,805
6.3.9	Increment for each additional 100 properties above 700 per phase of development.	per scheme / phase	188	47	150
6.3.10	Review design prepared by developer or self-lay provider . The first submitted design will be reviewed free of charge. Should we require any changes to be made at this point, we will also complete the first review of the amended design free of charge.	per scheme / phase	Free of Charge for the first design submission and first amended design if required		
6.3.11	Review subsequent design prepared by developer or self-lay provider .	per scheme / phase	262	65	210

6.2 Admin, Application and Design Fees – Proposed Approach

Proposed changes to our design fees

We are proposing to move away from design fees calculated by plot volumes and replace with an easier structure. We propose to move to design fees for the following:

Small (1-100 properties)
 Medium (101-200 properties)
 Large (201+ properties)

To ensure the broad balance of charges, whilst managing cost-reflectivity, we would propose to calculate these based on averages of the current design fees as illustrated in Table 6.3 above.

The background to the design services we provide is that we obtain all our designs via an outsourced Contractor, selected in a competitive tender process. As such we believe that their costs reflected in our charges will be at market rates and comparable i.e. a level playing field to other contractors and Self Lay Providers (SLP). In addition:

- the design team provides an inclusive service. The total cost of the design is recovered in the calculated average fee
- in line with the requirement to provide a fair and level playing field and promote competition, we are undertaking a review of our design fees
- our intention is to continue not to charge a fee for the design review in the upstream market (Work that can only be undertaken by Affinity Water), including the first review and subsequent first revision

The above elements, which formed part of our methodology in 2020/2021 remains unchanged.

Our proposed table for Design Fees in 2021/2022 is as follows:

Mains Design Fees 2021/2022		
Description	Unit	Design Fee £
Small: 0-100 properties	Per scheme/phase	1,038
Medium: 101-200 properties	Per scheme/phase	1,320
Large: 201+ properties	Per scheme/phase	1,790

Proposed changes to our application fees

For our application fees, where applicable, we are proposing to remove the re-application and change of requirements application fee. Whilst our application fee structure will not change, we will be reviewing the values to ensure they remain cost reflective.

Proposed changes to our administration fees

We are proposing to remove the variable elements currently listed, within our Mains and Diversions work-types. Instead, we will list one fixed charge administration fee for Mains and Diversions, to simplify the ability for developer customers to predict their scheme charges. In order to provide one fixed cost, we are analysing and reviewing historic costs associated with administration fees on schemes and intend on providing an average in order to maintain the balance of charges.

6.3 Questions on Admin, Application and Design Fees

Q4) Do you agree with our proposed approach regarding simplification to our administration fee, removing the variable element?

Q5) Do you agree with our proposed approach regarding removal of re-application and change of requirements application fee?

Q6) Do you agree with our proposed approach regarding the simplification of our design fee?

7 Approved Plumbers

7.1 Application of Approved Plumbers Discount

We are committed to ensuring high quality work is completed to ensure safe drinking water for all of our customers.

We encourage the use of the Water Industry Approved Plumbers' Scheme (WIAPS) which is funded by sixteen Water Suppliers to administer an approved plumber's scheme for them. In order to become a WIAPS member, applicants have to demonstrate that they have been suitably trained as a plumber, that they have adequate knowledge of the Regulations by passing an assessment and they must be able to confirm that they have appropriate insurance cover.

To reflect our desire to use WIAPS, or another accredited scheme, approved plumbers for developer services work, we propose to introduce a discount on receipt of a valid approved plumber scheme certificate (i.e. WIAPS certificate) showing that work was completed by a plumber on an approved accreditation scheme. We are looking to offer this discount against each new service connection which would be reflected at cost advice stage.

In our 2020/21 charges, we charge £15 to review each approved plumber scheme certificate. We are proposing to reverse this charge for our 2021/22 charges and offer a £15 discount for each certificate on a per plot basis.

7.2 Questions on Approved Plumbers

Q7) Would this proposed discount encourage you to use an approved plumber and submit evidence? If not, please state why it would not?

8 Traffic Management Charges

8.1 Structure of Traffic Management Charges

Currently, our traffic management fees are built into our 2020/21 charges. We are committed to ensuring that all our fees are cost reflective for our customers. We also want to ensure that our customers can easily access all potential charges associated with their projects prior to submitting an application to us.

With this in mind, for our 2021/22 charges, we are proposing to remove all traffic management uplifts and create a traffic management fixed cost table, providing set charges for services e.g. 2,3,4-way lights. We believe this will provide our customers with better insight and understanding into all costs related to their project, and ensure each charge is cost reflective.

We are also seeking feedback on the structure of road closure charges. As different local authorities have different fees for road closures, we are proposing to either price actual costs on receipt of information from individual authorities or provide an average fixed cost upfront.

8.2 Questions on Traffic Management Charges

Q8) Do you agree with our proposed approach to remove the traffic management uplift from our charges and provide a table of fixed costs?

Q9) Would you prefer road closures to be costed as actual on receipt of information from individual authorities, or provide an average fixed costs upfront?

9 Transition Arrangements

Our 2021/22 charges will be published by 1st February 2021. Although our new charges will come into effect for work commencing on or after 1st April 2020, we understand that some schemes will be at different stages of the scheme lifecycle. To support our customers, we are proposing the following transitional arrangements.

- Quotations for works which have been accepted on or before 31st March 2021 will retain the costs as listed in the scheme cost advice document. If construction works **have not** commenced, you will be able to request us to request your scheme using our 2021/22 charges.
- Any application made between 1st February 2021 – 31st 2021 will be issued dual costs. We will provide a cost using our 2020/21 charges and a cost using our 2021/22 charges. You will then be able to pick which costs you would like applied to your scheme.
- Quotations issued between 1st February 2021 – 31st March 2021 will be valid for 120 days from the date the quotation is issued.
- Any application made on or after 1st April will be calculated using our 2021/22 charges and will be valid until 31st March 2022.
- If an SLP or NAV signs an agreement issued under our 2020/21 charges, we will honour the costs set out in the scheme agreement as long as there is no variation to the scheme on or after 1st April 2021. If there is a variation to the scheme, on or after 1st April 2021, we will issue a requote and new agreement.

9.1 Questions on Transition Arrangements

Q10) Is our proposed approach for transition arrangements, including the timeframe of 120 days for the acceptance and payment of a 2019/20 quotation, reasonable?

Q11) If your answer to Q10 is no, please specify which elements you disagree with and why?

10 Consultation Questions

10.1 Questions from all sections are provided below

- 1) Do you agree with our proposed approach to charging for pre-development services?
- 2) Do you agree with our approach on reducing the infrastructure charge in line with expected volumes and subsequent reinforcement need?
- 3) Would you welcome our proposed approach to the application of the income offset payment as part of the upfront cost-advice activity? Please provide justification for your response.
- 4) Do you agree with our proposed approach regarding simplification administration fee, removing the variable element?
- 5) Do you agree with our proposed approach regarding removal of re-application and change of requirements application fee?
- 6) Do you agree with our proposed approach regarding the simplification of our design fee?
- 7) Would the proposed discount encourage you to use an approved plumber and submit evidence? If not, why?
- 8) Do you agree with our proposed approach to remove the traffic management uplift from our charges and provide fixed costs?
- 9) Would you prefer road closures to be costed as actual on receipt of information from individual authorities, or provide an average fixed cost upfront?
- 10) Is our proposed approach for transition arrangements, including the timeframe of 120 days for the acceptance and payment of a 2019/20 quotation, reasonable?
- 11) If your answer to Q10 is no, please specify which elements you disagree with and why?

***Please return your responses to the questions above to charges@affinitywater.co.uk
by 11.59pm on 1st November 2020***