Charges scheme transition for 2020
What’s changing in April 2020?

In line with the Water Services Regulation Authority, as of 1 April 2020 the income offset payment is moving to be paid against infrastructure charges and will no longer be paid against requisition charges.

The income offset will also be given for connections off existing mains and there is no cap to the payments.

• We refer to this as “new rules” throughout this guide.

• The term “old rules” applies to schemes where the income offset is paid against requisition charges (schemes agreed with us prior to April 2020).

• This transition document does not cover schemes that have been based on DADS model calculations (schemes prior to April 2018).

What does the change mean for my scheme?

It depends if your scheme has already started or due to start before or after December 2020.

This guide will explain what happens in each of these scenarios and which charging rules will be applied to your development.
Transition for site specific charges
(new mains laying applications prior to April 2020)

Application must be made prior to 31 March 2020

- Quote accepted by 31 August 2020
- Work to commence by 31 December 2020

Customer can accept early and have until December to start work on site*

1. Any applications made on or after 1 April 2020 will be on new rules
2. If quote has not been accepted up to 31 August 2020, scheme is requoted on new rules (with requote fee applicable)
   *Extended from 30 June 2020 due to the impact of COVID-19
3. If work has not started by 31 Dec 2020, scheme is requoted on new rules (with requote fee applicable)
   **Extended from 30 Sept 2020 due to the impact of COVID-19

Delivery Route | *Definition of “work started on site”
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SLP | To request a branch connection within 3 months of the signed legal agreement and/or request to vest a section of main
Statutory (UU) | To call off the first section of mains laying
NAV | To request the bulk connection from us within 3 months of the variation of appointment for the site being granted by Ofwat
Has your scheme started?
(Agreement in place)

- Yes
  - Do you want to make any changes to your scheme?
    - Yes: Continue on agreed rules (as per agreement)
    - No: Continue on agreed rules (as per agreement)

- No
  - Will you have an application before 31 March?
    - Yes: Dual quote issued
      - Yes: Formal quote for FY19/20
        - Yes: Work starts before 31 December 2020
          - Yes: FY19/20 rules apply to scheme **
          - No: FY20/21 formal requote (no fee)
        - No: FY20/21 formal requote - FEE
      - No: FY20/21 formal requote (no fee)
    - No: FY20/21 rules apply to scheme

Are changes material?*

- Yes: Continue on agreed rules (as per agreement)
- No: Continue on agreed rules (as per agreement)

*Material changes are a change to the scheme which is either:
- 2 additional plots
- 10% increase in plots/mains length (whichever is the greater)

**Any changes then made to your scheme will follow the same flow from the beginning
What qualifies as a material change to my scheme that will change the charging rules?

Below sets out the criteria for what qualifies as a major or minor change to your site and some scenarios which mean the new charging rules will apply.

This criteria is deemed applicable to schemes that have already been quoted or are accepted within the 3 month validity timescale (for FY19/20 charges).

<table>
<thead>
<tr>
<th>Change to scheme</th>
<th>Type of change</th>
<th>Is there a charge to pay?</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site name/address change</td>
<td>Minor</td>
<td>No</td>
<td>Simple update, minimal administration costs to UU to amend</td>
</tr>
<tr>
<td>Fire hydrant response (fire department)</td>
<td>Minor</td>
<td>No</td>
<td>Legal requirement and costs already incurred (included in mains laying rate for UU work or SLP will cover these costs)</td>
</tr>
<tr>
<td>Major scheme amendment (greater than): &gt;2 plots &gt;10% (increase or reduction) to plots and/or mains length</td>
<td>Major</td>
<td>Yes</td>
<td>Requote fee New rules will apply to amendment and any further works not yet undertaken on site</td>
</tr>
<tr>
<td>Outside 6 month validity (work not started by 31 December 2020)</td>
<td>Major</td>
<td>Yes</td>
<td>New application, outside of 6 month transition period, new rule scheme</td>
</tr>
<tr>
<td>Discrete addition; such as a cul-de-sac</td>
<td>Major</td>
<td>Yes</td>
<td>New discrete addition to the scheme will be classed a new phase and charged on new rules</td>
</tr>
<tr>
<td>Minor scheme amendment (less than): &lt;2 plots &lt;10% (increase or reduction) to plots and/or mains length</td>
<td>Minor</td>
<td></td>
<td>Please see next page</td>
</tr>
</tbody>
</table>
What if I am making a minor change to my scheme?
(Less than 2 plots or under 10% change to plots/mains laying length)

Below sets out the criteria for minor changes to schemes and whether a fee applies to make the changes

<table>
<thead>
<tr>
<th>Minor scheme amendment</th>
<th>Plot increase &lt; 2 plots/10%</th>
<th>Plot decrease &lt;2 plots/10%</th>
<th>Plots remain the same</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Additional mains laying</strong></td>
<td>Requote fee payable</td>
<td>Requote fee payable</td>
<td>Requote fee payable</td>
</tr>
<tr>
<td>&lt;10%</td>
<td>Scheme remains on old rules</td>
<td>Scheme remains on old rules</td>
<td>Scheme remains on old rules</td>
</tr>
<tr>
<td></td>
<td>Full site recalculation to re-assess scheme capping</td>
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<td>Full site recalculation to re-assess scheme capping</td>
</tr>
<tr>
<td><strong>No additional mains laying</strong></td>
<td>Scheme remains on old rules</td>
<td>Requote fee payable</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>We pay an income offset for each additional plot (at rate of old rules)</td>
<td>Remains on old rules</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>System updated to reflect reduced income-offset payments (at rate of old rules)</td>
<td></td>
</tr>
<tr>
<td><strong>Decrease in mains laying</strong></td>
<td>Requote fee payable</td>
<td>Requote fee payable</td>
<td>Requote fee payable</td>
</tr>
<tr>
<td>&lt;10%</td>
<td>Scheme remains on old rules</td>
<td>Scheme remains on old rules</td>
<td>Scheme remains on old rules</td>
</tr>
<tr>
<td></td>
<td>Full site recalculation to re-assess scheme capping</td>
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</tbody>
</table>
What if I am making a change to the number of plots when my mains are already laid?

<table>
<thead>
<tr>
<th>Plot amendment</th>
<th>Changes to your scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase</td>
<td>For the additional plots; Infrastructure charges and Income Offset will be payable at the prevailing year’s rate.</td>
</tr>
<tr>
<td>e.g. 6 detached properties to 12 semi-detached properties</td>
<td>The income offset paid on “old rules” remains the same and no recalculation is made to the scheme allowance and income offset.</td>
</tr>
<tr>
<td></td>
<td>You will need to notify us of the additional connections.</td>
</tr>
<tr>
<td>Decrease</td>
<td>For the reductions of plots; there will be a requote (payable) on “old rules” to recalculate the scheme allowance and income offset.</td>
</tr>
<tr>
<td>e.g. 12 semi-detached properties to 6 detached properties</td>
<td>Adjustment will be made accordingly to any monies owed (by you or us); as the scheme may no longer be capped.</td>
</tr>
</tbody>
</table>
Discrete addition

Existing Site Layout remains on ‘old rules’

New cul-de-sac (four additional plots) to be treated as a new phase:

- Quoted on new rules and new charges
- Issued separate agreement for the 4 plots
Major scheme amendments

8 plots (detached) connected to a new main, with 3 plots connected to the existing main.

Development split in to 16 plots (semi-detached) off new main; only half of main constructed.

Anything that has already been constructed will remain on ‘old rules’

Site was eligible for:
8 x £866.00 rate of Income Offset

Due to the site alterations it will now receive:
6 x £866.00 rate of Income Offset; due to the number of plots connected to the new main which is already constructed.

A recalculation of the ‘old rules’ charges will be made to ensure correct site charges are levied (due to asset value).

The additional 10 plots will receive; 10 x £751.00 rate of Income Offset. This will be when the connection and meter installation has taken place to the new main (once constructed).
What else are we doing to help with the changes to the 2020/21 charges?

As well as providing a window of time for you to be able to choose which charging rules apply to your scheme we are also providing...

**Dual quotations:** No later than end of Jan 2020 we will be providing dual quotes for your schemes based on both old and new charging rules.

This will provide the costs for the scheme based on 19/20 charges scheme and 20/21 charges scheme and give you the choice on which charges are best for you, providing that

- You have made an application before 31 March 2020
- Old rules quotes are accepted until the 31 August 2020
- Scheme work has started before 31 December 2020.

**Phasing:** We encourage phasing of schemes, where appropriate to help with the cash flow impact of the income offset moving to infrastructure charges.
If you would like to discuss our transition approach, please contact us on

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Email - DeveloperServicesWater@uuplc.co.uk