

## New Connection Services

# Changes in charges for 2019/2020 – Q&A Customer engagement session

---

This document is to provide some supporting information and is to be read along with the slide pack issued from the recent customer engagement session held on 26<sup>th</sup> June 2018 as part of our consultation process. The slide pack can be found on our website (hyperlink?)

### **Q1. What is the difference between the way that asset payments and the new income offset payments are calculated?**

A: Prior to the 2018/19 charges scheme income offset/asset payments were calculated based on a combination of the construction value of the scheme and a forecast revenue from new customers. The new income offset/asset payment has been simplified. The payment is in recognition of future income from new customers. This payment is capped at the construction value of the scheme.

Under current arrangements, if a developer requisitions a new water main (i.e. on-site assets) the amount we charge to the developer for the cost of the water main is discounted by the income offset, and the developer therefore only contributes a proportion of the cost of a new water main. Our income offset for 2018/19 of £839 per household plot is equivalent to, on average, a discount to the cost of the new water main of 68%. If the new main is installed by a self-lay provider at their cost, and we subsequently adopt the new water main, we pay an asset payment to the self-lay provider of £839 per household plot.

The fixed allowance per plot/fixed percentage allowance is based on the total income offset / asset payment value required to ensure that the balance of revenue recovered from developers and other customers is maintained. In calculating the value we have used our projections of the number and the scope of requisitions and asset adoptions expected in the year.

### **Q2. Where can a connection be made for our development?**

Your development may be connected to the nearest passing main that is the same size or larger than the pipe required to serve your development. If the main that you are connecting to (equal to or greater than the main you require to serve your development) needs network reinforcement, it will be funded through the infrastructure charge, with the same contribution paid for each new connection.

### **Q2. When do developers need to contribute to reinforcement costs?**

Network reinforcement is funded through the infrastructure charge.

You will be required to pay for the site specific costs up to the nearest practical point of connection (POC) to the existing network where the connecting pipework is no larger than that of our existing network.

### **Q3. How will developers be able to see how infrastructure income has been spent?**

Infrastructure income and expenditure will be published in a table in our annual performance report. The rolling five year forecast of expenditure is reviewed annually.

### **Q4. How will you deal with upsizing mains for future development?**

If we identify that upsizing of new mains may be required, we calculate an upsize payment and engage with the developer and self-lay provider to see if this work can be delivered.

**Q5. Are you reviewing the way you calculate income offset payments for commercial or non-household premises?**

Yes, we review all of our charges every year and will provide an update at our next session.

**Q6. Are you going to move to a total offset for infrastructure payments?**

Yes, from 1 April 2020 the income offset is to be applied against the infrastructure charge. This is

In line with the Ofwat decision document published on 2 November 2017 'New connections charges rules from April 2020 – England: Decision Document',