





# Changes to Infrastructure Charges

V1 – FEB 2018



## Useful Information

### What is changing?

All English water and wastewater companies are being asked to change the way they charge customers for new connections from 1 April 2018. Ofwat's new rules follow four overarching principles in respect of water and wastewater services:

-  Stable and predictable charges
-  Transparent and customer-focused charging
-  Fairness and affordability
-  Environmental protection

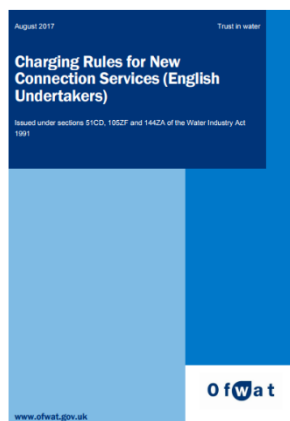
The changes will mean that more of the Water Company's charges will be fixed and published, rather than provided on application, which will:

-  Enable developers to estimate the charges for their work
-  Allow alternative connection providers such as self-lay providers and New Appointments and Variations (NAVs) to offer developers a competitive quote more easily

Each water and wastewater company is responsible for devising their own Charging Arrangements in line with Ofwat's charging rules and taking into account Water UK's guidance on this topic, so it's unlikely that the arrangements will be identical across the country. All Water Companies are obliged to publish new charges two months before they come into effect on 1 April 2018 and subsequently will be reviewing, updating and publishing charges every year.

### Why are the changes being made?

The changes are being made in response to demands for simplification, for transparency and for greater cost certainty. As a result, more of the Water Company's charges will be fixed and published, rather than provided on application. There will also be a clearer link between investment in creating capacity for new developments and the amount that collected through infrastructure charges.



## What Services are affected?

Service	Change in 2018/2019
Infrastructure charges	One fixed charge for water, and one fixed charge for waste water.
New water and waste water connections and lateral drains	All charges to be fixed and published
New mains and sewers (also known as requisitions)	Charges will be fixed and published, except where a defined list of special circumstances apply
Income offsets (financial contribution for new mains and sewers)	No change to the basis of the calculation
Asset payments for self-laid water mains	No changes to the basis of the calculation
Adoptions of waste water infrastructure	No change to the basis of the calculation
Diversions (diverting existing water or wastewater infrastructures like mains, sewers and pumps if required for your planned development)	No change, but published indicative charges

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## What do the changes mean for me?

If you receive a quote before 1 April 2018 for work that is starting after 1 April 2018, you have a choice of charging basis.

Water Company's charges for new connection services and infrastructure charges will be different from 1 April 2018 under their 2018/19 charging arrangements. The charges for some schemes may increase while others may be less, depending on the nature of the scheme.

For quotes issued from 1 February 2018, they may be attaching for information purposes an illustration of what the charges would be under the 2018/19 charging arrangements.

Some companies will be contacting customer who had a quote within the last 3 months or so and have not either passed the water regulations inspection (for new service connections) or instructed them to schedule the works (for new water mains), to tell them what the charges would be under the 2018/19 charging arrangements.

## Is this Good News?

### Answer: Depends on your construction project

- 1) If you are constructing large developments or been caught in area with poor capacity and have had to pay for expensive modelling analysis by water companies, then **YES**. The water company will be paying for this in the future.
- 2) If you have paid large reinforcement costs in the past, then **YES** as these charges will need to be paid by the water company.
- 3) If you are developing in an area where infrastructure charges have risen above RPI and not had to pay anything in 1 or 2 then **NO** as the cost of reinforcement is being split across all new connections made in an area.
- 4) As this is a new method of calculating Infrastructure Charges we wait to see if there are going to be changes each year that will affect the viability of projects. The jury is out on that front but at a Water UK event Ofwat did imply that they would not like to see big swings in these charges year to year as the costs should be spread out on a rolling 5-year programme.

## Will it work?

### Answer: Only if people talk to each other.

- 1) For water companies to be able to plan reinforcement in advance of when needed they need to know what's in the pipeline.
- 2) This means contact with water companies at early stages of planning not just "we need water tomorrow" is essential.

## What are my options?

You can still go ahead with your existing quote, while it remains valid (i.e. the date shown on your original quote). Or you might decide you would like the Water Company to issue you with a quote calculated using the new charges that apply from 1 April 2018.

If you decide you want to have a quote issued under the 2018/19 charging arrangements, you need to let the water company know. They cannot provide you with a quote under the 2018/19 charging arrangements until they come into effect on 1 April 2018.

Once you let the company know that you wish to be charged under the 2018/19 charging arrangements, this will invalidate any existing quote.

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