

# Water Asset Values

V1 – December 2019

## What happens currently

- As part of a new development, most developers or their agents will apply to the [incumbent water company](#) that operates the potable water network where the site is located (see below for the alternatives of self-lay and NAVs).
- The water company will respond with the **following three cost** items:
  - mains requisition quote only if new mains are required
  - service connection quote
  - infrastructure charges (covering most network reinforcement costs, and which may be itemised within the service connection quote).
- Currently** most water companies give a **discount against the mains requisition quote only**, representing the value of these new assets/customers to the water company.
- However, this also means that if the site does not need new mains, and **only requires service connections** from existing mains, that the developer receives **no discount**.

## What is proposed from 1<sup>st</sup> April 2020

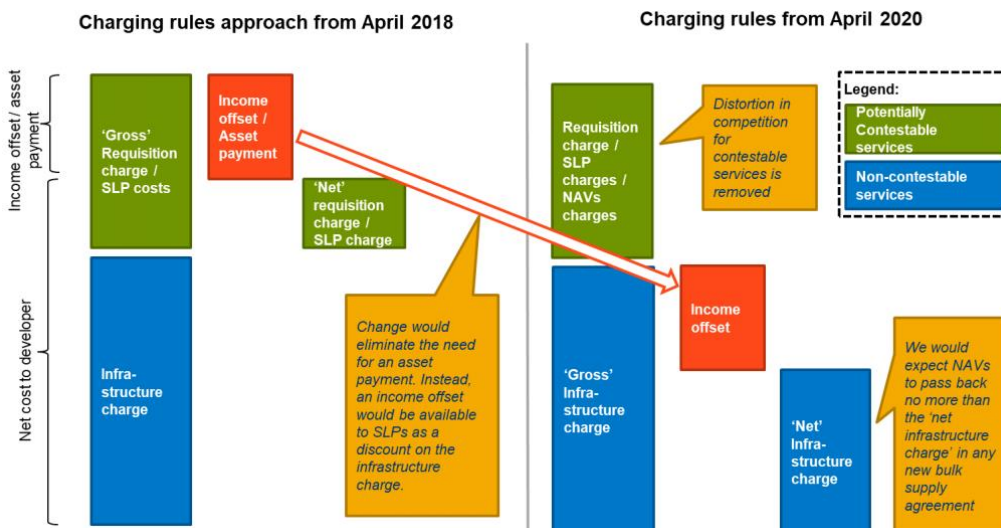
- Ofwat will require **all water companies to remove income asset value discounts** from the mains requisition element of their quotations.
- Instead most water companies intend to **offer a discount against infrastructure charges**, likely to be capped at the level of the total charge.
- This means that developments that do not require new mains and only need new service connections will also be able to benefit from the asset value discount.
- However, as the total infrastructure charge can in some cases be less than the capital cost of a new main, **some sites that do need new mains may receive a lower discount** than they would now, possibly increasing their costs relative to the current system.
- It is also **unclear** what will happen to the **existing system of credits discounted** from infrastructure charges for the use of water by existing connections cut off as part of site clearance/demolition – whether these will survive in the new format is uncertain. If they are superseded by the new system this may remove another current system of discounting.

## From 1<sup>st</sup> April 2020

The water industry regulator Ofwat will be requiring all water companies in England and Wales to change the way they offset the value of new potable water assets (mains and customer connections) that are added to their networks as part of new developments.



If you are unsure as to what the changes mean for your site, please speak to one of our Utility Consultants on 01403 740240



[Consultation on charging rules for new connections and new developments for English companies from April 2020](#)

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## What does this mean for my development?

- It is important to stress that each water company will have its own interpretation of Ofwat's rules, and that these are **not finalised until the new water charges** scheme documents are published by the water companies, expected to be around the **end of January 2020**. Consultations have been held and are now in the final stages of setting these rates and charging principles – **until these are completed nothing is certain**.
- Having said this, it is possible to infer from the general direction of the consultations and proposed draft costings that sites with long mains lengths, such as new estates comprised primarily of low-density houses are likely to see **costs rise significantly**. Infill sites with blocks of flats close to existing mains are likely to see **costs falling**.
- Developments where **one party is responsible for spine mains** only (providing a "serviced site") and another developer responsible for connections only **may also be disproportionately affected** as the discount will move from one developer to the other.
- The **timing of payments may be affected**, i.e. in future you may need to pay more up front in a mains requisition and only receive the discount to the infrastructure charges which is often the last payment made.
- **Self-lay developments** and **New Appointments and Variations (NAVs)** may be **less competitive** in certain circumstances as the income offset amounts will not be paid to self-lay providers in the same manner as before.

## What action can I take?

- It may be beneficial (depending on the type of site) to either **obtain a current-format quote before April 2020** while this is still possible **or wait for the new rules** if your programme allows and you believe this may benefit you. Please bear in mind that many water companies charge fees to provide quotations and to discourage speculative applications.
- Some water companies are intending to provide quotations in both old and new formats in a short period prior to 1<sup>st</sup> April 2020 so that the differences can be compared.