

NEW CONNECTION SERVICES CHARGING RULES 2018/19

1. INTRODUCTION

This document sets out:

- the charging rules for new connection services (including agreements for the adoption of self-laid infrastructure) for new connections published by Ofwat on 8 December 2016 and updated on 10 August 2017. The rules are issued by the Water Services Regulation Authority, as required by sections 51CD, 105ZF and 144ZA of the Water Industry Act 1991.
- the charges scheme rules, in relation to infrastructure charges, published by Ofwat, on 8 December 2016. These rules are issued by the Water Services Regulation Authority under sections 143(6A) and 143B of the Water Industry Act 1991. They come into effect on 15 December 2016, replacing the rules that came into effect on 17 November 2015. The rules apply to water undertakers and sewerage undertakers when they are making a charges scheme.

Against each requirement UUW’s assessment of compliance is set out.

2. NEW CONNECTIONS CHARGES SCHEME RULES FOR 2018/19

Charging rule reference	Charging rules for new connection services
	Introduction
1.	These rules are issued by the Water Services Regulation Authority under sections 51CD, 105ZF and 144ZA of the Water Industry Act 1991.
2.	These rules have effect in relation to charges imposed on or after 1 April 2018 by water undertakers and sewerage undertakers whose areas are wholly or mainly in England.
3.	<p>For the avoidance of doubt, these rules do not apply to a relevant undertaker in relation to any:</p> <ol style="list-style-type: none"> a) request for a supply of water for non-domestic purposes to which section 55 of the Water Industry Act 1991 applies; b) application for a consent to discharge trade effluent from any trade premises under section 119 of the Water Industry Act 1991; c) request made by a water supply licensee for the connection of premises to a water undertaker’s supply system, or other steps in respect of that system, to which section 66A of the Water Industry Act 1991 applies; d) request made by a sewerage licensee for the connection of drains or sewers of premises to a sewerage undertaker’s sewerage system, or other steps in respect of that system, to which section 117A of the Water Industry Act 1991 applies;

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<p>4.</p>	<p>e) charges that may be imposed by a water undertaker under an agreement to provide one or more water undertakers with a supply of water in bulk; or</p> <p>f) charges that may be imposed by a sewerage undertaker under an agreement to permit a main connection into its sewerage system by one or more sewerage undertakers.</p> <p>The rules are supplementary to statutory provisions that apply to relevant undertakers under any enactment, or instrument made thereunder (including the conditions of their appointments). In the event of any conflict between the rules and any statutory provision, the latter shall prevail.</p>
<p>1-4</p>	<p>The appropriate set of rules have been considered.</p>
	<p>Interpretation</p>
<p>5.</p>	<p>Unless the context otherwise requires, in these rules:</p> <p>a) “Asset Payment” means:</p> <p>i. in relation to a section 51A agreement with a water undertaker, the amount described in section 51CD(3) of the Water Industry Act 1991; and</p> <p>ii. in relation to a section 104 agreement with a sewerage undertaker, the amount described in section 105ZF(3) of the Water Industry Act 1991.</p> <p>b) “Charging Arrangements” means a document setting out the charges, Income Offsets and Asset Payments, and/or the methodologies for calculating those, applied by the water or sewerage undertaker in accordance with these rules.</p> <p>c) “Charging Year” means a calendar year running from 1 April in a given year to 31 March in the following year.</p> <p>d) “Communication Pipe” means any part of a Service Pipe which a water undertaker could be, or have been, required to lay under section 46 of the Water Industry Act 1991.</p> <p>e) “Connection charges” has the meaning given by paragraph 31 below.</p> <p>f) “Contestable Work” means work or services that either the relevant undertaker or persons other than the relevant undertaker may do or provide.</p> <p>g) “Developer” means any person or business which is responsible for a Development.</p> <p>h) “Development” means premises on which there are buildings, or on which there will be buildings when proposals made by any person for the erection of any buildings are carried out, and which require connection with, and/or modification of, existing water or sewerage infrastructure.</p> <p>i) “Diversion Charges” has the meaning given by paragraph 42 below.</p> <p>j) “Fixed Charges” mean 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.</p>

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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).

k) “Income Offset” means 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 connection to the new Sewer.

and “Income Offsetting” shall be construed accordingly.

l) “Lateral Drain” means (a) that part of a drain which runs from the curtilage of a building (or buildings or yards within the same curtilage) to the sewer with which the drain communicates or is to communicate; or (b) (if different and the context so requires) the part of a drain identified in a declaration of vesting made under section 102 of the Water Industry Act 1991 above or in an agreement made under section 104 of this Act.

m) “Network Reinforcement” 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 a duty imposed on the undertaker by the Water Industry Act 1991, whether by requisition (under sections 41(1), 98(1) or 98(1A)), under an agreement for adoption (under sections 51A or 104), 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 main or sewer.

n) “New Appointee” means a company holding an appointment as a relevant undertaker where the conditions of that appointment limit the charges that can be fixed under a charges scheme by reference to the charges fixed by one or more other relevant undertakers.

o) “Non-contestable Work” means work or services that only the relevant undertaker (or an agent acting on their behalf) can do or provide.

p) “Public Sewer” means a sewer for the time being vested in a sewerage undertaker, whether under the Water Act 1989, the Water Industry Act 1991 or otherwise.

q) “Requisition charges” has the meaning given by paragraph 23 below.

r) “Service Pipe” means so much of a pipe which is, or is to be, connected with a water main for supplying water from that main to any premises as — (a) is or is to be subject to water pressure from that main; or (b) would be so subject but for the closing of some valve, and includes part of any service pipe and any accessory for such a pipe.

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6.	<p>s) “Sewer” includes all sewers and drains (not being drains within the meaning given by section 219(1) of the Water Industry Act 1991) which are used for the drainage of buildings and yards appurtenant to buildings. This definition includes tunnels or conduits which serve as such a pipe and any accessories for such a pipe.</p> <p>t) “Site Specific” refers to work on, or the provision of, water or sewerage structures or facilities located on a Development as well as work to provide and connect a requested Water Main, Sewer, Communication Pipe or Lateral Drain on, or in the immediate vicinity of, the Development and “Site Specific Work” shall be construed accordingly. It does not refer to costs or work required as part of Network Reinforcement as defined above.</p> <p>u) “Small Company” means a New Appointee or Cholderton and District Water Company Limited.</p> <p>v) “Undertaker” means a water undertaker or sewerage undertaker.</p> <p>w) “Water Main” means any pipe, not being a pipe for the time being vested in a person other than the undertaker, which is used or to be used by a water undertaker or licensed water supplier for the purpose of making a general supply of water available to customers or potential customers of the undertaker or water supply licensee, as distinct from for the purpose of providing a supply to particular customers. This definition includes tunnels or conduits which serve as a pipe and any accessories for the pipe.</p> <p>Unless the contrary intention appears, words and expressions used in these rules have the same meaning as in any provision of the Water Industry Act 1991.</p>
5-6	The interpretation is understood and is applied consistently.
	Consultation
7.	Undertakers must determine what types of charges covered by these rules may or may not be imposed, and the amount of such charges, in accordance with the principle that changes to charges covered by these rules should only be made after proportionate, timely and effective consultation with groups of persons likely to be significantly affected by the proposed Charging Arrangements (or their representatives) and any other persons the undertakers consider it appropriate to consult.
	Stakeholders have been consulted during the development of 2018/19 charges and charges scheme. More information on this engagement is included in the assurance statement.
	Publication and Transparency
8.	Relevant undertakers must publish charges developed under these rules in a single document (the Charging Arrangements). The Charging Arrangements must be published on the undertaker’s website and in any other manner the undertaker considers appropriate for the purpose of bringing the Charging Arrangements to the attention of persons likely to be affected by it.
	The charges developed under these rules will be published in a single document (the New Connections and Developer Services charges scheme 2018/19) on the United Utilities website.
9.	The maximum amount of any charge that may be imposed by an undertaker under the provisions of the Water Industry Act 1991 covered by these rules shall be the amount set out in, or calculated in accordance with, the Charging Arrangements published by that undertaker.

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	<p>For the avoidance of doubt, the charges and charging methodologies set out in the Charging Arrangements must therefore include relevant miscellaneous and ancillary costs such as assessment, inspection, design, legal and supervision charges that the undertaker is entitled to recover, unless there is a different legal basis for the recovery of such costs.</p>
	<p>The charges and charging methodologies have been set to include relevant miscellaneous and ancillary costs.</p> <p>A reference is made in the charges scheme where these costs are included as part of a fixed charge to make it clear what is included in each charge.</p> <p>Exceptions are detailed in the charges scheme.</p>
10.	<p>The Charging Arrangements must be published no later than two months before the period in relation to which they have effect. Charging Arrangements must be published at least once in every year from 2018 onwards.</p>
	<p>The charges scheme will be published on the United Utilities website in accordance with the required publication date.</p>
11.	<p>The Charging Arrangements must explain how each charge has been calculated or derived. Where an undertaker determines the applicable charges other than by Fixed Charges, the methodology for the calculation of such charges must be explained clearly in the Charging Arrangements.</p>
	<p>Most of the charges applicable are fixed charges. Each of these fixed charges has been built up to reflect the costs associated with providing each service. The costs included in each charge are noted in the charges scheme.</p> <p>Those charges which are not fixed have a methodology to explain how the cost will be derived.</p> <p>These charges, which are not fixed, largely relate to exceptional circumstances, examples of these are covered in section 13 of the new connections and developer services charges scheme. In this section items to be included in the build-up of the cost are outlined to provide an indication of the types of costs that would be included when the charge will be calculated.</p>
12.	<p>The Charging Arrangements are to be written and presented in a clear and accessible manner, which takes due account of the varying levels of expertise of all Developers or other customers who may rely on the Charging Arrangements. Undertakers should consider publishing worked examples where this could aid customers' understanding.</p>
	<p>In developing the charges scheme consideration has been given to the wording and presentation of the charging arrangements to take into account the varying levels of expertise. Where more detailed information is available links have been provided to the external website.</p> <p>Worked examples, showing example developments, have been included to aid customers understanding (section 14 of the new connections and developer services charges scheme).</p> <p>In addition, U UW has shared the draft charges scheme with a number of stakeholders prior to finalisation, to check it is written in a clear manner. More information on this engagement is included in the assurance statement.</p>
13.	<p>Charges must be published with such additional information or explanation as is necessary to make clear what services are covered by each charge.</p>
	<p>The services associated with each charge are included alongside the charge in the charges scheme.</p>

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14.	Undertakers must publish the charges covered by these rules in such a way that a Developer or other customer can confidently work out a reasonable estimate of the charges payable if they know the relevant parameters of a Development.
	<p>The charges scheme contains a comprehensive schedule of charges. This provides customers with a robust, cost reflective set of charges that can be used to reasonably estimate the provision of site specific infrastructure associated with their development.</p> <p>A high level methodology is included for those charges at cost.</p> <p>Most of the charges are fixed in nature. Application and processing fees are clearly listed.</p> <p>In relation to water developments there are different fixed rates for construction costs to reflect the range of pipe diameters (applicable to requisitions and diversions). Fixed charges have been set for section 45 WIA connections with different rates to reflect the size of connection required.</p> <p>In relation to sewers a table of indicative rates are provided (section 11). Inclusion of the worked examples in section 14 of the charges scheme will aid users of the charges scheme in calculating the charges payable.</p> <p>In addition, examples have been included to demonstrate how the different elements add together.</p>
15.	The Charging Arrangements must identify which charges are associated with Contestable Work and Non-contestable Work.
	The charges scheme identifies which charges are associated with Contestable Work and Non-contestable Work.
16.	Undertakers must provide a reasonable choice of times and methods of payment of the charges and set these out in the Charging Arrangements.
	Methods of payment are included in the charges scheme. The timing of each charge is referenced throughout the relevant sections of the charges scheme.
	Small Companies
17.	<p>These rules apply to a Small Company subject to the following provisions:</p> <p>a) a Small Company is not required to publish one or more of the charges or Asset Payments covered by these rules (or a methodology for calculating them) where it would be unreasonable to expect the company to do so (having had regard to the number of requests for the relevant services that the company would reasonably expect to receive);</p> <p>b) the charges imposed, or Asset Payments made, by a Small Company under the provisions of the Water Industry Act 1991 covered by these rules must be calculated in accordance with the principles and requirements set out in these rules whether or not they are published in Charging Arrangements and this includes, where relevant, requirements to provide the option of upfront Fixed Charges;</p> <p>c) paragraph 9 of these rules does not restrict the maximum amount of a charge imposed by a Small Company if Charging Arrangements published by that company do not include relevant charges or charging methodologies;</p>

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	<p>d) paragraph 10 of these rules does not apply to a Small Company – instead, a Small Company must publish any Charging Arrangements no later than five weeks before the period in relation to which they have effect; and</p> <p>e) for the avoidance of doubt, this paragraph does not exempt a Small Company from the requirement in paragraph 46 of these rules to clearly set out in its Charging Arrangements requirements for security in relation to any charges to be applied.</p>
	<p>Not applicable.</p>
	<p>General charging principles</p>
<p>18.</p>	<p>Relevant undertakers must determine what types of charges may or may not be imposed and the amount of any charges that may be imposed in accordance with the principle that charges covered by these rules should reflect:</p> <ul style="list-style-type: none"> (a) fairness and affordability; (b) environmental protection; (c) stability and predictability; and (d) transparency and customer-focused service.
	<p><u>Fairness and Affordability</u></p> <p>Many of the water and wastewater new connections activities are contestable. The contestable and non-contestable activities are outlined within the scheme (see rule 15). To promote fairness, a more transparent charging structure helps give customers and other stakeholders clarity on the charges that apply to comparable activities. It is considered to be the fairest mechanism for both developer services customers and the wider United Utilities customer base, while also providing stability, predictability and transparency. Having a comprehensive schedule of cost reflective charges rather than one fixed charge per requisition scheme or per connection means developers only pay for the services they receive and do not subsidise other developers.</p> <p>Rule 19 (see below) requires that in setting developer charges undertakers should take reasonable steps to ensure that the present balance of charges between Developers and other customers is broadly maintained.</p> <p>In providing a comprehensive schedule of developer charges, and in demonstrating compliance with rule 19 that the balance of charges has been broadly maintained between developer and end user customers, the charges are set that are fair to developers and should not impact on the affordability for end user customers.</p> <p><u>Transparency and customer focussed service</u></p> <p>The charges set provide a comprehensive schedule of charges. This provides customers with a robust, cost reflective and transparent set of charges.</p> <p>Stakeholders have been consulted during the development of the charges to ensure they are customer focussed and transparent. More information on this engagement is included in the assurance statement.</p> <p><u>Environmental protection</u></p>

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	<p>A simple discounted infrastructure charge for water and wastewater has been introduced.</p> <p>By promoting efficient water usage and sustainable drainage, infrastructure charges should stay lower in the long term.</p> <p>The approach taken is as follows:</p> <ul style="list-style-type: none"> ○ Surface Water Highways drainage – a 90% discount will be offered to the standard wastewater infrastructure charge for those developments where there is no connection to drain surface water highways drainage into the public sewer network. ○ Water efficient homes – a 90% discount to developers where new homes are built with water fittings to use 110 litres or less of water per person per day (based on The Building regulations 2010 Part G, section G2). <p><u>Stability and predictability</u></p> <p>Most of the charges in the scheme are fixed, these fixed charges are broadly cost reflective.</p> <p>For example, fixed charges included in water connections, requisitions, and diversions have been built up using the appropriate contractor rate and recovery of reasonable costs and overheads.</p> <p>These charges depend on the size of the connection or pipe size – so the developer customer is only paying for the services being provided. These charges will be subject to annual review.</p>
	<p>Principles for Determining the Nature and Extent of All Charges Covered by these Rules</p>
<p>19.</p>	<p>In setting charges in accordance with the present rules, undertakers should take reasonable steps to ensure that the present balance of charges between Developers and other customers prior to the implementation of these rules is broadly maintained. An undertaker may only depart from this general requirement where (and to the extent that) this is rendered necessary by circumstances providing clear objective justification for doing so. Any such justification must be clearly identified in any Charging Arrangements prepared pursuant to these rules.</p>
	<p>Three methods were used for the assessment of maintaining the balance, more information on these is contained in the assurance statement.</p> <p>UWU’s assessment of maintaining the balance has been reviewed by an independent third party. This is documented further in the assurance statement.</p>
<p>20.</p>	<p>Consistent principles and approaches must be applied to the calculation of charges and when they are payable for different classes of customer. For the avoidance of doubt, this includes the calculation of charges and when they are payable for Non-contestable Work, whether or not a person other than the undertaker is carrying out Contestable Work.</p>
	<p>Consistent principles and approaches have been applied to both water and wastewater new connection charges.</p> <p>Non-contestable works are calculated on a consistent basis. Standard published charges for non-contestable works apply to all customers. These standard published charges are based on the work being performed.</p> <p>There is no differentiation in charges between a small, medium or large developer, or self-lay providers. Standard published charges are based on the work being performed.</p>

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21.	Charges (including any Income Offsets) and any Asset Payments and arrangements for when they are each payable must be set in accordance with the principle that they should promote effective competition for Contestable Work.
	<p>Income offsets and asset payments are only offered in respect of new water mains.</p> <p>For developments only consisting of Household premises the income offset/asset payment is the same value per plot and applies to developers, self-lay providers and NAVs.</p> <p>For non household developments, or where a development does not solely consist of Household premises, the income offset/asset payment is based on a fixed % allowance of the mains scheme cost and applies to developers, self-lay providers and NAVs.</p> <p>See also rule 20 above.</p>
22.	For the avoidance of doubt, in charges covered by these rules undertakers may recover reasonable administrative expenses and other overheads incurred in discharging any rights or obligations under the relevant provisions of the Water Industry Act 1991.
	Charges include reasonable administrative and overheads. See rule 18 above.
	Charges for the Requisition of Water Mains and Public Sewers
23.	Each undertaker shall set out in its Charging Arrangements charges that will be imposed by that undertaker for work carried out by it in accordance with the duties imposed by section 41(1) (provision of requisitioned Water Main) and section 98(1) (provision of requisitioned public sewer) of the Water Industry Act 1991 (together, "Requisition Charges").
	<p>In relation to s41 water mains requisition charges the following charges are applicable and included in the charges scheme:</p> <ul style="list-style-type: none"> • Fixed application fee, fixed processing fee and fixed connection administration fee • Fixed charges for different surface types (includes two way lights) • Different rates for different diameter pipes ranging from up to 63mm through to 315mm • Income offset – fixed £ per on site plot / % allowance (capped at the value of the scheme). <p>s98 sewer requisition charges are considered to be exceptions, and therefore individual quotations will be provided due to the infrequent and bespoke nature of the work. An Indicative schedule of construction rates are included in section 11.</p>
24.	These charges are concerned with the cost to the undertaker of providing Site Specific infrastructure necessary for the provision of a Water Main and/or Public Sewer.
	Only costs in relation to site specific infrastructure have been included in the build-up of the provision of a Water Main and/or Public Sewer charges.
25.	<p>In relation to Requisition Charges, an undertaker:</p> <p>a) must provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker; and</p> <p>b) may also provide for other alternative methods for calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements.</p>

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	<p>In relation to Water requisitions fixed upfront charges have been published in relation to work where it is reasonable to do so.</p> <p>In relation to Wastewater requisitions some fixed charges have been published but exceptions apply as the work undertaken is infrequent. Indicative project delivery rates have been included as an alternative method of calculating the indicative charge.</p> <p>In line with rule 47 (exception from requirement to provide upfront fixed charges) there are certain circumstances where it is not reasonable to do so. Example of the circumstances are outlined in the charges scheme</p> <p>The list of exceptions documented in the charges scheme is based on the exceptions list that has been developed by Water UK.</p>
26.	<p>Requisition Charges must relate to the costs of providing the requisitioned Water Main and/or Public Sewer. Such charges may not include any amount for Network Reinforcement costs.</p>
	<p>Requisition charges relate only to the costs of providing the requisitioned water main / public sewer.</p> <p>The charges for requisitions do not include any Network Reinforcement costs. Network reinforcement costs will be recovered through the infrastructure charges.</p> <p>Consideration has been given to the definition of the site specific physical infrastructure to ensure that any costs associated with Network Reinforcement are not recovered through the requisition charges.</p>
27.	<p>Any Requisition Charges imposed by an undertaker:</p> <p>a) must relate only to Site Specific Work carried out and costs incurred by the undertaker in order to meet its duties under sections 41(1) or 98(1) of the Water Industry Act 1991; and</p> <p>b) must not relate to work needed or desired to modify or enhance existing network infrastructure in order to address pre-existing deficiencies or to enhance network flexibility, in capacity or capability, unrelated to requirements associated with the requisition.</p>
	<p>The requisition charges only relate to site specific work.</p> <p>The charges for requisitions do not include any costs in relation to work needed or desired to modify or enhance existing network or pre-existing deficiencies.</p>
28.	<p>Where an undertaker provides a Water Main or Public Sewer pursuant to a requisition and, in so doing, decides to increase the capacity of pipes or other infrastructure beyond that which is needed to meet the undertaker's duty under section 41(1) or section 98(1) of the Water Industry Act 1991, the costs of this work shall be apportioned so that the person making the requisition only pays costs which are in proportion to the particular capacity required by his or her requisition.</p>
	<p>The cost of the work is apportioned such that the developer customer only pays costs in proportion to the capacity requirement by the requisition.</p>
29.	<p>In setting Requisition Charges an undertaker may (but is not required to) provide for an Income Offset.</p>

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	<p>For water, an income offset / asset payment will be provided where UU is requested to install a main to provide water for domestic purposes.</p> <p>An income offset / asset payment has been provided against new water mains in order to broadly maintain the balance of charges between developer and end user customers (rule 19).</p> <p>No income offset / asset payment is provided for wastewater.</p>
30.	<p>As regards the methodology for the calculation of Income Offsetting arrangements:</p> <p>a) Each undertaker has discretion as to the methodology to be applied to calculate Income Offset. Such methodology must, however, be clearly explained in the applicable Charging Arrangements;</p> <p>b) In addition as regards Water Mains, the methodology for the calculation of any Income Offset applied in respect of requisitioning charges must be equivalent to the methodology applied in calculating any Asset Payment an undertaker may make in respect of the adoption of Water Mains and</p> <p>c) Nothing in these rules prevents an undertaker from providing for Income Offsetting arrangements in relation to the requisition of Public Sewers if it does not make any Asset Payments in respect of the adoption of Sewers. But if the undertaker does make Asset Payments in respect of the adoption of Sewers or Lateral Drains then the methodology for the calculation of any Income Offset applied in respect of Requisition Charges must be equivalent to the methodology applied in calculating any such Asset Payment.</p>
	<p>The income offset / asset payment for water will be applied consistently to developers and self-lay organisations through application of a per plot allowance for household schemes and a fixed % allowance for non-household/mixed schemes.</p> <p>The methodology is documented in the new connections and developer charges scheme. The income offset has been calculated based on the expectation of the asset payments and income offsets that would have been applied under the previous methodology, using projections of the number of requisitions and asset adoptions expected in the year, and ensuring the balance is maintained.</p> <p>Asset payments are not made in relation to public sewers. Therefore an income offset is not offered to requisitions in relation to public sewers.</p>
	<p>Charges for the Provision of Lateral Drains, the Connection of Water Mains and Communications with Public Sewers and for Ancillary Works</p>
31.	<p>Each undertaker shall set out in its Charging Arrangements charges that will be imposed by that undertaker for work carried out by it in accordance with the duties (or rights) created by the following provisions of the Water Industry Act 1991: section 45(1) (connection with Water Main); section 46(1) (ancillary works for purposes of making a domestic connection); section 98(1A) (provision of lateral drains); section 101B (construction of lateral drains following construction of a public sewer) or section 107(1) (right of undertakers to make communication with Public Sewer) (together, “Connection Charges”).</p>

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	Charges in relation to the above are captured in the new connections and developer services charges scheme.
32.	In relation to Connection Charges an undertaker: <ul style="list-style-type: none"> a) must provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker; and b) may also provide for other alternative methods for calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements.
	<p>Fixed charges are published in the new connections and developer services charges scheme for water connections up to 32mm and water connections over 32mm. A schedule of fixed charges are provided for all connections.</p> <p>The fixed charges in relation to connection application and processing fees are capped in line with Ofwat recommendations (2014 review of S45 (Water Industry Act) administration costs), uplifted only for RPI.</p> <p>There is currently no upfront fixed charge for wastewater as connections are not commonly undertaken by UU. Indicative rates are provided in line with rule 32b) requirement to provide alternative method of calculating charges.</p>
33.	Any Connection Charges imposed by an undertaker must relate only to Site Specific Work carried out and costs incurred by the undertaker pursuant to sections 45(1), 46(1), 98(1A), 101B or 107(1) of the Water Industry Act 1991.
	Water and wastewater connections charges are calculated based on only site specific work and recovery of reasonable costs.
34.	Undertakers shall not provide for Income Offsets in setting Connection Charges.
	No income offset is applied in setting water connections charges.
	Charges and Asset Payments in respect of an Agreement under Section 51A or 104 of the Water Industry Act 1991
35.	Each undertaker shall set out in the applicable Charging Arrangements the charges to be imposed and the Asset Payments, if any, to be made in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991.
	<p>Charges are published in relation to section 51A (water) and 104 (wastewater).</p> <p>For water these are published fixed value charges.</p> <p>For wastewater these are a mix of fixed value charges (for example application fees) and published methodology (for example surety for estimated value of works)</p> <p>Asset payments are only made for water. No asset payments are made for wastewater.</p>
36.	These charges are concerned with the cost of Site Specific Work necessary as part of the adoption or connection of a Water Main, Communication Pipe, Public Sewer and/or Lateral Drain. Such charges may not include Network Reinforcement costs.
	Charges in relation to site specific work do not include any Network Reinforcement costs; they only relate to the cost of the work necessary.
37.	Any charges imposed by an undertake in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991:

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	<p>a) must relate only to Site Specific Work carried out and costs incurred by the undertaker in order to meet its duties under such an agreement; and</p> <p>b) must not relate to work needed or desired to modify or enhance existing network infrastructure in order to address pre-existing deficiencies, in capacity or capability, unrelated to requirements associated with the agreement.</p>
	<p>Only site specific costs have been included.</p> <p>The charges in relation to section 51A or 104 do not include any costs in relation to work needed or desired to modify or enhance existing network or pre-existing deficiencies.</p>
38.	Insofar as section 51A agreements are concerned, water undertakers <u>shall</u> provide for Asset Payments where the undertaker calculates the requisition charge for a Water Main to include an Income Offsetting arrangement.
	An income offsetting arrangement is in place when a new water main is requisitioned. Asset payments are also made for water when built by a developer.
39.	Insofar as section 104 agreements are concerned, sewerage undertakers <u>may</u> provide for Asset Payments for the adoption of a Sewer.
	No asset payments are made for wastewater.
40.	Where an undertaker provides for Asset Payments in respect of the adoption of a Water Main pursuant to an agreement under section 51A of the Water Industry Act 1991, or the adoption of a Sewer pursuant to an agreement under section 104 of the Water Industry Act 1991, the calculation of any Asset Payment must be equivalent to the methodology applied in calculating an Income Offset applied in respect of Requisition Charges.
	A consistent methodology is applied in calculating the income offset / asset payment for both developer and self-lay organisations, with the income offset and asset payment being the same value.
41.	Undertakers shall not provide for Asset Payments for the adoption of a Communication Pipe or Lateral Drain.
	Asset payments are not made for the adoption of a communication pipe or lateral drain.
	Charges for Diversions of Pipes and other Apparatus under Section 185 of the Water Industry Act 1991
42.	<p>Each undertaker must set out in its Charging Arrangements its method(s) for calculating the charges imposed by that undertaker pursuant to section 185(5) of the Water Industry Act 1991 (“Diversion Charges”). In relation to Diversion Charges an undertaker:</p> <p>a) may provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker; and</p> <p>b) may also provide for other alternative methods of calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements.</p>
	<p>Water and Wastewater diversion costs are included in the new connections and developer services charges scheme.</p> <p>The charges levied are a combination of a standard published fixed fee, price per metre and/or schedule of rates.</p> <p>For Water diversions these charges are largely fixed value charges.</p>

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	<p>For Wastewater these are a combination of fixed value fees and schedule of rates.</p> <p>Where exceptions apply these are documented in section 13 of the charges scheme with a method outlining type of costs included in the build-up of the charge.</p>
43.	<p>Charges levied pursuant to section 185(5) must be calculated by reference to the principle that the undertaker is only entitled to recover costs reasonably incurred as a result of complying with the duty imposed by section 185(1) of the Water Industry Act 1991.</p>
	<p>Charges have been set based on the costs associated with providing each service.</p>
	<p>Security/Deposit Arrangements</p>
44.	<p>An undertaker is allowed to require security prior to commencing work, whether in the form of a deposit or otherwise:</p> <p>a) under section 42(1)(b), 47(2)(a), 99(1)(b), 101B(3A), 107(3)(b)(ii) or 185(4); or</p> <p>b) for the purposes of any charges imposed under an agreement under section 51A or section 104 of the Water Industry Act 1991.</p>
	<p>The charges scheme contains a section on deposits in relation to self-lay for new water mains; and surety in relation to sewer diversions and sewer adoptions.</p>
45.	<p>The type and amount of security should not be unduly onerous, taking into account the risk to be borne by the undertaker in carrying out the work in question. Where undertakers require security, the type and amount of security and the payment of interest on the security should reflect the general charging principles set out in paragraph 18.</p>
	<p>For wastewater the requirement for surety is calculated in line with the sewer adoptions code.</p>
46.	<p>The undertaker must clearly set out requirements for security in relation to any charges to be applied in its Charging Arrangements.</p>
	<p>The requirements are documented in the charges scheme.</p>
	<p>Exception from requirements to provide upfront Fixed Charges</p>
47.	<p>Undertakers are not required to provide for the option of upfront Fixed Charges in accordance with paragraphs 25 (Requisition Charges) of these rules, or to comply with paragraph 14, where, and to the extent that, it would be unreasonable to expect an undertaker to do so (having had regard to the practicality of setting a cost-reflective upfront Fixed Charge and the benefit to customers of producing such a charge).</p>
	<p>The charges scheme contains a section on exceptions (see section 13 of the charges scheme) to cover examples of those circumstances where it would be unreasonable to fix a charge..</p> <p>The exceptions largely relate to requisitions but are also equally relevant to Diversions.</p> <p>This approach to treating some elements of requisitions and diversions as exceptions is consistent with the approach developed by Water UK (September 2017).</p>
48.	<p>Where paragraph 47 applies, an undertaker must set out, and explain clearly, in its Charging Arrangements the alternative method or methods that will apply for calculating charges.</p>

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	<p>Exceptions from publishing fixed charges have been identified for requisitions and diversions. These exceptions align to the Water UK industry guide to charging.</p> <p>Section 13 of the charges schemes provides examples of the types of costs that would be classed as exceptional. An outline of what each cost might include is included in this section. As costs will not be known this outline is included to demonstrate the method that will apply to calculating the cost.</p>
	Annex: Information requirements
A1.	<p>Each undertaker should provide to the Water Services Regulation Authority an assurance statement from its Board of Directors and publish its statement no later than the time of publication of the their Charging Arrangements:</p> <ul style="list-style-type: none">i. confirming that the company complies with its obligations relating to these Charging Rulesii. confirming that the company has appropriate systems and processes in place to make sure that the information contained in the charges scheme, and the additional information covered by this annex is accurateiii. how the present balance of charges between Developers and other customers is broadly maintained.
	<p>UUW's assurance statement, confirming the requirements, will be published and provided to the Water Services Regulation Authority by the required date.</p>

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	<p>Charges scheme rules (December 2016) extract of rules 26 to 33</p> <p>Infrastructure charges (English undertakers)</p>
26.	Each relevant undertaker whose area is wholly or mainly in England must fix Infrastructure Charges in a charges scheme.
	Infrastructure charges have been published in the new connections and developer services charges scheme.
27.	<p>Infrastructure Charges must be determined in accordance with the principle that the charges should reflect:</p> <ul style="list-style-type: none"> (a) fairness and affordability; (b) environmental protection; (c) stability and predictability; and (d) transparency and customer-focused service.
	<p><u>Fairness and affordability</u></p> <p>Infrastructure charges have been set on a cost reflective basis. The charge for water and wastewater infrastructure is fixed for all developers.</p> <p>A simple discounted infrastructure charge for water and wastewater has been introduced based on stakeholder consultation (stakeholders have been clear in their feedback that they want simplicity and cost certainty) and recommendations from the Water UK consultation.</p> <p>By promoting efficient water usage and sustainable drainage, infrastructure charges should stay lower in the long term and therefore be affordable.</p> <p><u>Environmental protection</u></p> <p>A simple discounted infrastructure charge for water and wastewater has been introduced to incentivise installation of efficient water fittings and sustainable drainage.</p> <p><u>Stability and predictability</u></p> <p>In setting the fixed infrastructure charge for water and wastewater a five year view of network reinforcement expenditure was taken. As this will be done on a rolling basis, this will be reviewed annually and updated, this allows for an opportunity to smooth the profile of the infrastructure charges to minimise significant increases or reductions in charges that could occur if infrastructure charges were only set on a 1 year view of expenditure.</p> <p>To support stable and predictable charging standard fixed and discounted fixed infrastructure charges have been set.</p> <p><u>Transparency and customer focussed service</u></p> <p>For transparency standard fixed and discounted fixed infrastructure charges have been set. Information on engagement is included in the assurance statement.</p>
28.	Infrastructure Charges must be determined in accordance with the principle that the amount of such charges will over each period of five consecutive Charging Years ending on 31 March 2023 and, thereafter, on 31 March in each subsequent year cover the costs of Network Reinforcement that the relevant undertaker reasonably incurs, less any other amounts that the relevant undertaker receives for Network Reinforcement.

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	Infrastructure charges have been set based on the five year forecast of network reinforcement expenditure and connection volume assumptions, from 2018/19 to 2022/23.
29.	Charges schemes must include a clear methodology explaining how Infrastructure Charges have been calculated.
	A methodology is included in the charges scheme. Infrastructure charges have been set based on a forecast of the network reinforcement investment required as a result of a new development and the number of new connections expected in the next five years.
30.	For the avoidance of doubt, Infrastructure Charges must 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 unrelated to a requisition under sections 41(1) or 98(1), to the adoption of infrastructure under a section 51A or 104 agreement or to connections described in section 146(2) of the Water Industry Act 1991.
	In developing the infrastructure charges for 2018/19 only enhancement/developer driven expenditure has been included as part of the infrastructure charge. It does not include expenditure relating to pre-existing deficiencies.
31.	Infrastructure Charges may be set as a fixed charge per connection or calculated in accordance with a formula. As long as the difference between amounts is cost-reflective, the amounts of Infrastructure Charges may vary to reflect different circumstances and, in particular, may be different for different geographical areas.
	Infrastructure charges have been set at a fixed charge per connection across U UW's region. In addition a calculation (relevant multiplier) is included in the new connections and developer services charges scheme for non household connections, and connections subject to a common billing agreement.
32.	In making charges schemes, each relevant undertaker must ensure that: <ul style="list-style-type: none"> a) Charges schemes clearly set out how Infrastructure Charges have been calculated; b) The amount of Infrastructure Charges applied in respect of the modification or redevelopment of existing buildings or premises is determined in accordance with the principle that the amount must take due account of any previous usage in the 5 years before the modification or redevelopment began (including supplies of water that were not for domestic purposes and drainage that was not for domestic sewerage purposes) associated with the buildings and/or premises to which the charges are to be applied and be discounted accordingly; and c) Charges schemes clearly explain the methodology to be applied for determining a discount to reflect previous usage.
	The new method of calculating infrastructure charges is clearly explained in the new connections and developer services charges scheme. One infrastructure charge for water and one for sewerage will be made for each premises benefitting from a connection, except in the case of the non household connections or households subject to a common billing arrangement, in which case the relevant multiplier would apply. A methodology is included to explain how the discount is calculated for developed/redeveloped sites which had any previous usage in the last 5 years in relation to water or sewerage.
33.	Rules 26 to 32 above do not apply to:

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	a) new appointees; or b) any charges scheme that has effect in relation to a period ending before 1 April 2018.
	Noted.