

New Connections

Cost Data Straw Man – 18th January 2017

Objectives

- Provide greater visibility of the Network Infrastructure Reinforcement costs associated with new connection provision for both wholesale water and wastewater services

Requirements

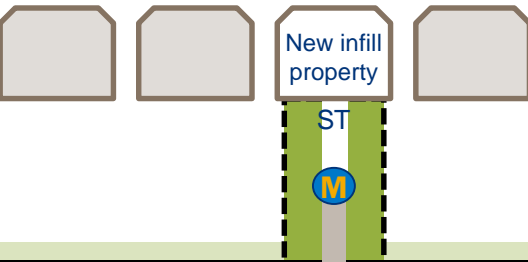
- Split of costs between wholesale water and wastewater
- Data to be clear, informative, understandable and reliable
- Not too simplified or detailed
- No needless additional burden on the companies in providing the data
- Clear understanding as to the classification of costs

Draft post TFG: Proposed boundaries for new WATER connection charging

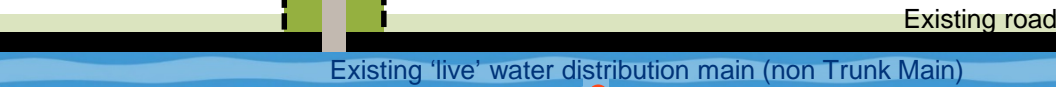
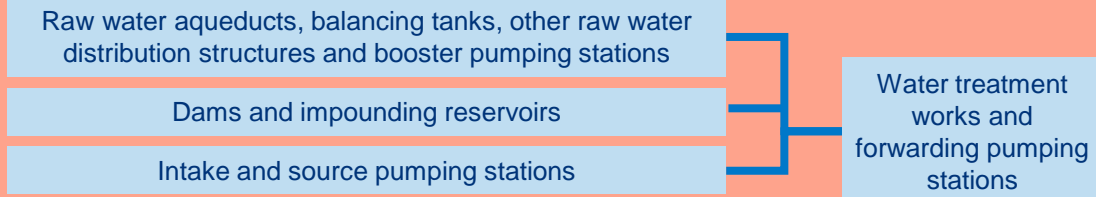
Key

- M Meter
- ST Stop tap
- C Contestable
- NC Non-contestable
- Existing strategic assets
- Existing network
- On site / site-specific charging
- Site boundary

Existing properties



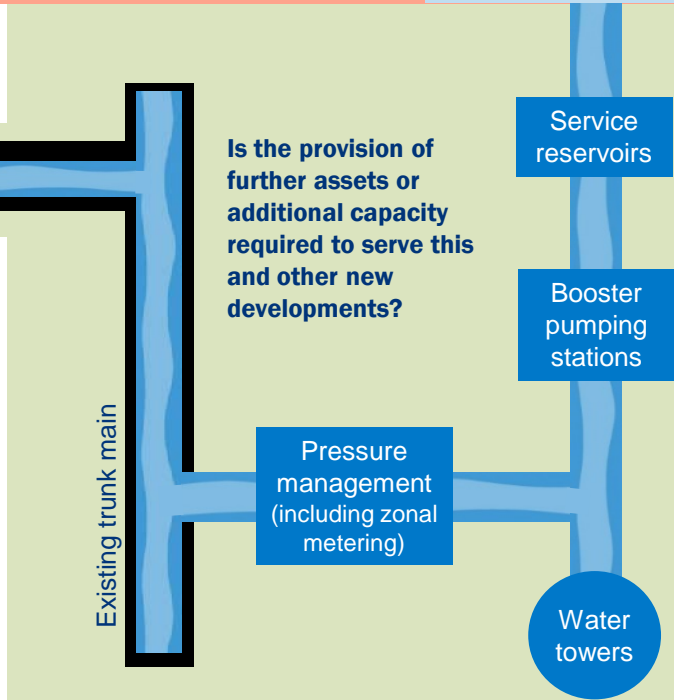
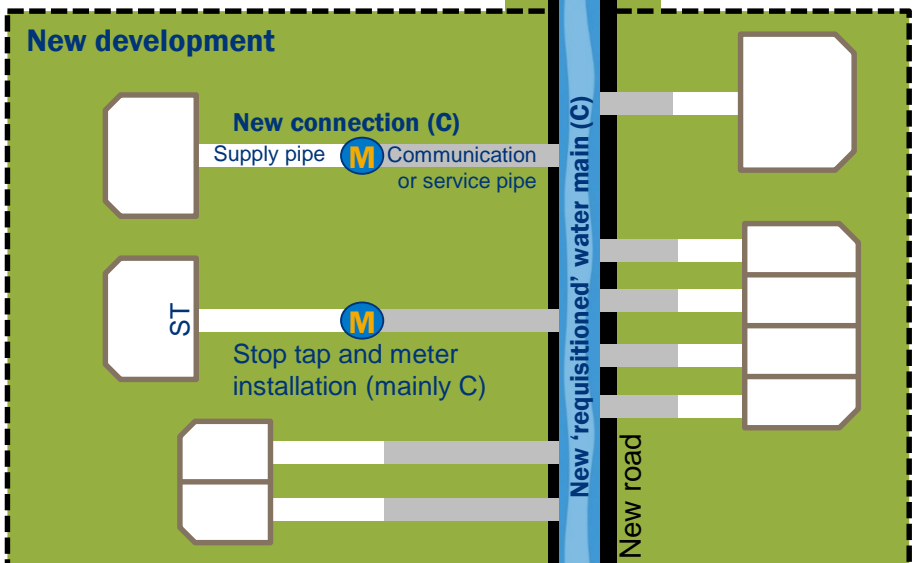
The costs of necessary reinforcement work required to these existing strategic assets or the provision of new water resources or treatment assets (including the transmission between them), **are to be borne by the water company** and not the developer



Connection to live main (mainly NC)
Piece-ups to the live main (C)

Point of connection – the nearest practical location where the live main is the same size or larger than the new connecting main

New development



Is the provision of further assets or additional capacity required to serve this and other new developments?

The **apportioned** costs of necessary reinforcement work required to the water company's existing network assets 'in consequence' of the new connections and as evidenced in water companies' business plans, **will need to be borne by the developer** through the water company's redefined infrastructure charge

Draft for discussion: Proposed boundaries for new WASTEWATER connection charging

Key

- C Contestable
- NC Non-contestable
- Lateral drain
- Existing strategic assets
- Existing network
- On site / site-specific charging
- Site boundary

Existing properties



New separate private foul and surface water drains (C)

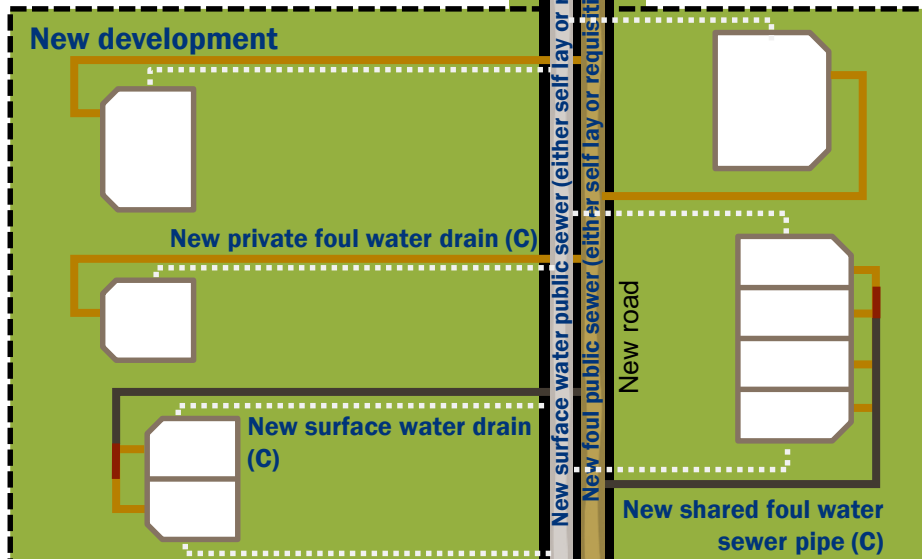
Existing road

Existing surface water public sewer
Existing foul water public sewer

To local watercourse or combined sewer overflow →

An alternative to connecting to the existing surface water public sewer could be the installation of a Sustainable Drainage System (SUDS) agreed between the local planning authority, water company and the developer

New development



Points of connection – the nearest practical locations

The costs of necessary reinforcement work required to these existing strategic assets or the provision of additional sewage treatment (including the transmission between them), **are to be borne by the water company** and not the developer

Sea outfalls

Sewage treatment works

Terminal pumping stations

Is the provision or modification of other public sewers and pumping stations and/or the provision of additional capacity relating to earlier public sewers, necessary to serve this and other new developments?

Sewage pumping stations

Combined sewer overflows

On-line and off-line tanks

Other public sewers

The **apportioned** costs of necessary reinforcement work required to the water company's existing network assets 'in consequence' of the new connections provided by the new public sewers and evidenced in water companies' business plans, **will need to be borne by the developer** through the water company's redefined infrastructure charge

Option	Advantages	Disadvantages
A. Single line in the APR for Infrastructure Expenditure (Reinforcement)	<ul style="list-style-type: none"> • Simple and clear • Minimal changes to APR 	<ul style="list-style-type: none"> • No visibility of underlying costs
B. Cost by expenditure type, manpower, materials etc.	<ul style="list-style-type: none"> • Provides greater visibility • Relatively easy to capture 	<ul style="list-style-type: none"> • Will require new table in the APR • Still require single line item in APR for reconciliation purposes • Doesn't provide visibility of the costs by process / activity • Increased costs for companies?
C. Cost by process / activity	<ul style="list-style-type: none"> • Greater visibility of the type of work undertaken and associated costs • Provides comparability between companies 	<ul style="list-style-type: none"> • Will require new table in the APR • Still require single line item in APR for reconciliation purposes • Increased costs for companies?

Option 1 This would be the minimum to achieve the objective of balancing revenue and costs over a rolling 5 year period

Options 2 & 3 These would go towards the development of trust and confidence between parties and contribute to the objective of bringing clarity and transparency

Consensus – Option 3 is the preferred choice

Network Reinforcement Costs - £m

[year]	Network reinforcement activity	On Site / Site Specific Costs (memo only)
Water service		
	Distribution mains	
	Trunk mains	
	Pumping stations	
	Storage facilities	
	Other	
Total	£m	£m
Wastewater service		
	Foul water public sewers	
	Surface water public sewers	
	Other public sewers	
	Sewage pumping stations	
	Storage facilities	
	Other	
Total	£m	£m

Do additional cost categories need to be added? i.e. new connections

The On site / Site specific costs are for information only and do not form part of the requirement for the reconciliation of Infrastructure Revenue and Costs over a rolling 5 year period.

Revenue / Costs Reconciliation	Water	Waste Water	Total
Variance B/fwd			
Revenue			
Costs			
Variance C/fwd			

The narrative breakdown of the variance carried forward can be found in section xxxxxx

Narrative

£m

	Water	Waste Water	Narrative
Revenue	A	I	Description
	B	J	Description
	C	K	Description
Sub Total	D	L	
Costs	E	M	Description
	F	N	Description
	G	O	Description
Sub Total	H	P	
Total	R	S	

Financial Year 2016-2017

- No changes

Financial Year 2017-18

- Include the new infrastructure reinforcement costs table (slide 12), in section 2
- No other changes to the APR

Financial Year 2018-19

- New rules implemented
- In addition to the new table for 2017-18, inclusion of the reconciliation table (slide 13), in section 2
- Addition of the narrative breakdown within the overall document, individual companies to decide the location

Table 2B – Totex Analysis: Wholesale Water and Wastewater

- Inclusion of new line 'new connections network reinforcement'

Table 2E – Analysis of Capital contributions and land sales – wholesale

- No Change to the current table

Table 2J – Analysis of New connections network reinforcement costs

- New additional table

Table 2K – New connections network reinforcements reconciliation

- New additional table

Tables 4D – Totex analysis – wholesale water

- Inclusion of new line 'new connections network reinforcement'

Tables 4E – Totex analysis – wholesale wastewater

- Inclusion of new line 'new connections network reinforcement'

Proposed Changes to the APR – cont.

Pro forma 2B

Totex analysis for the 12 months ended 31 March 20xx - wholesale water & wastewater					
	Water resources	Water Network+	Waste water Network+	Sludge	Total
Operating expenditure					
Power	I	I	I	I	C
Income treated as negative expenditure	I	I	I	I	C
Service charges/ discharge consents	I	I	I	I	C
Bulk supply/ Bulk discharge	I	I	I	I	C
Other operating expenditure	I	I	I	I	C
Local authority rates	I	I	I	I	C
Total operating expenditure excluding third party services	C	C	C	C	C
Third party services	I	I	I	I	C
Total operating expenditure	C	C	C	C	C
Capital expenditure					
Maintaining the long term capability of the assets - infra	I	I	I	I	C
Maintaining the long term capability of the assets - non-infra	I	I	I	I	C
Other capital expenditure - infra	I	I	I	I	C
Other capital expenditure - non-infra	I	I	I	I	C
New connections network re-enforcement	I	I	I	I	C
Total gross capital expenditure (excluding third party)	C	C	C	C	C
Third party services	I	I	I	I	C
Total gross capital expenditure	C	C	C	C	C
Grants and contributions					
Grants and contributions	I	I	I	I	C
Totex	C	C	C	C	C
Cash expenditure					
Pension deficit recovery payments	I	I	I	I	C
Other cash items	I	I	I	I	C
Totex including cash items	C	C	C	C	C

Pro forma 2J

New connections reinforcement costs for the 12 months ended 31 March xxxx

	Network reinforcement activity	On site / site specific activity (memo only)
Wholesale - water service		
Distribution mains		
Trunk mains		
Pumping stations		
Storage facilities		
Other		
Total	C	C
Wholesale - wastewater service		
Foul water public sewers		
Surface water public sewers		
Other public sewers		
Sewage pumping stations		
Storage facilities		
Other		
Total	C	C

Pro forma 2K

**New connections reconciliation for the 12 months ended 31 March
XXXX**

	Water Services	Waste water Services	Total
Variance B/Fwd			I
Revenue	I	I	C
Costs	I	I	C
Variance C/Fwd	C	C	C

The narrative breakdown of the total variance carried forward can be found in section xxxxx

Proposed Changes to the APR – cont.

Pro forma 4D							
Totex analysis for the 12 months ended 31 March 20xx - wholesale water							
	Water resources		Network+				Total
	Abstraction licences	Raw water abstraction	Raw water transport	Raw water storage	Water treatment	Treated water distribution	
Operating expenditure							
Power	I	I	I	I	I	I	C
Income treated as negative expenditure	I	I	I	I	I	I	C
Abstraction charges	I	I	I	I	I	I	C
Bulk supply	I	I	I	I	I	I	C
Other operating expenditure	I	I	I	I	I	I	C
Local authority rates	I	I	I	I	I	I	C
Total operating expenditure excluding third party services	C	C	C	C	C	C	C
Third party services	I	I	I	I	I	I	C
Total operating expenditure	C	C	C	C	C	C	C
Capital expenditure							
Maintaining the long term capability of the assets - infra	I	I	I	I	I	I	C
Maintaining the long term capability of the assets - non-infra	I	I	I	I	I	I	C
Other capital expenditure - infra	I	I	I	I	I	I	C
Other capital expenditure - non-infra	I	I	I	I	I	I	C
New connections network re-enforcement	I	I	I	I	I	I	C
Total gross capital expenditure (excluding third party)	C	C	C	C	C	C	C
Third party services	I	I	I	I	I	I	C
Total gross capital expenditure	C	C	C	C	C	C	C
Grants and contributions	I	I	I	I	I	I	C
Totex	C	C	C	C	C	C	C
Cash expenditure							
Pension deficit recovery payments	I	I	I	I	I	I	C
Other cash items	I	I	I	I	I	I	C
Totex including cash items	C	C	C	C	C	C	C

Proposed Changes to the APR – cont.

Pro forma 4E									
Totex analysis for the 12 months ended 31 March 20xx - wholesale wastewater									
	Network+ Sewage collection			Network+ Sewage treatment		Sludge			Total
	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	
Operating expenditure									
Power	I	I	I	I	I	I	I	I	C
Income treated as negative expenditure	I	I	I	I	I	I	I	I	C
Discharge consents	I	I	I	I	I	I	I	I	C
Bulk discharge	I	I	I	I	I	I	I	I	C
Other operating expenditure	I	I	I	I	I	I	I	I	C
Local authority rates	I	I	I	I	I	I	I	I	C
Total operating expenditure excluding third party services	C	C	C	C	C	C	C	C	C
Third party services	I	I	I	I	I	I	I	I	C
Total operating expenditure	C	C	C	C	C	C	C	C	C
Capital expenditure									
Maintaining the long term capability of the assets - infra	I	I	I	I	I	I	I	I	C
Maintaining the long term capability of the assets - non-infra	I	I	I	I	I	I	I	I	C
Other capital expenditure - infra	I	I	I	I	I	I	I	I	C
Other capital expenditure - non-infra	I	I	I	I	I	I	I	I	C
New connections network reinforcement	I	I	I	I	I	I	I	I	C
Total gross capital expenditure (excluding third party)	C	C	C	C	C	C	C	C	C
Third party services	I	I	I	I	I	I	I	I	C
Total gross capital expenditure	C	C	C	C	C	C	C	C	C
Grants and contributions	I	I	I	I	I	I	I	I	C
Totex	C	C	C	C	C	C	C	C	C
Cash expenditure									
Pension deficit recovery payments	I	I	I	I	I	I	I	I	C
Other cash items	I	I	I	I	I	I	I	I	C
Totex including cash items	C	C	C	C	C	C	C	C	C