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Trust in water

PR19 draft determinations

**Our proposed approach to regulating
developer services**

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PR19 draft determinations: Our proposed approach to regulating developer services

Contents

1	Introduction	3
2	Developer services end-of-period reconciliation	5
3	Incentivising accurate developer services forecasts	10
4	Treatment of developer services in our control	13
5	Treatment of diversions	16
	Annex: Developer services reconciliation model – illustrative unit rates and new connections forecasts	19

1 Introduction

Water companies must allow new connections to their networks. A major demand for new connections comes from new housing developments. This technical appendix sets out our proposed approach to regulating developer services in Price Review 2019 (PR19).

We plan to apply our proposed approach to all companies in their final determinations. However, we have not fully reflected these changes in the [draft determinations](#). This is because our proposals require additional data and/or the agreement of companies. We are publishing illustrative unit rates related to our proposed developer services reconciliation in the annex of this document, based on current data.

Since our proposals involve a change of approach from our [PR19 methodology](#), this document sets out our:

- reasoning for our proposed approach;
- option assessment; and
- assessment of the impacts.

Overall, our proposed approach to regulating developer services within PR19 aims to:

- strengthen customer protections by reducing the risk that companies are allowed too much revenue and ensure risk is allocated appropriately whilst allowing an appropriate efficiency challenge;
- ensure our approach is internally consistent taking into account our cost assessment, end-of-period reconciliation, forecasting incentives and new connection charging rules; and
- simplify the setting, monitoring and reconciling of developer services activities.

The proposed approach to developer services covers four areas:

- the developer services end-of-period reconciliation (section 2);
- incentivising accurate developer services forecasts (section 3);
- the treatment of developer services in our control (section 4); and
- the treatment of diversions (section 5).

We are making these changes to reflect recent changes to how we model developer services costs as set out in our 'Securing cost efficiency technical appendix'. This addresses issues stakeholders have raised with us in recent months and our own evolving view following further internal review.

Developer services activities includes diversions. We are consulting on whether the list of **Excluded Charges for the purposes of Condition B** should include amounts payable in relation to diversions other than those required by section 185 of the Water Industry Act 1991. This change would require the agreement of each water company for the purposes of the definition of 'Excluded Charges' in paragraph 2 of Condition B of its appointment (licence).

All of the responses to the initial assessment of business plans, including all of the companies' revised business plans, provided by the 1 April 2019 are taken into account in our decisions where relevant. Where appropriate, we explicitly set out our response to points and issues raised by respondents.

Our decisions also take into account the representations made on the fast track draft determinations where the points and issues raised are relevant to the slow track and significant scrutiny draft determinations. We will deal with the other elements of the representations to the fast track draft determinations as part of the final determinations.

We have not necessarily been able to take full account of all late evidence, submitted after the 1 April 2019 business plans, and we will consider this information for the final determination.

2 Developer services end-of-period reconciliation

2.1 Background

We want the way we regulate water companies to help ensure developers receive good customer service and companies only recover their efficient costs.

We set out our planned approach to regulating developer services in our [PR19 Final Methodology document](#) and in particular [Appendix 7](#). We decided to introduce a volume-based symmetric revenue correction for developer services within a total revenue control to encourage timely and quality new connections. We said that we recognised that the costs and average revenues of new connections can be influenced by development size and type. We therefore planned to determine the expected costs and average revenues for different sizes and types of connection.

Our approach to setting price controls for developer services reflected learning from our approach to PR14 wholesale controls, which potentially creates a financial disincentive on companies from providing new connections. Under the PR14 methodology, the amount of allowed revenue is not automatically adjusted for the volume of connections, that is, a water company would not be allowed to automatically recover additional revenue from an increase in number of connections but would be expected to incur increased costs. This approach also does not take account of the changes in the mix of connections which may impact on costs. Although, companies are able to make a case for an adjustment if demand for connections is unexpectedly high. In PR14, we also set out that if a company increased revenue by unduly reducing connection charges we may take corrective action.

Our PR19 Final Methodology allows companies to set out up to ten bands for each of the network plus controls for connections, each band for connections with broadly similar characteristics. For each of these bands, we expected companies to set out the key characteristics, services provided and the expected costs, revenues and volumes associated with them. This would then form the basis of the revenue adjustment mechanism at the end of the period, where we planned to determine the total revenue adjustment after considering the volume changes associated with each band.

We noted that a key advantage of this approach would be to incentivise companies to provide developer services efficiently and respond to competition; while also

ensuring that developers and customers are adequately protected, where appropriate, by targeted regulation.

2.2 The issue

After reviewing revised business plans and taking account of responses to fast track draft determinations, we have identified three key issues.

Cost challenge. We consider it is difficult to have a high degree of confidence in companies' unit rates for bands of developer service connections, because:

- companies' proposed services differ and this makes comparative benchmarking less reliable;
- companies' proposed services do not align with other data, e.g. grants and contributions data; and
- cost modelling data is based on expenditure rather than grants and contributions data (which could be used to reconcile companies' unit rates at an aggregate level).

If companies' proposed unit rates are not cost reflective then they could potentially result in too much or too little revenue being recovered from customers.

In addition, costs associated with new developments and connections are now modelled with base costs, which is a change in approach from our initial assessment of plans¹. We decided to include these costs in our base cost models because we consider they are associated with growth-driven activities, which we deem are largely routine and incurred in the normal running of a water company when population is increasing. We also consider these costs follow similar cost drivers to operational and capital maintenance and we do not expect a significant step change in what drives growth related enhancement expenditure during PR19. We consider this to be a superior approach compared to the standalone models used to model new development and connection costs at our initial assessment of plans. However, it does arguably make it more challenging to produce an independent view of unit rates for bands of developer service connections.

Administrative burden. We are also concerned that, given the number of disaggregated services companies have proposed, the end-of-period true up would

¹ Please see our 'Securing cost efficiency technical appendix' for more details.

be resource intensive for both companies and Ofwat. We would need to ensure that companies' proposed breakdown of services are well defined and then ensure these are adhered to in the final true-up. For companies, this would require detailed attribution of the costs for the different types of developments and the provision of assurance on this data.

Cost reflectivity. Some companies have not split their customers into customer groups in accordance with our guidance. For example, we encouraged companies to distinguish between contestable and non-contestable costs to reflect, for example, that self-lay providers may undertake some work which would reduce companies' costs. However, not all companies have provided a breakdown on this basis. This means that companies' allowed revenue could not be set to take account of their market share of developer services.

2.3 Option Assessment

We have considered the following three options:

Option 1: Retain the approach set out in our PR19 Final Methodology. Under this approach, we would retain the approach we set out in our PR19 Methodology documents. We could implement this by:

- ensuring companies' unit rates reconcile with their overall grants and contributions revenue;
- applying an efficiency challenge to companies' unit rates that is consistent with the overall base cost efficiency challenge; and
- undertake proportionate and targeted corrections to companies' unit rates.

Option 2: Introduce a new, simpler approach to reconciliation. Under this approach, we would introduce a simplified, reconciliation approach based on a common cost driver. This would generate a company-specific unit rate. To some extent, this approach would reflect the unique characteristics of the company, such as the degree of self-lay penetration, the mix of brown and greenfield development, etc.

Option 3: Introduce an Ofwat determined, multivariate approach to reconciliation. This would be similar to the option 2 in that we would use common cost drivers across companies. However, under this approach we could use a number of cost drivers, for example:

- length of new mains as the driver for requisition costs;
- number of diversions as the driver for price controls diversions costs;
- number of new connections to drive all other costs; and
- self-lay penetration.

2.4 Our assessment

Our preferred option is option 2 since it addresses the issues we have identified, in particular our concerns regarding:

- the cost challenge, since by eliminating disaggregate unit rates there will no longer be a potential for companies to over-recover revenue if one or more of these unit rates is not cost reflective; and
- administrative burden, because using a common definition and a single rate for each company will make the reconciliation of the price control less burdensome on companies and ourselves.

Option 2 is also more closely aligned with our cost modelling approach than option 1, which will help ensure that the reconciliation mechanism works as intended. Option 2 would also ensure a degree of cost reflectivity since it would be based on a company-specific unit rate. This unit rate would implicitly reflect companies' mix of developments and cost factors specific to that company. We recognise though that by being based on an aggregate unit rate, cost reflectivity is lower than in option 1 since the reconciliation would not automatically take account of changes in the mix of services companies provide - but we consider that this is outweighed by the benefits.

Option 3 could increase cost reflectivity relative to option 2, but it would also be more complex. We have not seen evidence to suggest that the additional complexity is merited. For example, including the additional cost drivers would not have reduced the need for the cost adjustment claims made in relation to the 2015-20 period. That said, we would welcome stakeholders' views on this point. We will continue exploring Option 3 at final determinations and for this reason we ask companies to complete a data request titled 'PR19 draft determinations: Developer services data request'.

2.5 Implementation

The new developer services revenue adjustment factor (DSRA) would apply for each of the network plus water and wastewater controls of each company as follows:

$$DSRA = \sum_{t=1}^5 (AC_t - FC_t) \times \text{Unit Rate}_t$$

Where:

t = each charging year of the price control period with the first year starting on 1 April 2020 and the last year starting on 1 April 2024;

AC_t = the actual number of new properties connected for the relevant service occurring in charging year **t**;

FC_t = our forecast number of new properties connected for the relevant service occurring in charging year **t** as set out in tables A1 and A2 in the annex; and

Unit Rate = a number relating to the relevant service in charging year **t**. A unit rate for each company will be calculated using companies' forecast of price controlled grants and contributions revenue; companies' forecast of new properties connected; and application of an appropriate efficiency challenge. Illustrative unit rates based on current data are set out in tables A1 and A2 in the annex.²

We intend to apply this adjustment to companies' allowed revenue at PR24. Severn Trent Water has suggested that we make adjustments to the RCV when applying a developer services true up – their reasons include that developer services are capital in nature and this would reduce bill volatility. Our concern with adjusting the RCV in this way is that non-developer customers' charges could rise in the 2020-25 period but then would not be fully corrected for many years if, for example, new connections activity is lower than forecast. In our view, correcting imbalances during the following price control period is a more appropriate timeframe.

² In calculating the unit rate we use Grants and Contributions gross revenue (i.e. before any income offset). In our view, this will provide a better estimate of companies' costs associated with developer services.

3 Incentivising accurate developer services forecasts

3.1 Background

In our PR19 methodology we decided to introduce an incentive on water companies to accurately forecast the number of new connections during the 2020-25 period by applying penalties if there were large differences between the volume of new connections provided and the companies' forecasts. Potential benefits of this incentive were to encourage companies to engage with developers, plan for new developments and reduce the scale of any end-of-period reconciliation. We previously published an illustrative model which showed how this could work [here](#).

In our PR19 methodology we also said that we would apply the Revenue Forecasting Incentive (RFI) to incentivise companies to collect the right amount of revenue and protect customers from unnecessary bill volatility. We decided not to include developer services within the RFI, because – given the developer services forecasting incentive – this risked a company potentially being penalised twice for an inaccurate forecast of developer services activity.

3.2 The issue

There are two key issues with our approach.

Reduced relevance of companies' forecasts. We use our independent forecast of the cost drivers captured within our base cost models. These include the total number of connected properties, which we forecast using Office for National Statistics (ONS) household growth rate projections.³ This means that companies' forecasts would now have no impact on:

- the allowed revenue that we set at PR19 for the 2020-25 period; and
- any developer services reconciliation (since this would need to be based on the difference between our forecast of connections and actual connections).

Therefore, the rationale for a developer services forecasting incentive has weakened.

³ See cost efficiency technical appendix for more details.

Adverse interactions with the RFI. Some stakeholders have raised concerns that they might be penalised by the RFI if their developer services revenue was different from the allowed revenue. In our view, we consider that this is unlikely to be a significant issue, because:

- our proposed approach to cost modelling addresses key concerns with our previous approach, which some companies argued led to an inaccurate forecast of developer services revenue; and
- if there was a significant difference between actual and allowed developer services revenue then, potentially⁴, we could apply discretion in applying a penalty under the RFI.

However, we acknowledge that there could be an administrative burden to both ourselves and companies if we were to ever apply discretion in applying a penalty under the RFI.

3.3 Option Assessment

We have considered the following two options:

Option 1: Retain the approach set out in our PR19 Final Methodology. Under this option, we would base our developer services forecasting incentive on companies' forecasts submitted in their business plans. We could then base the forecasting incentive on:

- the disaggregated services proposed by companies in their business plan (i.e. the approach envisaged in our PR19 methodology);
- the new, simplified approach to developer service revenue reconciliation described in section 2 (i.e. weighting the connections in each year by the unit rate we set for the particular service in each charging year); or
- a crude approach based on the difference between the total number of new connections over the 2020 to 2025 period compared to companies' forecasts.

Option 2: Eliminate the developer services forecasting incentive and reinstate developer services back into the Revenue Forecasting Incentive. Under this option, we would not apply an end-of-period penalty based on companies' forecasts.

⁴ We would set out our position on matters related to the application of the RFI reconciliation in our forthcoming PR19 reconciliation rulebook.

Instead, we would ensure the RFI covers all price control revenue, including developer services.

3.4 Our assessment

We prefer option 2, because:

- we now use our own forecasts within PR19, so this reduces the need for a specific forecasting incentive related to developer services;
- including developer services within the RFI would create an incentive on companies to continue to engage with developers and forecast developer services demand during 2020-25; and
- including developer services in the RFI would address concerns around any potential adverse interaction with the RFI penalty.

Therefore, we propose to implement option 2.

3.5 Implementation

For RFI, we have:

- updated our description of the RFI within annex 3 of the draft determination notification documents for each of the 14 slow track and significant scrutiny companies - we would ensure this change applies to all companies' final determinations including fast track companies; and
- published an updated version of our illustrative RFI model alongside our draft determinations titled 'PR19 Revenue Forecasting Incentive Model' to show how the proposed developer service reconciliation could work.

4 Treatment of developer services in our control

4.1 Background

In our PR19 methodology, we decided to retain developer services income inside our price control in order to protect customers from any potential market power of water companies. We also said that we would remove contributions from developer services from gross totex (i.e. calculate net totex and therefore cost-sharing arrangements) and that this should maintain incentives for cost efficiency.

In our draft determinations for fast track companies, we calculated net totex by:

- basing this on cost data related to developer services (i.e. 'new connections', consisting of site-specific works and 'new developments' which relates to companies' upstream network reinforcement); and
- applying an estimated recovery rate to this reflecting the contribution to these costs made by developers. Since this focused on contributions from developers this was net of the 'income offset'⁵.

In our draft determinations for fast track companies we generally applied a common recovery rate. In deriving our industry rate we capped the discount related to the income offset so that the net infrastructure charge assumption could not go below zero.

For the avoidance of doubt, we use net totex to apply cost sharing arrangement at the end of the period. To determine cost sharing *rates* at the beginning of the period we will use gross totex to maintain an incentive on companies to submit efficient gross totex.

4.2 The issue

We have identified two key issues with our approach.

Misalignment with our developer service reconciliation. In section 3 of this document, we propose to base the unit rates in the developer services reconciliation on grants

⁵ This 'income offset' is 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 connected to the new Sewer.

and contributions *gross revenue* (i.e. before any income offset), because this would provide better estimates of companies' costs associated with developer services. However, the approach we took to calculating net totex in fast track companies' draft determinations was based on *net revenue* (i.e. reducing revenue by the value of any income offset). These two approaches would align appropriately as some revenue would be covered by both cost-sharing arrangements and our developer service reconciliation.

We note that Severn Trent Water also raised a related issue and said that developer costs and charges should not impact cost sharing incentives⁶.

Perceived interaction with our charging rules. Rule 19 of our '[charging rules for new connection services for English water companies](#)' states:

'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.'

A key way English companies can ensure that the balance of charges is broadly maintained is through setting the income offset. United Utilities and Severn Trent Water argues that applying a common Recovery Rates conflicts with the charging rules, since the income offset each company applies in order to comply with Rule 19 of the new connection charging rules varies.

Our assumed recovery rate should not impact how companies set their charges or income offset, as our English new connection charging rules do not require companies to align their charges or income offset with our PR19 determination assumptions of costs and revenues. Charging rules are related to the structure of the charges, whereas our price control is about the total revenue companies are allowed to recover. However, we can see that a significant misalignment between our

⁶ Severn Trent Water proposes a different solution to this problem than we do as they suggest diversions should be included within cost sharing. As discussed in section 5, we propose a different way of regulating diversions.

assumed recovery rate and companies' actual recovery rate could be seen as being inconsistent.

4.3 Option Assessment

We consider the following two options:

Option 1: Retain the approach we applied to fast track companies' draft determinations. Under this approach, we would continue to set a common Recovery Rate and apply this to companies' expenditure data related to developer services.

Option 2: Alter our approach. Under this approach, we would ensure a consistent approach between the data used for our calculation of net totex and the developer services reconciliation. In both cases, this would be based on grants and contributions gross revenue.

4.4 Our assessment

We prefer option 2. This ensures alignment between our developer services reconciliation and calculation of net totex by using consistent developer services data. For English companies it also addresses concerns with our calculation of net totex since this approach will eliminate the need to estimate a recovery rate for companies.

4.5 Implementation

We plan to apply this approach to all companies' final determinations.

5 Treatment of diversions

5.1 Background

A 'diversion' is when a company is required to move an existing main or sewer or other apparatus at the request of a third-party, for example to enable the laying of new infrastructure such as new road or railway.

For fast track companies, we included all diversions income within the price control. Our base cost assessment models included gross historical diversions costs and therefore produced an efficient allowance for diversions. However, our approach did not consider any expected step changes in diversions expenditure.

5.2 The issue

We identified two key issues with our approach.

Our cost model does not allow us to project major jumps in diversions expenditure.

United Utilities submitted a cost assessment claim of around £100m based on a projected, large increase in diversions expenditure. This large increase in diversions was driven by diversions other than those requested under section 185 of the Water Industry Act 1991, for example due to High Speed 2 (HS2). This projected step change in diversions may not be fully captured in our base historical cost models that use historical costs.

Severn Trent Water also raised concerns that our approach to developer service reconciliation would not take account of some sources of uncertainty, including differences between forecast and actual diversions numbers and HS2 uncertainty.

The expenditure is relatively unpredictable. United Utilities acknowledges that such diversions are uncertain and therefore the actual level of expenditure required over 2020-25 is unpredictable. This means that, even if we were to establish a central estimate for this type of expenditure, actual expenditure could end up being significantly different from this. This would expose customers and companies to significant financial risk.

5.3 Option Assessment

We consider the following two options:

Options 1: Retain the approach we applied to fast track companies' draft determinations. Under this option, we would keep all diversions income within the price control. In sections 2 and 4 of this document, we set out our plan to subject all price control grants and contributions data to an end-of-period true up and exclude it from our calculation of net totex (i.e. cost sharing). Under this approach, water companies could bear the full difference between the forecast and actual cost of these diversions. The developer services reconciliation model may not eliminate the full risk of this, since a diversion does not necessarily involve the making of new connections.

An alternative way to implement this option would be to take these diversions outside of our calculation of the developer service reconciliation and inside of net totex. Under this approach, customers and water companies would bear some share (which would depend on the cost sharing rate) of the difference between the forecast and actual cost of these diversions.

Option 2: Set non-section 185 diversions income outside of the price control. Under this option, these diversion receipts would be classified as 'Other contributions (non-price control)' and we would list them as 'excluded charges'. This would mean that water companies would have to bear the risk of any deviation from our view of diversions costs but would also be able to retain all of the revenue related to them.

5.4 Our assessment

We recognise that there are benefits and risks under each option, but consider that the balance of benefits and risks are more favourable to customers under option 2.

If we were to keep all diversions income within the price control then water companies would not be able to abuse any market power and they would face financial incentives for cost efficiency. However, this approach would not address our concern that non-section 185 diversions are relatively unpredictable and therefore customers and companies are exposed to significant financial risk.

Option 2 addresses all of the issues we identify. We also note that legislation that requires companies to carry out diversions (such as the New Roads and Street

Works Act 1991) also limits the amounts that companies can recover by reference to their costs. This provides protection to customers from abuse from any market power of water companies. Companies also face reputational incentives related to cost efficiency, although we recognise that the overall incentive for cost efficiency under option 2 is weaker than under option 1.

5.5 Implementation

To give effect to our proposals related to diversions, we are consulting on whether the list of Excluded Charges for the purposes of Condition B should include amounts payable in relation to diversions other than those required by section 185 of the Water Industry Act 1991. This change would require the agreement of each water company for the purposes of the definition of 'Excluded Charges' in paragraph 2 of Condition B of its appointment (licence). **We ask that each water company therefore indicates whether or not it would be prepared to agree to this and whether it has any comments on the following proposed definition:**

'In relation to the period from 1 April 2020 to 31 March 2025, amounts payable in relation to the alteration or removal of any relevant pipe (as defined in section 158 of the Water Industry Act 1991) or other apparatus that the Appointee is required to carry out under the New Roads and Streets Works Act 1991 or any other statutory provision except section 185 of the Water Industry Act 1991.'

We also ask companies to complete a data request titled 'PR19 draft determinations: Developer services data request'. The data request includes a table for companies to provide the following diversions expenditure information from 2011/12 onwards:

- **S185:** total expenditure on diversion works requested under section 185 Water Industry Act 1991.
- **NRSWA:** total expenditure on diversion works requested under New Roads and Street Works Act 1991.
- **Other non-s185:** total expenditure on other diversion works (i.e. not S185 or NRSWA diversion works).

Annex: Developer services reconciliation model – illustrative unit rates and new connections forecasts

We have calculated an illustrative unit rate for each company based on the following formula:

$$\text{Unit rate}_t = \text{Developer service revenue}_t / \text{Number of new connections}_t \times \text{EC}$$

Where:

Developer services revenue = companies' forecast of price controlled grants and contributions revenue consistent with

For water:

- connection charges;
- infrastructure charges (before applying income offset for English companies);
- requisitioned mains (before applying income offset for Welsh companies);
- diversions; and
- other contributions (price control).

For wastewater:

- Infrastructure charges (before applying income offset for English companies),
- requisitioned sewers (before applying the income offset for Welsh companies);
- diversions; and
- other contributions (price control).

Number of new connections = companies' view of total number of properties connected in charging year t consistent with lines 1,2, 17 and 18 of business plan table App28.

EC = Company specific efficiency challenge we apply to companies' relevant expenditure.

The unit rates are illustrative because they are based on all diversions activity. However, we are proposing to treat diversions other than those required by section

185 of the Water Industry Act 1991 as an excluded charge. If companies agree to this then our unit rates would be based only on price control diversions activity.

Table A1: Water network plus: Preliminary unit rates in 2017-18 prices and our forecast of new connections to be used in companies' end-of-period developer services reconciliation (charging year beginning 1 April)

Company	Ofwat forecast new connections per draft determination						Unit rate ⁷ £
	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25	2020-25
Anglian Water	18,282	17,432	20,089	19,268	19,070	94,142	1,037
Dwr Cymru	7,467	7,514	8,198	7,797	7,573	38,548	1,435
Hafren Dyfrdwy	429	400	483	471	480	2,264	1,141
Northumbrian Water	11,421	10,805	13,032	12,365	12,355	59,978	710
Severn Trent Water	23,303	21,683	26,229	25,578	26,036	122,829	1,557
Southern Water	8,760	8,464	10,175	9,985	10,033	47,416	1,842
South West Water	6,787	6,498	8,023	7,940	7,997	37,245	957
Thames Water	30,428	27,734	39,713	38,271	37,542	173,687	646
United Utilities	15,906	14,922	16,296	14,915	14,609	76,649	156
Wessex Water	5,629	4,138	5,076	4,944	4,870	24,656	713
Yorkshire Water	10,827	9,965	11,980	11,539	11,516	55,827	522
Affinity Water	11,542	10,871	14,945	14,463	14,301	66,122	952
Bristol Water	4,915	4,529	4,828	4,834	4,905	24,011	576
Portsmouth Water	2,085	1,896	2,167	2,140	2,245	10,534	459
South East Water	8,670	8,344	9,821	9,444	9,415	45,693	1,353
South Staffs Water	3,698	3,448	4,553	4,346	4,364	20,409	1,434
SES Water	2,231	2,119	2,880	2,736	2,696	12,661	1,130
						912,671	910

⁷ Unit rate implied by the business plan forecast. Calculated as forecast revenues (per App28 lines 7-11) divided by forecast new connections (App28 lines 1 and 2)

Table A2: Wastewater network plus: Preliminary unit rates in 2017-18 prices and forecast new connections to be used in companies' end-of-period developer services reconciliation (charging year beginning 1 April)

Company	Ofwat forecast new connections per draft determination						Unit rate ⁸ £
	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25	2020-25
Anglian Water	22,010	21,092	25,493	24,508	24,440	117,542	680
Dwr Cymru	7,748	7,774	8,403	8,027	7,826	39,778	979
Hafren Dyfrdwy	190	177	217	211	213	1,008	128
Northumbrian Water	4,574	4,170	4,369	3,953	3,982	21,048	334
Severn Trent Water	25,447	23,658	29,027	28,172	28,500	134,804	537
Southern Water	16,259	15,627	18,606	18,175	18,298	86,965	819
South West Water	4,948	4,705	5,796	5,749	5,748	26,946	1,288
Thames Water	45,704	42,265	59,254	57,150	56,083	260,456	279
United Utilities	15,951	14,962	16,362	14,971	14,659	76,904	375
Wessex Water	10,871	9,081	10,431	10,276	10,368	51,027	662
Yorkshire Water	10,719	9,912	11,817	11,372	11,383	55,203	521
						871,683	537

⁸ Unit rate implied by the business plan forecast. Calculated as forecast revenues (per App28 lines 24-27) divided by forecast new connections (App28 lines 17 and 18)

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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