

Welcome

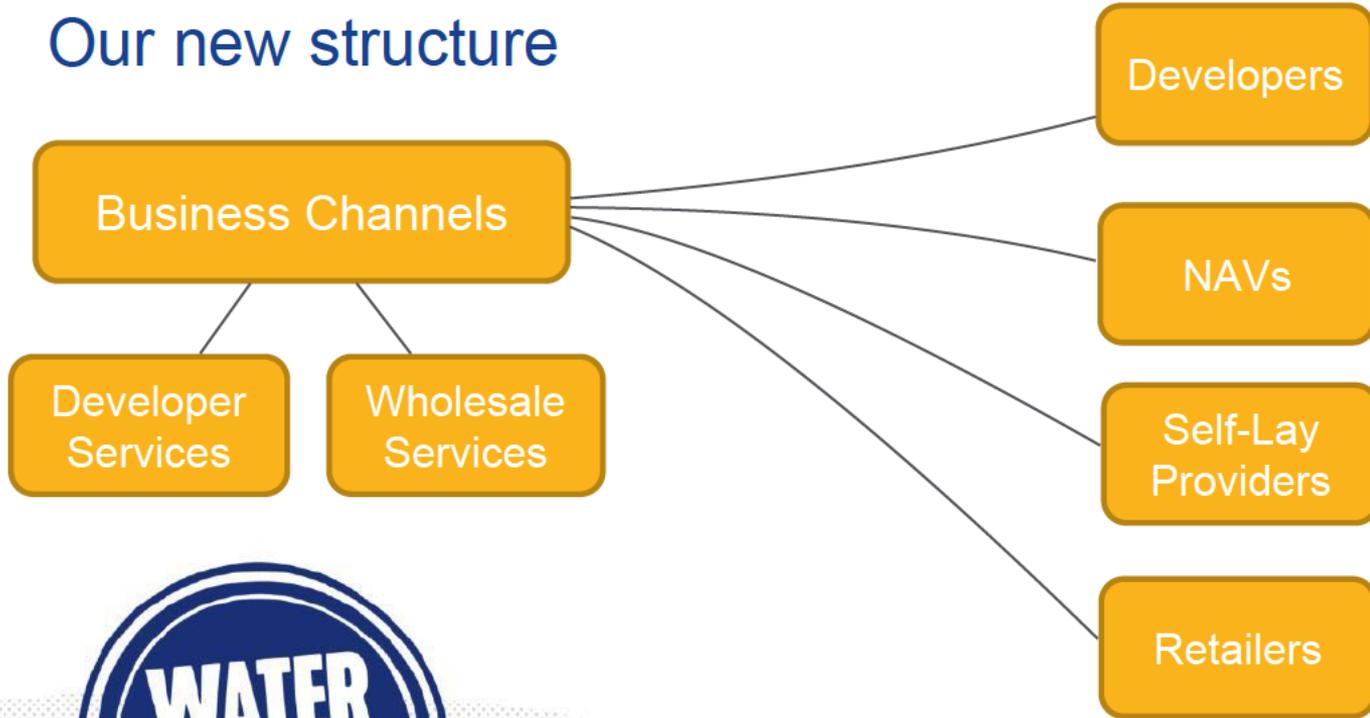
NAV Action Group



Agenda

Time	Agenda Item	
09:00	Welcome coffee & bacon sandwich	All
09:30	Introduction from the Head of Business Channels	[REDACTED]
	Business Channels – What's new?	[REDACTED]
	Expression of Interest	[REDACTED]
10:15	Recent feedback: Understanding the detail	[REDACTED]
10:30	Working in partnership	[REDACTED]
	• Planning & Growth	[REDACTED]
	• Charges for FY19/20	[REDACTED]
	• Drought permit	[REDACTED]
11:30	Facilitated Session – policies	All
12:15	Lunch	All
12:45	Next steps & feedback	[REDACTED]

Our new structure



Business Channels



Growth Planning



Service Delivery



Technical Delivery



Customer Relationship



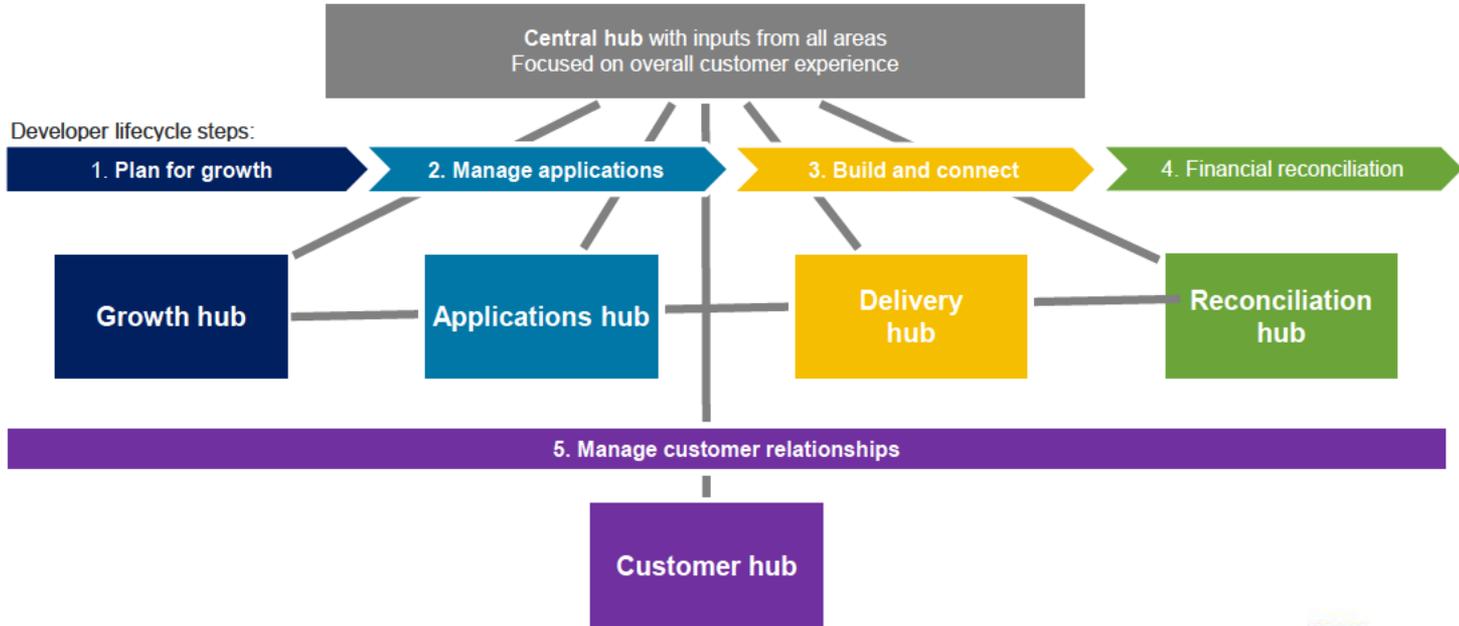
Performance



Improvement

Performance Hubs

Cross-functional groups aligned to key parts of the developer lifecycle, linked to drive performance



What is a “hub”?

- A cross-functional group of managers with a clear set of inputs and outputs.
- Meets frequently (weekly) to unblock issues and prioritise activities.



Delivering for our customers

Clarity of guidance
and consistency
across our teams

Timely responses and
transparent ongoing
communication

Enthusiasm for
collaboration to
address challenges

It is clear that we need to focus beyond the application cycle, to support our customers' journeys in a more holistic way.

This has shaped our improvement plans.

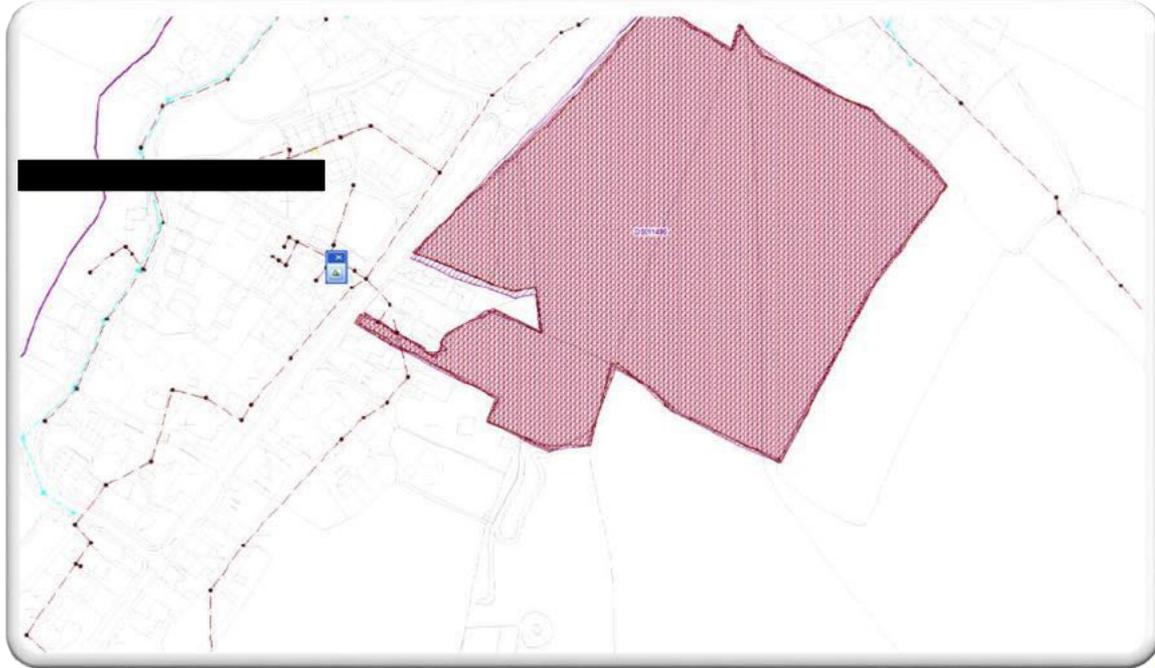


Our improvement plan

- ❑ Maximum income offset
- ❑ Relationship Management and Contracts
- ❑ Full end to end process review
- ❑ NAV newsletters
- ❑ Bulk meters
- ❑ Offer pack
- ❑ Policies
- ❑ Expression of interest
- ❑ NAV action group



DigDat Mapping Tool



Expression of Interest

- ❑ Confidentiality agreement & guidelines will be sent on 21 August 2019
- ❑ Request for information (RFI) will be published at the beginning of September for 10 days
- ❑ RFI will be reviewed

Engagement survey



Our commitment is that we will play a leading role to build positive relationships with developers, Self Lay Providers, New Appointment Variations, local authorities and the environment agency to enable sustainable growth in the South East



Recent feedback: Understanding the details

Questions	Average score / 5 1: Strongly Disagree - 5: Strongly Agree
Southern Water are open and transparent in their dealings with me?	3.3
Southern Water provide information in a timely manner and keep me informed?	2.2
Southern Water's approach is clear and consistent?	2.3
Southern Water are collaborative in their approach, involving me at the right times and listening to my opinion?	2.5
I am confident that the commitment to making improvements will make a difference	3.3

"I think these are exciting times in the evolution of the competitive market and look forward to working with Southern Water Services to deliver a quality service to developers"

"Our contact to date has focussed on strategic full serve opportunities rather than more "day to day" transactional issues. We hope the current arrangements will continue to be an improvement on the past"



from
Southern
Water 

Growth & Planning



Working in partnership



Background

- ✦ New Connection Charging
- ✦ Fast growing region – South East
- ✦ Moving from reactive to proactive



Capacity checks

- ✦ Tool to plan for growth
- ✦ Undertaken at planning within the SLA
- ✦ Site by site basis – could lead to incorrect responses

Changes in progress

- ✦ New Growth Planning Team
- ✦ Forms introduced to understand Developers build out rates.
- ✦ Information collated for holistic "catchment " solutions.
- ✦ Flow inhibit (rtc) specification established for phased solutions
- ✦ Modelling Design Parameters and procedures Creep and Climate change

- ✦ We are considering the allowance for "creep" as parts of our SuDS review.
- ✦ We are reviewing Freshwater modelling at present.
- ✦ To aim to move away from "Grampian" Conditions in due course
- ✦ To continue to offer Level 1 Capacity checks at this time
- ✦ To review the Pre Development enquiry

New Connection Charging



Publication of Worked Examples

New Connections Service
Charging Arrangements 2019-20

Appendix – worked examples

This appendix details how some of our common charges apply in real world scenarios. The examples detail the range of charges that would be payable by the customer for the scenarios that are detailed.

Scenario 1 – single new property connection

The customer requires:

- A single new property connection on a side road
- A road closure will be required to facilitate construction

Application, administration and inspection fees						
Charge Type	Quantity	Charge	VAT	Unit total	Total	
S45 Application fee (1 st connection)	1	£72.14	£14.43	£86.57	£86.57	
S45 Administration fee (1 st connection)	1	£33.18	£6.63	£39.79	£39.79	
Water regulations inspection (1 st of every 10 plots)	1	£82.00	£16.40	£98.40	£98.40	
Total					£224.76	

Construction charges and infrastructure charges						
Charge Area	Charge Type	Quantity	Charge	Unit total	Type total	Area total
Infrastructure Charges	Water Infrastructure Charges	1	£200	£200	£200	£750
	Wastewater Infrastructure Charges	1	£550	£550	£550	
Water connections	New water connections (side road)	1	£740	£740	£2,312	£2,312
	Road closure fee (per closure)	1	£1,572	£1,572		
Total						£3,062

Worked examples range from simple, single connections

Through to more complex worked examples including Self-Lay water and Wastewater requisitions

New Connections Service
Charging Arrangements 2019-20

Scenario 6 – large scale site delivered by SLP including water efficient homes

The customer requirements and specification for the development:

- 300 3 bedroom homes built in less than 5 years
- Water efficient development (homes constructed 110l/p/p/d enhanced standard)
- 150mm of 90mm water main and 180mm of 125mm water main on the development site (Unmade)
- 1000mm of 180mm main to point of connection on existing highway (Type 3/4), no extraordinary traffic management
- Property connections delivered by SLP using own sourced water meters
- SLP to undertake the excavation
- SLP requests that Southern Water make initial connection to their laid pipe

Application, administration and inspection fees						
Charge Type	Quantity	Charge	VAT	Unit total	Total	
S51 Application fee (1 st connection)	1	£25.54	£11.03	£36.57	£36.57	
S51 Application fee (subsequent connections)	299	£33.44	£6.69	£40.13	£11,988.87	
S51 Administration fee (1 st connection)	1	£21.18	£4.23	£25.39	£25.39	
S51 Administration fee (subsequent connections)	299	£13.11	£2.62	£15.73	£4,703.27	
Water regulations inspection (1 st of every 10 plots)	30	£82.00	£16.40	£98.40	£2,952.00	
Water regulations inspection (all other plots)	270	£5.69	£1.14	£6.83	£1,844.10	
S51 Application/Administration/Co-Operative Design Fee (250-500 units)	1	£1,853.33	£330.87	£1,984.00	£1,984.00	
Total					£25,573.80	

Construction charges and infrastructure charges						
Charge Area	Charge Type	Quantity	Charge	Unit total	Type total	Area total
Infrastructure Charges	Water Infrastructure Charges	300	£0	£0	£560,800	£229,500
	Wastewater Infrastructure Charges	300	£785	£239,500		
New site specific water mains	New water main (90mm – Unmade – Contestable)	1500	£104	£156,000	£560,800	£8,270
	New water main (125mm – Unmade – Contestable)	1800	£111	£199,800		
	New water main (180mm – Type 3/4 – Contestable)	1000	£205	£205,000		
	New connections to mains laid by others (Contestable but requested by customer)	1	£1,338	£1,338		
	New mains connection (180mm-Non-Contestable)	1	£4,934	£4,934		
	Maximum Income offset to mains	300	-£2,103	-£630,000	-£630,000	
Infrastructure charge total						£229,500
A) Maximum Income Offset						£630,000
B) Overall Construction Value						£567,070
C) Non-contestable items						£4,334
D) Contestable items requested by SLP						£1,336
A\$SET PAYMENT (Lowest of A or B – C – D)						£560,800



from
Southern
Water

New calculator



Developer Services Customer Charge / Payment Calculator



Customer site details

Customer name: [Redacted]
 Site name: [Redacted]
 Your reference: [Redacted]
 Planning reference: [Redacted]

Property type	Number of properties	
	In overall development	Within first 5 years of build
1 bedroom property	10	10
2 bedroom property	100	85
3 bedroom property	150	120
4 bedroom property	150	120
5 bedroom property	15	10

CHARGE / PAYMENT OPTIONS SUMMARY

Infrastructure Charges	£ 439,075.00
Water Connections (S45)	£ 236,230.76
Water Mains Laying (S41)	£ 200,727.66
Water Connections (S51)	£ 25,722.84
Water Mains Asset Payment Sewer Laying (S38)	£ 786,266.80
Sewer Connections (S106/7)	£ 67,577.32

Property type	Number of property equivalents	
	In overall development	Within first 5 years of build
Other non-household properties	39	39

Note:
 Other non-household properties are:
 - properties with more than five bedrooms
 - properties in commercial use

Number of non household connections: **4**

Relevant Multiplier Calculator			
Water fittings / appliances	No. within plot	Loading units	Quantity
WC flushing system	15	2	30.00
Wash basin in a House	10	1.5	15.00
Wash basin elsewhere	25	1	75.00
Bath (tap nominal size up to 20 mm)	35	11	356.00
Bath (tap nominal size larger than 20 mm)		22	-
Shower	20	2	60.00
Sink (tap nominal size up to 15 mm)	17	2	51.00

Customer and site details
 Customer name: [Redacted]
 Site name: [Redacted]
 Your reference: [Redacted]
 Planning reference: [Redacted]

How many properties were using water on the site in the past 5 years? **0**
 Number of accesses in overall development (1=1 bedroom)
 Total non-household equivalents **39**

A. Water infrastructure charges

Ref: Southern Water New Connection Services, Charging Arrangements 2019-2020 (pp. 9-11)

Is the development water efficient? **NO**

Note:

Water efficiency means the average water consumption is 10 litres per person per day or below on the development site

Water infrastructure charges				
Service	Service unit	Charge	Quantity	Total Charge
Infrastructure charge credits to account for relevant use within the last five years	no. of credits	£ 100.00	0	£ -
Non-residential usage (total proposed)	no. of properties	£ 100.00	40	£ 40,000.00
Relevant multipliers charges due to the development (non-residential properties)	property equivalents	£ 300.00	39	£ 11,700.00
Total for "Water infrastructure charges"				£ 51,700.00

GRAND TOTAL FOR INFRASTRUCTURE CHARGES **£439,075.00**

B. Wastewater infrastructure charges

Ref: Southern Water New Connection Services, Charging Arrangements 2019-2020 (pp. 9-11)

Total no. of accesses (number of 15 bedroom properties plus non-household equivalents) **164**

Wastewater infrastructure charges				
Service	Service unit	Charge	Quantity	Total Charge
Infrastructure charge credits to account for relevant use within the last five years	no. of credits	£ 150.00	0	£ -
Non-residential usage (total proposed)	no. of properties	£ 150.00	40	£ 60,000.00
Relevant multipliers charges due to the development (non-residential properties)	property equivalents	£ 750.00	39	£ 29,250.00
Total for "Wastewater infrastructure charges"				£ 89,250.00

C. New water mains installations charges, per metre (CONTESTABLE)

Ref: Southern Water New Connection Services, Charging Arrangements 2019-2020 (pp.17-22)

New water mains installations charges (per linear metre)									
Pipe size	Surface category	Charge unit	Charge (with excavation)	Charge (no excavation)	Quantity	Total Charge (with excavation)	Total Charge (no excavation)	With excavation?	
125mm	unmade ground	linear metre	£ 145.00	£ 94.00	4,000.00	£ 580,000.00	£ 376,000.00	100%	
150mm	unmade ground		£ 155.00	£ 86.00	3,000.00	£ 465,000.00	£ 258,000.00	100%	
			£ -	£ -	-	£ -	£ -	£ -	
			£ -	£ -	-	£ -	£ -	£ -	
			£ -	£ -	-	£ -	£ -	£ -	
			£ -	£ -	-	£ -	£ -	£ -	
			£ -	£ -	-	£ -	£ -	£ -	
			£ -	£ -	-	£ -	£ -	£ -	
			£ -	£ -	-	£ -	£ -	£ -	
			£ -	£ -	-	£ -	£ -	£ -	
Total for "New water mains installations charges"							£ 979,000.00		



2020 New Connection Charging Review

We are now focusing on our approach for the 2020 charging approach

We have been focusing on:

- The changes to income offsetting and how best to accommodate this
- Maintenance of a 'level playing field'
- Reviewing the approaches of other companies for innovative approaches
- Planning our communication and consultation approaches with our stakeholders
- Reviewing alternative approaches for the infrastructure charge from 2020
- Balancing 'simplification' and 'cost reflectivity'



Drought Permit Application



Background

- ❑ Changes to Southern Water's abstraction licences on the River Test and River Itchen mean a shortfall of some 135 MI/d during a severe drought to meet the forecast demand for water – about 80-85% of the amount needed to supply customers in the south Hampshire area.
- ❑ The potential frequent need for a Testwood Drought Permit is brought about by the proposed Testwood abstraction licence change, which includes a new flow condition that stops abstraction when river flow falls below 355 MI/d.
- ❑ As per the outcomes of the Public Inquiry, we have agreed with the EA to rely on Drought Orders and Drought Permits to allow us to continue to take water from the rivers during dry weather, while we invest about £800m on new water resources.
- ❑ The Drought Permit allows us to legally abstract at flows below 355 MI/d, providing a range of measures are met, including progress of a multi-million-pound package of environmental monitoring, mitigation and potential compensation measures.



Permit Application so far

- ❑ The Environment Agency (EA) has informed us that, on 27 June, 2019, flows in the River Test dropped below 540 million litres a day (Ml/d), the 60-day trigger under our Drought Permit application agreement.
- ❑ The application was formally submitted on 25 July, 2019, when the river flow dropped below 440.
- ❑ Environment Agency (EA) has confirmed it accepts our River Test Drought Permit application is valid (02 August, 2019)
- ❑ A public hearing on our drought permit application for the River Test, as announced was held in Winchester 06 August, 2019. This was to hear any objections to our permit application.
- ❑ Current river test flow = 440 (Ml/d)
- ❑ Awaiting EA approval of drought permit application



Press Advertisements and Key Messaging

- ❑ Advert example 1 pervious message in local press; Hampshire Chronicle, Daily Echo, Romsey Advertiser and New Forest Post
- ❑ Advert example 2 current message from 12 August in Hampshire Chronicle, Daily Echo, Romsey Advertiser and New Forest Post
- ❑ Key messages are aimed at household customers



Current Advert Example 1

WATER for LIFE

Your life.
Made possible by water

The water we all rely on comes from our local rivers.

This summer there won't be enough unless we act now.

Visit southernwater.co.uk/save-water to find out more about using less.

TARGET 100

from Southern Water



Advert Example 2



We can't afford to waste water

The water we all rely on comes from our local rivers. To protect them, together we need to use less.

We're investing more than ever to find and fix leaks on our network. You can help too.

- Take the 4-minute shower challenge** – switch from a bath to a shower and save around £60 a year on your bills.
- Never wash up again** – modern dishwashers use less water than washing up by hand, as long as it's full up before you switch it on.
- Brush with your tap off** – you'll save six litres of water a minute – that's 35 cups of tea!
- Can your sprinkler** – a sprinkler can use 1,000 litres of water an hour – more than an average family of four uses in two days! Switch to a watering can.
- Plants love secondhand water** – washed the veggies or dishes? Don't throw it away, why not water your house plants?
- Sun's out, butts out** – fill up your water butts this winter and there'll be plenty of rainwater to keep your plants happy come summer.

Visit southernwater.co.uk/save-water to find out more about using less.

TARGET Target 100 is a commitment to our customers – we'll support them to reduce personal consumption to an average of 100 litres each per day by 2010 while increasing efficiency by 40%.

WATER for LIFE from Southern Water



Next Steps

- ❑ Possibility of TUBs?
- ❑ Driven by flows in River Test
- ❑ Cooler weather and rainfall maintaining flow above level that we are not able to abstract
- ❑ Timescales keep moving and difficult to predict when (if) TUBs will be implemented
- ❑ Further updates to follow

Facilitated session: Policies

████████████████████



Policies

- ✦ Tankering
- ✦ Asset adoption
- ✦ Point of connection process
- ✦ Capacity flow rates
- ✦ Internal billing process

Lunch



Next steps



from
Southern
Water 

Our promise

- ❑ At each NAV Action Group we will review previous actions and progress
- ❑ Continue to develop our improvement plans
- ❑ We will be transparent, open and honest

Simpler, Easier and Better



Dates for your diary

 17 March 2020 - Durrington

Thank you





NAV Action Group Southern Water, Falmer

20 August 2019



Feedback Pack



Overview

Thank you for attending and being part of our NAV Action Group, the feedback we received was fantastic and invaluable in helping us improve the service we offer to you, our customers. Thank you for your contributions. We are committed to keeping you informed on the progress we have made at each NAV Action Group. I hope you found the session useful. We have included below a summary of the comments from the session.

Growth/planning

- Pre-development meetings could be useful
- Constraints at planning as the planning team do not realise it is a NAV site
- It would be useful to have sessions with local councils
- There are different ways to model in a capacity check; you can feed in different flows and number of units

New Connection Charging

- It would be useful to have this standardised across the industry, a template approach
- With the infrastructure credits starting April 20, what are the transition rules?
- How long are current quotes valid for?
- More education regarding water efficiency to customers
- Worked examples for new charging
- Facilitated session in September

Policies

Pumping station adoption/ asset adoption

- Could a maintenance contract/ commercial agreement be an option for Southern Water, to maintain the pumping station/assets? Collaborative working
- It could be useful for Southern Water to maintain the pumping station to control flows if there is a temporary solution in place
- Reduces expenditure
- Operation team need to be consulted

Point of connection

- One form is preferable
- Dig Dat will support the process



- NAV needs to notify us and not the developer
- The S106 is mode and method of connection – doesn't reserve capacity

Tankering

- Look at timescales to confirm who would be responsible for tankering, these need to be reasonable
- It could be that the NAV and Southern Water share the cost?
- Could there be an option that the NAV pays for the tankering, but Southern Water then offer a lesser rate to discharge at the treatment works?

Capacity flow rates

- Fresh water modelling needs to be published
- Is leakage taken into account?

Internal process – billing

- Southern Water currently do not have access to 24 hour data from the meters
- Can a logger be installed on bulk meters?
- Can a NAV install a logger on bulk meters?
- [REDACTED] allow NAVs access to bulk meter data online

Name
Business

Business Channels NAV Action Group

20 August 2019
Southern Water, Falmer, BN1 9PY



Contents

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3. Welcome to the NAV Action Group
4. Meet the team
5. Southern Water's region & delivering for our customers
6. New connection charging & newly appointed variation charges
7. Our improvement plan & Target 100
8. Date for the diary & Contact us
9. Methodology of NAV charges

Welcome to the NAV Action Group

Dear XX,

Firstly I would like to introduce myself as the Head of [REDACTED]s. I have worked for Southern Water for [REDACTED] and I have a range of expertise across the business. I will be leading the [REDACTED] and team, along with my existing responsibility for [REDACTED].

Thank you for attending our NAV Action Group event. As a valued customer, you will have the opportunity to provide invaluable feedback and help shape the future for Southern Water's NAV processes.

We want to deliver customer excellence and these sessions will enable us to receive balanced feedback on how we are doing now and what we can do to continue to improve. We are enthusiastic to collaborate and address your challenges that you face with Southern Water. The constructive feedback that is received will be taken on board, and across the subsequent sessions, we will provide you with updates on the actions.

We will be running our NAV Action Group in workshop style and will bring in guest speakers in the future, where necessary. If you have any suggestions then please do let us know.

It is really important that we develop and maintain strong relationships to deliver the best possible service for you. We are committed to drive change and innovation within our department, and look forward to continuing to work with you and your teams across the coming years.

Yours sincerely,

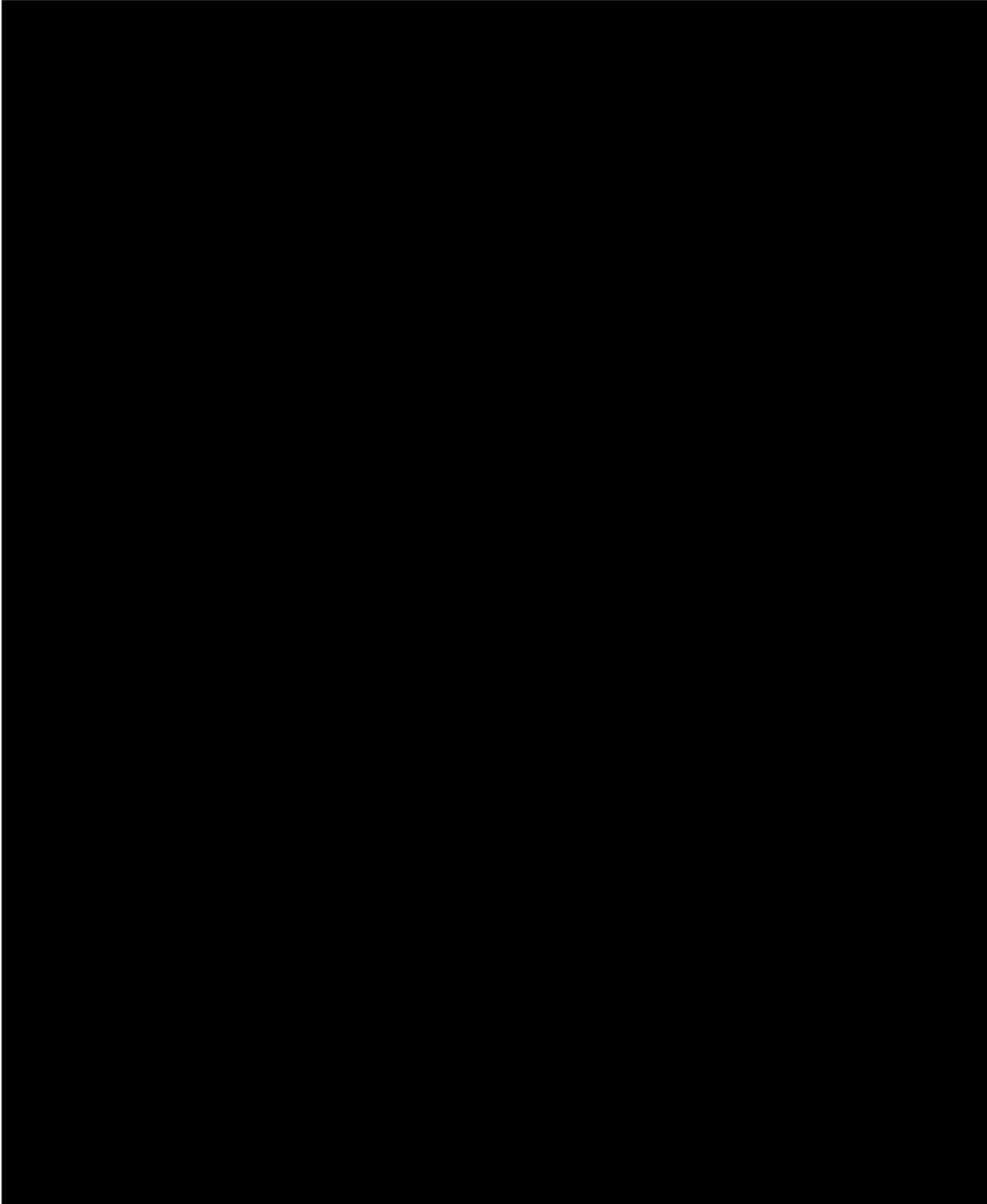
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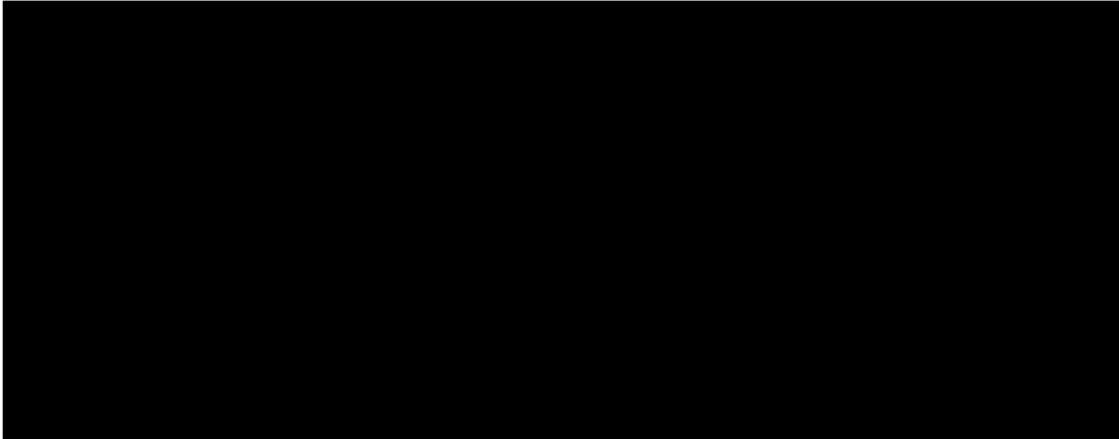
[REDACTED]

[REDACTED]



Meet the team





Southern Water's Region



Delivering for our customers

- Clarity of guidance and consistency across our teams
- Timely responses and transparent ongoing communication
- Enthusiasm for collaboration to address challenges

It is clear that we need to focus beyond the application cycle, to support our customers' journeys in a more holistic way.

This has shaped our improvement plans.



New Connections Services Charging Arrangements 2019-2020

Please see below the infrastructure charges for 2019-2020.

Water charge

Type of charge	Charge	How is this applied?
New infrastructure charge (from 1 April 2018)	£200	Per property
New infrastructure charge (water efficient development)	£0	Per property

Waste charge

Type of charge	Charge	How is this applied?
New Infrastructure Charge (development size <20)	£550	Per property
New Infrastructure Charge (development size >20)	£765	Per property

Newly Appointed Variation Charges 2019-2020

Charges are shown exclusive of VAT

MEASURED CHARGES £	
Measured water supplies	
Unit volume charge - per cubic metre (<20 properties)	£1.372
Newly appointed variation charges >20 properties	
(i) Band 1 (20 to 50 properties)	£1.288
(ii) Band 2 (50 to 250 properties)	£1.171
(iii) Band 3 (250 to 1000 properties)	£1.137
(iv) Band 4 (>1000 properties)	£1.109
Sewerage services – measured water	
Unit volume charge – foul water drainage - cubic metre (<20 properties)	£2.456
Newly appointed variation charges >20 properties	
(i) Band 1 (20-250 properties)	£2.340
(ii) Band 2 (250-1000 properties)	£2.094
(iii) Band 3 (>1000 properties)	£2.070

Our improvement plan

Our improvement plan is under way. Please see below the changes we have already made:

- Maximum income offset to be provided
- Relationship Managements and Contracts to sit within one team
- Full end to end process review
- NAV newsletters
- Removal of the bulk metres charge
- Offer pack being improved
- New policies will be in place
- Expression of interest
- NAV action group

Target 100

What is target 100?

The South East of England has officially been declared as a water-stressed region. With population growth and future climate change, balancing supply and demand is a great focus.

We have set ourselves a UK-leading water demand reduction target. We aim to reduce water consumption to 100 litres per person per day, across our region by 2040. The average water consumption is 128 litres per person per day.

On the back of our successful metering programme, water consumption has been reduced by over 16% and 60% of users are now better off. Target 100 will also help our customers reduce their water usage, saving on average £75 per year.

How does it work?

Southern Water are offering Developers a financial incentive to adopt Target 100, acknowledging the increasing pressures within the regulated industry. Zero infrastructure charges for water supply in housing developments designed to incorporate the 110 litre target:

How Southern Water can help?

We are retro-fitting 28,000 homes - offering free water-saving home visits to educate and install products that will help to save water, energy and money. This is saving customers on average 10% of their water usage!

Ian McAulay, Southern Water CEO:

“Southern Water has already made great progress in helping our customers reduce the amount of water they use, which means we take less water from the environment.”



Date for the diary

- 17 March 2020 - Durrington

Contact Us

Southern Water Services Ltd.

Developer Services
Sparrowgrove House
Sparrowgrove
Otterbourne
Hampshire
SO21 2SW

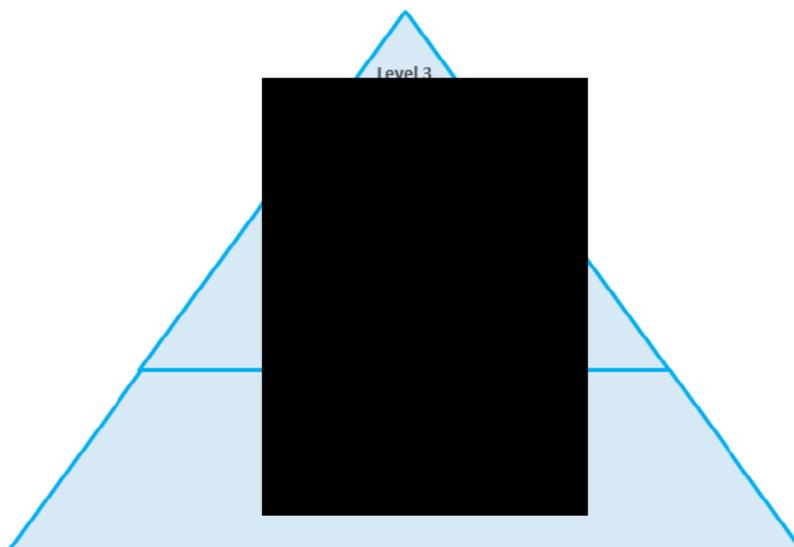
Developer Services Helpdesk - Monday - Friday 9AM - 4.30PM
0330 303 0119

Retail Relationship Managers:



Please use the new appointment email address for all correspondence – newappointments@southernwater.co.uk. This is to ensure all emails are picked up and responded to by the correct team.

If you are unable to resolve your query with your Retail Relationship Manager, please see the escalation route below.



Report a leak

If you spot a water leak, please:
Complete our form

Or call our 24-hour Leakline
0800 820 999
(Freephone)

Emergencies

For water supply or wastewater emergencies, blocked drains or possible pollution, call:
0330 303 0368
(Calls charged at local rate)





Policy Statement

Alternative Sewerage Discharge Arrangements

Version	Date	Author	Amendments
0.1	03/09/2019	[REDACTED]	-
0.2	05/09/2019	[REDACTED]	Removed reference to 18-month timeframe for network reinforcement starting when an application is received.
0.3	09/09/2019	[REDACTED]	Minor formatting amendments following review by [REDACTED]. Added reference to Section 98 sewer requisition.
0.4	12/09/2019	[REDACTED]	Included reference to requests from NAVs for bulk applications and added section on temporary connections, with reference to temporary flow capacity modelling assumptions, following review by [REDACTED].
1.0	13/09/2019	[REDACTED]	Minor amendments following final review by [REDACTED]. Document issued.

This policy sets out our approach to providing and charging for any alternative means of discharging wastewater when there is insufficient capacity in the local sewer network to meet the demand from new development sites.

To minimise the potential need for alternative discharge arrangements, we urge all developers and NAVs to engage with us at the earliest opportunity on their development proposals. This will ensure that all options to serve the site are fully assessed, well in advance of a connection being required.

Alternative Connections

Alternative Permanent Point of Connection

When we receive an application under section 98 of the Water Industry Act 1991, or an application to discharge wastewater from a NAV, we will assess all the potential options for connecting the new development to the existing public sewer network. In some cases, it may be possible to avoid the need for enhancement of the existing network by permanently connecting at an alternative location, where additional capacity exists. Where the cost of connecting at this alternative location exceeds the cost of connecting at the preferred point of connection, we will pay the difference.

Temporary Point of Connection

If network reinforcement is unavoidable, we may provide either of the following types of temporary connection, to provide limited capacity, until such time as the capacity required for the entire development is available at the preferred, permanent point of connection:

- A temporary connection at the preferred permanent point of connection
- A temporary connection at an alternative location to the preferred permanent point of connection

Any flow, volume or property capacity limits for temporary connections will be specified in a bulk service agreement between us and the developer or NAV, following modelling of the impact of the new development on our network.

Where a temporary connection is installed, capacity modelling assumptions on factors such as misconnections can be reasonably excluded from the modelled flows to maximise the temporary capacity, in accordance with our Network Capacity Modelling Policy.

Network Reinforcement

Where reinforcement of the local network is necessary to provide sufficient capacity for your development, we will commit to delivering this within 24 months of outline planning permission being granted and a confirmed commitment to build.

Where we cannot provide sufficient capacity to service the development within the agreed timeframe, alternative supply and discharge arrangements will be required.

Where a strategic upgrade to the existing network is required to provide sufficient capacity for a new development, we will mutually agree delivery timescales on a case-by-case basis with you. We do not anticipate this will be necessary in the vast majority of cases and should only apply in exceptional circumstances.

Where possible, we will endeavour to notify you of the capacity threshold, expressed in terms of the total number of residential properties that can be connected to the network, before a network reinforcement scheme is triggered. These enhancement works are our responsibility.

Off-Peak Discharging and Real Time Control

Our preference is for wastewater to be discharged into the local sewer network outside of the hours of peak demand. Please refer to our Off-Peak Discharge – Particular Specification document for further information.

A more sophisticated system of Real Time Control (RTC) may also be considered to allow the capacity of the sewer network to be maximised by optimising the timing of the discharge of wastewater into the local sewer network using automatic control of pumps and actuated valves.

Wastewater Tankering

Where the use of RTC and discharging to an alternative point in the network is impracticable, and we cannot provide sufficient capacity to service the development within the timeframe agreed, collection and disposal of wastewater by tanker might be required.

We understand that disposing of wastewater by tanker is far from a satisfactory situation and will be proactive and collaborate with developers and NAVs, in consultation with local planning authority, to ensure the need for it is minimised as far as practicably possible.

Where a need for tankering arises prior to the completion date for any network enhancement, the Developer or NAV will be responsible for organising and paying for this. Where this need arises after the agreed timeframe for completing the enhancement of the existing network, the burden of responsibility for providing the tankering services shifts to us.

References

- Network Capacity Modelling Policy
- Off Peak Discharge – Particular Specification

- Water Industry Act 1991



Policy Statement

Adoption of NAV Assets

Version	Date	Author	Amendments
0.1	03/09/2019	[REDACTED]	-
0.2	06/09/2019	[REDACTED]	Incorporating amendments by [REDACTED] on legal and regulatory equivalence
0.3	09/09/2019	[REDACTED]	Incorporating amendments by [REDACTED]. Revised to cover both potable and wastewater assets and include reference to the self-lay code or practice
1.0	11/09/2019	[REDACTED]	Incorporating comments from [REDACTED] on the adoption of assets outside the NAVs area of appointment. Document issued.

The purpose of this policy is to provide clarity on Southern Water's position on the adoption of potable water and wastewater assets serving a NAV's customers. It outlines the circumstances when adoption of these assets will be considered, including the laws, regulations and asset standards which govern their adoption. The usual expectation is that all or most of the assets within the NAV area, as well as offsite, site-specific assets, would vest in the NAV and be operated by them, in perpetuity, as their public assets.

Legal and Regulatory Equivalence

Under the provisions of the Water Industry Act 1991, Ofwat has the power to appoint a limited company to provide water and/or sewerage services to their customers in an area previously served or unserved by the incumbent monopoly provider. Effectively, the new appointee becomes the statutory undertaker for a specific geographic area and, as such, has the same duties and responsibilities as the previous statutory water company.

These duties and responsibilities include the legal duty under Sections 51 and 104 of the Water Industry Act 1991 to adopt water and wastewater assets constructed by developers (pipes, sewers, lateral drains, pumping stations etc.) and the regulatory responsibility to effectively operate and maintain them throughout their lifecycle to ensure an excellent quality and value of service to their customers.

Adoption of Assets within a NAVS Area of Appointment

The default expectation, as the NAV has been appointed as the supplier for its area with the same duties and responsibilities as the former incumbent company, is that the NAV would adopt the assets within its area of appointment and operate and maintain them in perpetuity. Thus, it would only be in exceptional circumstances, where there was a specific commercial advantage to Southern Water (as distinct from the NAV), that we would contemplate adopting assets constructed inside the NAV's area of appointment, which are wholly or predominantly benefiting a NAV's own customers.

Adoption of Site-specific Assets Outside a NAVs Area of Appointment

Where any assets are constructed and commissioned outside of a NAVs area of appointment, for the purpose of connecting the NAVs potable water and/or wastewater supply network to our networks, and those assets exclusively serve a NAV's customers, the expectation is they should be adopted by the NAV. This is the expectation, regardless of whether the offsite assets have been constructed and commissioned by our contractor or the NAV's contractor. Where these offsite assets have been sized to accommodate the demand from other current or future developments, they cannot be considered site-specific and we would consider adopting them in accordance with the codes of practice and standards referenced at the end of this document.

Beneficial Use

In specific circumstances, where it is clear a benefit is derived by Southern Water or its customers from the operation of a NAVs water and wastewater supply assets, an agreement to adopt the asset could be considered in accordance with the following codes of practice and standards:

Wastewater assets:

- Sewers for Adoption 7th Edition - A Design & Construction Guide for Developer
- Southern Water Supplementary Addendum to Sewers for Adoption 7th Edition -- Pumping Station Design Requirements - MED4006
- Civil Engineering Specification for the Water Industry, 7th Edition
- Developer Services Adoptable Pumping Station Guidance

Potable water assets:

- Code of Practice for the Self-Laying of Water Mains and Services – England and Wales
- Self-Lay Policy Supplementary Document - Design Practices, Schedule of Permissible Materials and Construction Arrangements

We will undertake an initial technical assessment of whether our network and customers benefit at the time we receive the technical drawings and specifications of the assets.

Where a benefit is derived but asset adoption is not a viable option, we are willing to discuss entering into a bespoke commercial arrangement with the NAV to share responsibility for the financing, operation, maintenance and land ownership of the asset.

An example of Southern Water deriving a benefit from a NAV asset would be the ability to defer the capital investment required to increase the capacity of a treatment works by making use of spare capacity in a treatment works owned and operated by the new appointee. In this instance, it would be reasonable for us to contribute to operating and maintaining the asset or to compensate for a proportion of the costs incurred by the new appointee. The precise nature and level of this contribution and financial compensation would be dealt with on a case by case basis, at our discretion, within the bespoke commercial agreement.

References

- Civil Engineering Specification for the Water Industry, 7th Edition
- Sewers for Adoption 7th Edition - A Design & Construction Guide for Developer
- Southern Water Supplementary Addendum to Sewers for Adoption 7th Edition -- Pumping Station Design Requirements - MED4006
- Developer Services Adoptable Pumping Station Guidance
- Code of Practice for the Self-Laying of Water Mains and Services – England and Wales
- Self-Lay Policy Supplementary Document - Design Practices, Schedule of Permissible Materials and Construction Arrangements
- Water Industry Act 1991

NAV Sewer Connection Notification Form

This form should be completed as confirmation that the sewer connections requested in the New Appointments and Variations (NAV) Bulk Service Application Form for the NAV site specified on this form are ready for inspection and approval.

Please complete the form in full and submit it to the Southern Water Developer Services department via the NAV email inbox newappointments@southernwater.co.uk when the connection is ready for inspection and approval.

Applicant Details

NAV Name: Click or tap here to enter text.

Contact Name: Click or tap here to enter text.

Address: Click or tap here to enter text.

Phone Number: Click or tap here to enter text.

Email Address: Click or tap here to enter text.

Contractor Details

Contractor Name: Click or tap here to enter text.

Contact Name: Click or tap here to enter text.

Address: Click or tap here to enter text.

Phone Number: Click or tap here to enter text.

Email Address: Click or tap here to enter text.

NAV Site Details

Site Reference Number: Click or tap here to enter text.

Site Name: Click or tap here to enter text.

Site Address: Click or tap here to enter text.

Supporting Documentation

Please provide the following supporting documents if they were not included as part of the original NAV Bulk Service Application:

- **Copies of the drainage layout plan at 1:100 (or larger), showing location of sewers and manholes on site and up to the connection point**
- **Copy of planning consent**
- **Site location plan at 1:1250 (or larger)**

Checklist:

- Site boundary clearly shown
- Roads clearly shown
- Adjacent buildings clearly shown
- Private pipe run to Southern Water network clearly shown

Declaration

Failure to complete this form in full and provide relevant information will result in it being returned and/or refused.

By signing this form, you are not automatically granted permission to connect.

Under no circumstances must any person enter the public sewerage system without the express permission of Southern Water.

I confirm to the best of my knowledge that the information I have supplied is complete and correct.

Name: Click or tap here to enter text.

Signature: Click or tap here to enter text.

Date: Click or tap here to enter text.



Policy Statement

Network Capacity Modelling

Version	Date	Author	Amendments
0.1	03/09/2019	[REDACTED]	-
0.2	05/09/2019	[REDACTED]	Removed reference to 18-month timeframe for network reinforcement starting when an application is received.
1.0	09/09/2019	[REDACTED]	Minor formatting amendments following review by [REDACTED]. Reviewed by [REDACTED]. Document issued.

The purpose of this document is to set out our approach to potable and wastewater modelling.

Our Approach to Capacity Modelling

Potable Water Modelling

A formal document detailing our approach to modelling the impact of a new development on the potable water supply network is still in development and is due to be published later this year. This policy document will be updated with a link to the potable water modelling criteria once it is published. In the interim, a summary of the modelling rationale can be found [here](#) (insert link).

Wastewater Modelling

Our approach to modelling the impact of a new development on the public sewer network is set out in Foul Sewerage Modelling Criteria, V1.1, a copy of which can be found and downloaded [here](#) (insert link).

The criteria employed in both these documents is based on national guidance, industry best practice and direct evidence (e.g. metered flows) and constitute reasonable assumptions of demand over the long-term.

Modelled flow rates are based on the information we receive and we are always willing to revise our modelling based on more detailed information subsequently provided. This is particularly pertinent to developments containing commercial or industrial properties, where anticipated flow rates can be highly variable. Where this is the case, we urge developers to provide us with a schedule of fixtures and fittings at the earliest opportunity so that we can model demand as accurately as possible.

Temporary Wastewater Flow Capacity

Our wastewater modelling criteria accounts for the long-term impact of unauthorised connections and climate change on network capacity. However, we acknowledge that the influence of these factors over short timeframes are likely to be negligible. Consequently, we are willing, initially, to accommodate limited flows, where the build profile of the development is such that the projected demand exceeds the capacity of the network. We hope this provides developers with more flexibility in the short-term, helping to minimise any network capacity constraints on development. Please note, modelling of the permanent flow capacity will still include these factors.

Network Reinforcement

Where reinforcement of the local network is necessary to provide sufficient capacity for your development, we will commit to delivering this within 24 months of outline planning permission being granted and a confirmed commitment to build.

Where we cannot provide sufficient capacity to service the development within the agreed timeframe, alternative supply and discharge arrangements will be required. Please refer to our Alternative Discharge Arrangements Policy for further details.

Where a strategic upgrade to the existing network is required to provide sufficient capacity for a new development, we will mutually agree delivery timescales on a case-by-case basis with you. We do not anticipate this will be necessary in the vast majority of cases and should only apply in exceptional circumstances.

Where possible, we will endeavour to notify you of the capacity threshold, expressed in terms of the total number of residential properties that can be connected to the network, before a network reinforcement scheme is triggered. These enhancement works are our responsibility.

Our Commitment to Water Efficiency and Sustainability

We operate within a water stressed area in the South East of England and are committed to the sustainable management of water resources and our supply system. In response to this, we have embarked on the most ambitious water efficiency programme in the UK Water Industry, Target 100, which aims to reduce demand to 100 litres per day by the year 2040. Collaborating with our developer and NAV customers will be essential to achieving this challenging goal and we want to work with you to ensure that new developments are designed and built to the highest water efficiency standards.

To incentivise this, we offer a 100% infrastructure charge discount for any residential properties that adhere to the 110 litres per person per day water efficiency standard under section G of the Building Regulations, 2010. We acknowledge that in many instances, the occupants of the new properties will remove any water efficient fittings, which will increase demand above the 110 litres standard. However, our current modelling assumes that all properties will use 129 litres per person per day, which is based on the average daily use throughout our area of supply, and already accounts for any increase in demand due to the replacement of water efficient fixtures and fittings.

References

- Water Demand Information. 30th April 2019
- Foul Sewerage Modelling Criteria, V1.1,
- The Building Regulations 2010, Section G: Sanitation, hot water safety and water efficiency
- Alternative Discharge Arrangements Policy

From: newappointments
Sent: 09 July 2019 16:41
To: [REDACTED]
Subject: Southern Water - New Appointment Variation Expression of Interest



from
Southern
Water 

Business Channels

Dear [REDACTED],

We have published an expression of interest request which is related to members of the New Appointment Variations (NAV) community. We are looking for parties who have an interest in exploring collaborative approaches on how we can service growth demand throughout the South East.

We would like to work closely with members of the NAV community to explore opportunities on potential collaborative approaches that promote the best value solutions to growth in the South East whilst promoting the highest levels of customer service.

The full Expression of Interest can be found on the following page:

<https://www.southernwater.co.uk/new-appointment-variations>

Please send your response to newappointments@southernwater.co.uk by Wednesday 31 July 2019 using the subject line 'New Appointment Variation – EOI'.

If you have any questions please email the inbox.

We look forward to hearing from you.

Kind regards

[REDACTED]

[REDACTED]




southernwater.co.uk



from
Southern Water 

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From: [REDACTED]
Sent: 01 May 2019 13:08
To: [REDACTED]
Subject: SLP Newsletter



from
Southern
Water 

Developer Services

Self-Lay Provider – April newsletter

Welcome to the April 2019 Self-Lay Newsletter. It has been a busy start to the year at Southern Water and we are continuing to make improvements to work collaboratively with our Self-Lay Providers.

New Team Member

The SLP Team have a new Team Member! [REDACTED] has joined the SLP team as a [REDACTED]. Expect to see [REDACTED] on site in [REDACTED] soon.



Bedding surround in Hampshire

A good example of bedding surround on a site in Hampshire – Keep it up! Please continue to send in photos of the great workmanship that you are doing on site and we will publish more on future newsletters.

New connection charging

Our New Connection Charging Arrangements for 2019–20 have been published on our website. The connection services cover the work that is needed to connect new homes to the existing water and wastewater network. It also includes our infrastructure charges. [See the New Connection Charging Arrangements for 2019–20](#)

Developer Services Day – 30 April

Yesterday we held our annual Developer Services Day at the Amex in Brighton. It was the biggest event we have done with over 100 attendees and 20 exhibitors in attendance, and it was fantastic to see so many people there.

The Engineering and Construction team did a presentation on the changes that have been made, and will continue to be made in their department and we will share them in future correspondence shortly.

Please continue to use the self-lay inbox for all correspondence, applications and questions. This is monitored by the team, to ensure responses are managed appropriately - selflay@southernwater.co.uk

This email was sent to you by [Developer Services](#)

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From: Developer Communication
Sent: 06 August 2019 13:23
To: Developer Communication <Developer.Communication@Southernwater.co.uk>
Subject: Self-Lay - Trench Inspection Update



Business Channels

Tuesday 6 August 2019

Self-Lay – Trench Inspection Update

Trench Inspections

Southern Water are continuously looking at ways of improving and making the self-lay process easier for our Self-Lay providers, which this in mind with immediate effect, Southern Water are now in a position to allow Self-Lay Providers to undertake their own trench inspections.

The Process

- Southern Water will require notification using the SLF-F7 form, which will need to be sent to the Assistant Project Manager and the New Works Technician.
- Your WIAPS certificate must be sent to the Water Regulations team at Otterbourne. Southern Water will also require photos to be provided which shows the work being carried out with due diligence.
- Southern Water reserve the right to carry out spot checks to ensure quality is maintained.

Your obligations

All installations must comply with the Water Fittings Regulations. As an approved Contractor, you must issue a certificate stating your work complies with the regulations. Southern Water will reserve the right to periodically audit to ensure standards are maintained.

WIAPS Qualification

To produce your own Trench Inspections you will be required to have membership of WIAPS. WIAPS provides water industry-backed accreditation to qualified plumbers and other sector working, including ground workers. Please ensure you have this in place before inspecting your own trenches.

What do we require from you?

- ð The WIAPS approved certification number of the person completing the inspection
- ð A photo of the trench inspection
- ð Name of site

Self-Lay inbox

Please continue to use the self-lay inbox for all correspondence, applications and questions. This is

monitored by the team, to ensure responses are managed appropriately - seflay@southernwater.co.uk

Kind regards

[Redacted signature]

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From: Developer Communication
Sent: 24 September 2019 08:37
To: Developer Communication <Developer.Communication@Southernwater.co.uk>
Subject: Southern Water - Our new service



from
Southern
Water 

Business Channels

Dear Customer,

Our new service

We're launching a new mapping service in October 2019 in partnership with [digdat](#)[®].

We're introducing a more flexible service. Depending on which product you choose, the pricing options vary – you can find more information on our website.

<https://www.southernwater.co.uk/landsearch>

We'll share further details soon about how to register for this new service and who to contact about your order.

Kind regards



[southernwater.co.uk](https://www.southernwater.co.uk)



from
Southern Water 

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From: Developer Communication
Sent: 12 August 2019 12:01
To: Developer Communication <Developer.Communication@Southernwater.co.uk>
Subject: Update from Southern Water - Nitrates in the Solent



from
Southern
Water 

Business Channels

Dear Customer,

Following on from our communication on the 12 July 2019 – please find attached our updated statement.

Further updates on the outcomes of the PUSH Water Quality Group work will be provided as they become available.

Kind regards

[Redacted signature]

[Redacted contact information]

[Redacted contact information]

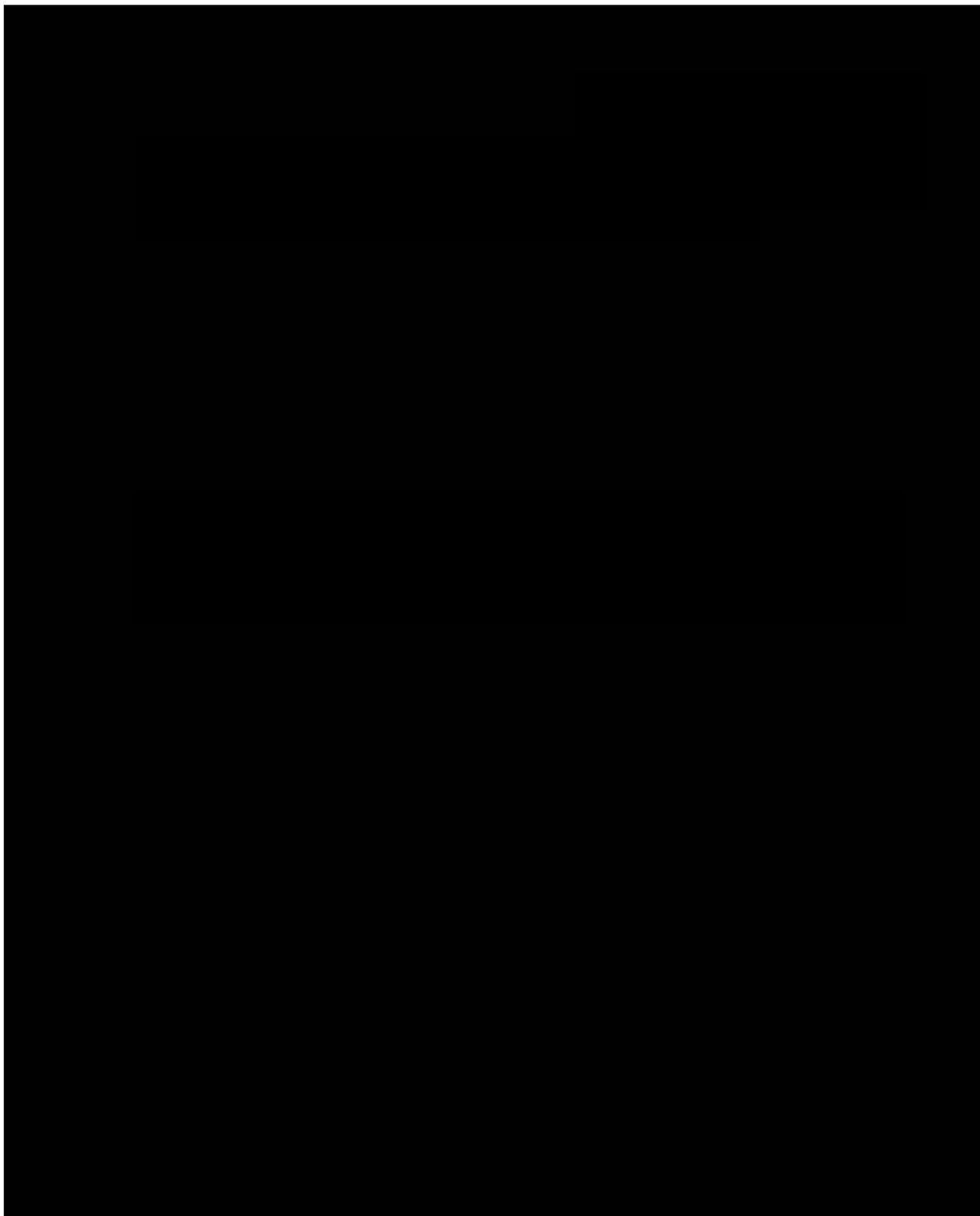
southernwater.co.uk



from
Southern Water 

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Southern Water Position Statement: Nitrates in the Solent July 2019

Nutrients, including nitrates, entering the water system from a variety of sources, are understood to be causing eutrophication in certain waterbodies within the Solent region.

Natural England has issued advice to Local Planning Authorities on achieving nutrient-neutral development in the Solent region to reduce the impact of additional nutrients, in particular nitrogen, arising from new homes.

The Environment Agency (EA) is the water industry's environmental regulator and defines the environmental permits that water companies are required to meet. The EA works with water companies, including Southern Water, to develop the Water Industry National Environment Programme (WINEP) which includes schemes and investigations that protect and enhance the environment. The latest dataset, issued in March 2019, can be downloaded via;

<https://data.gov.uk/dataset/a1b25bcb-9d42-4227-9b3a-34782763f0c0/water-industry-national-environment-programme>

In June 2019, the EA issued a Technical Guidance Note on Wastewater treatment capacity for new development in the Solent Area (a copy can be requested by emailing them at planningssd@environment-agency.gov.uk). This Guidance Note confirms no further investment is needed to treat wastewater to a tighter nitrogen limit for any of the treatment works in the Solent area. Where there is capacity to take extra wastewater flows from new development within existing permit limits, the EA considers the development would be acceptable.

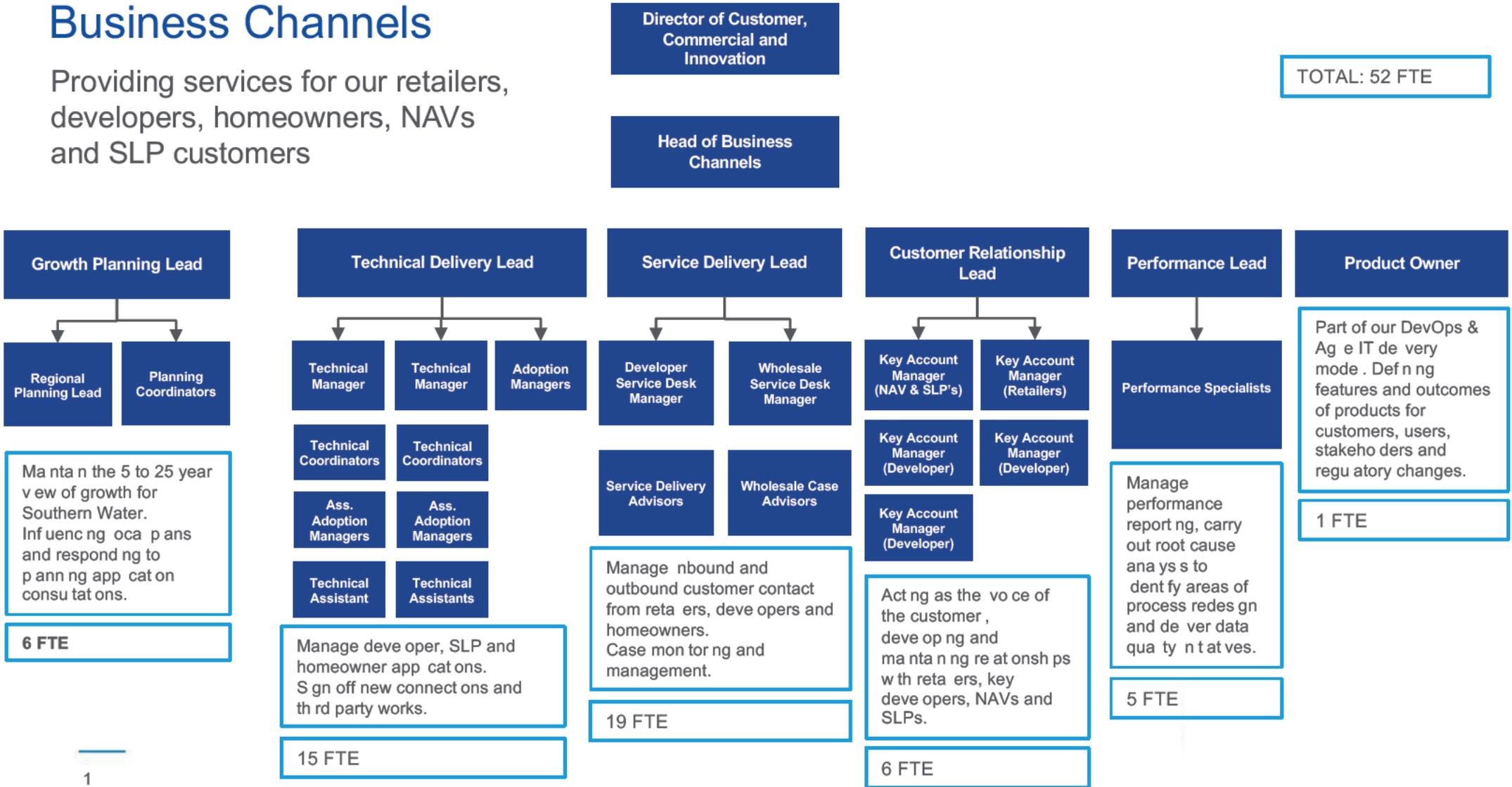
Southern Water is cooperating with the Partnership for Urban South Hampshire (PUSH) Water Quality group, (comprising local authorities, Natural England, the EA and others), on this issue. The group is working to identify and agree effective measures that will enable new homes to be built, whilst also ensuring the environment of the Solent and its harbours can be protected.

Further updates on the outcomes of the PUSH Water Quality Group work will be provided as they become available.

Business Channels

Providing services for our retailers, developers, homeowners, NAVs and SLP customers

TOTAL: 52 FTE



Dear Sirs,

Re: Release letter of [REDACTED] in compliance with the Market Arrangements Code.

This letter serves as a Release letter in respect of [REDACTED]

I warrant that I have the necessary authority to confirm the contents of this letter.

I agree that:

- a) [REDACTED] may act as a Panel Member; and
- b) the requirements as set out in Section 5.7 of the Market Arrangements Code shall prevail over his/her duties as an employee.

I trust that the above satisfies the requirements as set by the Market Arrangements Code.

Yours Sincerely,

[REDACTED]

Southern Water Services Limited

From: [REDACTED]
 Sent: [REDACTED]
 To: [REDACTED]
 Subject: [REDACTED]
 Importance: High

Good Afternoon,

Please see details on an incident we are currently dealing with in KENT.

Wholesaler name	Southern Water
Event Code and sub type	E3 – NO WATER
Support level	Update in section Description of the event below
Count of SPIDs affected	2
Unplanned event ID	[REDACTED]
Description of the event	Some customers in the [REDACTED] of Broadstairs and Northwood, Kent, may be without water or be experiencing low water p This is following the heavy winds across the region which have caused a power outage at one of our water supply sites in the Broadstairs ar Due to a power cut within the Broadstairs area, we have lost power to our booster station, we are working with UKPN to get power restore your water supply reinstated.
Date and time of incident start	[REDACTED]
Action already taken	Specialist teams are on site investigating the issue and will carry out the necessary repairs as quickly and as safely as possible. We'll also work with vulnerable customers and supply bottled water where required. We apologise to for any inconvenience caused and we'll continue to keep customers updated online.
Action planned	We're working hard to identify all vulnerable customers and sensitive sites (Public Health) to supply bottled water where required.
Customer message	More in depth Key Messages to follow; We apologise to for any inconvenience caused and we'll continue to keep customers updated onl
Action for Retailer to take	Please communicate key messages on your website and to your contact centre staff
Potable water locations	Nil at present – to be updated soon

Kind regards,

[REDACTED]

[REDACTED]



[REDACTED]
www.southernwater.co.uk

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New Initiative – Event Manager Update

BPM – [REDACTED]

Date – 21/03/2019

Version – 0.4

Gate – Valid Initiative Identified

Sponsor – [REDACTED]

Dept – [REDACTED]

Business Lead – [REDACTED]

Problem / Business Objective

- A sub group of the Retail Wholesale Group (RWG) has produced a Good Practice guide for unannounced activities and incidents to provide industry guidance and to encourage standardisation across the market. These events can have a significant impact upon Non-Household customers and require prompt delivery of information to the public
- Lack of clarity on roles and responsibilities of Trading Partners in this area has led to inconsistency in the quality, terminology and communications mechanisms used to disseminate this information which has resulted in this being one of the top five operational issues identified since the opening of the market
- Southern Water has its own Incident Management process to communicate with Retailers. This is currently supported by the Incident Manager tool which sends out an initial email notification to those Retailers who have subscribed to use it. The Business has a proposal from BoxHarry to replace Incident Manager with the Event Manager tool
- To simplify this process and incorporate the requirements of the Good Practice Guide the business wishes to incorporate additional functionality into the Event Manager proposal to include additional information within the alerts that are currently issued. The enablement of this functionality with the Incident Manager will provide Retailers the ability to both view relevant information themselves from the SW website and receive automated incident alert notifications and data relating to issues affecting their customers

Benefits Case

- Compliance with one of regulatory assurances we need to give to Ofwat in AMP7 with respect to incident management
- Compliance with industry best practice – we run the risk of becoming an outlier in the market should we not adopt the Good Practice guide. It is likely that adoption of this best practice will become mandatory in the future
- Reduction in risks associated with manual incident updates to Retailers/ customers – reducing human error, risk that incidents affecting public health are not identified correctly
- Improved, accurate and timely communication with Retailers and customers
- Efficiencies to be achieved through a reduction in manual processes. A recent out of hours issue resulted in 2 hours manual effort by a member of the team to mine, download and manipulate relevant data, send emails to each affected Retailer and make follow up calls to each of these parties

Dependencies/Considerations

- The business has agreed with BoxHarry to provide a proposal for this work within the scope of the Incident Manager to Event Manager Upgrade. A decision needs to be made on the delivery approach to meet the identified requirements
- BoxHarry carried out the initial work on email notifications in preparation for the opening of the Non Household market
- Completion of the Incident Manager to Event Manager Upgrade
- IT Transition and associated change freezes

Investment/Funding Source

- Whoesale Services

Fit to Portfolio

- Whoesale Transformation

Criteria Scoring

Strategic Fit	Business Risk	Business Impact	Benefits Realisation	Time & Feasibility	Resources
High	High	Very High	Medium	High	Very High

Incident Management Good Practice Guide Integration

Date November 2018
Version 0.1

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Introduction

A sub-group of the Retail Wholesale Group (RWG) has written a 'Good Practice' guide for Unplanned Activities and Incidents. The document, aims to provide industry guidance in relation to unplanned events and incidents with a view to encouraging standardisation where possible. As a responsible wholesaler Southern Water is proposing to integrate the suggested processes within the guide to support good practice.

Background

Unplanned events and incidents can impact significantly on the operations of Non-Household customers. They often require prompt delivery of information to customers to protect public health and prevent unnecessary escalation.

Part E of the Wholesale Contract Schedule 1, Part 3: Operational Terms sets out the processes to be followed in relation to changes to Water Services and/or Sewerage Services which are not planned by or on behalf of the Wholesaler, for example Emergencies, potential drinking water quality incidents, pollution incidents and droughts.

Lack of clarity on the roles and responsibilities of Retailers and Wholesalers in relation to this area of the market has resulted in different interpretations and expectations of individual trading parties. This combined with a lack of consistency in the quality, terminology and delivery mechanisms used in communicating these messages has resulted in this being one of the top five operational issues identified since the market opened.

Southern Water has, since market opening, implemented and followed its own Incident Management process for communicating with retailers (see Annex A) and currently supports the process detailed in the guide in many ways. SW actually provides greater support to retailers in some respects, offering more communication than the guide for Tier 2 (or Amber) incidents (see Annex B). We provide calls to retailers for this level of unplanned activity or incident whereas this is not required in the guide. Southern Water uses an email notification service to initially contact retailers which was developed bespoke for Wholesale Services. The guide suggests using templates for using notification emails which would mean incorporating more detail in email correspondence in a standardised format.

Initially this could be facilitated manually but we would look to make this as automated as possible to improve the service to retailers (and their customers) as well as being less reliant on existing resource within the Wholesale Services team to source, sort and send out specific SPID data.

Proposal

To merge the guide and our IM process we would need to consider the following:

- The creation of unique identification numbers for all incidents (to be included in email subject headings and body of email message. This work is currently being undertaken by BoxHarry
- The event code and sub type to be included in subject heading and body of message

- A message template for new and updated incident alert notifications see Annex B (including the above)
- A message template for closure incident alert notifications see Annex C (including the above)
- An incident alert notification attachment for new and updated emails (excel) see Annex D
- Affected SPID count included in new, update and closure alert notifications
- Affected SPID details to be included in excel attachment.

As a primarily automated process we would be looking to source an external partner, either BoxHarry who have worked on our current IM system IPAM or DigDat who provide an off the shelf product Retailer Notification Service created for use in the marketplace.

Annex A

GREEN (Routine incidents)	
<u>Wholesaler Action(s):</u>	
1. Retailers will be sent automatic incident email alerts through IPAM	
EVENTS Any operational issue dealt with as routine	MINOR An event overcome with the assistance of Southern Water field teams
AMBER (Out of the ordinary incidents)	
<u>Wholesaler Action(s):</u>	
1. Retailers will be sent automatic incident email alerts through IPAM	
2. Affected retailers will initially be called on their 24hr emergency number and updated	
3. The on-call wholesale manager will collate a list of affected SPIDs to send to retailers	
4. Email updates will be supplied along with Key Messages to affected retailers	
SIGNIFICANT An event co-ordinated by the Wholesale Manager, using information supplied by a full incident team (IMT) and emergency communications team (ECT)	
<ul style="list-style-type: none"> • An Incident Team is required, operating at regional level • Resources readily available through standing arrangements • Deployment of resources will require careful management • Media (inc social media) interest, of a regional / limited nature • Limited liaison and a limited coordinated response, with external agencies 	
RED (Out of the ordinary incidents)	
<u>Wholesaler Action(s):</u>	
1. Affected retailers will be sent automatic incident email alerts through IPAM	
2. Affected retailers will initially be called on their 24hr emergency number and updated	
3. The on-call wholesale manager will collate a list of affected SPIDs to send to retailers	
4. A conference call will be set up and run at regular intervals until the incident is closed	
5. Email updates will be supplied along with Key Messages for those affected retailers	
6. The on call Wholesale Manager will be available to retailers throughout the incident	
MAJOR An event where an incident manager and team has been formed and may require the assistance of a director or the full formation of a strategic team (SMT) and media team (MT)	
<ul style="list-style-type: none"> • Resources may be beyond what is readily available through partners and contractors • May require the mobilisation of additional staff and contracting resources • Likely to be significant press and media interest which may be at a national level. • Likely to be significant liaison and coordination with external agencies 	

Annex B

Tier	Conditions
Tier 1	<p>Large-scale and/or long duration</p> <p>Significant impact on site specific arrangements and/or sensitive and /or livestock customers</p> <p>Opening of incident room</p> <p>Assistance may be required from the Retailer with regards to communication to the NHH customers, and there is a need to proactively notify the Retailer(s).</p>
Tier 2	<p>Lesser size and/or duration, but still affecting a considerable number of customers in that Wholesaler region.</p> <p>Limited or no impact on site specific arrangements and/or sensitive and /or livestock customers</p> <p>Incident room not opened</p> <p>May include event type 'Water quality' where the problem is either discolouration or chlorine</p> <p>Assistance may be required from the Retailer with regards to communication to the NHH customers, and there is a need to proactively notify the Retailer(s).</p>
Tier 3	<p>Lesser size and/or duration, affecting a small number of customers in that Wholesaler region or very short-lived event</p> <p>Limited or no impact on site specific arrangements and/or sensitive and/or livestock customers.</p> <p>Incident room not opened.</p> <p>No assistance required from Retailers and no need to proactively notify the Retailer as issue is kept under control.</p>

Annex C

From	Wholesaler email	Dedicated email address
To	Retailer email	Dedicated email address
Subject	<i>a – b – c – d</i>	Where <i>a</i> is the event type (E3-7) And <i>b</i> is the tier of event And <i>c</i> is the count of SPIDs affected for that particular Retailer And <i>d</i> is the unplanned event ID
Contents	Wholesaler name	
	Event Code and sub type	Where the Code is E3-E7
	Support level	Requires clear call to action if needed
	Count of SPIDs affected	For that particular Retailer
	Unplanned event ID	Unique ID
	Description of the event	
	Date and time of incident start	
	Action already taken	
	Action planned	Including estimated time of service restoration
	Postcodes affected	To as much granularity as possible, but at least district
	Customer message	Summary of customer message at this stage
	Action for Retailer to take	Any specific action to take related to the support level including any script where onward communication is required
	Information on potable water access location	For 'No water' or 'do not drink' events only

Annex D

From	Wholesaler email	Dedicated email address
To	Retailer email	Dedicated email address
Subject	<i>a – b – c – d</i>	Where <i>a</i> is the event type (E3-7) And <i>b</i> is the tier of event And <i>c</i> is the count of SPIDs that may be still affected for that particular Retailer And <i>d</i> is the unplanned event ID
Contents	Wholesaler name	
	Event Code and sub-type	Where the Code is E3-E7
	Support level	
	Count of SPIDs affected	For that particular Retailer
	Unplanned event ID	Unique ID
	Date and time of incident close	
	Closure text	Reference to any outstanding issues, compensation payments or other actions

Annex E

Event ID	ID given by Wholesaler
Retailer	If attachment is not Retailer specific
SPID	Water or waste SPIDs affected
Postcode	Postcode of SPID to unit level
Sensitive Customers	Water or waste SPIDs affected and associated customer names
Site Specific Arrangements	Water or waste SPIDs affected and associated customer names

Event ID	Retailer	SPID	Postcode	Sensitive Customer	Site Specific Arrangements
Event ID	Org ID	xxxxxxxxxW/Sxx	XXXX XXX	Yes / No	Yes / No
Event ID	Org ID	xxxxxxxxxW/Sxx	XXXX XXX	Yes / No	Yes / No
Event ID	Org ID	xxxxxxxxxW/Sxx	XXXX XXX	Yes / No	Yes / No
Event ID	Org ID	xxxxxxxxxW/Sxx	XXXX XXX	Yes / No	Yes / No
Event ID	Org ID	xxxxxxxxxW/Sxx	XXXX XXX	Yes / No	Yes / No
Event ID	Org ID	xxxxxxxxxW/Sxx	XXXX XXX	Yes / No	Yes / No

**Compliance with
competition law and
charging rules obligations
with respect to the self-lay
market for new connections**

**Initial review against
identified areas of concern**

Introduction – Ofwat’s Letter to the Industry

Ofwat wrote to the whole of the industry on 29 April 2019 to express concerns about how incumbent water companies are often making it difficult for SLP’s to compete and operate efficiently within their respective areas. The detail of the letter is below.

‘Ofwat has received a number of complaints over the last 12 months in which it has been alleged that incumbent water companies, through their charges, contractual terms and/or actions, have made it difficult for self-lay providers (SLPs) to compete and operate efficiently in the developer services markets. This is understandably of great concern to us and disappointing given we have previously written to companies regarding competition law compliance in the self-lay market (2015) and in general (March 2017, when we published guidance on our application of competition law in the water sector).

There are a limited number of markets in the water sector in which competition is able to take place and we are determined to ensure that water companies, whether deliberately or through lack of awareness and understanding, do not impede effective competition in these. I am therefore writing to all incumbent water companies to remind them that, given their position of dominance in a number of markets in their appointment areas, each company has a special responsibility to ensure that its conduct in those markets does not prevent, restrict or distort competition.

We note that the charging rules for new connection services (the ‘Charging Rules’) explicitly require water companies in England to set their charges (including any income offsets) and asset payments in accordance with the principle that they should promote effective competition for contestable work. Water companies are also required to publish their charges in a clear and accessible manner and explain how each charge has been calculated or derived so that it is clear what services are covered by each charge.

This means that, amongst other things, water companies should generally ensure that their charges in upstream markets (where, as the regional undertaker, only they can provide the relevant service or access and therefore are in monopoly position) allow sufficient margin for equally efficient companies to compete against them in downstream, contestable markets and that the charges reflect the actual costs of providing those upstream services. Where equivalent services are provided, water companies should charge competitors the same amount as they do their own downstream businesses. Companies should also ensure that their contractual terms are fair and reasonable and that they are sufficiently clear that purchasers are able to understand what charges will apply to the services they are buying and the circumstances in which they will apply. This helps avoid customers of upstream services suffering unnecessary delays whilst they seek clarification, and the knock-on effects of this on their ability to compete and operate efficiently in the downstream market.

It is disappointing that we have received complaints about a number of water companies that cover issues such as the level, clarity and application of design fees; the clarity and comparability of how requisition and self-lay charges are calculated; and the way in which asset payments and income offsets are calculated. The extent to which changes to companies’ charging schemes for new connections are properly consulted on has also been questioned.

The complaints allege that it is not clear as to what services are included in the design fees and other developer service charges or how the charges for these services are calculated or compare between requisitioned and self-lay provision. It has also been questioned as to whether the charges allow sufficient margin to enable SLPs to compete with water companies for the provision of services. Similarly, concern has been raised that some water companies are not applying a consistent methodology when calculating income offsets in their charges for requisitions as when they calculate asset payments for SLPs. This prevents a level playing field that would allow for effective competition to take place.

On the basis of our assessment of the complaints, it is not clear to us that water companies are fully and clearly complying with the requirements of the Charging Rules. In particular we consider that many companies have failed to transparently demonstrate to us and customers how their charging schemes satisfy

paragraph 21 of our charging rules for new connections which requires that “Charges (including any Income Offsets), 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”. We have set out more detail of some of our concerns arising from the recent complaints in the annex to this letter to illustrate the types of matters companies should be considering further.

We recognise that our Charging Rules are relatively new and that, by the nature of them being largely principles-based, they are open to companies taking different approaches in their charging schemes. However, both the charging rules and companies’ competition law obligations require companies to ensure they are fully considering the effects of their charges and charging scheme documents on effective competition. The assurance statements companies are required to submit to us are intended to confirm they consider that they are complying with the charging rules and their legal obligations. If water companies are unclear as to what is required by the Charging Rules, we are happy to discuss this further with them. We have also published guidance on our approach to the application of competition law in the water sector.

Given the breadth of issues and companies concerned, at this stage we have chosen to highlight our concerns publicly to all companies and to emphasise the need for all companies to focus their attention on these matters as a matter of urgency. We will continue to review companies’ performance and assurance statements with respect to the charging rules. Having put all companies on notice of our concerns via this letter, we are now more likely to consider escalating our response through our formal enforcement powers where these issues are not addressed promptly, or if we identify any future breaches of the Charging Rules or of competition law.

It is imperative, therefore, that all water companies take action to ensure that their practices in these areas are consistent with their competition law and other regulatory obligations. Companies should be taking appropriate steps to ensure that charges are cost reflective and that their approach to setting any charge or income offset is transparent and does not result in a situation where an equally efficient competitor is unable to compete with it on a level playing field. If water companies are effectively consulting on their proposed new connection charging arrangements with customers and stakeholders, they should be able to identify and comment on any potential issues before the charging arrangements come into effect.

We would also like to note that, as set out in our November 2017 decision on new connections charging,² it is our intention that from April 2020 the nature of income offsets will be changed so that they are applied to infrastructure charges rather than to water main or sewer requisitions. Infrastructure charges are payable by the customer to the water company whenever a new water or wastewater connection is made, regardless of whether the work to make a connection was carried out by the water company or by a competitor such as a self-lay provider. As a result, this will remove the need for the water company to offer asset payments as the new income offset will not affect the charges that a company imposes on customers for contestable new connections work.

Yours sincerely

Emma Kelso Senior Director – Customers and Casework’

Specific areas of concern identified

In the Annex to the above letter, Ofwat identified several specific areas of concern. We have assessed these in the following section.

Inconsistent application of the methodology to calculating Asset Payments and Income Offsets

Specific area of concern

We have identified that some water companies are disadvantaging self-lay providers when calculating asset payments and income offsets. This is particularly the case where income offsets are set to be a percentage of requisition costs.

In some areas, water companies have identified that when requisitioning new connections, the excavation and subsequent reinstatement work for new connections is often carried out by the developer itself, resulting in the company's requisition charge being calculated on the basis of lay-only costs. Because of this some companies are choosing to exclude excavation costs when calculating the asset payment for self-lay provision, i.e. calculating it on the basis of a percentage of lay only requisition costs rather than the full costs of providing the works that will be adopted.

Where the water company undertakes the excavation works, it only charges a percentage of these costs to the developer, with the rest being paid for by existing customers through the income offset. Whereas if an SLP undertakes the excavation and reinstatement (either directly or via by its own commercial agreement with its developer customer), we have found instances where it does not receive an asset payment for this part of the work. This does not create a level playing field for self-lay providers to compete.

We are not suggesting that water companies should start charging for excavation and reinstatement services where they do not carry out this work. However, while they continue to offer asset payments and income offset, the Charging Rules require that water companies ensure that they apply a fair and consistent methodology that does not discriminate between whether the developer chooses the requisition or self lay option.

We therefore expect water companies to ensure that the costs they include in the calculation of their income offsets and asset payment are fair and non-discriminatory

How this applies to Southern Water

The use of 'no-excavation' rates and charges has consistently been raised as an area of concern by members of the SLP customer community. This aspect of the complaint is therefore consistent with feedback previously received directly from our customers.

We are one of the companies that issues all of our quotations, both to developer customers and SLP's on the standard basis of 'no-dig'. This is due to evolution of customer demand, with customers (generally developers) preferring to undertake the excavation themselves.

Our income offset applies on a per property basis, not on a percentage basis that was identified by Ofwat as of being of particular concern. Despite this, this area of concern **does apply to Southern Water**, as the use of no-excavation charges **does impact significantly** on the Asset Payment.

Ofwat state that they have found that 'if an SLP undertakes the excavation and reinstatement (either directly or via by its own commercial agreement with its developer customer), we have found instances where it does not receive an asset payment for this part of the work. This does not create a level playing field for self-lay providers to compete.' This scenario could apply to Southern Water, as our default approach for the generation of the Asset Payment is using no-excavation charges.

What are we doing about this already?

This issue has been raised with us through our New Connection Charging Consultation, directly through complaints, at our recent Customer Action Group and Developer Day.

Specific actions that we have already agreed to undertake include:

- Building a bespoke calculator tool for SLPs that offers quotations based on 'excavation' **and** 'no-excavation' charges to give customer clarity to the options available
- Modifying the SLP application form to specifically ask if the SLP is undertaking the excavation work

What else should we be doing?

Further actions that should be considered include:

- Review of the worked examples for SLP's to ensure that these are comprehensive enough to express the range of options available
- Consideration to move to a default quotation approach of using 'excavation' charges
- Review how the 'non-contestable' elements of a SLP delivered project are delivered and customers charged
- Review the descriptions in the charging arrangements to assess how comprehensive these are

Lack of clarity around charges and when they apply

Specific area of concern

Water companies typically split the costs of providing design services across a number of different charges including administering the design, vetting the design, checking the design, as well as the charge for the actual design itself. Absent worked examples, it is not always clear which charges apply in circumstances where a self-lay provider supplies its own design, as compared to when it purchases a design from the water company.

This lack of transparency makes it difficult for self-lay providers to accurately estimate the charges they will face and therefore enable them to identify which is the most cost-effective option for them.

The lack of transparency can also arise when water companies seek to recover the costs of contestable and non-contestable work through a single charge, particularly where it is unclear as to the size of the non-contestable element. The costs of requisitioning a water main and making a connection should be recovered through two separate and clearly identifiable charges to ensure that developers and self-lay providers can estimate the charges they will face.

The Charging Rules require that water companies publish their charges with sufficient additional information or explanation to make clear what services are covered by each charge, such that a developer or other customer is able to confidently work out a reasonable estimate of the charges they will face if they know the relevant parameters of a development.

We therefore expect water companies to provide sufficient explanation with their charges, including worked examples, to ensure that they are clear and transparent, and that developers and self-lay providers are able to identify the costs they will face in typical scenarios.

How this applies to Southern Water

For the provision of design services for new water mains, we have two options for SLP's. These are:

Service	Charge	Contestable / Non-contestable	How is this applied?
S51 – Agreement, Design Check / Approval and Vesting Fee (SLP undertakes design)	£515	Non-contestable	Per adoption agreement
S51 – Water Mains Design Check / Approval Fee (re-designs)	£204	Non-contestable	When required
S51 – Mains Application / Administration / Collaborative Design Fee – 0 to 50 units (we undertake design)	£1399.17	Either	Per application
S51 – Mains Application / Administration / Collaborative Design Fee – 51 to 250 units (we undertake design)	£1475	Either	Per application
S51 – Mains Application / Administration / Collaborative Design Fee – 251 to 500 units (we undertake design)	£1653.33	Either	Per application
S51 – Mains Application / Administration / Collaborative Design Fee – 500+ units (we undertake design)	£1909.17	Either	Per application

We therefore have clearly different charges associated with the level of effort required, and whether we undertake the design or not. The above charges should give SLP's the option as to whether it is more cost effective to purchase a design, or to undertake the design themselves

Broadly speaking, we separated out contestable and non-contestable services so that these would be clearly identifiable in the provision of any quotation. We comply with the example stated by Ofwat where mains connections and mains laying should be charged separately through clearly identifiable charges.

Reviewing the Charging Arrangements, there is very little detail of what is included within the above design charges. This could be improved.

We developed worked examples for 2019/20. We are currently engaging with the SLP community to understand the adequacy of these and whether other scenarios would be useful.

What are we doing about this already?

We are engaging with the SLP community and [REDACTED] to review our worked examples and how they are presented.

We are developing a calculator that will assist customers in the generation of estimates, making it easier to confidently work out a reasonable estimate of the charges that they will face if they know the relevant parameters of the development.

What else should we be doing?

Further actions that should be considered include:

- Engage with the SLP community regarding the structure of our design provision / approval approaches. Does this meet their expectations?
- Review the descriptions within the Charging Arrangements to ensure that the customer can understand the descriptions and translate them into a reasonable estimate

- Review with interested customer groups whether there are any residual concerns around the mixing of non-contestable and contestable service provision

Lack of cost reflectiveness

Specific area of concern

The charges for providing design services vary significantly across water companies. Some companies appear to be providing their design services for free in certain circumstances, whereas others are charging over £1,000 for what appears to be an equivalent service.

Under the Charging Rules, charges should reflect the costs of providing the service in question. Although there may be some regional variation in the level of costs incurred when providing design services, we consider that the range of charges that we have identified is too large to explain this.

We therefore expect water companies to review their charges for design services and other contestable services to ensure that they accurately reflect the costs of the activities undertaken in providing the service and that only those activities are included that are genuinely necessary to provide the service. Where we identify that a company's charges are significantly different from those charged by other water companies, we may seek further information to ensure that those charges can be justified.

How this applies to Southern Water

In our case, the costs of providing the design can be interpreted as the difference between the Design Approval charge and the Collaborative Design charge for the size of the development in question.

Service	Charge	Contestable / Non-contestable	How is this applied?
S51 – Agreement, Design Check / Approval and Vesting Fee (SLP undertakes design)	£515	Non-contestable	Per adoption agreement
S51 – Water Mains Design Check / Approval Fee (re-designs)	£204	Non-contestable	When required
S51 – Mains Application / Administration / Collaborative Design Fee – 0 to 50 units (we undertake design)	£1399.17	Either	Per application
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S51 – Mains Application / Administration / Collaborative Design Fee – 500+ units (we undertake design)	£1909.17	Either	Per application

The differential in charge would reflect the activity undertaken (or not undertaken). Further detail can be seen within the next section (absence of sufficient margin).

As such we do have a clearly identifiable cost associated with undertaking the design work.

Furthermore, as our design work is undertaken by a third party, we do need to review this work to ensure the design meets the appropriate standards and quality. This means an equivalent set of activities for Southern Water, regardless of who is undertaking the design work.

What are we doing about this already?

We are engaging with the SLP community and [REDACTED] to check whether they have any specific concerns in this area.

What else should we be doing?

Given this is such an area of focus, it is recommended that we fully review the costs of all contestable items within the areas the SLP's operate. This will be of particular importance next year as developers are fully exposed to the costs in this area. This should be a key area of focus for the 2020 New Connection Charging update. We understand our costs to be relatively efficient, relative to other water companies, which may bring these into stronger focus from a competition perspective.

Application, administration and design fees have remained stable and unaltered for many years. It could be argued that these are broadly cost reflective, however there is no detailed breakdown of the activities entailed and the effort involved in undertaking the work. These fees could be reviewed, post transformation implementation, to build a more robust, well evidenced charge basis for these activities.

We should review how New Connection Charging interfaces with other transformation and change activities that impact on SLP provision and customer service (Code for Adoptions etc), with a particular focus on making the customer experience and interface as accessible and efficient as possible. This should include the application process, information provision and transfer and customer interfaces.

Absence of sufficient margin

Specific area of concern

Our assessment of the charges faced by developers and self-lay providers for design services suggests that in some cases there may be insufficient margin to enable self-lay providers to compete effectively with water companies in the provision of design services.

In these cases, when the design checking and other charges that water companies impose on self-lay providers are deducted from what the water companies would charge to provide the design, the amount of margin left to cover the self-lay provider's own costs of design work is often less than the amount the water company charges to provide this service (and in some cases is zero). This suggests that a self-lay provider that is as equally efficient as the water company would not be able to compete to provide these services.

It further appears that there may be similar concerns in relation to the margins available for self-lay providers when competing against the requisition charges of water companies to provide new connections, though we would need to obtain further information in order to form a more definitive view on this.

Under competition law, dominant providers have a special responsibility to ensure that their conduct does not distort competition. This includes ensuring that their pricing ensures that there is sufficient margin between upstream charges and downstream prices to enable equally efficient competitors to compete in the provision of services that are based on the upstream inputs provided by the dominant company. The Charging Rules also require that charges be set in accordance with the principle that they should promote effective competition for Contestable Work.

Water companies should therefore review their design prices to ensure that when their administration, vetting and other design costs are deducted, there would be sufficient margin for a self-lay provider to provide its own design.

How this applies to Southern Water

In the context of Southern Water, the following table summarises the 'margin' position for design purposes:

Service	Charge	Extrapolated Customer Design Charge	Design Fee	Extrapolated 'margin'
S51 – Agreement, Design Check / Approval and Vesting Fee (SLP undertakes design)	£515	£0	■	■
S51 – Water Mains Design Check / Approval Fee (re-designs)	£204	£0	■	■
S51 – Mains Application / Administration / Collaborative Design Fee – 0 to 50 units (we undertake design)	£1,399.17	£884.17	■	■
S51 – Mains Application / Administration / Collaborative Design Fee – 51 to 250 units (we undertake design)	£1,475	£960	■	■
S51 – Mains Application / Administration / Collaborative Design Fee – 251 to 500 units (we undertake design)	£1,653.33	£1,138.33	■	■
S51 – Mains Application / Administration / Collaborative Design Fee – 500+ units (we undertake design)	£1,909.17	£1,394.17	■	■

The above table clearly demonstrates that the difference between the 'customer design charge' and the costs incurred in undertaking the design allow sufficient margin for SLPs to be competitive. The undertaking of the design does require some degree of input, management and supervision however this is understood to be minimal and easily covered by the 'extrapolated margin'.

Southern Water's approach is clearly not one that is stifling competition, and does not correlate with Ofwat's example above, where frequently SLPs are given zero margin to compete against.

The escalating 'margin' versus actual cost of providing the design does indicate the current Application, Administration and Design fees may not be completely cost reflective, given the actual costs for the design are very similar across the property bandings.

Ofwat do discuss further the margins available for SLP's for general requisition and water mains delivery work. Whilst we have not had specific feedback that this is an issue for Southern Water, it does add further importance to ensuring that the 2020 New Connection Charging strategy pays particular focus to contestable item charges across the water spectrum.

What are we doing about this already?

We are engaging with the SLP community and Fair Water Connections to check whether they have any specific concerns in this area.

What else should we be doing?

See actions for 'Lack of Cost Reflectivity'. The same actions apply for this area of concern.

Summary of recommended actions

Immediate consideration

- Building a bespoke calculator tool for SLPs that offers quotations based on 'excavation' **and** 'no-excavation' charges to give customer clarity of the options available
- The calculator will assist customers in the generation of estimates, making it easier to confidently work out a reasonable estimate of the charges that they will face if they know the relevant parameters of the development.
- Modifying the SLP application form to specifically ask if the SLP is undertaking the excavation work
- Review of the worked examples for SLP's to ensure that these are comprehensive enough to express the range of options available
- Consideration to move of a default quotation approach of using 'excavation' charges
- Review how the 'non-contestable' elements of any SLP delivered projects are delivered and customers charged
- Review the descriptions within the Charging Arrangements to ensure that the customer can understand the descriptions and translate into a reasonable estimate
- Engage with the SLP community and Fair Water Connections go review our worked examples and how they are presented.
- Engage with the SLP community regarding the structure of our design provision / approval approaches. Does this meet their expectations?

Future consideration

- Review with interested customer groups whether there are any residual concerns around the mixing of non-contestable and contestable service provision
- Fully review the costs of all contestable items within the areas the SLP's operate. This should be a key area of focus for the 2020 New Connection Charging update. Our approach needs to balance simplicity with cost reflectivity to promote competition
- Comprehensive review of Application, Administration and Design Fees for all services, post transformation implementation, to build a more robust, well evidenced charge basis for these activities.
- Review of how New Connection Charging interfaces with other transformation and change activities that impact on SLP provision (Code for Adoptions etc)

From: [REDACTED]
Sent: 17 July 2019 16:22
Subject: Southern Water - Preliminary Statement of Significant Changes to Primary Non-Household Wholesale Charges 2020/21

Good afternoon

Southern Water has published its Preliminary Statement of Significant Changes to Primary Non-Household Wholesale Charges 2020-21 which can be viewed on our website.

They appear under the heading "Wholesale charges 2020-21" via the following link -

[REDACTED]

We are due to publish our final wholesale charges for 2020-21 in January 2020, however please note that there is the potential for the charges to change between the indicative and final stages.

Kind Regards

[REDACTED]

[REDACTED]

[REDACTED]

www.southernwater.co.uk



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Preliminary statement of significant changes to primary non-household wholesale charges (Published July 2019)

(a) Introduction

This preliminary statement of significant changes is made under Ofwat's wholesale charging rules (rule A2) <https://www.ofwat.gov.uk/wp-content/uploads/2018/03/Wholesale-charging-rules-issued-by-the-Water-Services-Regulation-Authority-under-sections-66E-and-117I-of-the-Water-Industry-Act-1991-1.pdf>. It sets out potential significant changes that we are considering regarding our primary non-household wholesale charges for the 2020-21 charging year.

Our primary non-household wholesale charges are set out in Section 3 of our Wholesale Statement of Principles and Charges document which can be found on our website (southernwater.co.uk/wholesale-charges). They are the charges that we make under sections 66E and 117I of the Water Industry Act 1991, to water and sewerage licensees with a retail authorisation or a restricted retail authorisation. The charges relate to the supply of water and sewerage services, both on an enduring or temporary basis, and including:

- (i) fixed and volumetric charges and allowances;
- (ii) any other charges set out in Section 3 of our Wholesale Statement of Principles and Charges document in relation to specific circumstances or events.

(b) Significant changes in charging policy from the previous year

Transition into AMP7 and creation of new price controls

In September 2018 we submitted our business plan for the period 2020-25 to Ofwat. Following Ofwat feedback we updated the plan in April 2019. Our business plan included significant service improvements along with substantial efficiency savings and a reduction in the forecast cost of capital.

This translates to a significant reduction in our wastewater bill for our customers in 2020-21. Our water bill will reduce by much less due to significant investments to maintain resilience and security of supply of water. At the time of publishing this statement we forecast our wastewater bill will fall by 7-8% and our water bill between 0-1% for an average customer.

In addition, as part of the Ofwat price review our wholesale business will now be separated by four price controls. Therefore our wholesales charges will be split between:

- Bioresources
- Wastewater Network Plus
- Water Network Plus
- Water Resources

We will limit the impact on our tariffs from the price control separation, while ensuring that each tariff is appropriately cost reflective within each price control.

Impact from Ofwat's investigations and penalty on our wastewater business

On the 25th June 2019 Ofwat published a notice of its intention to impose a penalty on our company in respect of failings related to the management, operation and performance of our wastewater treatment works. We are deeply sorry for the past failures outlined in Ofwat's notice. We are fully committed to continuing to improve our business to deliver the standards our customers deserve.

We've agreed to recompense wastewater customers £123 million through bill rebates over five years (2017–18 prices). As part of the price review process Ofwat will confirm the impact this will have for the 2020-21 charging year. All else being equal the estimated impact of the rebate in 2020-21 is to reduce wastewater bills by a further 6%-7%. Our current expectation is that we will apply this rebate through a reduced volumetric sewerage charge.

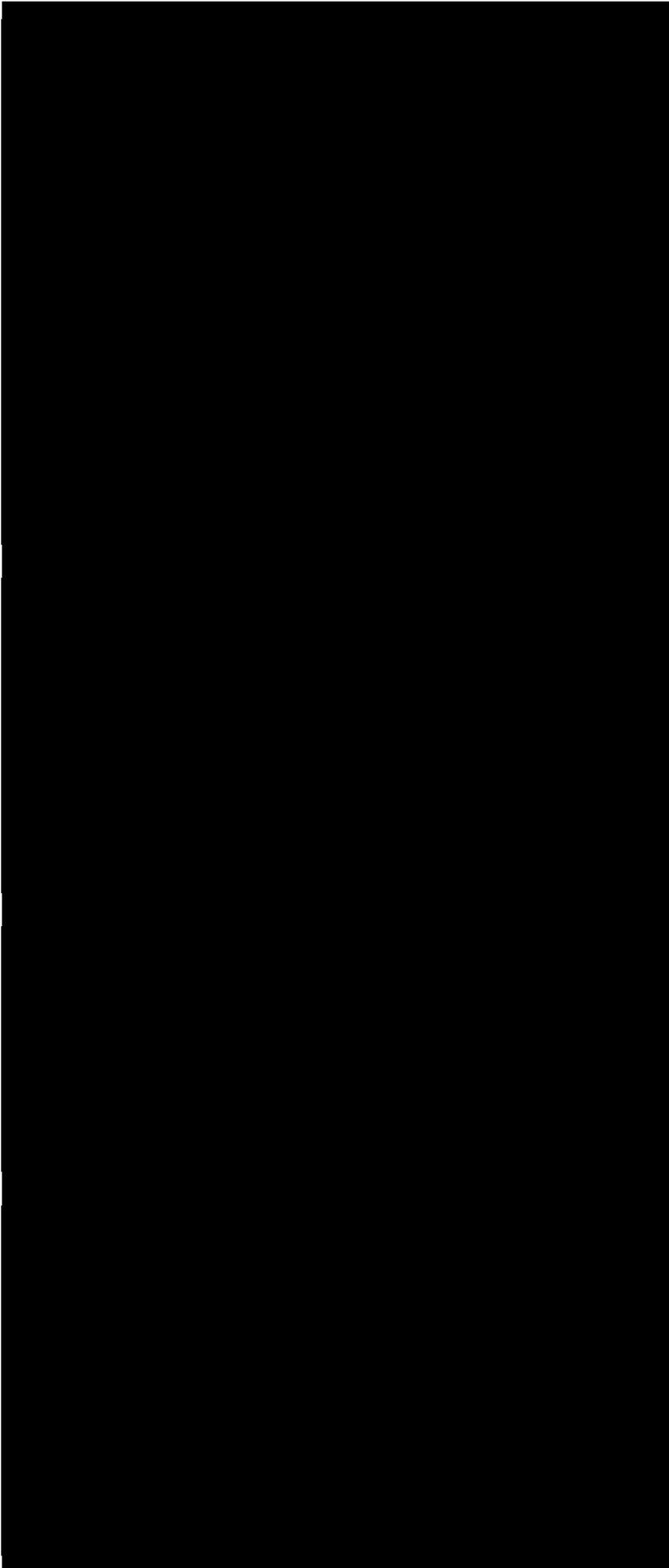
Removal of non-household fixed charges

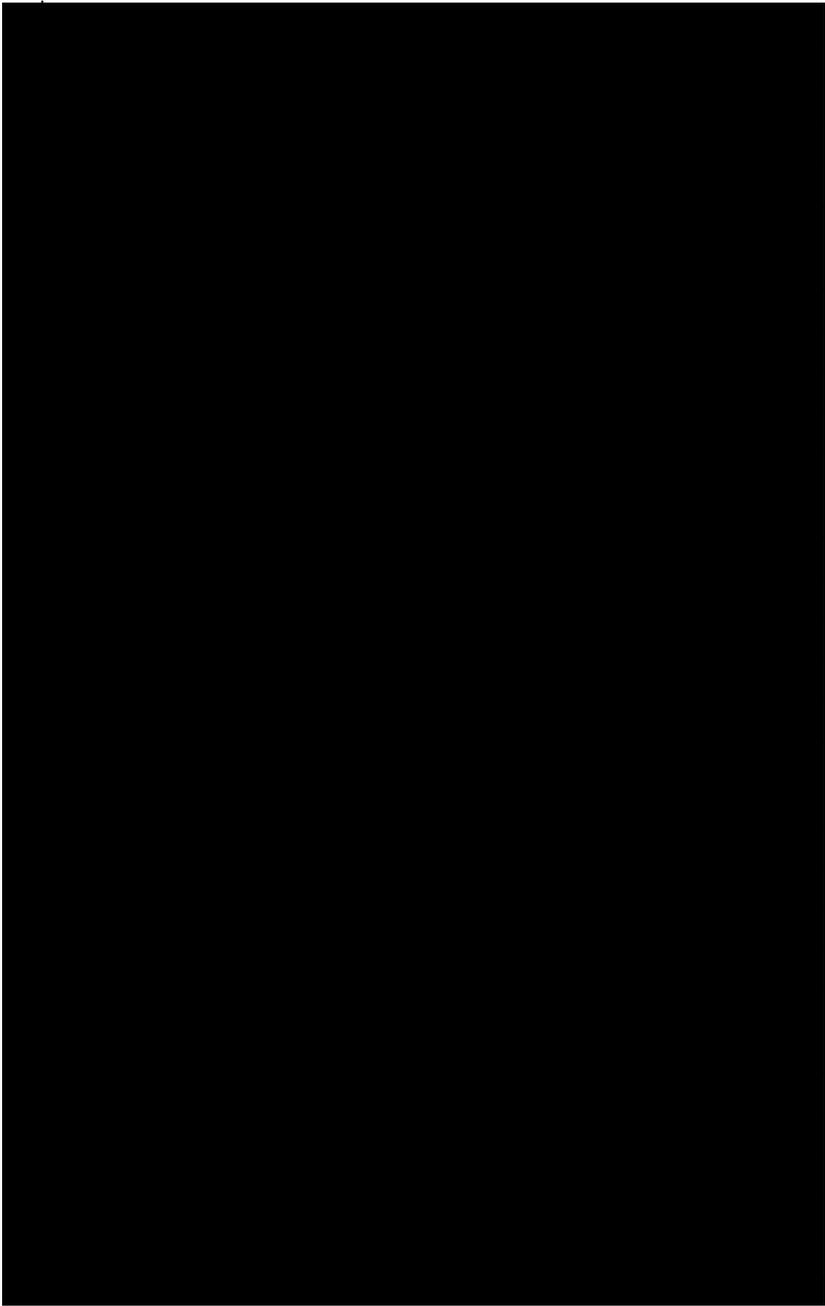
In 2017-18, we introduced a new transitional fixed charge for non-household customers. This was intended to help smooth the transition to the opening of the non-household retail market and reduce the risk of bill increases for larger customers. When we introduced these fixed charges, we made it clear that they were temporary and would be phased out over time. We are proposing to remove these fixed charges in 2020-21 and revert to fully volumetric wholesale charges.

The impact of removing the fixed charge on the largest customers will be mitigated by reductions in the overall bill arising from the PR19 process and the impact of our financial penalty from Ofwat. We will carry out an impact assessment to ensure that no class of customer will experience significant bill increases as a result of the change.

Further changes we are exploring for our wholesale charges

We are exploring the feasibility of including a separate charge for ammonia within the Mogden formula that is used to determine trade effluent charges. This will provide more clarity for businesses on the amount of charge they incur for their ammonia discharges, enabling them to respond to these price signals. To enable this change we need to fully understand the direct impact and cost to the business of ammonia, in order to ensure the tariff will be appropriately cost reflective. We will be engaging with our trade effluent customers on the proposed change over the coming months and we will confirm whether we are incorporating ammonia into our Mogden formula when we publish our indicative charges in October 2019.



A large black rectangular redaction covers the majority of the page content, obscuring the data from the Market Performance Team Task Matrix. Only the right-hand side of the table grid is visible, showing a vertical column of empty cells.