

Elements of Charges



**Balance
of Charges**

Transition

**Document
Design**

**Zonal
Charges**

**Cash
Flow**

**Environment
Incentives**



Balance of Charges

Regulation



Balance
of Charges

Defra guidance to Ofwat – Cost reflectivity in developer charging

2016
Defra

“Developers should bear the costs associated with connections to, or adoption of, water and sewerage systems...Cross subsidy between developers and water customers should be limited”

“Developer customers should also bear the costs needed to provide and augment the existing network infrastructure (on or off the development site) such that the network can meet the need associated with their connections to, or adoption of, water and sewerage systems...”

However:

“It is the view of the Government that the current balance between contributions to costs by developers and bill payers should be broadly maintained”.

Ofwat new connection charging rule for 2018/19

2018
Ofwat

Ofwat - New Connection Rule 19 – “In setting charges in accordance with the present rules, undertakers should take reasonable steps to ensure that the balance between contributions to costs by Developers and other customers prior to 1 April 2018, is broadly maintained....”

Ofwat noted outside its rules : #

“the requirement to maintain the broad balance of charges between developers and end-customers does not apply to any one specific charge, but to the whole system of charges”.

The level of any cross subsidy in either direction prior to 2018 needs to be maintained at the customer class level.

#: New connections charges for the future – England: Ofwat 5th July 2017

YW expenditure : revenue balance assessment

In 2017 to comply with charging rule 19, YW looked at two time periods

- Early – 2000-2010 (ten years), and
- Recent – 2011-2017 (seven years)

We assessed all expenditures – requisitions, diversions and network reinforcements, against revenues from requisitions, diversions, connections and infrastructure charges

Findings from YW balance assessment

We confirmed the broad balance of charges at 0.6% income deficit (over both services) based on our assessment over 17 years.

Costs associated with new connections and development closely balanced with our revenues from developers.

Variability as expected – smaller than DEFRA/Ofwat historic assessments for the sector

	2000-01 to 2009-10	2010-11 to 2016-17	2000-01 to 2016-17
Water	11.5%	0.3%	6.8%
Sewerage	(6.1%)	(7.7%)	(6.7%)
Combined	1.4%	(3.8%)	(0.6%)

Balance of charges

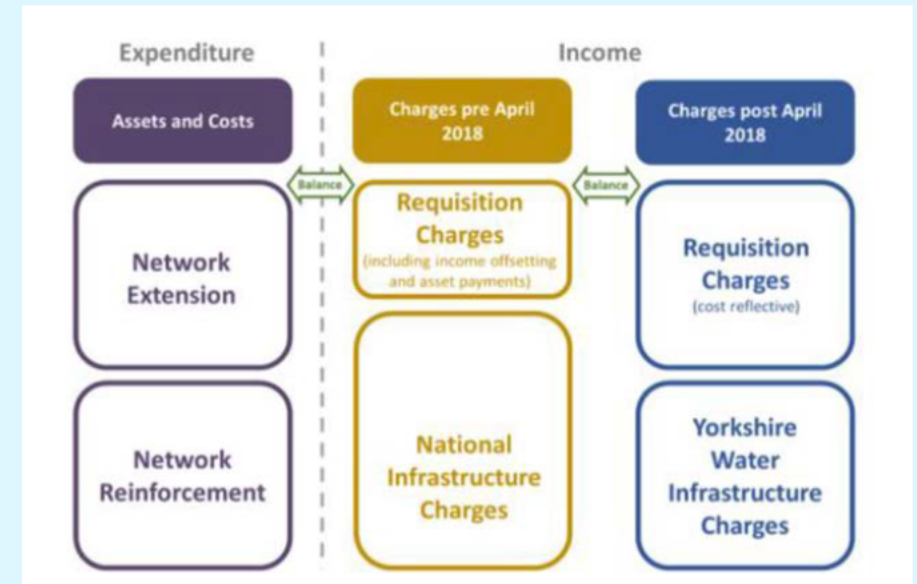
2018
YW

YW was able to demonstrate it did not have an historic cross-subsidy. Being 'in balance' allowed YW to make material changes to simplify our new connection charging approach and ensure fairness, and cost reflectivity into the future.

YW removed the use of Income Offsets (and Asset Payments) from its 2018/19 charges - *DADs model only used for developments already quoted and in construction.*

To maintain our overall 'in-balance' position for bill paying customers, the Infrastructure Charges dropped from around £780 per property connected to £250 (combined services).

By having no income offsets/asset payments to apply we levelled the playing field for SLP's and NAV's in 2018.

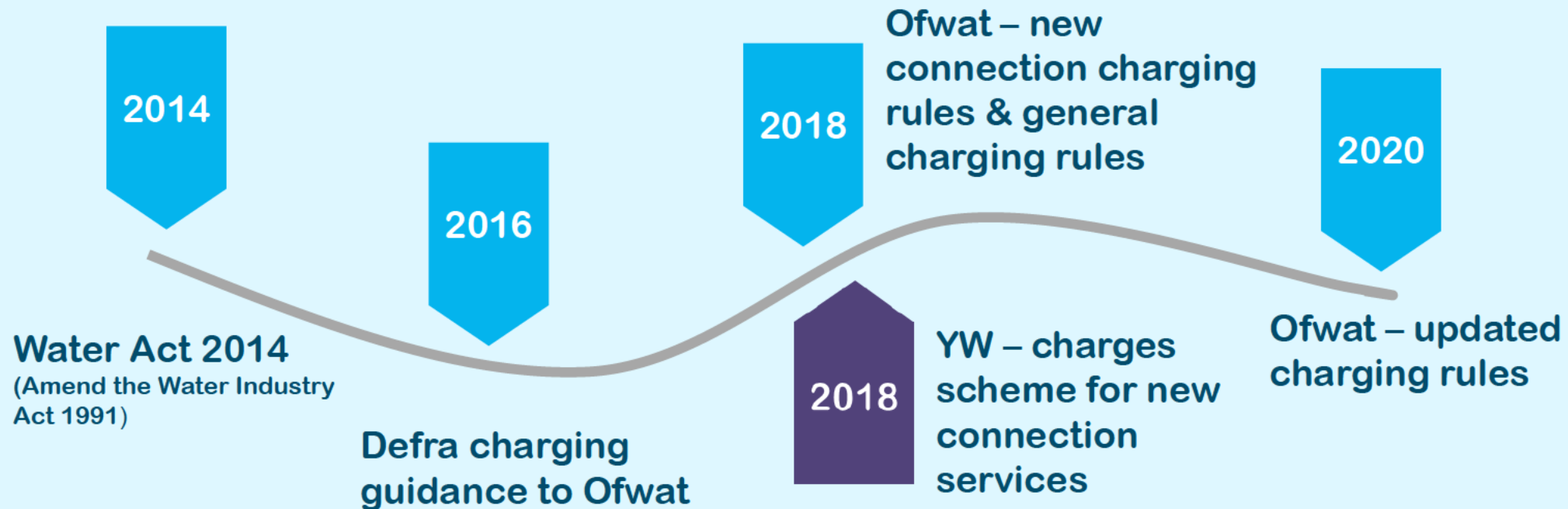


It's part of our
Blueprint for Yorkshire



Changes to new connection charging rules for 2020

Ofwat consulted on changes to charging rules in April 2019 and finalised the changes effective from 2020. The changes are a step on a journey to improve charging transparency, predictability and to support competition



Ofwat – Cost reflectivity in developer charging

2018
Ofwat

New Connection Rule 26 – “Requisition Charges must relate to the costs of providing the requisitioned water main and/or public sewer. Such charges may not include any amount for Network Reinforcement costs.”

General Rule 28 – “Infrastructure Charges must be determined in accordance with the principle that the amount of such charges will over each period of five consecutive Charging Years ending on 31 March 2023 and, thereafter, on 31 March in each subsequent year cover the costs of Network Reinforcement that the relevant undertaker reasonably incurs, less any other amounts that the relevant undertaker receives for Network Reinforcement.”

Key changes to charging rules for 2020

2018 Rules

2020
Ofwat

Charges Rules 28 and 31 - Infrastructure Charges must only relate to averaged “Network Reinforcement” costs

Rule 29 - In setting Requisition Charges an undertaker may (but is not required to) provide for an Income Offset

Rule 30 - Undertaker has discretion as to the methodology to be applied to calculate an Income Offset

2020 Rules

New Rule 29 - Undertakers shall not provide for Income Offsets in setting Requisition Charges.

New Rule 31 - In setting Infrastructure Charges an undertaker may (but is not required to) provide for an Income Offset. Each undertaker has discretion as to the methodology to be applied to calculate Income Offset.

* Asset Payments for SLP’s now removed as Income Offsets can apply to ALL parties

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Blueprint for Yorkshire



What this means for developers, SLPs, and NAVs in Yorkshire

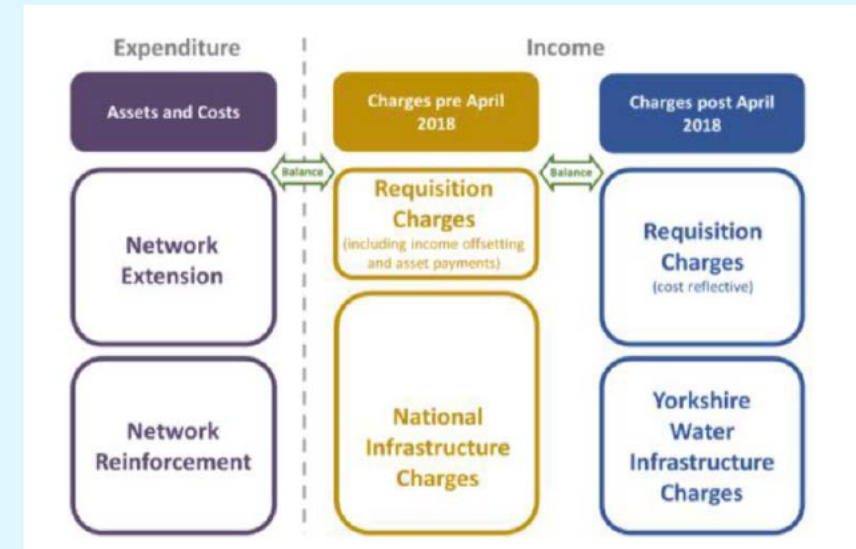
2018
YW

YW removed the use of Income Offsets (and Asset Payments) from its 2018/19 charges

By having no income offsets/asset payments to apply we levelled the playing field for SLP's and NAV's in 2018.

2020
YW

1 April 2020 onwards – NO CHANGE: Moving where income offsets apply will have no affect in Yorkshire.



It's part of our
Blueprint for Yorkshire



Our approach to Income Offsets remains the same as 2018/19

1. Do you agree with this approach?
2. What, if anything, should we consider differently?



Current Position

- Brass – engagement of new publishing partner for the document
 - The Publisher has identified areas of repetition throughout the document, which we aim to streamline
- Feedback has been that our Document could be more friendly, and can sometimes takes too long to find the required information
- Brass have taken the document away, deconstructed and made suggestions to improve which we would like to share for feedback.

Design Concepts

The Charging Arrangements
New Connection Services
2018-2019

YorkshireWater

This cover features a dark blue background with a large white water drop shape. Inside the drop, the title and subtitle are written in white. Below the text are icons for a checklist, two people, and a pound sign. The YorkshireWater logo is at the bottom right.

Charging Arrangements
2019-2020

April 2019

YorkshireWater

This cover has a purple gradient background. It features a central circular logo with a house, trees, and a path, surrounded by the text 'Charging Arrangements 2019-2020'. The date 'April 2019' and the YorkshireWater logo are at the bottom.

YorkshireWater

New water and sewage connections charging arrangements | April 2020

YorkshireWater

This cover is white with a photograph of a large pipe being laid in a trench. The title and date are in the top left, the YorkshireWater logo is in the top right, and another logo is at the bottom right.

Charging Arrangements Report - April 2019

2. New Connections Services Charges - Water

- 2.1 Introduction
- 2.2 Pre-Development Water Enquiry
- 2.3 Self-Lay Point of Connection
- 2.4 New Mains Installation
 - 2.4.1 Self-Lay Mains
 - 2.4.2 Mains Requisition
- 2.5 Diversions
- 2.6 Service Connections
- 2.7 Disconnection
- 2.8 Validity of Estimates
- 2.9 Abort Fee
- 2.10 Re-Connection
- 2.11 Building Water
- 2.12 Common Billing Agreement

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previous design

SECTION 3 Contents

3. Water

New connections charges

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For more information visit:
www.yorkshirewater.com/developers/xxxx

In this section:

Working examples	pXX
Connection charges	pXX
Sub section 1	pXX
Sub section 2	pXX
Sub section 3	pXX
Sub section 4	pXX
Sub section 5	pXX
Sub section 6	pXX
Sub section 7	pXX
Sub section 8	pXX
Related Topics	pXX

pXX

Related content:

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Page 34

Combine introduction and index pages, sign post links to deeper content online, inpage navigation and related content

Section: Work Example page

Four Domestic Connections from a 90mm Main

Connection of four new domestic properties to a new 90mm main, each property has been connected to the new main individually. The customer has engaged their contractor to lay their supply pipes, shown in red. Yorkshire Water will install meter chambers and meters at the property boundary, (boundaries), on the pipe the customer has installed and lay communication pipes to the newly laid main, to the pre-agreed connection points. Where road crossings are required, the customer will install individual 2 inch ducting coloured in blue.

The customer has two options for the installation of the new main within the site boundary. Either, our Service Partner can excavate and lay the new main, or the customer can choose to do the excavation works themselves and our Service Partner will lay the main only.

Outside of the site boundary, our Service Partner will connect the new main with the existing.

The charges in the table will cover the charges for our Service Partner to dig in the footpath and road, to reach the main at the far side. The charges also cover the cost of reinstatement. The table also shows the price difference in the two main laying options.

As these are new domestic properties, infrastructure charges are applicable.

4 Domestic connections from 90mm main

1x 90mm connection into an existing 6in cast iron main with a 90mm mspie main in the highway onto the development site. 7m road, 2m path, 20m on site unmade.

Key

- Supply pipe, normally laid by ground works
- New 90 mm main pipe
- Existing 6in Cast Iron Main
- Site boundary
- Meter
- Communication pipe by Yorkshire Water

New Single 90mm mains connection in a 7m minor road and 2m footpath to 20m onsite unmade ground.

3.0
Water –
into mini
index

4.0
Sewage –
into mini
index

Working
examples
x 5

Working
examples
x 5

Charges
explained &
tables

Charges
explained &
tables

Section: Work Example page

SECTION: 3 Section index ☰

Four Domestic Connections from a 90mm Main

4 Domestic connections from 90mm main 1x90mm connection into an existing 6in cast iron main with a 90mm mdpe main in the highway onto the development site . 7m road, 2m path, 20m on site unmade.



Key

- Supply pipe, normally laid by ground works
- New 90 mm main pipe
- Existing 6in Cast Iron Main
- Site boundary
- Meter
- Communication pipe by Yorkshire Water

Connection scenario:

The customer has engaged their contractor to lay their supply pipes, shown in red. Yorkshire Water will install meter chambers and meters at the property boundary, (boundaries), on the pipe the customer has installed and lay communication pipes to the newly laid main, to the pre-agreed connection points. Where road crossings are required, the customer will install individual 2 inch ducting coloured in blue.

£ As these are new domestic properties, infrastructure charges are applicable [See p 54](#)

Work options:

The customer has two options for the installation of the new main within the site boundary.

- 1) Our Service Partner can excavate and lay the new main
- 2) The customer can choose to do the excavation works themselves and our Service Partner will lay the main only.

! Outside of the site boundary, our Service Partner will connect the new main with the existing.

pXX Next pager Example charges >

SECTION: 3 Section index ☰

Four Domestic Connections from a 90mm Main

Charging options

The charges in the table will cover the charges for our Service Partner to dig in the footpath and road, to reach the main at the far side. The charges also cover the cost of reinstatement.

The table also shows the price difference in the two main laying options.

Work Item	Contestable Y/N	Quantity	Cost per unit	Total Cost
Connection to the 90mm main	Y***	1	£2373.00	£2373.00
Lay 90mm main in the road and path, made surface	Y	7m	£256.00	£1792.00

Onsite works

Option 1 Excavate and lay 90mm main on new development, unmade	Y	20m	£66.00	£1320.00
Option 2 Lay only, excavation by developer	Y	20m	£40.00	£800.00
25mm Ferrule only service connections	Y	4	£367.00	£1468.00
Infrastructure Water	Y	4	£75.00	£300.00
Infrastructure Sewerage	Y	4	£175.00	£700.00
Total Cost - Option 1				£7953.00
Total Cost - Option 2				£7433.00

Note

- 1 Waste water infrastructure payment only applicable if communicating to the existing public sewer network
- 2 Additional traffic management charges may apply
- 3 ***Subject to approval

Environmental incentive for Infrastructure charges

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Section: Table of charges and details option A

SECTION: 3

Section index 

Connection charges - Water

This section gives you an explanation of the charges involved for a new water connection, whether it's laying of new water mains, or a service connection direct to a property. This section covers the charges involved with other Water Services we provide, such as water main diversions, and other chargeable services, such as our application fees.

Table of charges

Application fees	pXX	Xxxxxx	pXX
Mains Requisition	pXX	Xxxxxx	pXX
Trail Holes	pXX	Xxxxxx	pXX
Onsite cost	pXX	Xxxxxx	pXX
Offsite costs	pXX	Xxxxxx	pXX
Service connections	pXX		
Xxxxxx	pXX		
Xxxxxx	pXX		
Xxxxxx	pXX		
Xxxxxx	pXX		
Xxxxxx	pXX		

Estimates

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All estimates are valid for 12 months

[Go to Page 68 >](#)

Related content:

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[Meter location policy](#)
[Contamination](#)
[Water Quality](#)
[Trunk mains](#)

[Go to Page 60>](#)

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SECTION: 3

Connection charges - Water

Section index 

Application fees

Application Fee	Associated Charge
Enquiry Forms	
Development Enquiry Form	£120.00 + VAT
Self-Lay Point of Connection	£133.00 + VAT
Mains Application Forms	
Self-Lay Water Main & Service Connection	£133.00 + VAT
Housing Development (Mains Requisition)	£133.00 + VAT
Public Water Main Diversion	
Public Water Main Diversion	£133.00 + VAT
New Service Connections	
New Connection – Replace Joint Supply	£133.00 + VAT
New Connection – up to 6 New connections	£133.00 + VAT
New Connection – Commercial or Mixed Use	£133.00 + VAT
Permanent Disconnection	
Permanent Disconnection	£133.00 + VAT

Application fees details:

2.2 Pre-Development Water Enquiry

Before you buy a site or apply for planning approval, all customers can choose to submit a pre-development water enquiry to us and we will supply our views on the availability of the water network and any restrictions that may impact your proposed development.

Applications can be submitted via post, email, or through our new additional option of applying on-line. Please visit www.yorkshirewater.com/developers/apply-online

An application fee is payable on submission of the application form. The application fee covers the cost of

PpXX

Section: Table of charges and details option B *continued*

SECTION: 3
Connection charges - Water

Section index 

on the current availability of the existing public water network, including details of reinforcement work required. We will provide you with the information to understand the complexities surrounding the site and the requirements to complete the design proposal.

The applicant will be responsible for the payment of the application fee, unless advised otherwise.

2.4 New Mains Installations

Statutory Mains Requisition

A new water main may be needed in a variety of different situations ranging from building one new property where there is no available water main to building a large development with new roads which will require new water mains installing to supply water to all properties.

The laying of a new water main can either be done by us or by an accredited Self Lay Provider (SLP). For further information please see Self-Lay details below.

In response to an application for a new water main, we will issue you with a mains design and an estimate based on fixed charges. The site-specific charges for all work carried out by Yorkshire Water up to and including the point of connection to our existing network will be payable by you. These charges cover the costs we incur for providing the water mains required, up to and including the diameter of the existing network. If you choose this route for the installation of your new water main, the work will be carried out by our Service Partner.

Self-Lay Mains

As the customer, you have the option to employ an accredited Self-Lay Provider (SLP) to complete all contestable mainlaying and service connections work. To undertake the work, your chosen SLP must be accredited under the Water Industry Registration Scheme (WIRS). Full details can be found on the Lloyd's Register website; www.lr.org

For the full list of accredited SLP's in the UK please use the following link:
www.lr.org/en/utilities-building-assurance-schemes/uk-schemes/water-industry-registrationscheme/wirs-search.aspx

Subject to an adoption agreement, we will adopt independently installed mains and services, preferably, in the highway once they are commissioned and confirmed to reach industry standards. If adopted by us, the supply to each property will be managed by Yorkshire Water.

Alternatively, the Developer can choose to transfer ownership of the newly installed assets to a New Appointee (NAV).

SLP's are welcome to apply and carry out all elements of work to provide New Connections which fall under the definition of contestable work. Non-Contestable work must be carried out by Yorkshire Water. A full list of the activities classified as Non-Contestable can be found on our website; in the Supporting Documentation in our Self-Lay section.

www.yorkshirewater.com/media/1175/yorkshire-water-guidance-and-advice-on-contestable-and-non-contestable-work-v7_1.pdf

You can also find more information regarding Non-Contestable work in the Code of Practice for the

PpXX

SECTION: 3
Connection charges - Water

Section index 

Mains Requisition Charges Design and Administration Fees

Main Laying Under 160mm	Per Metre
Lay Only	£44.00
Excavate & Lay (Unmade)	£72.00
Excavate & Lay (Made)	£256.00
Out of Hours Working	40%
Uplift for Barrier Pipe	£13.00

Mains Connections under 150mm	Each
Connect Only	£584.00
Excavate & Connect (Unmade)	£904.00
Excavate & Connect (Made)	£2373.00
Out of Hours Working	40%

Mains Disconnection Under 160mm	Each
Disconnect Only	£324.00
Excavate & Disconnect (Unmade)	£1375.00
Excavate & Disconnect (Made)	£1701.00
Out of Hours Working	40%

pXX

We are changing how our charges document can be used and viewed

3. Do you agree with this approach?

4. What, if anything, should we consider differently?



The Zonal Charges for Infrastructure Charges

Currently YW spread the cost of infrastructure charges evenly over all new developments, i.e. we do not break out these charges into zonal charges.

Charges set based on historic average expenditure on network reinforcement. Based on 5-year forecast for AMP7, we will likely see this charge increase year on year to 2025.

5. Do you agree with our regional charge approach?

6. What, if anything, should we consider differently?



Clean and Sewerage Application and Admin Fee review

We are looking at all our current application and admin fee's in fine detail to make sure they are cost reflective for our customers. To review this, we have considered the following:

- The different functions within Developer Services that the service touches
- The average time they would spend on the activity
- The average wage for that role

We then look at the variance of the existing charge and what we think it should be.

- If we increase the charge by 10% or more, we must seek board assurance to make sure it is justifiable.
- The charge cannot be higher than 20% each year.

❖ This will be reviewed and ready for implementation for 2020/21 charges

VAT Compliance

- ❖ Water UK have published a VAT liability charges document which we are working our way through to compare it against all our clean and wastewater charges to make sure we are charging the correct amount of VAT. This will be confirmed in our charges document 2020/2021.
- ❖ We are currently working with HMRC to confirm they agree in writing, but we have gained agreement in principle.
- ❖ The VAT can be:
 - Zero Rate – 0%
 - Lower Rate – 5%
 - Standard Rate – 20%
 - Outside the scope, therefore not applicable – 0%

The review of our charges includes the V.A.T elements how and what we charge for

7. Do you agree with this approach?

8. What, if anything, should we consider differently?



PAYMENT METHODS

Making paying easier

- Online by credit or debit card
- Calling us to pay by debit or credit card
- Cheques paid by post
- BAC's for multiple payments
- Accounts under Agreement



Cash Flow

ACCOUNT by Agreement

Processing applications

- Account in credit
- Account in Debit



Cash Flow

Would providing the options of the different payment method help you?

9. Do you agree with this approach?

10. What, if anything, should we consider differently?



Would any of these measures start to drive change in the use of water?

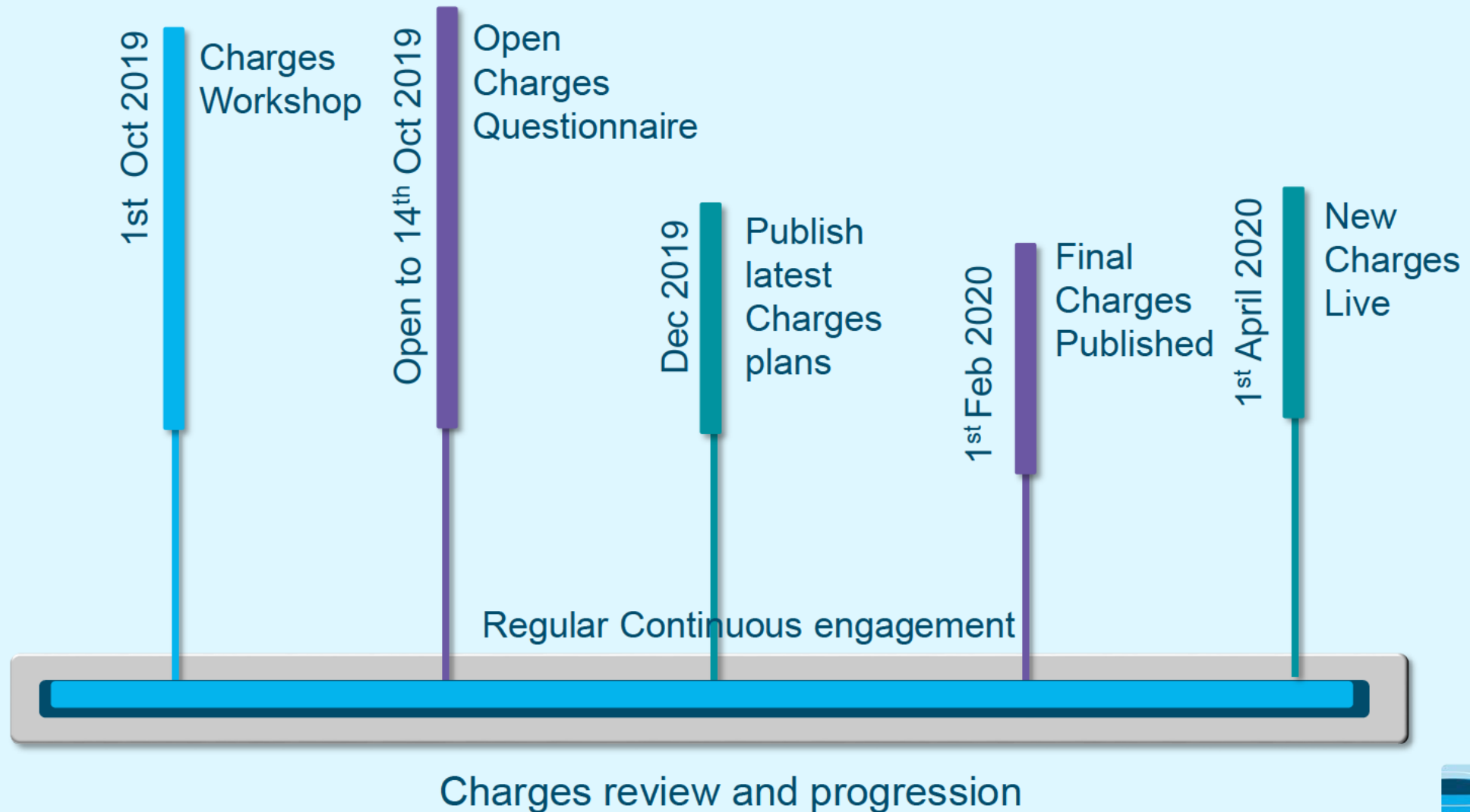
11. Are you aware of the environmental incentives and the reduction in infrastructure charges ?

- Water £75 per property, based on 125 litres per person per day. Reduced infrastructure charge available provided evidence of reduction in 125 l/p/d
- Foul water discharge £50 per property, percentage reduction based on water use reduction
- Surface water discharge £125 per property, reduced to £0 when no surface water to public sewer

12. What, if anything, should we consider differently?



What happens next in terms of Engagement



THANK YOU

Developer Services Charges

developer.services.charges@yorkshirewater.co.uk

- Take part in our questionnaire
- Feedback any details
- Let us know how the charges document feels, when using or viewing it
- Ask any questions about charges