

June 2021

Consultation on updating Ofwat's charging rules

Ofwat

About this document

This consultation is about changes we propose to make to our charging rules, which we issue under the Water Industry Act 1991 (**the Act**) as amended by the Water Act 2014.

Specifically, we are proposing changes to the:

- **Wholesale Charging Rules;**
- Charging Rules for New Connection Services (English Undertakers) (**English New Connection Rules**); and
- **Charges Scheme Rules.**

Our rules are principle-based, giving companies flexibility to innovate in how they calculate and present their charges and offer better customer services. Our aim in this consultation is to clarify and make minor updates to our charging rules to reflect feedback we have from water companies and other stakeholders since we last updated the rules, to incorporate our experience of implementing the rules and to fulfil commitments we made in our [May 2020 consultation document](#) and [November 2020 conclusions document](#).

This consultation relates to water companies wholly or mainly in England (**English companies**) and, other than where specified, to companies wholly or mainly in Wales (**Welsh companies**).

Responding to this consultation

The closing date for this consultation is 6 July 2021. Please email us at charging@ofwat.gov.uk with your response, or if you wish to discuss any aspect of this consultation, or to arrange a conversation on the issues we have raised.

We will publish responses to this consultation on our website at www.ofwat.gov.uk, unless you indicate that you would like your response to remain unpublished. Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with access to information legislation – primarily the Freedom of Information Act 2000 (FoIA), the General Data Protection Regulation 2016, the Data Protection Act 2018, and the Environmental Information Regulations 2004. For further information on how we process personal data please see our [privacy policy](#).

If you would like the information that you provide to be treated as confidential, please be aware that under the FoIA there is a statutory [Code of practice](#) which deals, among other things, with obligations of confidence. In view of this, it would be helpful if you

could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on Ofwat.

Contents

1. Introduction and summary	4
2. Context	6
3. Proposed changes	7
4. Setting Infrastructure Charges - clarification	13
5. Next steps	16
Appendix 1 Proposed changes to our charging rules	17
Appendix 2 Proposed new and amended terms	21
Appendix 3 Proposed information requirements	26

1. Introduction and summary

Ofwat sets principle-based charging rules which give companies flexibility to innovate in how they calculate and present their charges and offer better customer services. Having the ability to set rules means we can monitor developments and respond to them accordingly and resolve potential breaches of our rules by issuing enforcement directions.

This consultation is about changes we propose to make to our charging rules, which we issue under the Water Industry Act 1991 (**the Act**) as amended by the Water Act 2014. Specifically, we are proposing changes to the:

- [Wholesale Charging Rules](#);
- Charging Rules for New Connection Services (English Undertakers) ([English New Connection Rules](#)); and
- [Charges Scheme Rules](#).

There are separate developer services charging regimes for companies wholly or mainly in England (**English companies**) and companies wholly or mainly in Wales (**Welsh companies**). In this document we consult on issues of relevance to both.

Our aim in this consultation is to clarify and make minor updates to our charging rules to reflect feedback we have from companies and other stakeholders since we last updated the rules, to incorporate our experience of implementing the rules and to fulfil commitments¹ we made in our [May 2020 consultation document](#) and [November 2020 conclusions document](#), which considered the variances in companies' charges for developer services.

There is other activity related to developer services and our charging rules, of which it is useful to be aware. For example:

- we have [consulted separately](#) on new connection charging rules for Welsh companies and have a separate process for taking those forward;
- we recently shared our [ideas and ambitions for the PR24 price review](#), which includes options for how we might regulate developer services at PR24 and beyond;

¹ See "Charging arrangements for new connection services for English companies – comparative analysis and consultation", May 2020, and "Charging arrangements for new connection services for English companies – comparative analysis and consultation - Conclusions", November 2020. We committed to incorporate information requirements on worked examples and terms agreed through joint working into these rules, and include a principle explicitly requiring cost-reflectivity.

- we [are consulting](#) on the scope and balance of developer charges and incentives up to PR24 and beyond; and
- we are part of the Retail Wholesale Group Tariff Simplification sub-group which is looking at how to simplify non-household wholesale tariff structures.

We will keep under review any rules we put in place to reflect our decisions on these issues, to reflect any changes to legislation or have regard to guidance and other relevant policy of the UK Government and Welsh Government.

The rest of this document is structured as follows:

- In chapter 2 we provide context for the changes we propose to make;
- In chapter 3 we set out the proposed changes in detail;
- In chapter 4 we clarify an existing rule for setting infrastructure charges;
- In Appendix 1 we provide the wording for the proposed new rules;
- In Appendix 2 we set out new and amended terms for our English New Connection Rules; and
- In Appendix 3 we describe proposed new information requirements on using worked examples, in our English New Connection Rules.

2. Context

Ofwat issues separate rules for how companies should set and present their charges. Our power to do so is set out in the following sections of the Act:

- **Wholesale Charging Rules** are issued under sections 66E and 117I and apply to the wholesale services that companies provide to water supply and/or sewerage licensees;
- **English New Connection Rules** are issued under sections 51CD, 105ZF and 144ZA and apply to the provision of new connections and related services; and
- **Charges Scheme Rules** are issued under sections 143(6A) and 143B, and apply mainly to household services. However, infrastructure charges, which companies apply in relation to new connection services, are also issued as part of the Charges Scheme Rules, because of the way the Act confers powers on companies to charge for their functions.

Each of these sets of rules was last updated at a different time:

- Wholesale Charging Rules in December 2018;
- English New Connection Rules in July 2019; and
- Charges Scheme Rules in March 2020².

We think it is timely to update the rules for April 2022, based on:

- feedback from companies and stakeholders;
- our own experience of implementing the rules; and
- our published proposals and commitments in 2020.

Our proposed updates will:

- Streamline – removing unnecessary duplication and cross-references;
- Clarify – removing potential for confusion and aiding compliance; and
- Progress – adding rules to improve outcomes for customers.

² The change only applied the rules to the Isles of Scilly; the last major update to the rules was in July 2019.

3. Proposed changes

3.1 Summary

We summarise our proposed changes in Table 1. Each column refers to one of the three sets of charging rules. If a proposed amendment appears in more than one column, it applies to each set of charging rules.

In section 3.2, we provide more detail to explain why we propose to make these changes.

Table 1 – summary of proposed changes to charging rules

	Wholesale Charging Rules (WCR)	Charges Scheme Rules (CSR)	English New Connection Rules (NCR)
1	Change the publication deadlines to require publication of WCR "by 13 January", and for CSR and NCR "by 1 February"		
2		Amend to allow simultaneous publication of statement of significant changes and charges scheme	
3			New rule that "Charging structures must reflect the long run costs associated with providing the relevant service"
4	Amend glossary to reflect outputs from industry working group on terminology		
5			New information requirements on using worked examples to illustrate charges for new connections
6		Move rules relating to English companies' Infrastructure Charges so that they appear in the same document as the English New Connection Rules rather than in the Charges Scheme Rules document	
7		Amend definition of "income offset" to be clear that it applies to new connections to both existing mains and new mains.	

8			Amend definition of "network reinforcement" to be clear that the rules allow companies to take into account costs incurred as a result of new premises connected by a bulk service NAV ³ .
9			New rule requiring companies to explain how they treat quotes that cross into a new charging year.

3.2 Why do we propose these changes?

Our proposed changes are driven by external and internal feedback and experience, and are aimed at removing unnecessary duplication and cross-references, reducing potential for confusion and aiding compliance. By making these proposed changes, we want to improve the way companies set and present their charges, and consequently improve outcomes for customers. Below we set out the rationale for each proposed change in turn and in Appendix 1 we provide the detail of our proposed wording of each rule change.

3.2.1 Changing publication dates

Our charging rules require companies to publish their charges⁴ according to specific but different rules.

- For Charging Arrangements under the New Connection Rules, publish "no later than 2 months before [they come into effect]" (except for small companies, which is "5 weeks before [they come into effect].");
- For Wholesale Charges under the Wholesale Charging Rules, publish "at least 11 weeks before the start of the [relevant period]"; and
- For Charges Schemes under the Charges Scheme Rules, publish "no later than the first working day of the February [before the relevant period].".

We think it would be more straightforward to fix publication dates with reference to a specific date. Our proposal is to align publication of Charges Schemes and Charging Arrangements "by 1 February" (except for small companies, for which the date would be

³ A bulk service NAV is one that is served by an incumbent through a bulk supply agreement or a bulk discharge agreement.

⁴ Specifically, Charging Arrangements, Charges Schemes and Wholesale Charges.

"by 1 March"), and Wholesale Charges "by 13 January". The earlier date for Wholesale Charges is to give Retailers time to set retail charges by 1 February.

3.2.2 Publishing Statements of Significant Change

In the Charges Scheme Rules, companies (with the exception of NAVs) are required to publish a statement confirming whether they anticipate any significant changes in customers' bills or their charging policies, compared with the preceding year. They must publish this statement "at least three weeks before the publication of the charges schemes."

It is useful to be notified of any significant changes before charges are published. But sometimes companies have no significant changes to report and would publish both the statement and the charges together if the rules permitted that. We think it is efficient and reasonable for them to be able to do so, and therefore propose to amend the rule to allow simultaneous publication at least three weeks before the deadline for publishing charge schemes. This proposed change does not affect the continuing obligation for companies to consult Consumer Council for Water about their proposed charges schemes in a timely and effective manner.

3.2.3 Cost reflectivity

We discussed cost reflectivity in detail in our [May 2020](#) and [November 2020](#) documents on charging arrangements for new connection services. In our November 2020 conclusions document we committed to preparing a principle explicitly requiring cost-reflectivity in charges. Therefore we propose to introduce in the English New Connection Rules a new rule that "Charging structures must reflect the long run costs associated with providing the relevant service." We believe it is sensible for this new principle to be consistent with the existing principle in the Wholesale Charging Rules and Charges Scheme Rules.

3.2.4 Consistent terminology

In our [November 2020](#) conclusions document on charging arrangements for new connection services, we encouraged companies, Water UK and other stakeholders to take forward work on improving consistency in terminology. We are pleased that companies, supported by Water UK, have developed a draft set of terms. We know that third parties will also have views on how terms could be defined to best suit their needs and should be included in a standard definition, but companies have not significantly involved these stakeholders in the development process to date. Therefore, we look to

each company to actively engage with stakeholders in its region to discuss these draft terms, during this consultation period, and use it as an the opportunity to ensure their responses to this consultation are as robust as possible. Of course, we also welcome responses from stakeholders directly.

We propose to require use of the terms in charging arrangements under our rules, depending upon the feedback from stakeholders in this consultation. We set out the draft terms for consultation in Appendix 2 and the proposed changes to the paragraphs 5 and 12 to require use of the terms in Charging Arrangements in Appendix 1.

3.2.5 Using worked examples

In our [November 2020](#) conclusions document on charging arrangements for new connection services, we discussed how companies use worked examples to help customers understand their charges. We noted the sector was strongly in favour of greater use of worked examples, and greater consistency in how they are used.

We provide guidance on how to set worked examples in the form of information requirements, which we publish in our annual charges information note⁵. Using the information note has given companies scope to refine their approach to using worked examples. We now propose to formalise the requirement to use worked examples in the English New Connection Rules from April 2022. We will effect this through an amendment to paragraph 11 and a new information requirement A2. Details of these changes are in Appendix 1 and Appendix 3 of this consultation.

We welcome the efforts by companies and Water UK to improve consistency in the use of worked examples. We have incorporated their work into the proposed information requirements in Appendix 3.

3.2.6 Where to issue rules on infrastructure charges

Currently, the rules relating to infrastructure charges for English companies are in the Charges Scheme Rules (at rules 26–35). This is because of the way the Act confers powers on companies to charge for their functions.

We consider these rules would fit more sensibly in the English New Connection Rules, along with other rules relating to the provision of new connection services.

⁵ See IN 20/07, November 2020. Available [here](#).

Consequently, we propose to amend the document which sets out the rest Charges Scheme Rules (to remove the relevant rules) and the document which sets out the English New Connection Rules (to include the relevant rules), and provide additional explanation and signposting to be clear which rules are issued under which powers of the Act.

3.2.7 Income offset and connecting to existing mains

In the Charges Scheme Rules, the definition of income offset refers to premises connected to new mains. However, new premises may also be connected to existing mains. In these instances, the Charges Scheme Rules do not provide for companies to apply an income offset. Not all companies do provide income offset (we do not require it), but we consider it sensible to amend the definition to enable companies to apply it when new connections are made to existing mains if they choose to do so.

3.2.8 Network reinforcement and NAVs

The current definition of "network reinforcement" in the New Connection Rules refers only to connections made in the area of appointment of the company imposing the charge. Therefore, it does not allow companies to take into account network reinforcement required as a result of new premises connected to a NAV that the company serves or proposes to serve by a bulk supply or bulk discharge agreement.

As we grant more and more NAV applications, it is important that the relevant effects imposed on the neighbouring incumbents' networks are properly accounted for. We propose to amend the definition of "network reinforcement" to include costs incurred by the incumbent when bulk service NAVs cause them.

3.2.9 Quotes spanning different charging years

Companies give quotes for developer services work and those quotes are typically valid for a fixed amount of time, although that time period varies between companies. Sometimes, the period in which quotes are valid spans charging years. Not all companies specify how they handle quotes in these circumstances, and those who do appear to take different approaches.

Currently there is no requirement on companies to explain the basis on which they provide quotes, although companies are required to set predictable charges and present them in a clear and accessible manner. We think it would promote clarity if we created a new rule that required companies to set out in their Charging Arrangements

the approach they take to providing quotes. We set out the wording of our proposed new rule in Appendix 1.

Q1: Do you agree with our proposed rule changes? Please offer alternatives if you think they would better achieve our intentions.

Q2: Do you agree with our proposed changes in Appendices 1, 2 and 3?

4. Setting Infrastructure Charges – clarification

When we issued Charges Scheme Rules with effect from April 2018, we included a rule that set out how English companies should set infrastructure charges. This is Rule 28 in the Charge Scheme Rules, which says

"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, and before the application of any Income Offset."

Because Rule 28 was issued for the first time in April 2018, the rule specifically references March 2023 as being the end of the first five-year rolling period. We refer to Rule 28 as the "five-year rule" and interpret it to mean companies should set their infrastructure charges each year on the basis of their forecast of likely costs and likely number of connections over the following five years. In other words, infrastructure charges are set on a wholly forward-looking basis. Our intention is to achieve stable, predictable and cost-reflective infrastructure charges by allowing companies to set them over a longer period of time in order to smooth out natural differences between when costs are incurred and revenues recovered, thus minimising year-on-year variability. We explained this in our [2016 consultation](#) on new connections charging.

However, some companies appear to be taking different interpretations of the five-year rule, in that they set infrastructure charges using both retrospective consideration of the variance between forecast and actual costs and revenues, as well as forecasts of likely costs and revenues. For example some companies use two or three years of actual data and three or two years of forecasts. Their intent appears to be to adjust infrastructure charges to allow for over- or under-recovery of developer services revenues.

This is not consistent with the five-year rule. We are therefore clarifying the rule here, so that all English companies can make sure that they set infrastructure charges on the correct basis from 2022-23.

Our [2016 consultation](#) also introduced an expectation that companies cross-check their new infrastructure charging approaches. We proposed to ask companies to prepare to report variances to us on a wholly-backward looking basis, as shown in the reproduced figure from our 2016 consultation.

Figure 5: Proposals for reporting against variances in infrastructure charge costs and revenues

Reporting year	Cumulative variances between costs and revenues							APR review	Cumulative period
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24		
2018	X							High level	1 year only
2019	X	X							2 years
2020	X	X	X						3 years
2021	X	X	X	X					4 years
2022	X	X	X	X	X			Detailed	5 years
2023		X	X	X	X	X			Rolling 5 years thereafter
2024			X	X	X	X	X		

Source: Ofwat July 2016 consultation on New Connections Charging.

We proposed this reporting requirement specifically to understand and monitor the balance of network reinforcement costs and revenues on an annual basis to ensure developers are being charged fairly. We did not intend companies to conflate this requirement to report on a backward-looking basis with the forward-looking requirement of the five-year rule. We explained in the 2016 consultation that

"If water companies under or over recover charges against their costs, we could consider introducing an incentive mechanism at the 2019 price review (PR19)."

In other words, we did not intend companies to set infrastructure charges to address over- or under-recovery against network reinforcement costs. Instead, we noted that there were other mechanisms within the price control framework that would address variances between forecast and outturn data, specifically the proposed end-period Developer Services Revenue Adjustment mechanism (DSRA), subsequently introduced at PR19, and the normal in-period adjustment process for setting tariffs to match the annual revenue requirement.

Our [April 2017 consultation](#) on regulatory reporting set out our proposal to introduce table 2K 'Network infrastructure reinforcement reconciliation', which would provide a commentary on the balance of costs and revenue each year from 2018-19 onwards. We said that:

"If there a difference between expenditure and receipts in one year, customers will want to understand the reasons behind it and want assurance the imbalance will be corrected in future years."

We introduced table 2K in the 2018-19 Annual Performance Reports following our [January 2019 APR](#) consultation.

Q3: We seek your views on our clarification of the five-year rule. In particular, we would like to know of any potential implications for charges and customers' bills from companies following our interpretation.

5. Next steps

The closing date for this consultation is 6 July 2021. Please email us at charging@ofwat.gov.uk with your response, or if you wish to discuss any aspect of this consultation, or to arrange a conversation on the issues we have raised.

We will consider all responses carefully and, if appropriate, prepare revisions to the rules upon which we will consult as required by the relevant sections of the Act in August. Our aim is to issue revised rules in autumn, in good time for companies to implement them as they prepare charges and related documents for the 2022-23 charging year.

Appendix 1 Proposed changes to our charging rules

In table 2 we set out the proposed changes we make to the charging rules, explained earlier in this document. In this table, WCR means Wholesale Charging Rules, ENCR means English New Connection Rules, and CSR means Charges Scheme Rules.

Text in red font is what we propose. Text in strikethrough font is current text which we propose to replace with red text.

Table 2: proposed wording of new rules

New rule	Proposed wording	Reference
1	Wholesale Charges must be published by 13 January in the year immediately preceding the Charging Year in relation to which they have effect at least eleven weeks before the start of the period for which the charges will be imposed.	ENCR para 10
	paragraph 10 of these rules does not apply to a Small Company – instead, a Small Company must publish any Charging Arrangements no later than 1 March in the year immediately preceding the Charging Year five weeks before the period in relation to which they have effect;	ENCR para 17d
	The Charging Arrangements must be published no later than 1 February in the year immediately preceding the Charging Year in relation to which they have effect. two months before the period in relation to which they have effect.	WCR rule 10
	Charges schemes must be published no later than 1 the first working day of the February in the year immediately preceding the Charging Year in relation to which they have effect.	CSR rule 9
2	With the exception of new appointees, each undertaker should provide to the Water Services Regulation Authority a statement setting out any significant changes anticipated by the undertaker, and publish the statement, at least three weeks before the deadline for publication of the charges schemes.	CSR information requirement A2
3	Cost reflectivity Charging structures must reflect the long run costs associated with providing the relevant service.	ENCR new rule 30

4	<p>Unless the context otherwise requires, in these rules and for the purposes of Charging Arrangements published by Undertakers under these Rules:</p>	ENCR para 5
	<p>The Charging Arrangements are to be written and presented in a clear and accessible manner, which takes due account of the varying levels of expertise of all Developers or other customers who may rely on the Charging Arrangements, and using the terms as defined at Rule 5 where appropriate. Undertakers should consider publishing worked examples where this could aid customers' understanding.</p>	ENCR para 12
	<p>See Appendix 2 of this consultation document for the amendments and additions proposed to the terms defined in Rule 5.</p>	
5	<p>The Charging Arrangements must explain how each charge has been calculated or derived, including through the use of worked examples. Where an undertaker determines the applicable charges other than by Fixed Charges, the methodology for the calculation of such charges must be explained clearly in the Charging Arrangements.</p>	ENCR para 11
6	<p>Infrastructure charges and Income Offsetting (English undertakers)</p> <p>The following section, comprising rules 50 to 60, is issued under section 143B of the Water Industry Act 1991. The rest of the rules under section 143B do not concern charges for new connections services and are published in the Charges Scheme Rules.</p>	ENCR new paras 50-60, using text currently at CSR paras 26-35
	<p>These rules are issued by the Water Services Regulation Authority under sections 142(6A) and 143B of the Water Industry Act. Further rules issued under s143B relating to Infrastructure Charges are published in the Charging Rules for New Connection Services.</p>	CSR para 1
	<p>Infrastructure charges and Income Offsetting (English undertakers)</p> <p>This section on infrastructure charges and income offsetting, comprising rules 26-35, is published in the Charging Rules for New Connection Services.</p>	New and amended text at CSR paras 26-35
7	<p>“Income Offset” means a sum of money, that may be offered by the Undertaker, offset against the Infrastructure Charges in recognition of revenue likely to be received by the relevant undertaker in future years for the provision of:</p>	CSR para 5

	<p>i. supplies of water to the premises connected to a the new Water Main; or</p> <p>ii. sewerage services to the premises connected to a the new Sewer,</p> <p>and “Income Offsetting” shall be construed accordingly.</p>	
8	<p>“Network Reinforcement” refers to work other than Site Specific Work, as defined below, to provide or modify such other:</p> <p>i. Water Mains and such tanks, service reservoirs and pumping stations, or</p> <p>ii. Sewers and such pumping stations</p> <p>as is necessary in consequence of the Site Specific installation or connection of Water Mains, Service Pipes, Public Sewers and Lateral Drains pursuant to an agreement with, or a duty owed under the Water Industry Act 1991 to, a person other than a relevant undertaker, including a requisition (under sections 41(1), 98(1) or 98(1A)), under an agreement for adoption (under sections 51A or 104), under a section 66D of or a section 117E agreement, pursuant to section 45(1) (Duty to make connections with main) or in accordance with another duty imposed by the Act, or in consequence of the exercise of rights under section 106(1) (Right to communicate with public sewers), or pursuant to an agreement for bulk supplies of water or bulk discharge with a New Appointee. It also includes the additional capacity in any earlier Water Main or Sewer that falls to be used in consequence of the provision or connection of a new Water Main or Sewer.</p>	ENCR para 5(o)
9	<p>Where an Undertaker intends to provide quotations for charges set out in its Charging Arrangements, it must explain in its Charging Arrangements the length of time over which such quotations will be valid and explain the approach the Undertaker will take where the period over which a quotation is valid would cross into a new charging year.</p> <p>For the avoidance of doubt, provisions in Charging Arrangements relating to the validity of quotations across Charging Years may provide for charges covered by such quotations to be payable as set out in the quotation within the period so specified in the Charging Arrangements even if that charge would have been different if the quotation were provided at the time that the charges are in fact paid or payable.</p>	ENCR new rule 49

We also propose to make the following correction to paragraph A1(ii) of the annex to the English New Correction Rules.

"confirming that the company has appropriate systems and processes in place to make sure that the information contained in the ~~charges scheme~~ **Charging Arrangements**, and the additional information covered by this annex is accurate; and"

Appendix 2 Proposed new and amended terms

In table 3 in this appendix, we set out proposed new and amended terms to be added to rule 5 (interpretation) of our English New Connection Rules, explained at section 3.2.4 of this consultation document. Where appropriate, if terms are currently duplicated in our Charges Scheme Rules or Wholesale Charging Rules, we propose to replace those terms with the terms proposed in table 3.

Terms in red are our proposals. Terms in strikethrough text are current text in the English New Connection Rules which we propose to replace with red text. We do not include terms already existing within the English New Connection Rules, Charges Scheme Rules or Wholesale Charging Rules and which we do not propose to replace.

Table 3 – new and amended terms in our New Connection Rules

<p>"Accredited Entity" means a recognised organisation who, in respect of Contestable Work and Services, demonstrates competence, at all relevant times, by satisfying the following:</p> <ul style="list-style-type: none"> (i) accreditation under WIRS; and/or (ii) the Water Company's local accreditation arrangements, agreed with the SLP in relation to a specified activity, published in its Annual Contestability Summary (ACS), pursuant to section 3.2 of the Water Sector Guidance.
<p>"Administration Fee" means the fee associated with general administration activities, after the cost advice stage, relating to the construction phase, which can include processing any payments, scheduling the works, supervision and project management, and processing information into relevant billing/management systems.</p>
<p>"Alternative Point of Connection" means the practical location indicated by the Undertaker which is neither i) a practical location indicated by the Developer Customer nor ii) the nearest practical location where the existing water main or sewer is the same size or larger than the new connecting main or sewer.</p>
<p>"Annual Contestability Summary (ACS)" means the standard format document published annually (or more frequently) by the Undertaker on its website setting out which work and services are Contestable Work and Services and which are Non-contestable Work and Services as described in section 3 of the Water Sector Guidance (see www.water.org.uk/water-sector-guidance-approved-documents/).</p>
<p>"Application Fee" means the fee associated with upfront application processing, which can include reviewing and acknowledging an application, checking that all relevant information has been received, preparing a cost advice, an agreement or the acceptance for the proposed works.</p>
<p>"Bond or Surety" means a financial guarantee underwritten by a bank or insurance company accepted by the Undertaker.</p>

<p>"Charging Arrangements" means a document setting out the charges and/or the methodologies for calculating them those, applied by the water or sewerage undertaker in accordance with the Charging Rules these rules.</p>
<p>"Charging Rules" means the Charging Rules for New Connection Services (English Undertakers) issued under sections 51CD, 105ZF and 144ZA of the Water Industry Act 1991.</p>
<p>"Communication Pipe" means any part of a Service Pipe which a water undertaker could be, or have been, required to lay under section 46 of the Water Industry Act 1991. It consists of a pipe laid from an existing or newly laid Water Main to the boundary of a property, and may include a meter housing and / or external stop valve.</p>
<p>"Contestable Work" means work or services that either the relevant undertaker or persons other than the relevant undertaker may do or provide can be completed by either the Undertaker or an Accredited Entity and, in the case of work and services associated with the provision of water supplies, is defined in each Undertaker's Annual Contestability Summary.</p>
<p>"Design fee" means the cost-reflective charge for designing against the application and producing a quote.</p>
<p>"Developer Customer" means any person or business which is responsible for a Development, and may include a Developer, NAV or Self-Lay Provider.</p>
<p>"Developer Services" is the collective term for activities associated with serving Developer Customers, which may include the provision of new water mains, new sewers, service connections, lateral drains, waste connections and diversions, but excluding building water (water used during construction).</p>
<p>"Domestic Use" means water used primarily for domestic purposes, including for drinking, washing, cooking, central heating and sanitary purposes.</p>
<p>"Domestic Premises" means any premises used wholly or partly as a dwelling or intended for such use, such as a house or flat.</p>
<p>"Excavation by others" means any work undertaken by someone other than the Undertaker in excavation, backfilling or reinstatement, and charges for excavation by others shall be construed accordingly.</p>
<p>"Excavation by water company" means any work undertaken by the Undertaker in excavation, backfilling or reinstatement, and charges for excavation by water company shall be construed accordingly.</p>
<p>"Far Side Connection" means a connection between premises and an existing water main on the opposite side of the street to those premises, to a maximum distance of 18 metres.</p>
<p>"Footpath" means a hard-surfaced area intended for use by pedestrians.</p>

<p>“Income Offset” has the meaning given in the Charges Scheme Rules. means a sum of money, that may be offered by the Undertaker, against the infrastructure charges, in recognition of revenue likely to be received by the Undertaker in future years for the provision of: i. supplies of water to premises connected to a Water Main; or ii. sewerage services to premises connected to a Sewer, and “Income Offsetting” shall be construed accordingly.</p>
<p>“Infrastructure Charge” has the meaning given in the Charges Scheme Rules means the charges described in section 146(2) of the Water Industry Act 1991. That is, a charge paid by the Developer Customer to the Undertaker when an eligible property is connected to the Undertaker's water main or sewer for the first time and which contributes to wider network reinforcement to meet the increased demand arising from the new connection.</p>
<p>"Infrastructure Credit" means a credit that may be applied to a billable account at the same site or address as was previously used for another billable account. The eligibility criteria and method of calculating Infrastructure Credits is defined in the Undertaker's Charging Arrangements.</p>
<p>"Near Side Connection" means a connection between premises and an existing water main on the same side of a street to those premises.</p>
<p>“Non-contestable Work” means work or services that only the relevant undertaker (or an agent acting on their behalf) can do or provide. can only be completed by the Undertaker and, in the case of work and services associated with the provision of water supplies, is defined in each Undertaker’s Annual Contestability Summary.</p>
<p>"Non-domestic Use" means water used primarily for non-domestic purposes, including anything not for Domestic Use, such as water for industrial or business use (including manufacturing processes, washing and cleaning and cooling), agricultural use and filling swimming pools.</p>
<p>"Non-domestic Premises" means any premises not a domestic premises, being used principally for industrial, business, recreational or community purposes and not as a dwelling, or intended for such use.</p>
<p>“Off-Site” refers to construction works or charges for construction works carried out or proposed to be carried out in the immediate vicinity of the Development, and do not include pre-construction activities.</p>
<p>“On-Site” refers to construction works or charges for construction works carried out or proposed to be carried out within the boundary of the Development, and do not include pre-construction activities.</p>
<p>"Road" means a hard-surfaced area intended for vehicles.</p>

<p>"Point of Connection" means a location which is either i) a practical location indicated by a Developer customer where the existing water main or sewer is the same size or larger than the new connecting main or sewer or, where they have not indicated a location, ii) the nearest practical location where the existing water main or sewer is the same size or larger than the new connecting main or sewer.</p>
<p>"Pre-construction" refers to activities before on-site or off-site works are begun, which might include application administration and design.</p>
<p>"Requisition Charge" has the meaning given by paragraph 23 below means the charge that will be imposed by that undertaker for work carried out by it in accordance with the duties imposed by section 41(1) (provision of requisitioned Water Main) and section 98(1) (provision of requisitioned public sewer) of the Water Industry Act 1991. That is, a charge set by the water company for the provision of the new water main or public sewer (a requisition) to recover the costs reasonably incurred in providing them.</p>
<p>"Self-Lay" means the provision of water pipes and associated infrastructure and services by an Accredited Entity other than the Undertaker in accordance with section 51a of the Water Industry Act 1991.</p>
<p>"Self-Lay Provider" or SLP means an Accredited Entity other than the Undertaker who can provide the water pipes and associated infrastructure and services in accordance with section 51a of the Water Industry Act 1991.</p>
<p>"Service Connection" means the pipe between the supply pipe of the premises and the public water main which is provided under section 45 and 46 of the Act.</p>
<p>"Sewerage Sector Guidance" means guidance documents published in accordance with Ofwat's Code for adoption agreements, relating to the adoption of sewerage asset and available at www.water.org.uk/sewerage-sector-guidance-approved-documents/.</p>
<p>"Site Specific" refers to means work on, or the provision of, water or sewerage structures or facilities located on a Development as well as work to provide and connect a requested water main, sewer, communication pipe or lateral drain on, to or in the immediate vicinity of, the Development. "Site Specific Work" and "Site Specific Charges" shall be construed accordingly. It does Site Specific work or charges do not refer to costs or work required as part of Network Reinforcement as defined above.</p>
<p>"Supply Pipe" means the part of the Service Pipe that is not the Communication Pipe, and which remains the customer's responsibility.</p>
<p>"Sustainable Drainage Incentive" means a cost-reflective reduction in charges that maybe applied by the Undertaker to a Developer Customer where a Development meets a threshold for use of a sustainable drainage solution, as defined in the Undertaker's Charging Arrangements.</p>
<p>"Unmade Ground" means ground which does not have a man-made surface. For example, Unmade Ground may feature grass and topsoil.</p>
<p>"Water Efficiency Incentive" means a cost-reflective reduction in charges that may be applied by the Undertaker to a Developer Customer where a Development meets a threshold for reduced water consumption, as defined in the Undertaker's Charging Arrangements.</p>

"Water Regulations Advisory Scheme (WRAS)" is a compliance mark that demonstrates that an item/product complies with standards set out by Water Supply (Water Fittings) Regulations 1999.

"Water Industry Registration Scheme (WIRS)" means the scheme operated by Lloyd's Register EMEA on behalf of Water UK and its members, which certifies the competence of companies undertaking Self-Lay, or such other scheme as replaces it from time to time.

Appendix 3 Proposed information requirements

In this appendix we set out the information requirements we propose to add to the English New Connection Rules for using worked examples with new rules A2.

A2. With the exception of Small Companies, each undertaker should set out as part of their Charging Arrangements:

- (a) worked examples of every charge that the Undertaker would impose in accordance with these rules under each of the typical scenarios set out in Table 1, including where applicable in any of the scenarios;
 - i. Requisition Charges;
 - ii. Infrastructure Charges;
 - iii. Connection Charges;
 - iv. Any income Offset;
 - v. Any relevant ancillary charges;
 - vi. Clearly itemised unit costs for all relevant services;
- (b) adequate commentary to the examples to avoid inappropriate comparisons between Undertakers and in any place where the Undertaker has chosen not to follow the specifications in Table 1 to take account of its own specific policies or area-specific terminology and practices;
- (c) any additional or alternative scenarios where the Undertaker identifies issues with the scenarios or to highlight specific items that it considers could be of particular interest to its customers; and
- (d) diagrams alongside the worked examples where the Undertaker considers that this will make the worked examples more accessible to Developer Customers.

Table 1 Information requirements for worked examples

All charges for activities and materials expected in an average job in the surface type being used should be included. All relevant ancillary charges need to be included under the scenarios below, such as (but not limited to):

- Application and design fees, and any other administrative fees charged to developer customers for delivering the service; and
- Meter costs and installation – where not included in the Connection Charges.

For all scenarios, assume typical soil type for your region, that there is no rock and the land is not contaminated.

1) Single Connection to Existing Main

Water:

Connection to an existing 90mm PE main. This includes service pipe and boundary box fitting, meter installation, excavation and reinstatement.

25-32mm PE pipe and 4m of pipework in road.

Typical traffic management assumes the road (Type 3-4) is 40mph, has two lanes and does not require a road closure or lane closure. Two-way automated lights are required. Assume that the only payable council charges are for permitting.

Wastewater:

include all relevant non-contestable charges related to new sewers, including wastewater infrastructure charges and income offsets. Sewer construction costs should be provided where applicable (or included if the water company would expect to undertake most of the construction activities).

2) New block of 10 flats to existing connection

Water:

Large diameter water connection to an existing 90mm PE main. This includes service pipe and boundary box fitting, internal meter fitting, excavation and reinstatement.

63mm PE pipe, 4m pipework in road, 4m pipework in unmade ground.

Typical traffic management assumes the road (Type 3-4) is 40mph, has two lanes and does not require a road closure or lane closure. Two-way automated lights are required. Assume that the only payable council charges are for permitting.

Wastewater:

Include all relevant non-contestable charges related to new sewers, including wastewater infrastructure charges and income offsets. Sewer construction costs should be provided where applicable.

3) Medium housing development (Excavation by others)

Water:

50 new connections off new mains - 3m pipe per connection in unmade ground. This includes service pipe and boundary box fitting, meter installation. Excavation and reinstatement are completed by others.

New off-site connection to the existing 180mm PE main.

New mains required – total length 300m, consisting of:

180mm PE – 10m type 3-4 road surface (leading to point of connection);

180mm PE – 50m unmade ground;

125mm PE – 140m unmade ground;

90mm PE – 100m unmade ground.

Traffic management assumes the road (Type 3-4) is 50mph, has two lanes and requires a road closure and eight parking pay suspensions. Any additional council charges for permitting should be included.

Wastewater:

Include all relevant non-contestable charges related to new sewers, including wastewater infrastructure charges and income offsets. Sewer construction costs should be provided where applicable.

4) Medium housing development (Excavation for mains by water company)

Water:

50 new connections off new mains - 3m pipe per connection in unmade ground. This includes service pipe and boundary box fitting, meter installation, excavation and reinstatement for mains.

New off-site connection to the existing 180mm PE main.

New mains required – total length 300m, consisting of:

180mm PE – 10m type 3-4 road surface (leading to point of connection);

180mm PE – 50m footpath;

125mm PE – 140m unmade ground;

90mm PE – 100m unmade ground.

180mm parent main, serving 150 existing customers

Three commissioning phases

Three sample chlorination and connections

Four washouts

Five valves (1 x 150mm, 3 x 100mm, 1 x 80mm)

One trial hole

Traffic management assumes the road (Type 3-4) is 50mph, has two lanes and requires a road closure and eight parking pay suspensions. Any additional council charges for permitting should be included.

Wastewater:

Include all relevant non-contestable charges related to new sewers, including wastewater infrastructure charges and income offsets. Sewer construction costs should be provided where applicable.

5) Large housing development (Excavation by others)

Water:

200 new connections off new mains - 5m pipe per connection (unmade ground). This includes service pipe and boundary box fitting and meter installation. Excavation and reinstatement are completed by others.

New off-site connection to the existing 180mm PE main.

New mains required – total length 1000m, consisting of:

180mm PE – 20m type 3-4 road surface (leading to point of connection);

180mm PE – 100m footpath;

125mm PE – 480m unmade ground;

90mm PE – 400m unmade ground.

250mm parent main, serving 150 existing customers

Four commissioning phases

Four sample chlorination and connections

Six washouts

Eight valves (1 x 150mm, 5 x 100mm, 2 x 80mm)

Two trial holes

Traffic management assumes the road (Type 3-4) is 50mph, has two lanes and requires a road closure and eight parking pay suspensions. Any additional council charges for permitting should be included.

Wastewater:

Include all relevant non-contestable charges related to new sewers, including wastewater infrastructure charges and income offsets. Sewer construction costs should be provided where applicable.

Medium and large housing developments under self-laid scenarios for water

These scenarios assume that all contestable activities are undertaken by self-lay providers. The scenarios should include all non-contestable activities and the relevant charges (e.g. infrastructure charge, income offset) and all administration fees and other relevant fees (e.g. application, inspection).

**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.**

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