

Consultation Findings Report

February 2020



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Navigating this document

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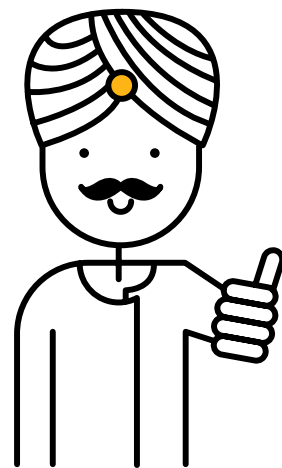
The contents page is linked to every section within this document. Clicking on a specific section will instantly take you to it.

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There are also many other clickable links within this document which we've made easy to spot by underlining and highlighting them in **blue**. If you click on one of these links, but then wish to navigate back to the page you were viewing previously, simply click the **'Back'** button at the top of the page.

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1. Welcome to our Consultation Report

Welcome to our Consultation Report

This report will help you to navigate the changes to our New Connections Services charging arrangements effective 1st April 2020 to 31st March 2021. It's based on the 2018-2019 charging scheme – updated by Ofwat in July 2019. Ofwat's charging rules help us to develop a scheme that benefits all our customers, together.

Your views matter to us

On top of Ofwat's rules, we've shaped our new charging arrangements with you in mind.

Over the past year we've held workshops, sent out questionnaires and emailed to get as much feedback as possible, then implemented some changes to improve our service and make our charges publications more clear and useable. You'll find out more about the changes we've put in place further in the document.

We know transparency is key, so if you have any comments or questions about our proposals get in touch using the contact information at the end of this document.

You can get more detail on Ofwat's rules here:

www.ofwat.gov.uk/publication/charging-rules-for-new-connection-services-english-undertakers-from-april-2020

2. Charging rules and regulations

Charging rules and regulations

The Water Industry Act (1991) lets water companies recover costs from development customers for providing infrastructure for new developments and connections to the water company's water and sewer networks.

The charges include assessment, inspection, design, legal, supervision charges and traffic management. We've also included any 'other charges' relating to new development functions and not covered under Ofwat's rules further in this document.

All water and wastewater companies have to follow this guidance when setting charges for connections, then develop a framework built on Ofwat's four guiding principles:

- Fair and affordable
- Environmental protection
- Stable and predictable
- Transparent and customer focused

3. How your feedback helped

How your feedback helped

As said in the introduction, we've taken on board your feedback from last year and incorporated it into our proposals for this year. These come from workshops, surveys, web tracking, face-to-face interviews and discussions with stakeholders – to name a few.

Using these insights, our Developer Services Department have been busy updating our charging scheme for 1 April 2020 to 31st March 2021.

Our feedback methods

From the 1 October to the 14th October 2019 we opened our consultation via our website. The link was clearly marked and directly accessible from our Developer Services homepage and our dedicated charges page.

As well as having open access to the consultation survey on our website, we directly contacted over 150 customers who we deal with on a regular basis, asking for their views and opinions on our proposal. These customers included SLPs (Self Lay Providers), NAVs (New Appointments and Variations) and small to large developers.

Having greater insight into customers' needs from last year, we also updated our questionnaire. For example, we made sure it was short to encourage higher participation – we appreciate everyone's busy.

We gathered feedback on how often our 2019-2020 document has been used, as well as customer opinions on the document itself from its layout and usefulness, to accessibility and volume of information. We also assessed the usability of the document and its content – all with a view to improve it.

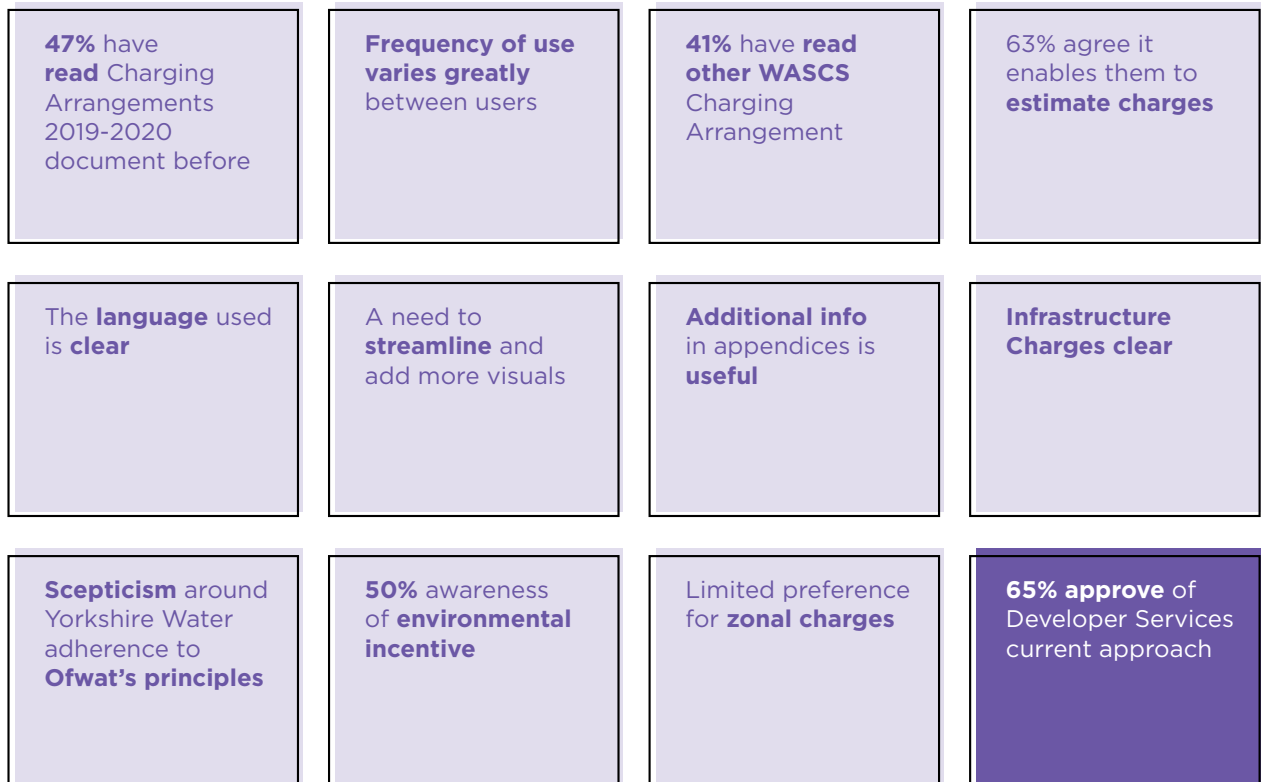
Finally, we recorded the type of customer using the document, from a one-off customer building an extension, to customers building multiple properties, to SLPs and NAVs.

4. Results of our Survey

Results of our Survey

We received 32 responses, a 33% increase on customer participation on last year’s survey. The initial questions gathered information about the customer, so that we were able to carry out more insightful analysis of the survey results. You can see the feedback in more detail below:

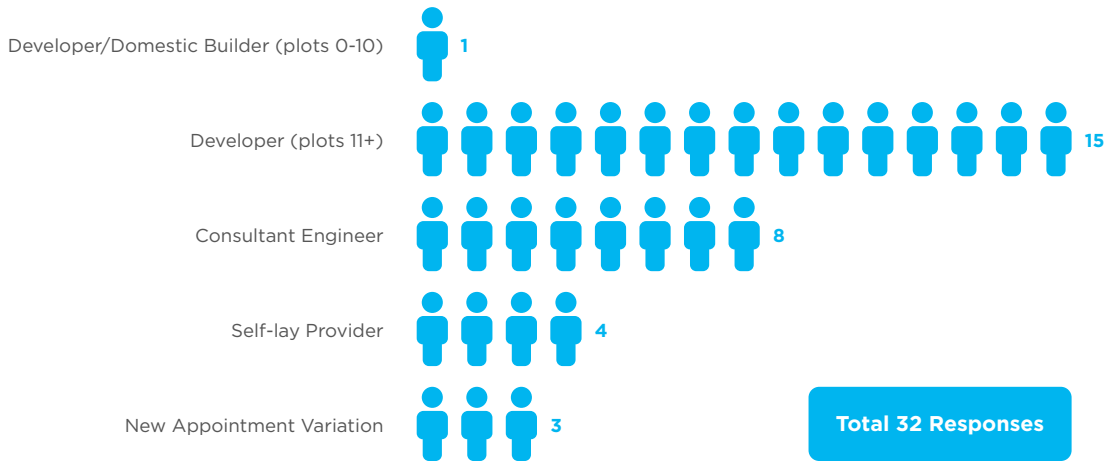
The headlines



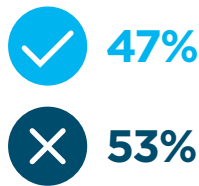
Respondent demographics

What we asked

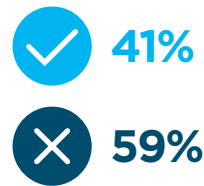
Which of the following describes you?



Have you read the document before?



Have you read the connection charges of other WASCs?



N.B. The number of times customers read the document varied greatly and had no relationship with customer type.

What we found

Just under half of the 32 respondents had read the Connection Charges document before - with many having read it multiple times in the past year. The frequency with which customers access the Charging Arrangements document didn't correlate with customer type, meaning it's important the document is made easily accessible to all.

Two fifths of respondents read the Connection Charges documents of other water/wastewater companies - drawing comparisons. But respondents opted not to make any specific comparisons, suggesting there is no significant variation.

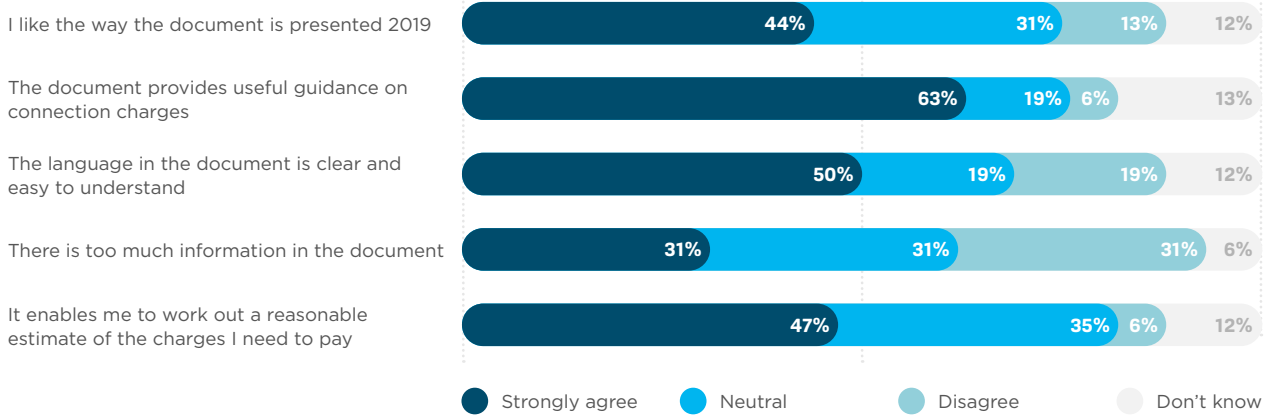
Customers agreed they can work out their charges from the information provided in the Charging Arrangements document, however some felt the clarity of the document could be improved.

44% of customers liked the way the document is presented, while most felt neutrally about its presentation. One suggested improvement was to make the document more concise and visual.

Overall Document

What we asked

We posed a set of questions put to customers in relation to the existing 2019-2020 Charging Arrangements document:



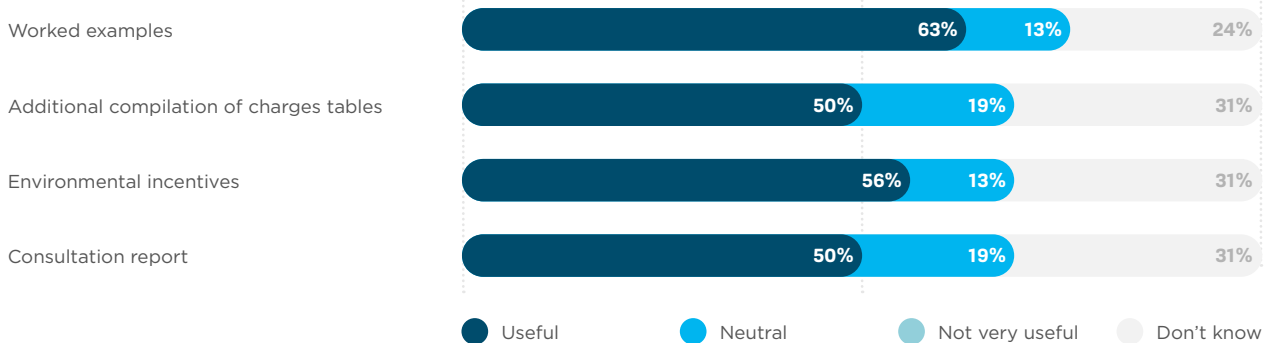
What we found

Some customers felt there was too much volume of information and that the language wasn't clear enough. We've worked to improve the layout, structure and usability of the document for 2020-2021. The information is more accessible and wherever possible plain English has been used.

Additional information – Appendices

What we asked

We wanted to understand how useful the additional information provided within the appendices was:



What we found

Most customers found the additional information in the appendices useful – with no 'not very useful' selected.

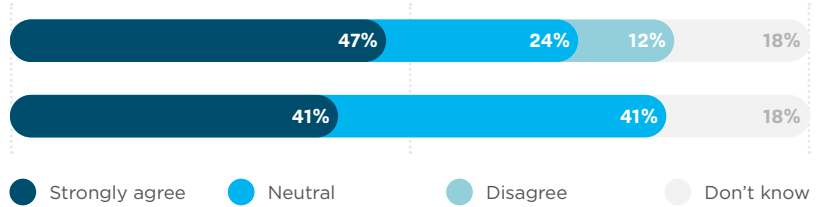
Infrastructure Charges

What we asked

We asked if the infrastructure section was clear:

The info on the infrastructure charges was clear and easy to understand

There was enough information on infrastructure charges to help me understand this charge



Suggested improvements

We also invited comments about how these could be improved:

All the documents accessed via links up to date? - eg is the 'Policy and Guidance on Contestable and Non-Contestable Work' dated July 2016 the latest version?

Make it more concise, more visual rather than written (a picture paints a thousand words!). Include more worked examples and flowcharts to outline processes.

What we found

Most customers found the infrastructure charges information easy to understand and felt there was enough information in this section for them to understand the charge.

Ofwat

What we asked

We wanted to understand if our customers felt that the document showed we are adhering to Ofwat’s guiding principles and charging rules:

Ofwat’s Charging Principles

Customers were given the following information:

Developer Services will be drafting an updated version of the Connection Charging Arrangements document, to cover the period 2020-2021.

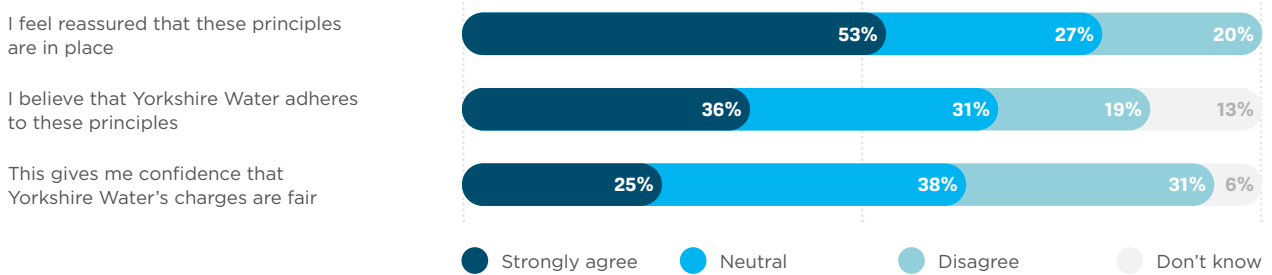
The updated Connection Charging Arrangements document 2020-2021 will be transparent and look to provide clarity on charging. Defra have provided guidance to Ofwat (these are industry regulators) about their expectations for these charges. This enables Ofwat to set Charging Rules which we, and all other water and wastewater companies, will follow when setting charges for connections.

We are building on the 4 guiding principles outlined by Defra and Ofwat charging rules, that charges should:

1. Be fair and affordable
2. Provide environmental protection
3. Provide stability and predictability
4. Be transparent and customer focused services

Ofwat’s Charging Principles

To what extent do you agree or disagree with the following statements?



What we found

Over half of customers felt reassured by Ofwat’s principles being in place, but there was some uncertainty as to whether we adhere to the principles.

There was a high level of neutrality around the statement: ‘This gives me confidence that Yorkshire Water’s charges are fair’, but three in ten respondents disagreed.

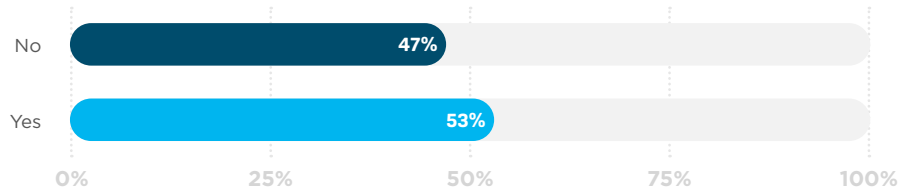
This may be because some deem the principles irrelevant in influencing our behaviour, but could also be indicative that a proportion of our customer base feel they’re being charged unfairly.

Environmental Incentive Awareness

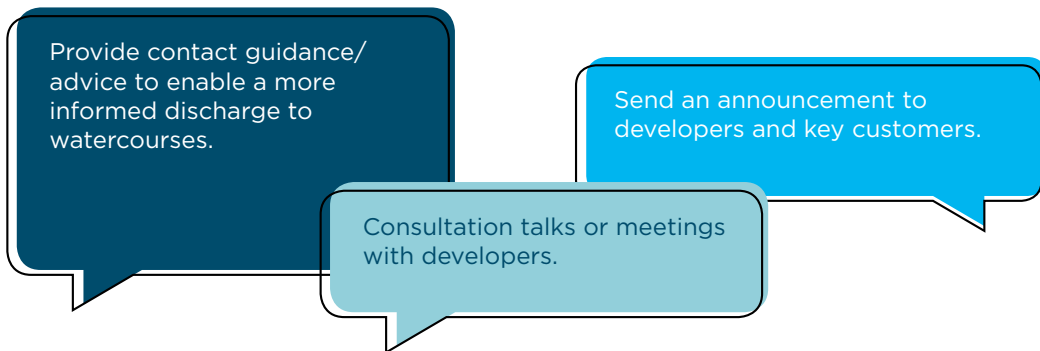
What we asked

Demand on our network is ever increasing, we wanted to understand how we could incentivise lowering water use – inviting customer ideas and opinions:

Are you aware of our current environmental incentive which rewards Developer Services customers who promote housing with low water usage and/or a removal or reduction of surface water entering our sewers?



Are there any other ways we can encourage or raise awareness for developers to consider housing with low water usage and/or a removal or reduction of surface water entering our sewers?



What we found

Just over half of respondents were aware of our environmental incentive which rewards customers who promote housing with low water usage and/or a removal or reduction of surface water entering our sewers.

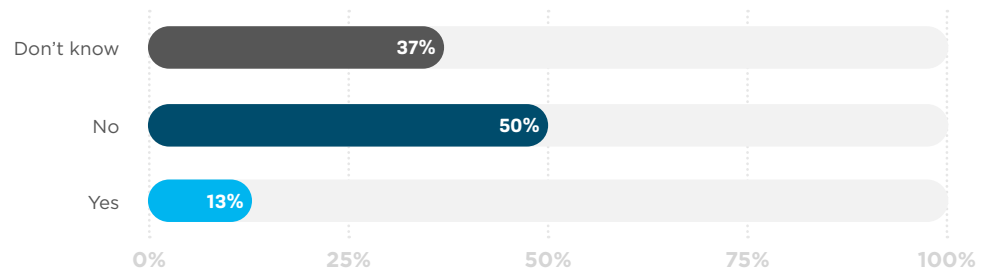
Consultation talks, meetings and announcements were suggested as ways to raise awareness. Plus, giving guidance and advice on how to reduce surface water entering sewers.

Zonal charges

What we asked

We wanted to understand if our customers wanted to see Zonal Charging arrangements and asked for comments:

Currently Yorkshire Water does not operate on a basis of utilising Zonal Charges for Infrastructure Charges, is this something you would prefer in the future?



To remove cross subsidies from easy to serve sites to difficult to serve sites. This is fairer to developers and results in more cost reflective charges. Not to have zonal charges, at a level of detail consistent with the investments you are making, is anti-competitive against alternative providers of deeper infrastructure to serve these developments – such as full serve NAVs. You need to consider whether continuing with a regional approach is compatible with Chapter ii of the Competition Act 98.

Easier to know in advance for each site what the charges will be.

Cost certainty and clear structure.

What we found

Last year, customers suggested setting infrastructure charges zonally, making the charge per property clearer. However, zonal charges weren't popular among the wider Developer Services customer base this year – just 13% of customers said they would prefer it.

Those who said they would prefer zonal charges had clear arguments as to why, typically focusing around cost certainty, clarity and fairness.

There was a high level of uncertainty around the benefits of zonal charges, with 37% unsure as to whether they would prefer this as an option in the future.

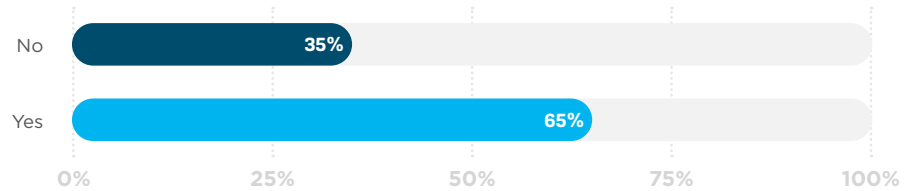
Of the 50% of respondents who stated they wouldn't prefer zonal charges, none left a comment as to why – suggesting that while they have no preference for zonal charges, they may not be completely opposed.

Overall approach

What we asked

We wanted to make sure that we continued to provide a document in line with our customer’s needs and wanted to make sure that they agreed with our approach;

Our approach is largely remaining the same as it has been over the past 2 years. Do you agree with this approach?



Three key issues. No income offsets off requisitions or IC charges. These are anti-competitive against full serve NAVs. Zonal infrastructure charges (previous question) and either charging developers for additional treatment capacity required as a result of development or implementing an alternative measure than ensures that full serve NAVs are not put at a commercial disadvantage when they provide this capacity to serve the development.

I was told the first time that all the lead would be removed and know all I get is the runaround.

Charge too much given that we do all the site works, drains, water storage/attenuation etc. Not Fair. Yorks Water have a private monopoly and make record profits every year. They should connect the water supply pipes for free and not be allowed infrastructure charges.

What we found

Overall, customers tend to agree with the approach that we take and are happy for Developer Services to continue along these lines. However, levels of approval could be higher as 35% disagree with the current approach.

The perceived fairness of charges came out as a key issue in customer comments, with one customer feeling that full-serve NAVs are put at a commercial disadvantage by our charging arrangements. There was also one example of poor communication and not having issues addressed first time round.

5. Website Usage

Website Usage

In May 2018 a new version of our Developer Services website was launched. The current pages include a layout built from customer feedback, aiming to simplify and make more accessible the information we have available. With the features available on the current website platform, we can track and monitor activity on the website – seeing on average how long customers spend on a page, which pages are the most popular and how many times documents are accessed and downloaded.

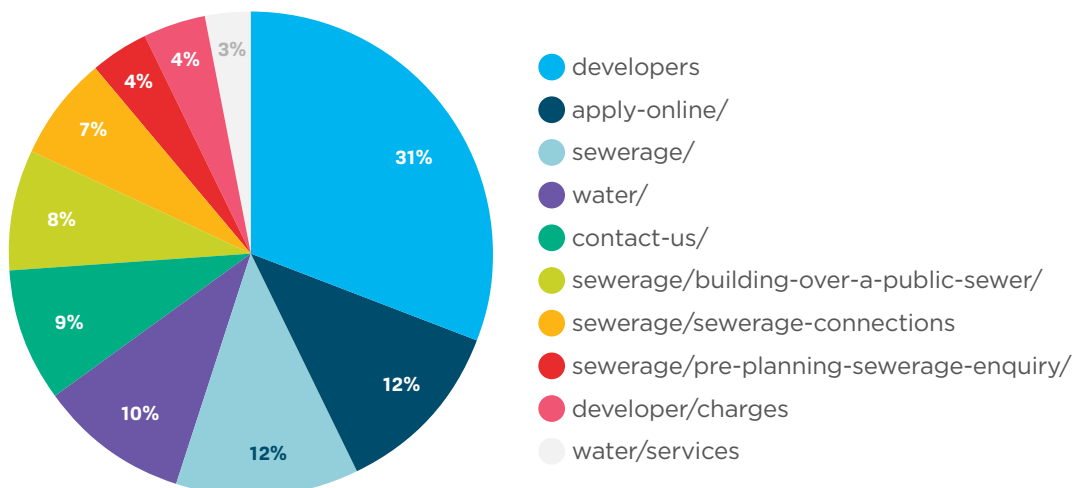
What this told us

We can see that our Charging Arrangements information was viewed 677 times since the new layout was implemented, with customers spending on average 2:19 minutes on the page. We can also see our Charging Arrangements document was downloaded 198 times.

Customers have viewed the Charges page via the developer-charges link viewing the page 315 times with a total of 847 events detailed against this view making it this the 9th most viewed page. On average, the customer is spending 02:48 minutes on the page on average – up from 02:19 from last year.

Title	Page views	Av time	Total events
1. developers	2759	00:00:41	7159
2. apply-online/	1067	00:01:48	3526
3. sewerage/	1039	00:00:37	3112
4. water/	926	00:00:26	2355
5. contact-us/	769	00:03:07	2052
6. sewerage/building-over-a-public-sewer/	695	00:02:50	2450
7. sewerage/sewerage-connections/	610	00:03:18	2343
8. sewerage/pre-planning-sewerage-enquiry/	368	00:01:42	1262
9. developer-charges/	315	00:02:48	847
10. water/services/	312	00:01:35	1020

Page views



6. Engagement sessions

Engagement sessions

After the publication of **Charging Arrangements 2019-2020**, we held further engagement sessions with customers to make sure our proposals were clear and usable. This was primarily held with our developers and SLP's. You can see the breakdown below:

Developer Day – 4th April



What are they

- Document outlining our charges for services
- 1/4/19 to 31/3/20
- Includes a board assurance statement
- States what consultation has been undertaken

As part of our consultation activities during 2019-2020 to help us make changes to our Charging Arrangements document 2020-2021 we held more face-to-face workshops. Here we discussed proposals for the coming year in depth asking people to raise any issues or concerns.

Workshop – 1st October 2019

At our October workshop the attendees were invited to comment on proposed changes to the charging arrangements themselves, the look and feel and usability. We wanted to know our document was usable and easy to follow by a wide range of audiences.

The workshop structure followed six general themes for discussion:

- Balance of Charges
- Transition
- Document Design
- Zonal Charges
- Charges/Cash Flow
- Environmental Incentives

Balance of Charges

Development customers pay for connections to, or adoption/requisition of, water and sewerage systems. Cross subsidy between development customers and the general customer base of the water company should be limited. However, it's the view of the Government that the balance between contributions to costs by development customers and bill payers as at April 2018, should be broadly maintained.

Ofwat's Charging Rule 19: in setting charges in accordance with the present rules, undertakers should take reasonable steps to ensure the balance between contributions to costs by developers and other customers prior to 1 April 2018, is broadly maintained.

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

	2000-2001 to 2009-2010	2010-2011 to 2016-2017	2000-2001 to 2016-2017
Water	11.5%	0.3%	6.8%
Sewerage	(6.1%)	(7.7%)	(6.7%)
Combined	1.4%	(3.8%)	(0.6%)

We can demonstrate that historically there has been no cross-subsidy between customer types. Being 'in balance' allowed us to make material changes to simplify our new connection charging approach in 2018 and ensure fairness and cost reflectivity into the future.

We removed the use of Income Offsets (and Asset Payments) from our 2018-2019 charges. To maintain our overall 'in-balance' position for customers and ensure our charges were reflective of costs, we reduced the Infrastructure Charges from around £780 per property connected to £250 (for combined services).

By having no income offsets/asset payments to apply we levelled the playing field for SLP's and NAV's in 2018 – we've carried this through to our 2020-2021 charges.

Transition to updated charges rules

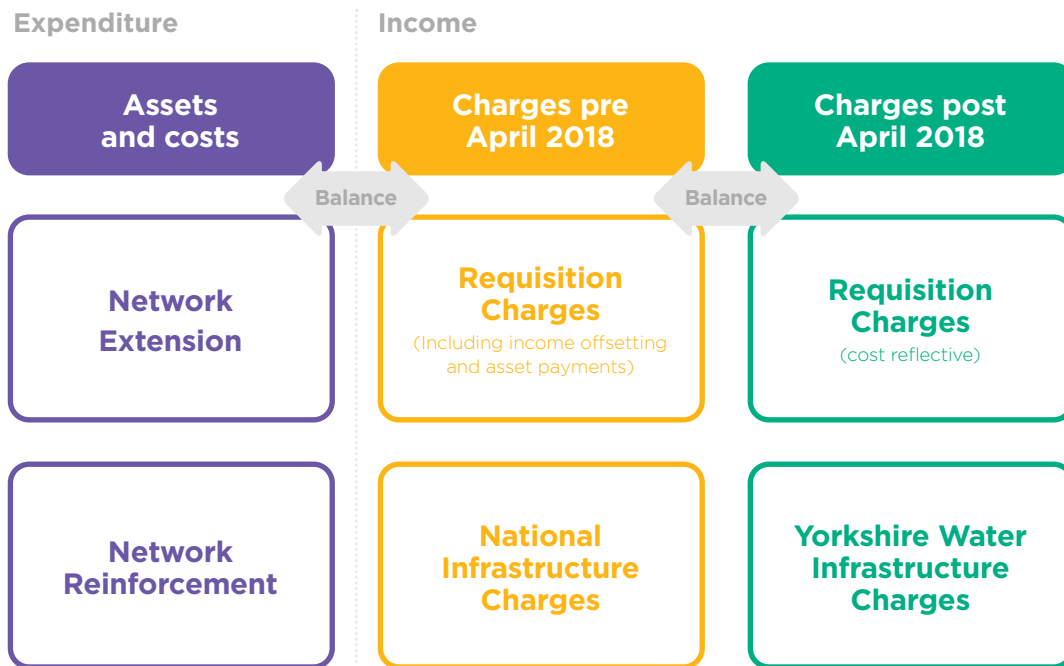
Ofwat consulted on changes to charging rules in April 2019 and finalised the changes effective from 2020. The changes are a step on a journey to improve charging transparency, predictability and support competition

New Connection Rule 26 states – “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.

For developers, SLPs, and NAVs in Yorkshire, we removed the use of Income Offsets (and Asset Payments) from its 2018-2019 charges. By having no income offsets/asset payments to apply we levelled the playing field for SLP’s and NAV’s in 2018.

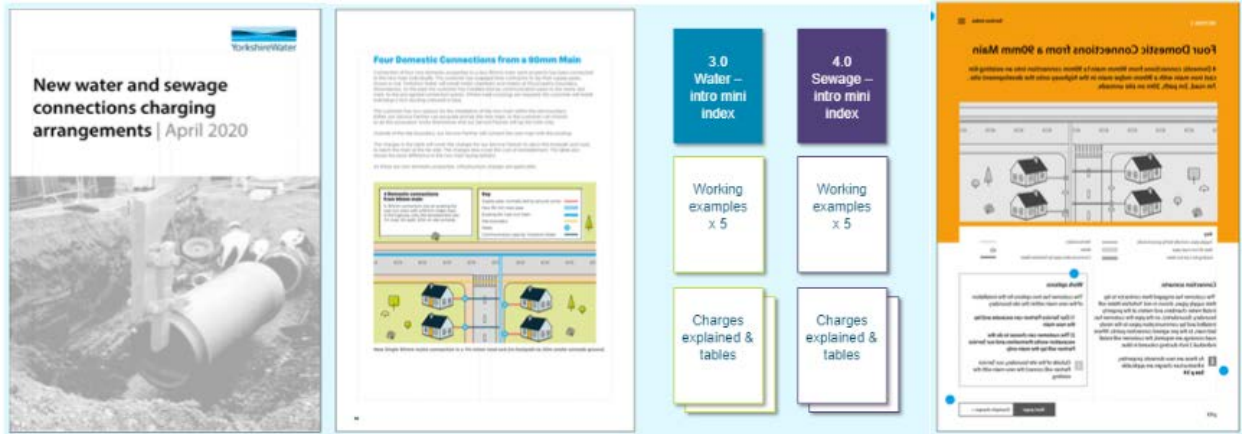
1st April 2020 onwards: no material Change. Moving where income offsets apply will have no affect in Yorkshire.



Document Design

We've been working closely with our publishing partner, exploring options to simplify the existing document – focusing on structure and the information provided. The aim to streamline the structure and remove repetition where possible.

Mock designs were put together and shown to the customers in the room. Overall the customer feedback was positive and in favour of the outlined structure.



Zonal Charges

We spread the cost of infrastructure charges evenly over all new developments and don't break out these down into zonal charges. Charges are set based on the historic average expenditure and on network reinforcement. Based on a five-year forecast for AMP7, we'll likely see this charge increase year on year to 2025.

Feedback from customers in the room was that they approved of the signalling charge, saying it was fair and predictable.

Charges and cash flow

The Charges and cash flow review hadn't been completed at the time of the workshop but is still important to take into account.

We're looking at all our current application and admin fees in fine detail to make sure they reflect costs for our customers. To review this, we've taken into account:

- The different functions that Developer Services touches
- The average time they'd spend on each activity
- The average wage for that role.

We'll then look at the variance of the existing charge and what we think it should be, considering:

- If we increase the charge by 10% or more, this must be justified by the board
- The charge can't be higher than 20% each year.
- That it's all reviewed and ready for implementation for 2020-2021 charges.

Water UK have published a VAT liability charges document which we're working our way through. We'll compare this against all our clean and wastewater charges to make sure we're charging the correct amount of VAT. This will be worked into our charges document for 2020-2021.

We're 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%

What we did present

To make paying easier, we've introduced several methods:

- Online using credit or debit card
- By phone using debit or credit card
- By cheque in the post
- BAC's for multiple payments
- Accounts that Yorkshire Water have agreed to provide to individual customers.

Customer feedback was to look further into accounts facilities.

Environmental Incentives

We wanted to understand if the Environmental Incentives we're offering, against Infrastructure Charges, allow systems to be designed differently. These are:

- Standard water £75 per property, based on 125 litres per person, per day. Reduced infrastructure charge available if evidence is provided of reduction in usage
- Foul water £50 per property, with a percentage reduction based on lower water use
- Surface water £125 per property, reduced to nothing when there's no surface water to the public sewer.

Customer feedback was that they were receptive of the environmental scheme, but feel we should promote it more.

Workshop – 13th December 2019

At our December workshop the attendees were asked to comment on proposed changes to the charging arrangements themselves – after taking into account the details provided from the previous workshop in October. We wanted to know our document reached a wide-ranging audience, was usable and easy to follow.

The workshop structure followed these general themes for discussion:

- Changes to our New Connection Charges
- Our proposed new charges
- Infrastructure charges
- How bills will be impacted in 2020-2021.

Changes to our New Connection Charges

We explained how our New Connection Charges will change from 1st April 2020. There'll be no structural changes in response to updated charging rules from Ofwat. But we have assessed our expenditures against requisitions, diversions and network reinforcements in order to update our charges. These will:

- Cover our supply partners costs changing by RPI
- Cover our direct costs for administration and service delivery
- Make sure our infrastructure charges recover our network reinforcement costs over time.

Our proposed new charges

We plan to introduce two new charge items:

- Bulk orders (ferrules) – a charge for bulk connections to the water main which may be a repeated payment over the development
- New mains call off – a charge applied on each occasion a new section of main is requested to be installed at the development.

This will improve transparency and make sure our charges continue to reflect the costs of activity.

Infrastructure charges

Our infrastructure charges are applied to all new connections across the region. We don't plan to offer zonal based charges.

We have three infrastructure charge components – water, foul wastewater, and surface water – for 2019-2020 these totalled £250.

We'll update the level of these charges based on the forecast number of new connections in the region and the value of network reinforcement expenditure we forecast over the next five years.

We propose to adjust our infrastructure charges as follows:

- Small overall increase to £252.20 (indicative)
- Indicative changes to each component – water reduced from £75 to £67, foul wastewater held at £50, surface water increased from £125 to £135.50.

Incentive discounts will remain where the developer proves the water use is below 125 litres per person, per day and where properties are not connected to our network for surface water.

7. Customer comments

Customer comments

Customer comments and feedback have been considered and we have improved our new charges services where appropriate. A summary may be seen in the table below.

Feedback received from Customers	Source of Feedback	Action we have taken
Clarity of the document could be improved	Developer	We undertake analysis to understand our customer type. We have then used this information to rewrite our document in to a greater degree of plain English. Giving the customer the information, they require in a simpler form.
Streamline the document	Developer	Unfortunately streamlining the document would mean losing clarity. So, we have endeavoured to make the document easier to use. We have added a lot more functionality to the document to make navigating it a lot clearer, easier and quicker.
Appendices	Developer	We had considered removing some of the appendixes to reduce the size of the document. However, feedback indicates customers want them, so we have kept them in the document. The appendixes are a valuable source of information and provides further clarity to the document. Feedback from customers especially wanted to retain the table of charges, appendix 9.3 and 9.4, which are the table of charges without there explanations.
Infrastructure charges information is easy to understand	Developer/SLP	We have kept the same format as last year's document after positive feedback. We have also rewritten in planner English to further improve the clarity.
Environmental incentives promotion	Developer/SLP	While we have received positive feedback to our approach to reduce water usage and provide financial incentives, we have feedback indicating that we do not raise awareness of them effectively. Promotion of Environmental incentives is an on-going process and awareness will be raised through application forms and communication with customers.
Zonal charges		Conflicting customer views became apparent throughout our consultation media. On one NAV response to the survey, zonal charges were requested, however, the majority of developers voiced a consensus for one flat Infrastructure Charge across the region. Therefore, the current Infrastructure Charge will be maintained, but further consideration into zonal charges will be undertaken.

Continued Consultation

Whilst our Consultation activities for our 2020-2021 Charging Arrangements are now coming to a close, your views matter to us, we aim to be transparent and get it right first time.

We welcome all comments and invite all our customers to continue to provide their input on our 2020-2021 Charging Arrangements document, we also encourage our customers to provide feedback and comments on our Consultation activities.

To do this, please email your views to developer.services.charges@yorkshirewater.co.uk

yorkshirewater.com

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