

2020/2021 New Connection Services Charging Arrangements

Indicative charges - bill impact assessment

December 2019

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Navigating this document

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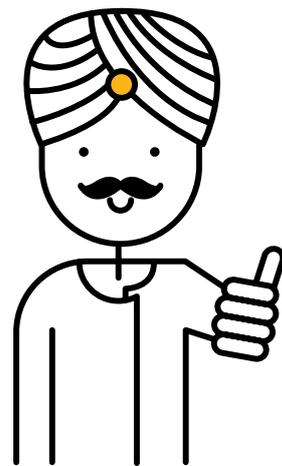
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Feedback

We welcome your feedback on the information presented in this publication on our proposed changes to our charges for new connection services for 2020/2021.

You can contact us in the following ways:

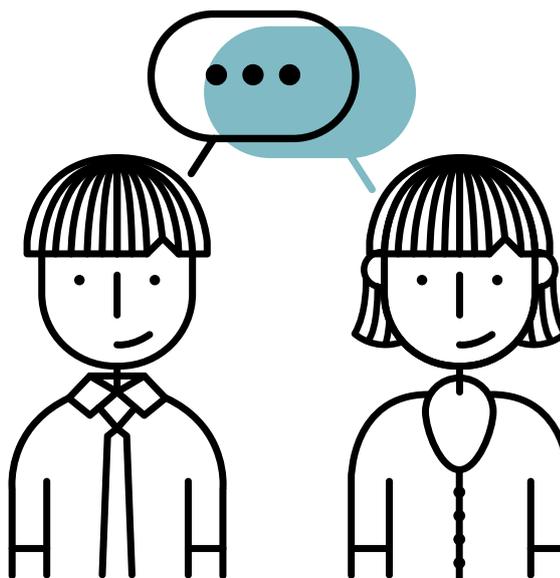
Email: developer.services.charges@yorkshirewater.co.uk

Or post your feedback to us at:

Developer Services,
Yorkshire Water,
Western House,
Western Way,
Buttershaw,
Bradford,
BD6 2SZ

We will review the feedback we receive ahead of determining our final charging arrangements.

Please provide comments by 31 December 2019.



1. Introduction

Summary of what's in this section

- To provide customers with information on how we propose to update our charges for new connection services for 2020/2021.
- A request to customers to provide us with feedback before we finalise and publish our charging arrangements by 31 January 2020.

Yorkshire Water has a duty to allow new connections to be made to the existing water and sewerage networks in our region. To do this we have a dedicated Developer Services team who will provide customers requiring new connections with quotations for the services we supply based on our published charges, and help customers start the journey to deliver their new connections.

Our charges cover the costs of activities we deliver on behalf of our customers for contestable and non-contestable work.

We set our charges each year in compliance with rules published by our economic regulator, Ofwat. The latest set of charging rules from Ofwat was published in July 2019¹. The rules set out how we determine and apply the charges for the 12 months from 1 April 2020.

We ensure we build our charges based on four guiding principles in the Ofwat charging rules. The principles require that our charges should be:

- Fair and affordable
- Aligned to offer environmental protection
- Stable and predictable
- Transparent and customer focused

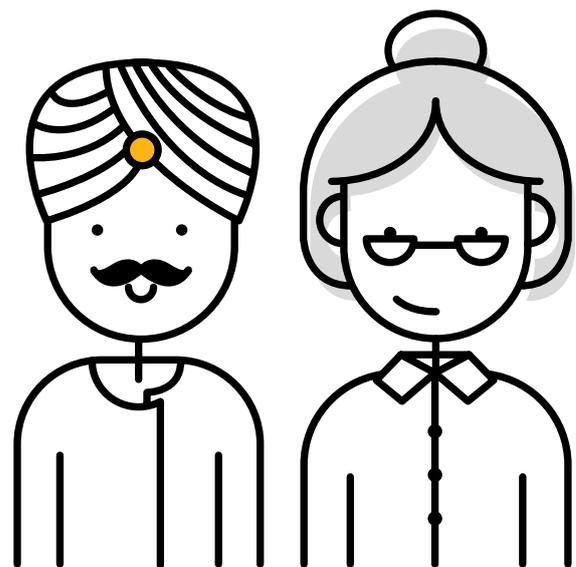
The purpose of this publication is to inform customers and other stakeholders how our charges for new connection services for 2020/2021 are expected to differ from our 2019/2020 charging arrangements. We also want to provide customers and stakeholders with an opportunity to provide us with views before we finalise the charges in January 2020. We have set out our proposed changes to our charges in a format that will allow you to understand how they will impact typical bills for new connection services in 2020/2021.

We are making some changes to individual charges for 2020/2021, but we haven't changed the overall structure of our charges. Our charges have been reviewed. The proposed changes are designed to improve the cost reflectivity and transparency of the charges we apply and bills we issue to customers.

In this publication, we present a comparison of bills based on our indicative 2020/2021 charges against bills based on our 2019/2020 for typical development scenarios. We summarise the potential impact on the bills as a percentage change. This provides an indication of the level of bill stability from one year to the next. This presentation is designed to be transparent and provide certainty that our 2020/2021 charges are expected to deliver stable and predictable bills for our customers.

For the range of typical bill scenarios that we have assessed, there are no bill increases of 10% or more.

In this publication we have also provided more background information around our charges. The information has been presented in tables 1. and 2. and we welcome your feedback on this information by the end of December 2019.



¹ Ofwat Charging Rules for New Connection Services (English Undertakers). Effective from 1 April 2020. July 2019

2. Who are our customers?

Summary of what's in this section

- We have provided a summary of the customers we deliver our services to.

Our charging arrangements publication and the services offered by our Developer Services team are designed to support all customers wishing to plan, build and develop new and existing properties. Our charging arrangements apply to a range of different customers and they include:

Individuals

Individual customers engaged in new connection activity will ask Yorkshire Water to arrange the new water and sewer connections when they build a new property or extend an existing property.

Developers

A Developer may be a person or business who is responsible for a development of one or more properties, which require connection to our network.

A Developer can construct the water infrastructure for their developments using services from the incumbent water company, a Self-Lay Provider (SLP) or through engagement with a New Appointee and Variation organisation (NAV).

A Developer will usually construct the wastewater infrastructure for new developments and they may employ a suitable drainage contractor to complete this work. Yorkshire Water are rarely asked to carry out work on new wastewater infrastructure but will take ownership of sewer assets provided they have been built to meet water industry standards.

Self-Lay Providers (SLP's)

Self-Lay Providers (SLP's) may be appointed by developers to install self-lay mains and/or service connections. An SLP can deliver contestable-work. Some of the new connection work will continue to be provided by Yorkshire Water. This is non-contestable work.

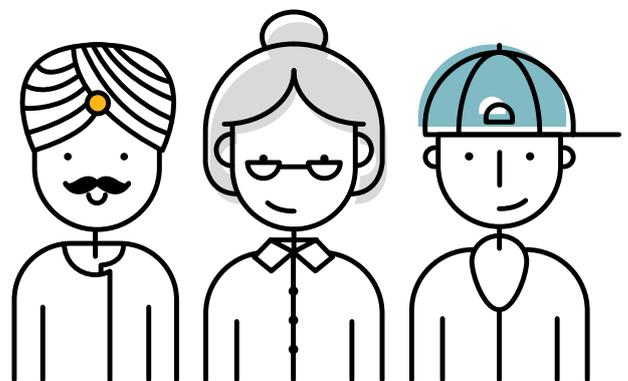
To complete this work an SLP must be accredited under the Water Industry Registration Scheme (WIRS) and the accredited parties are published on the Lloyds register.²

New Appointments and Variations (NAV's)

New Appointments and Variations (NAVs) or 'inset' companies, are companies licenced by Ofwat who provide a water or sewerage services to customers in an area which was previously served by the incumbent water company. A NAV has the same duties and responsibilities as the incumbent water and sewerage company.

A NAV is typically engaged by a developer, and it is the developer's choice whether to have their new connections services supplied by their chosen NAV or by Yorkshire Water. Some elements of the new connection work will continue to be provided by Yorkshire Water. This is non-contestable work.

² Lloyds Register WIRS Accreditation <https://www.lr.org/en/utilities/water-industry-registration-scheme-wirs-wirsae/search/>



3. What are the changes we are making?

Summary of what's in this section

- The headings below provide an explanation of the main categories of charges for new connection services and how they will change in 2020/2021.
- This year our charges will be updated based on different outcomes we explain here.
- In addition, we propose to include new charges in our charging arrangements this year for bulk orders and new mains call off orders.

Types of charges

Our charging arrangements for 2020/2021 detail all the charges we make to our customers, whether they are individuals, developers, SLPs and, NAVs.

The charging arrangements we publish allow us to deliver services to our customers for:

- connections made to water mains and public sewers
- the provision of service connections, lateral drains, and waste connections,
- adoption agreements and self-lay agreements,
- pipe diversions, and
- network reinforcement.

Updates to our charges for 2020/2021

Our charges are assured every year and an important part of this exercise is that we understand and refresh our charges based on the latest technical and economic information.

Changes to administrative charges

This year some of our administrative charges have been reviewed through a detailed resource study. Our study has covered charges for the services we deliver including applications fees, design services and setting up the relevant legal agreements for new connections and adoptions. This has led us to make some adjustments to our charges. Some charges will need to be increased and some decreased. We have also split out some charges across bands based on how many new connections are required for the development site or how many phases of work are required.

Changes to construction charges

Our construction charges are increased based on the change in the Retail Price Index (RPI) from November to November. This is the same year on year price increase we have applied in the past. In this publication we have applied an indicative 3% increase. The actual change in RPI will be applied to the final charges when the November 2019 RPI result is published in December 2019.

Changes to infrastructure charges

Our infrastructure charges, which are applied to all new connections, are updated based on the forecast number of new property connections in the Yorkshire Water region and the value of network reinforcement expenditure we have planned over the next five years. The value of this expenditure is fixed in our published five-year plan. Our next five-year plan called PR19 will be published by Ofwat on 16 December 2019 and we will use the final value of the reinforcement expenditure from this plan to finalise our charges.

In 2020/2021 we will increase our indicative charges slightly to £252.20 from £250. The increase reflects the investment we will make in network reinforcement which has been set in our PR19 price review and will be confirmed before we publish our final charges by 30 January 2020.

New charge lines for 2020/2021

The review of our 2019/2020 charging arrangements showed there are some services that we are not currently charging for, or where our charges do not fully reflect the services we provide.

This has led us to introduce two new charges for a bulk order request, and new mains call off order, which are both described in more detail below.

Bulk order - Ferrules
(15 plots per request)

Proposed Charge
£59.00

A bulk order request charge will be applied where a customer requests a service connection estimate for newly built houses. This charge includes the cost of bulk connections to the water main, fitting of chambers, stop taps and meters. This activity repeats itself until all service connections are installed.

Our new charge has been built based on the cost to deliver the average number of plots we receive for each bulk request, which is typically 15 plots per request.

New mains call off
Proposed Charge
£172.00

Our new mains call off charge will be made when customers request a section of new water main to be installed at their development site. This is an activity that repeats itself until all new water mains are installed.

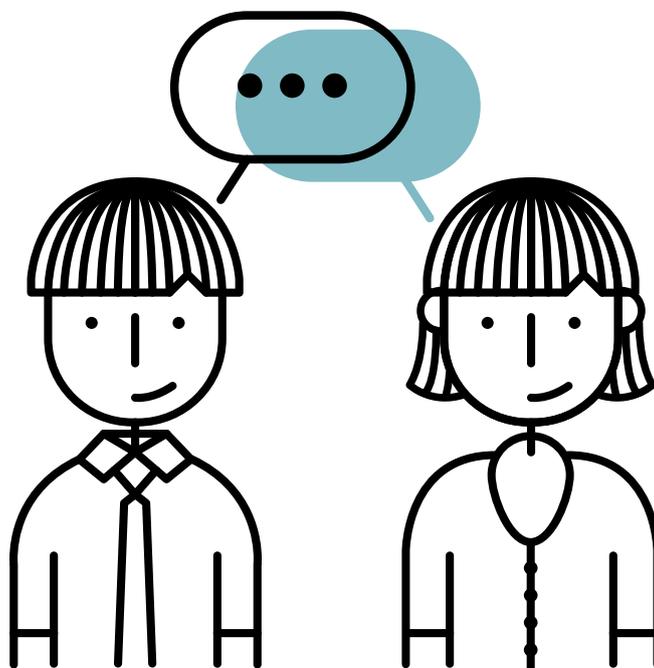
This new charge is based on a study of the time it takes to run a call off if either Yorkshire Water or and SLP have completed the design, and the time Yorkshire Water spend at site visits to complete the task.

To assess the impact of both our new charges they have been included in the impact assessment for the typical bill scenarios we have tested and present in this publication.

None of the bill impact assessments which include the two new charges have delivered a bill increase that is more than 10%.

Bulk supply prices

Bulk supply prices are the prices or ‘charge’ set for the volumetric cost of wholesale water we sell to our NAV customers. Bulk supply prices are not in scope for New Connection Charging Arrangements and have not been applied to our impact assessments or included in this publication.



What else will change?

Summary of what's in this section

- We explain the changes to our charges we are presenting in our bill impact scenarios won't be finalised until later in December 2019.
- We are not expecting significant changes to individual charges and our bills are not expected to change significantly. However, we have provided more information on the factors that will impact the final charges we publish by 30 January 2020.

In this publication we said that the charges we have used in our impact assessments are 'indicative'. This means the charges we have used in our impact assessment have been built based on the latest and most accurate information available to us at the time we built our 2020/2021 charges.

The changes that will impact our final 2020/2021 charges will be delivered after the confirmation of two main factors and they are explained in more detail here.

November 2019 - Retail Price Index

The Retail Price Index (RPI) is a price index calculated and published by the UK's Office of National Statistics. The RPI tracks changes in the cost of a fixed basket of goods over time, and it is produced by combining about quotes for a representative number of items.

The increase in our charges is built on the year on year movement in RPI measured at November each year. To confirm the increase in our charges we need to apply the change in the RPI up to November 2019.

The November 2019 RPI will be published during December 2019. The published RPI will allow us to update our charges and publish final charging arrangements in January 2020.

PR19 Final Determination

Ofwat will publish the final determinations of the 2019 Price review (PR19) for all water companies on 16 December 2019. The information in our final determination will allow us to include the final value of our investment plans and this will impact the models we have built for our infrastructure charges.

The availability of this information will allow us to re-run our infrastructure charge model and publish infrastructure charges in January 2020 that are consistent with our final determination.

4. What are we keeping the same?

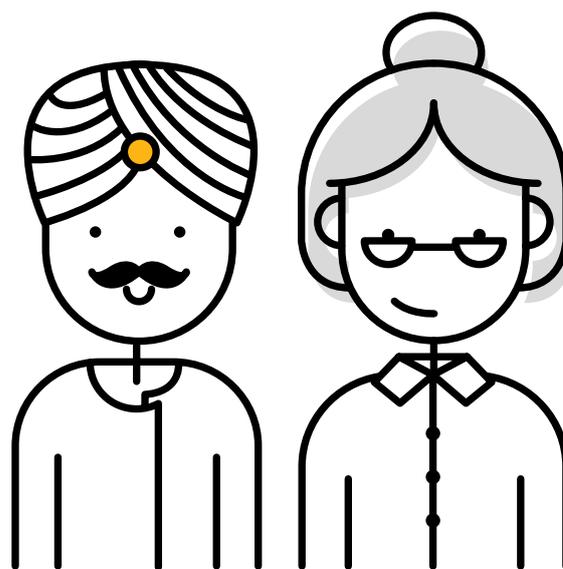
Summary of what's in this section

- Structure of our charges.
- Income offsets and asset payments.

The structure of our charges has not changed from 2019/2020. The total cost of the developer services work we perform will continue to combine the relevant administrative costs, construction costs and infrastructure charges to deliver a new water or wastewater connection to our network.

The infrastructure charges we apply will meet the latest Ofwat charging rules. To set our infrastructure charges, we will continue to monitor our actual developer driven network reinforcement expenditures and infrastructure charge incomes on a rolling 5-year basis out to 2023. This will ensure our infrastructure charges remain aligned with the expenditures we incur from development across the region, remain fair and predictable, help maintain our balance of charges, and remain cost reflective. Our infrastructure charges will continue to be made without an income offset or asset payment.

We will continue to provide a water efficiency incentive to developers. Incentives against our standard infrastructure charges will be applied where a developer can demonstrate they are building properties that will be expected to deliver an improved per capita consumption outcome once occupied. This incentive will continue to be in the form of a reduction to our 2020/2021 water and foul wastewater infrastructure charges on a per connection basis. Where the properties are not connected to our sewer network for surface water, the developer can also avoid the surface water infrastructure charge.



5. How do the new 2020/2021 charges impact bills?

Summary of what's in this section

- This section shows the impact of our new indicative charges for 2020/2021 on typical new development scenarios compared to our current 2019/2020 charges.
- The charging scenarios are based on typical scenarios selected by Ofwat.

In this section we have presented some typical developer services bill scenarios. They are the same typical development scenarios Ofwat have asked companies to check bill changes against and present with our final charges for 2020/2021³

Below we provide tables for our indicative bill impacts for the water and wastewater new connection scenarios. We also provide two examples each for water and wastewater where we show the key changes (increases or decreases) by charge type that make up a typical bill scenario.

Table 1. Impact Scenario Tables - Water Connections

Ref	Description of the development and new connections	2019/2020 Charges	2020/2021 Charges	% Change	Explanation of the drivers for changes
1	Single Connection Non contestable Connection to existing mains No new mains required; 25mm-32mm PE pipe - short connection - 4m road surface	£1,631	£1,674	2.6%	Applied an RPI increase to mains and requisition construction costs (3% indicative) and application fees which has been offset by a proposed reduction in the infrastructure charges applicable to water connections. Small changes in the level of application fees have a minimal impact on all scenarios.
2	Single Connection Non contestable Connection to existing mains No new mains required; 25mm-32mm PE pipe - long connection - 8m (4m road surface and 4m unmade ground)	£2,279	£2,341	2.7%	
3	New Block of Flats Non contestable 10 new units connected to an existing mains No new mains required - Large diameter (63mm) water connection - barrier pipe - short connection - 4m road surface	£3,324	£3,325	0.0%	
4	New Block of Flats Non contestable 10 new units connected to an existing mains No new mains required - Large diameter (63mm) water connection - barrier pipe - long connection - 8m (4m road surface and 4m unmade ground)	£4,879	£4,927	1.0%	

³ IN 19 / 05 October 2019 - Expectations, assurance and information requirements for water company charges for 2020/2021.

Ref	Description of the development and new connections	2019/2020 Charges	2020/2021 Charges	% Change	Explanation of the drivers for changes
5	Small Housing Development Contestable 10 new connections off new mains New mains required – total length 50m, consisting of -90mm PE - 10m road surface Plus service connections	£17,678	£18,082	2.3%	Increases resulting from the proposed introduction of a new charge for bulk orders and call offs where construction and connections are made in stages.
6	Small Housing Development Contestable 10 new connections off new mains New mains required – total length 50m, consisting of -90mm PE - 20m unmade surface Plus service connections	£12,860	£13,119	2.0%	Application of RPI to mains and requisition construction costs (3% indicative). Small changes in the level of application fees have a minimal impact on the scenarios.
7	Small Housing Development Contestable 10 new connections off new mains New mains required – total length 50m, consisting of -63mm PE - 20m unmade surface Plus service connections	£12,860	£13,119	2.0%	Charge increases offset by a reduction in design, fire and legal charges and a proposed reduction in the infrastructure charges applicable to water connections.
8	Medium Housing Development Contestable 50 new connections off new mains New mains required – total length 300m, consisting of -180mm PE - 10m road surface	£75,378	£77,282	2.5%	Increase due to inclusion of new bulk and call off charges, and the application of RPI on construction costs (3% indicative).
9	Medium Housing Development Contestable 50 new connections off new mains New mains required – total length 300m, consisting of -180mm PE - 90m unmade surface	£55,835	£57,152	2.4%	Small changes in the level of application fees have a minimal impact on the scenarios. Charge increases offset by a reduction in design, fire and legal charges and a proposed reduction in the infrastructure charges applicable to water connections.
10	Medium Housing Development Contestable 50 new connections off new mains New mains required – total length 300m, consisting of -125mm PE - 100m unmade surface	£50,915	£52,085	2.3%	

11	Medium Housing Development Contestable 50 new connections off new mains New mains required - total length 300m, consisting of -90mm PE - 100m unmade surface	£50,915	£52,085	2.3%	
Ref	Description of the development and new connections	2019/2020 Charges	2020/2021 Charges	% Change	Explanation of the drivers for changes
12	Large Housing Development Contestable 200 new connections off new mains New mains required - total length 1,000m -180mm PE - 10m road surface Plus service connections	£249,107	£255,214	2.5%	
13	Large Housing Development Contestable 200 new connections off new mains New mains required - total length 1,000m -180mm PE - 290m unmade surface Plus service connections	£189,837	£194,166	2.3%	Increase due to inclusion of new bulk and call off charges, and the application of RPI on construction costs (3% indicative). Small changes in the level of application fees have a minimal impact on the scenarios.
14	Large Housing Development Contestable 200 new connections off new mains New mains required - total length 1,000m -125mm PE - 300m unmade surface Plus service connections	£173,316	£177,150	2.2%	Charge increases offset by a reduction in design, fire and legal charges and a proposed reduction in the infrastructure charges applicable to water connections.
15	Large Housing Development Contestable 200 new connections off new mains New mains required - total length 1,000m -90mm PE - 400m unmade surface Plus service connections	£176,329	£180,254	2.2%	
16	Self-Laid Scenario Total admin fees and any other relevant fees charged to SLPs (application, inspection, etc.)	£1,342	£1,284	-4.3%	The charge reduction is a result of reductions to design, fire and legal charges and a proposed reduction in the infrastructure charges applicable to water connections.

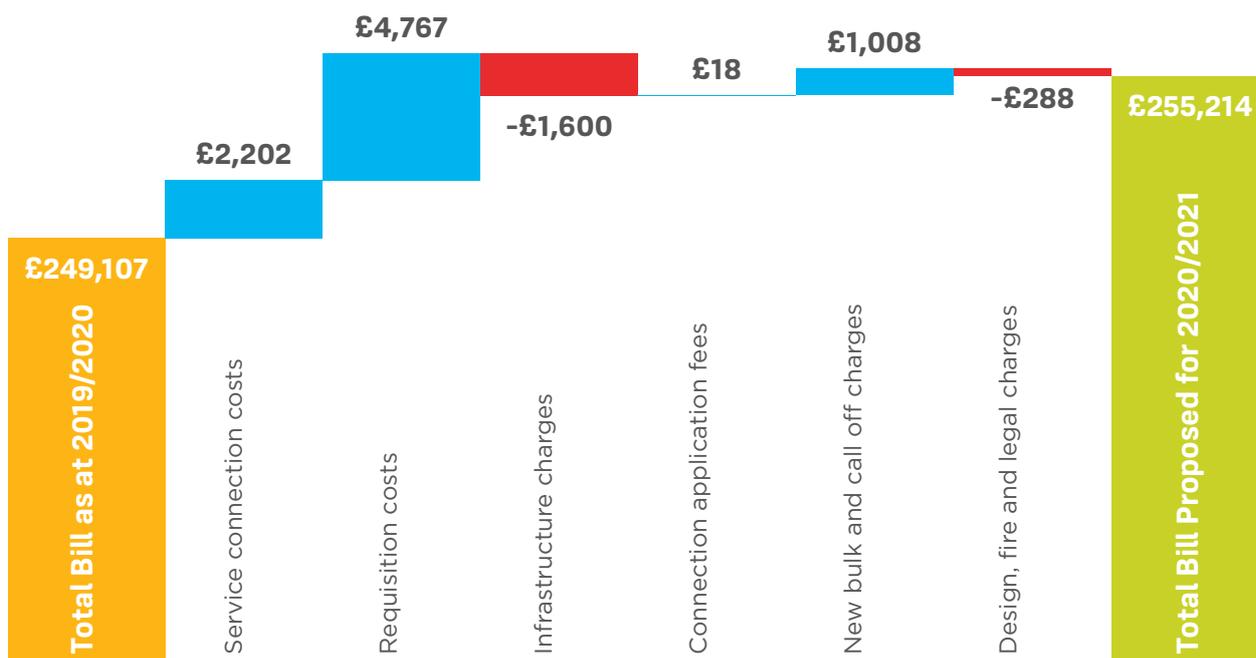
To demonstrate where changes proposed for our 2020/2021 new connection charges have impacted bills for developer services customers, we have taken two of the scenarios presented in Table 1. and provided a breakdown of the key contributors to the bill change.

Figure 1.1. Indicative bill impacts by charge type for a small development water connection scenario (ref: 5)



2019/2020 to 2020/2021 Bill Impact for Water Connections scenario 5: Small housing development - 10 new connections

Figure 1.2. Indicative bill impacts by charge type for a large development water connection scenario (ref: 12)

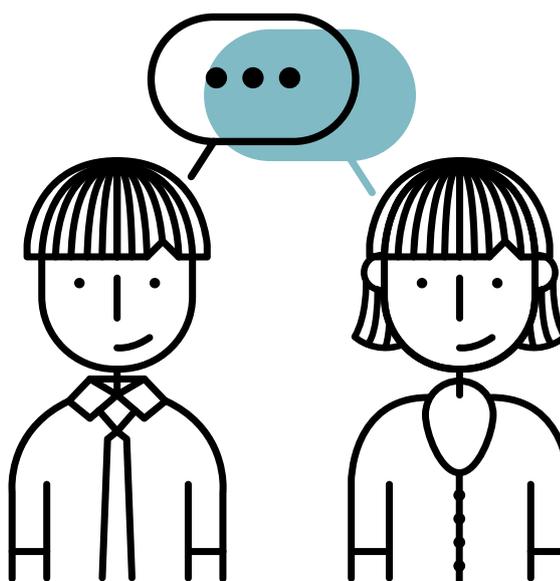


2019/2020 to 2020/2021 Bill Impact for Water Connections scenario 12: Large housing development - 200 new connections

Table 2. Impact Scenario Tables - Wastewater Connections

Ref	Description of the development and new connections	2019/2020 Charges	2020/2021 Charges	% Change	Explanation of the drivers for changes
1	Single connection Unadoptable connection (S106)	£330	£363	9.9%	This charge has increased based on an assessment of the average cost to deliver a S106 connection, an uplift based on RPI (indicative at 3%) and a proposed increase in the infrastructure charge for wastewater connections.
2	Single connection Adoptable connection (S106 and S102)	£714	£625	-12.5%	The reduction in the charge is based on reduction to the S102 charge following an assessment of the average cost to deliver this service. Increased charges include a proposed increase to the infrastructure charge for wastewater connections and an increase in the S106 charge.
3	New block of flats (10 units) Unadoptable connection (S106)	£1,905	£2,032	6.7%	This charge has increased based on an assessment of the average cost to deliver a S106 connection, an uplift based on RPI (indicative at 3%) and a proposed increase in the infrastructure charge for wastewater connections.
4	New block of flats (10 units) Unadoptable connection (S106 and S102)	£2,289	£2,294	0.2%	The small increase in the overall charge is as a result of a proposed increase in the infrastructure charge for wastewater connections offset by a reduction in the S102 connection charge. There has also been an uplift to the charges based on the RPI (indicative at 3%).

Ref	Description of the development and new connections	2019/2020 Charges	2020/2021 Charges	% Change	Explanation of the drivers for changes
5	Small housing development (10 new connections) Connection (S106) Sewer adoption (S104) Adoption agreement (S104)	£3,884	£3,996	2.9%	The increase in the total charge S104 connection charge and a proposed infrastructure charge for wastewater connections, offset by a reduction in the S106 connection charge and charge for sewer adoption legal agreement. There has also been an uplift to the charges based on RPI (indicative at 3%).
6	Medium housing development (50 new connections) Connection (S106) Sewer adoption (S104) Adoption agreement (S104)	£17,514	£18,245	4.2%	
7	Large housing development (200 new connections) Connection (S106) Sewer adoption (S104) Adoption agreement (S104)	£68,628	£71,680	4.5%	
8	Pre-Development enquiry	£164	£171	4.2%	



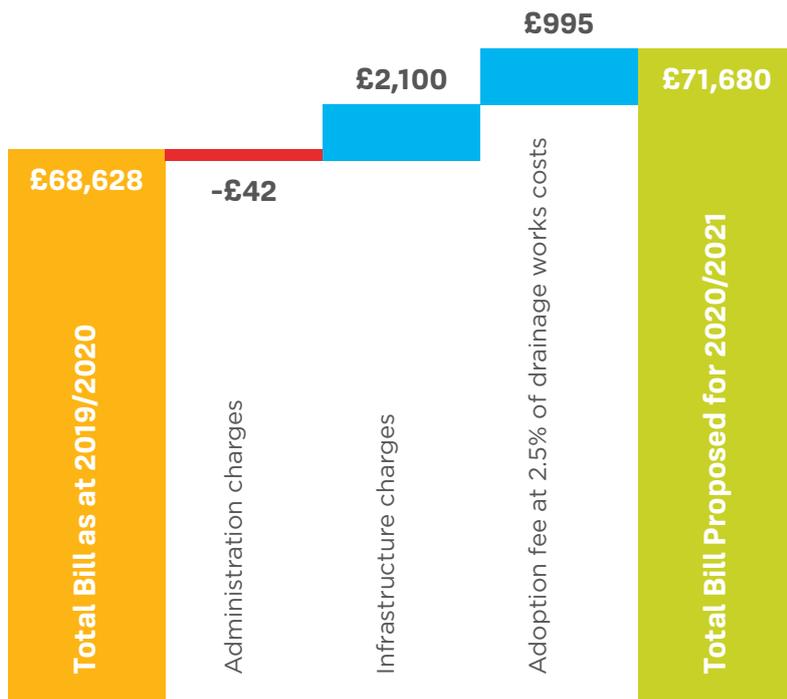
To demonstrate where changes proposed for our 2020/2021 new connection charges have impacted bills for developer services customers, we have taken two of the scenarios presented in Table 2. and provided a breakdown of the key contributors to the bill change.

Figure 2.1. Indicative bill impacts by charge type for a single wastewater connection scenario (ref: 1)



2019/2020 to 2020/2021 Bill Impact for Wastewater Connections scenario 1: Single connection - Unadoptable (S106)

Figure 2.2. Indicative bill impacts by charge type for a large development wastewater connection scenario (ref: 7)

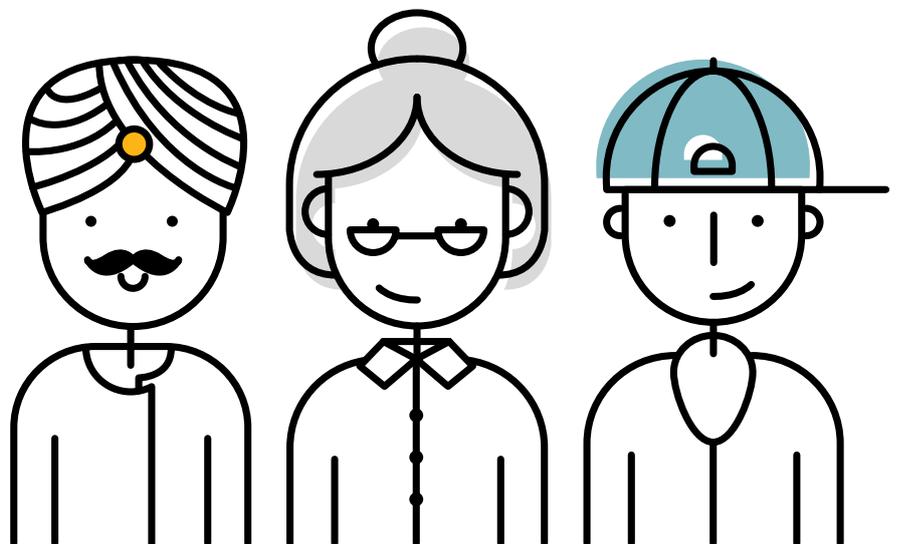


2019/2020 to 2020/2021 Bill Impact for Wastewater Connections scenario 7: Large housing development - 200 connections adoptable (S106, S104)

Summary

In summary, this document presents information about the likely level of change in bills for typical developments for our current and future customers for the 2020/2021 charging year. We have provided details of our main proposals around changes to charges for new connections, requisitions, and infrastructure charges. The value of the impacts provided are indicative, as we are yet to finalise our charging arrangements that will apply for 2020/2021.

The majority of scenarios have an impact at or around an indicative RPI of 3%. A minority of scenarios face bill impacts significantly lower or higher than 3%, but none are greater than 10% above the bill levels for our current 2019/2020 charges.



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