

New Connection Services

Changes in charges for 2025/2026

FAQ's Charges Forum

Introduction

This document of Frequently Asked Questions is to provide supporting information and is to be read alongside the slide pack issued from the recent Charges Forum held on 22 January 2025. The slide pack can be found on our website [Developer Services news - United Utilities](#)

Q. Why are you not paying income offset from 1 April 2025 for schemes that were entered into before 1 April 2025?

In relation to income offset the following transition arrangements are in place in relation to agreements entered into before 1 April 2025:

- For schemes agreed under charging arrangements in place with effect from 1 April 2020 the income offset payable per premises will be nil for all premises connected after 1 April 2025. For these schemes, income offset is only payable in line with the UUW charges scheme that applies in the year a service connection is made. Therefore, we have made no commitment that an income offset will be made, or that it could not be set at a nil value.
- For schemes agreed under charging arrangements in place on or before 31 March 2020 (i.e. where income offset was set under the DADS model) Income offset will be payable at the rate agreed in each individual agreement. In these cases, we accept that an income offset value has been committed to as part of the agreement.

Q. Why are you paying income offset for schemes that were entered into before 1 April 2020 but not after 1 April 2025?

Following Ofwat's consultation on the scope and balance of developer charges and incentives in April 2021, we began engagement with developers and SLPs on the potential impacts of this and the removal of the ability to pay income offset. Developers have previously stated that their preference is for stable and predictable charging arrangements and the importance of plenty of notice of any significant change. It was in the spirit of stability, predictability and transparency that discussion commenced on the potential removal of income offset to spread early awareness of the change and allow developers to build this factor into their plans. We have taken the position that the income offset will be withdrawn for all new premises connecting to our water network (either directly or indirectly) from 1 April 2025 (i.e. the start of our AMP8 regulatory period).

We first communicated our transition plan to our developer stakeholders at the annual developer day on 5 October 2022 and at the NAV day on 7 December 2022. At these sessions we outlined our approach to (broadly) maintain the level of income offset over the period 2020-2025 (AMP7) - which is to the benefit of developers - rather than to commence a transition away from income offset (as had been adopted by a number of other companies).

In relation to schemes entered into before 1 April 2020 we recognise that the income offset for these schemes were payable at the rate agreed in each individual agreement. In these cases, we accept that an income offset value has been committed to as part of the agreement.

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Q. Why have you chosen a 'hard stop' on paying income offset from 1 April 2025 rather than transition the income offset across a longer period?

Our approach to transition is to (broadly) maintain the level of income offset over AMP7 - which is to the benefit of developers - rather than to commence a transition away from income offset (as had been adopted by a number of other companies).

We recognised that this created a 'hard stop' at 2025. However, this was a deliberate strategy to maximise the benefit to developers in AMP7 and minimise the impact on those developments planned in the near term. We were clearly signalling in advance that newly initiated developments would lose the income offset from 2025 and the scale of the drop was driven by the maintenance of the income offset at a consistent level for what remained of AMP7. This was presented to developers as a coherent plan across both AMP7 and AMP8 (2025-2030).

Our transition plan on income offset, to withdraw the income offset for all new premises connecting to our network from 1 April 2025, is also consistent with our PR24 business plan submitted to Ofwat in October 2023 for the period 1 April 2025 to 31 March 2030. We did not request funding for further income offset contributions for the AMP8 regulatory period as our income offset transition approach did not require it.

Q. Why have you separated out the tier 1 water incentive into 2 elements?

For applications for new schemes from 1 April 2025 we have made a small amendment the tier 1 water incentive for water efficiency to better align to the Environmental Incentive Common Framework (EICF) published by Ofwat on 16 December 2024 and effective from 1 April 2025.

Q. What type of new connected premises will have the new environmental component charge?

We have introduced new environmental component charges for water and sewerage for new household premises.

From 1 April 2025 Ofwat has introduced a new funding mechanism for environmental incentives for new connections. Where companies choose to offer environmental incentives this will be funded through the introduction of specific new environmental component charges for water and sewerage. In the October 2024 statutory consultation on new connection charging rules¹ Ofwat set out the expectation that premises "that are entitled to benefit from the environmental incentives offered should also contribute to the funding of the scheme through the environmental component."

For new household premises the water component is **£77.54** and the sewerage component is **£59.35**.

As we do not currently offer an environmental incentive for Non Household premises the environmental component will not be levied for new NHH premises connected between 1 April 2025 and 31 March 2026.

¹<https://www.ofwat.gov.uk/wp-content/uploads/2024/10/Statutory-consultation-on-changing-Ofwats-charging-rules-to-further-protect-customers-in-the-new-developer-services-framework.pdf> (page 17)

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Q. Is UU going to retrospectively charge the environmental component to all sites that are ongoing or just about to start?

Any new household premises connected on or after 1 April 2025 for water and/or sewerage services will incur the respective water and/or sewerage environmental component. This means that the component will apply to both new schemes and existing schemes for each new premises that connect, either directly or indirectly, to our existing network on or after 1 April 2025.

We consider our approach is in line with the charging rules for new connection services. In the October 2024 statutory consultation on new connection charging rules² Ofwat set out the expectation that premises “that are entitled to benefit from the environmental incentives offered should also contribute to the funding of the scheme through the environmental component.” In previous consultations Ofwat referred to this as a “new component” or “environmental component” of the infrastructure charge.³

Ofwat consider that the definition of the environmental component is consistent with the wording in s.146(2) of the Water Industry Act 1991, which typically cover infrastructure charges⁴. This section of the Act does not prohibit a water company from applying charges for the connection of a new premises to a water supply (or public sewer).

We consider that the environmental components are part of infrastructure charges and as such, in line with our published charges scheme, are due and payable at the rate published in our charging arrangements for the charging year in which the service connection is made.

This means that existing agreed schemes will incur the new environmental component charges for each new household premises connected on or after 1 April 2025.

Q. If UU are going to retrospectively apply this charge how is this fair? A developer has a budget for a site and knows what they should have expected to pay.

We consider our approach fair and in line with the Charging Rules for New Connection Services.

The change in the developer services framework for the period 2025 to 2030 has resulted in some changes to funding mechanisms. One change is that environmental incentives are funded from separate environmental component charges.

Up to 31 March 2025 environmental incentives payments were funded by developer customers through the infrastructure charges setting process.

Under both mechanisms (pre 1 April 2025 and post 1 April 2025) the incentive payments have been funded by developer customers. It is more visible from 1 April 2025 as we have separate environmental component charges.

We recognise the importance of stable and predictable charging for our developer customers. That is why in setting fixed infrastructure charges for water and wastewater, including the water and wastewater environmental components, we will continue to review the charges

²<https://www.ofwat.gov.uk/wp-content/uploads/2024/10/Statutory-consultation-on-changing-Ofwats-charging-rules-to-further-protect-customers-in-the-new-developer-services-framework.pdf> (page 17)

³ [Consultation-on-Environmental-incentives-to-Support-Sustainable-New-Homes.pdf](#) (page 34)

⁴ [Statutory consultation on changing Ofwat's charging rules to further protect customers in the new developer services framework - Ofwat](#) (page 17)

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annually. This should allow an opportunity to smooth the profile to minimise significant increases in the environmental component charges in any given year.