

Developer Day – Charging session 07 November 2018

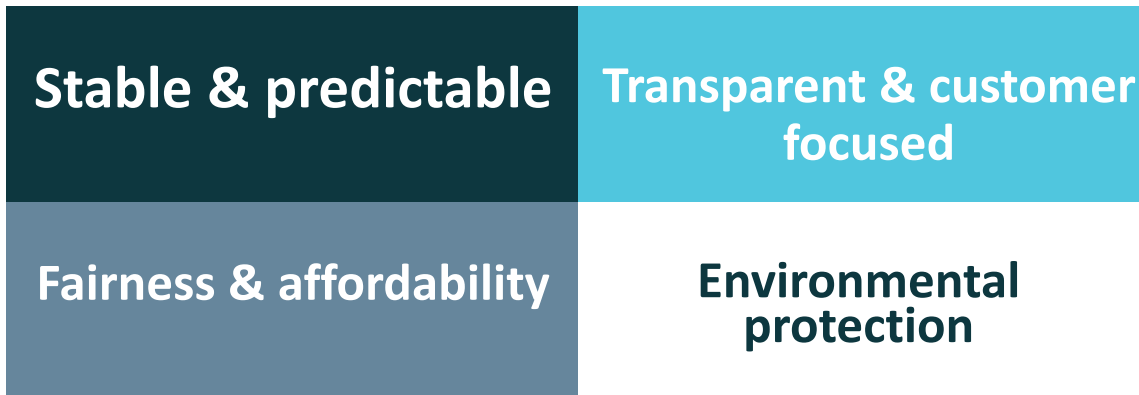


Agenda

- Setting charges - overview of approach
- Your feedback from April/August 2017
- How we set our charges for 2018/19
- Your feedback since 1 February 2018
- Infrastructure charges for sustainable developments
- Site specific versus network reinforcement
- Calculation of charges for new water mains and example scheme
- Charges 2020 and beyond

Setting charges - overview of approach

- We want our charges to be transparent and fair
- We want to minimise the impacts on developers / SLPs
- We want to continue having charges which are cost reflective
- We want to encourage competition
- We want to promote sustainability



Changes from 1 April 2018

Pre 1 April 2018 Previous Framework

Infrastructure charges
Fixed value in licences

Requisition charges
Contribution to both on-site and off-site
infrastructure determined through DAD
calculations

New connection charges
Cost of connecting premises to water mains or
public sewers

From 1 April 2018 New Framework

Infrastructure charges
These cover all network reinforcement work
away from the development site

Requisition charges
Contribution to costs of the physical
infrastructure between the existing network to
(and on) a new development

New connection charges
Cost of connecting premises to water mains or
public sewers

What did you tell us in April and August 2017?

Our stakeholders said:	UU response
Want charges to be site specific and fair, without different developers subsidising each other	We have a cost reflective approach for requisitions rather than a per plot charge
Want a per plot allowance income offset/asset payment because it will be easier to calculate and will give certainty	<p>We changed our approach to income offset/asset payment from a % allowance to a per plot allowance for developments consisting only of household premises.</p> <p>For non-household developments, or where a development does not solely consist of household premises, income offset/asset payments are calculated based on a fixed % allowance of the mains scheme cost.</p>
Want standardised fixed charges for connections and infrastructure to make it clear and simple	We have standard fixed charges for connections and infrastructure
A water or wastewater infrastructure discount would not on its own change developer behaviour	We simplified our approach to water and wastewater infrastructure discounts
Transition period is an important factor for them and clarity and transparency is really important.	We are following Water UK guidance on transition and held a specific session on transition at Developer Day to discuss our approach and provide our stakeholders with an opportunity to discuss areas of concern.
Want clarity and certainty on new connection charges	We have developed our new charges to enable stakeholders to reasonably estimate charges due without having to wait for a quote.

What feedback have we received since 1 February 2018?

Infrastructure discount scheme – when does it apply?

Quotes provided by SLPs to some developers have varied significantly as a result of the publication of the new charges and the way the asset value is being calculated



Network reinforcement – the way some infrastructure is funded is still unclear. Perception that developers will pay for reinforcement within site boundary but do not pay for network reinforcement outside of site boundary

Income offset -the fixed 68% income offset does not work for mixed/commercial sites. A per plot calculation for commercial sites/mixed residential is preferred

Do you have any further feedback?

Infrastructure charges for sustainable developments

- A reduced rate will apply to infrastructure charges for developments which meet specified qualifying criteria.
- Discount only applies to the infrastructure charge in the 2018/19 charges scheme (new schemes from 1 April 2018)
- Discount is not applicable to transition schemes (pre 31 March 2018)
- No material changes proposed for 2019/20



Details are available on our website:

<https://www.unitedutilities.com/services/builders-developers/charges-scheme/>

Sustainable developments - water

Water Infrastructure Discount 2018/19

Qualifying criteria:

Where you can demonstrate, using the Water Calculator, that properties are built with water efficient fittings and fixed appliances that would not exceed the potential consumption of 110 litres or less of water per person per day.

How do I apply?

- To apply for a water infrastructure discount you must identify your request on your application for water services
- A completed Water Calculator form should be submitted with your application
(our website has a link to the water calculator)
- Note: you will be audited to verify the application

Sustainable developments - wastewater

Wastewater Infrastructure Discount 2018/19

Qualifying criteria:

Where you can demonstrate that properties are built with no surface water connection to the public sewer. Surface water will need to drain to either a watercourse or an infiltration system, via a private or adoptable sewer network, and not through an existing public sewer.

How do I apply?

- To apply for a wastewater infrastructure discount you must identify your request on your application for water services
- Provide supporting evidence in the form of a drainage layout plan that confirms drainage connectivity of the properties affected by the application
- Note: you will be audited to verify the application

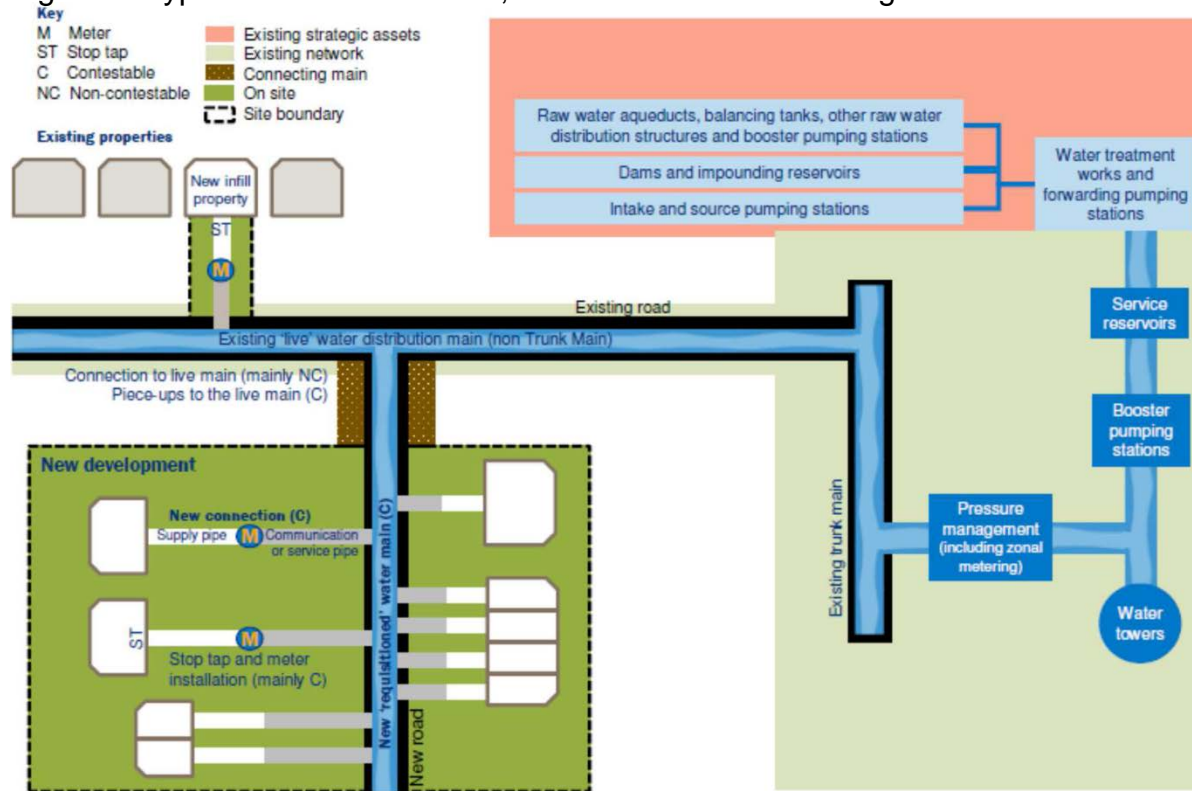
Site specific versus network reinforcement

Under the new rules, there is a clear distinction between site specific charges and network reinforcement charges, we will recover the cost using the two distinct charges:

- **Site Specific charges:**
 - Recovered through the requisition charge
 - Payable for all work carried out by the water company on the site and up to a defined point of connection to the existing water company network.
 - charges cover the cost of Site Specific work to provide any new pipework or pumping facilities that are needed to connect the new houses to the nearest practical point on the existing network, where the diameter of the new connecting pipework is no larger than the diameter of the company's existing network.
- **Network Reinforcement charges:**
 - Recovered through the infrastructure charge
 - Fixed amount per connection – everyone pays the same per connection
 - Relates to network reinforcement required as a result of new developments, this can include:
 - enlarging existing or proposed pipes to increase capacity
 - upsizing existing or proposed pumping stations
 - providing new cross-connections to improve network capacity under differing network conditions
 - other infrastructure required to provide network capacity for growth resulting from new development.

Site Specific/network reinforcement – who pays for what?

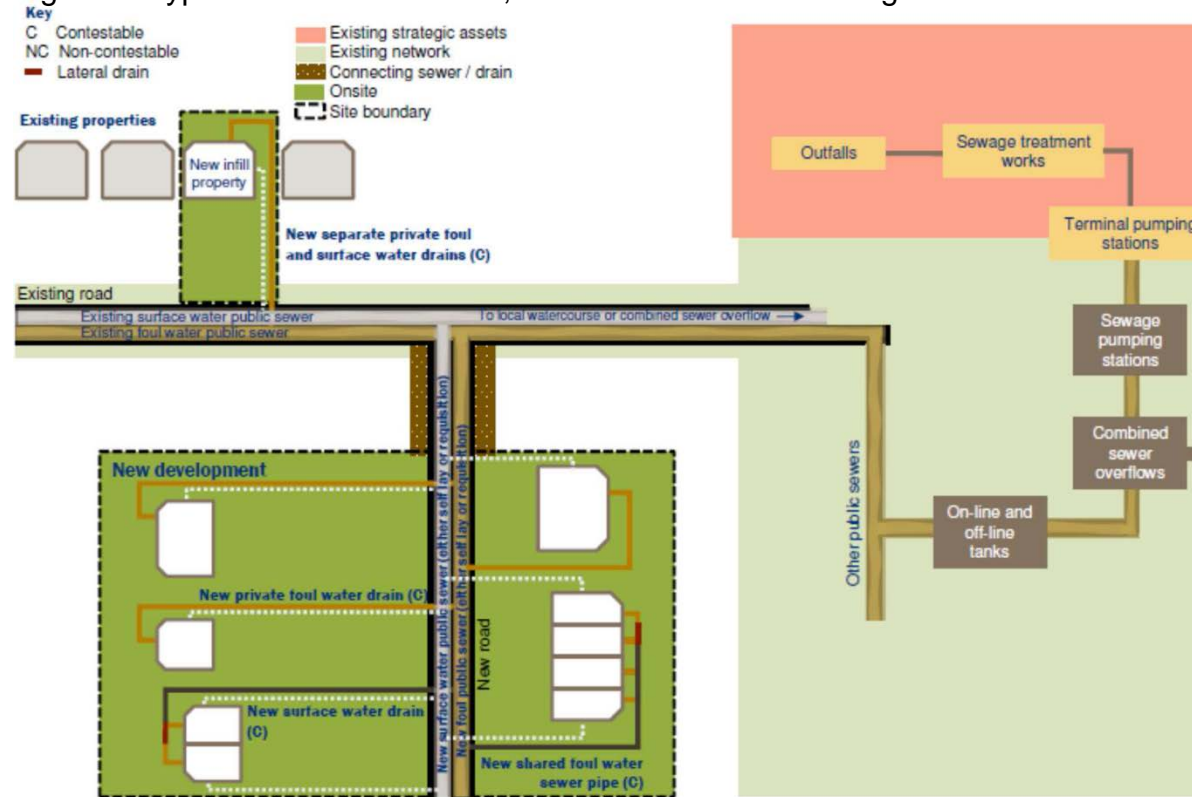
Figure 3: Typical connections work, and the location of existing water assets



Colour	Infrastructure	Who pays and how
Dark green and brown shaded area	Site Specific work to connect the development to an appropriate point on the existing network	Developer or SLP customer through Site Specific charges
Light green shaded area	Network reinforcement upgrades and increased capacity of existing network in consequence of new growth	Developers through the New Infrastructure Charge
Pink shaded area	New resources and treatment assets	Water company through 5-year (AMP) investment plan

Site specific/network reinforcement – who pays for what?

Figure 4: Typical connections work, and the location of existing waste assets



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What is the difference between the way that asset payments and the new income offset payments are calculated?

- Prior to the 2018/19 charges scheme income offset/asset payments were calculated based on a combination of the construction value of the scheme and a forecast revenue from new customers. The new income offset/asset payment has been simplified. The payment is in recognition of future income from new customers. This payment is capped at the construction value of the scheme.
- Under current arrangements, if a developer requisitions a new water main (i.e. on-site assets) the amount we charge to the developer for the cost of the water main is discounted by the income offset, and the developer therefore only contributes a proportion of the cost of a new water main. Our income offset for 2018/19 of £839 per household plot is equivalent to, on average, a discount to the cost of the new water main of 68%. If the new main is installed by a self-lay provider at their cost, and we subsequently adopt the new water main, we pay an asset payment to the self-lay provider of £839 per household plot.
- The fixed allowance per plot/fixed percentage allowance is based on the total income offset / asset payment value required to ensure that the balance of revenue recovered from developers and other customers is maintained. In calculating the value we have used our projections of the number and the scope of requisitions and asset adoptions expected in the year.
- For 2019/20 charges we have simplified the income offset/asset payment in relation to non household developments (or developments not solely consisting of residential) by moving to a fixed per plot allowance rather than a fixed 68% of scheme cost.

Calculation of charges for new water mains

Since the introduction of our new Developer Services charges scheme on 1st April 2018, we have published all charges and the methodology of how we calculate payments to you when a main is self-laid.

- In order for self-lay providers and developers to calculate the financial breakdown of future schemes, without having to contact us, we have developed a tool which allows you to do this.
- This calculation tool is published on our website and can be accessed from the following page:

<https://www.unitedutilities.com/services/builders-developers/charges-scheme/>

- We want to take you through an example of a simple scheme to demonstrate that the charges applicable to a developer or an SLP pay are calculated in a consistent way

Proposed changes to charges 2019/20

- **Self lay design service** – This has been withdrawn following feedback from self lay providers. There are other options available if the SLP didn't do this in-house, for example third party design with next day levels of service if required.
- **New charges** - These include requote fees, pipework laid in ducts, service transfers, enhanced meter options, trial holes & network assembly charges.
- **Charge amendments** – Based on feedback from developer customers we have amended some of our charges to allow greater flexibility and accuracy of the service requested by the customer.
- **Changes to timing of payment for connections to existing mains** – Charges for connections to existing mains are payable when you ask us to carry out the work, unless the connections are associated with a mains requisition scheme. Where this is the case the charges are payable upon completion of each connection.
- **Income Offset/Asset Payment:**
 - For non-household developments served by a supply pipe up to 25mm and developments consisting only of houses, asset payments and income offsets are calculated based on a fixed allowance per plot constructed.
 - For non-household developments served by a supply pipe larger than 25mm, where water fittings information is made available at the time of application, the income offset or asset payment will be calculated based on the relevant multiplier calculation.

Charges 2020 and beyond/Areas under review

- **Income Offset/Asset Payment:**
 - from 1 April 2020 the income offset/asset payment will move from being offset against requisition charges to being offset against the infrastructure charge.
 - the amount of the income offset on a per plot basis is expected to decrease, as it will be applied against a greater number of connections. We expect to continue to set the total amount of income offset we apply at a value to ensure the balance of charges is maintained between developers / self-lay providers and bill paying customers.
- **Continue to review structure of charges-** for example, consider simplifying the different categories of connection charges (short side and near side)
- **Self serve**– for example, introduction of portal to allow developers to reasonably calculate charges.

Tell us what you think...

Do you have any questions?

Next steps

**Further engagement with developers/
SLPs**

**2019/20 charges will be published by 1
February 2019**