

# Southern Water Infrastructure Charges Scheme 2020-21



from  
**Southern  
Water** 

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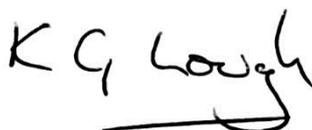
# Preface – Statement of Board Assurance provided to the Water Services Regulation Authority – 2020-21 Charges

The Company, under the direction of the Board, has undertaken a thorough process of internal and external assurance with regard to the setting of charges for the 2020-21 charging year. As a result of the assurances it has received, the Board has satisfied itself to the best of its ability that:

- a) the Company complies with its legal obligations relating to the charges set out in its charges schemes;
- b) the Board has assessed the effects of the new charges on customers' bills for a range of different customer types, and approves the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%;
- c) the Company has appropriate systems and processes in place to make sure that the information contained in the charges scheme, and the additional information covered by this annex is accurate; and
- d) the Company has consulted the Consumer Council for Water (CCWater) in a timely and effective manner on its charges schemes.



**Ian McAulay**  
Chief Executive Officer



**Keith Lough**  
Chairman

# Part 1 - Introduction and Commencement

1. This Charges Scheme is made by Southern Water under Section 143 of the Water Industry Act 1991 and shall come into operation from 1 April 2020 to 31 March 2021 inclusive.
2. This Charges Scheme shall apply in those areas and to those premises for which the Company is, or is deemed to be, the appointed water and/or sewerage undertaker.
3. The amounts now fixed by the Company in respect of the charges provided for in this Charges Scheme are those shown in the Schedule.
4. The Southern Water Infrastructure Charges Scheme 2019-20 is hereby revoked with effect from 1 April 2020, without prejudice to the recovery of charges due in accordance with that and other revoked Charges Schemes.
5. Information on Infrastructure Charges is also provided in the Company's Charging Arrangements document so that, for the convenience of developer services customers, all information relating to new connection charges is available in a single document. This documents can be viewed on our website <https://www.southernwater.co.uk/information-leaflets>.

*[Note: Charges for water services not provided for in this Charges Scheme are provided for in:*

- i. the Southern Water Services Limited Household Charges Scheme 2020-21;*
- ii. the Southern Water Services Limited (South East Water CMP) Charges Scheme 2020-21;*
- iii. the Southern Water Services Limited Wholesale Statement of Principles and Charges 2020-21; and*
- iv. the Southern Water Services Limited Charging Arrangements 2020-21.*

*These documents can be viewed on our website <https://www.southernwater.co.uk/information-leaflets>.]*

## Part 2 - Interpretation

In this Charges Scheme,

"the Company" means Southern Water Services Limited;

Reference herein to a Part or paragraph is a reference to that Part or paragraph of this Charges Scheme;

Reference herein to a Section is a reference to that section of the Water Industry Act 1991, unless the reference expressly provides otherwise;

Without prejudice to the foregoing, the Interpretation Act 1978 shall apply to this Charges Scheme as it applies to an Act of Parliament, and words used shall bear any meaning ascribed to them by the Water Industry Act 1991, unless the context otherwise requires;

"water connection" means connection, either directly or through an intermediate pipe, to a water supply of premises which have never at any previous time been connected to a supply of water provided for domestic purposes by the Company or by any other authority or body which at that time provided supplies of water in the course of carrying out functions under any enactment;

"water infrastructure charge" means the charge for water connection;

"sewerage connection" means connection, either directly or through an intermediate sewer or drain, to a public sewer of premises which have never at any previous time been connected to a sewer used for the drainage for domestic purposes of those premises by the Company or by any other authority or body which at that time provided sewerage services in the course of carrying out functions under any enactment;

"sewerage infrastructure charge" means the charge for sewerage connection;

"premises" includes any building or substantial part of a building, and any part of a building when it is, or is designed, altered or intended to be, occupied as a separate unit;

"house" means any building or part of a building which is occupied as a private dwelling house or which, if unoccupied, is likely to be so occupied and, accordingly, includes a flat;

"common billing agreement" means an agreement between the Company and any other person under which that person has undertaken to pay charges for water supply or sewerage services, or both, in respect of two or more houses which have a common private service pipe and which, in any case where that agreement relates to one of those services only, are also subject to a similar agreement for common billing between that person and the undertaker providing the other service;

"relevant multiplier" means a number (which may be one or more or less than one) calculated in the manner set out in Part 8.

"network reinforcement" has the same meaning as in the Charging Rules for New Connection Services (English Undertakers) issued by the Water Services Regulation Authority under sections 51CD, 105ZF and 144ZA of the Water Industry Act 1991.

“income offset” means a sum of money offset against Infrastructure Charges in recognition of revenue likely to be received by the relevant undertaker in future years for the provision of:

- i. supplies of water to the premises connected to the new Water Main; or
- ii. sewerage services to the premises connected to the new Sewer.

For the avoidance of doubt, "water connection" and "sewerage connection" include any relevant connection made without the authorisation or knowledge of the Company, without prejudice to any rights of the Company in respect of any unauthorised connection.

## Part 3 - Charges

- 1.1 The standard amounts of the water and sewerage infrastructure charges payable for water and sewerage connections shall be specified by the Company.
- 1.2 Subject to the following paragraphs of this Part and with reference to the Schedule of Infrastructure Charges 2020-21 in Part 10
  - (i) the standard water infrastructure charge payable for a new water connection shall be the old water infrastructure charge where the connection is made to a water main that was requisitioned between 1991 and April 2018 inclusive under Section 41 of the Water Industry Act 1991;
  - (ii) the standard water infrastructure charge payable for a new water connection shall be the new water infrastructure charge where the connection is made to a class of water main other than that described in paragraph 1.2(i) above;
  - (iii) the standard sewerage infrastructure charge payable for a new connection to the sewerage system shall be the old sewerage infrastructure charge where the connection is made to a sewer that was requisitioned between 1991 and April 2018 inclusive under Section 98 of the Water Industry Act 1991; and
  - (iv) the standard sewerage infrastructure charge payable for a new connection to the sewerage system shall be the new sewerage infrastructure charge where the connection is made to a class of sewer other than that described in paragraph 1.2(iii) above.
- 1.3 In accordance with the Schedule of Infrastructure Charges 2020-21 in Part 10, the new sewerage infrastructure charge shall be based on the total number of premises comprising the development.
- 1.4 In the case of
  - (i) premises which consist in a house subject to a common billing agreement, or
  - (ii) premises which do not consist in a house or houses and to which water is provided by a service pipe with an internal diameter larger than 20mm,the standard water and sewerage infrastructure charges shall be multiplied by the relevant multiplier for those premises.
- 1.5 In the case of a development site that previously contained houses that were connected to the Company’s water and/or sewerage network within five years of this Charges Scheme coming into effect, the Company will apply infrastructure charge credits. The total infrastructure charges due in respect of such a site shall reflect the total value of the infrastructure charge credits applied by the Company. Each qualifying previously connected house on such a site shall attract an infrastructure charge credit equivalent in value to the applicable standard infrastructure charge for that site.

- 1.6 In order to provide capacity for anticipated future growth in demand for water services, the Company may require the customer to provide a water main and/or sewer of a size greater than required to serve the customer's development. In such circumstances, the Company will bear the additional expense that arises from their request. Where such network enforcement requisition applies, the old water and/or sewerage infrastructure shall be payable.

## Part 4 – Method of Calculation of Charges

- 1.1. In setting the standard new water and sewerage infrastructure charges contained in the Schedule of Infrastructure Charges 2020-21 in Part 10, the Company took into account its
- (i) actual and planned expenditure on water and sewerage network reinforcement for the period 2015 to 2020, and the associated contributions from third parties; and
  - (ii) forecast expenditure on water and sewerage network reinforcement for the period 2020 to 2025.
- 1.2 In the case of the water supply service:
- (i) Analysis of the Company's historic expenditure indicated that the old water supply infrastructure charge recovered the costs of water supply network reinforcement.
  - (ii) The latest information available to the Company at the time of publishing this Charges Scheme indicates that, at the end of the 2020 calendar year, it is currently receiving more income from water supply infrastructure charges than it is spending on water supply network reinforcement.
  - (iii) The Company has identified a number of sites that require water supply network reinforcement and is working with its Developer Services customers to understand the timings of the required capacity improvement.
  - (iv) For the charging year 2020-21, the Company has decided to decrease the new water supply infrastructure charge from the charge for 2019-20 charging year.
  - (v) The Company will review the level of the new water supply infrastructure charge for the 2021-22 charging year, with due consideration given to the balance of contributions between its Developer Services customers and its customers paying general water services charges.
  - (vi) In 2020-21 we have removed the opportunity for a discount on water infrastructure charges for water efficient development. This is due to the charge being set at £0 due to prior over-recovery. To maintain an environmental incentive to develop water efficient homes we have developed an increased income offset associated with water efficient homes.
- 1.3 In the case of the wastewater service:
- (i) Analysis of the Company's historic expenditure indicated that the old wastewater supply infrastructure charge did not fully recover the costs of wastewater supply network reinforcement.
  - (ii) To broadly maintain the balance of contributions between its Developer Services customers and its customers paying general water services charges, the Company needs to include external site-specific contributions to network reinforcement made via the historic sewer requisitions approach.
  - (iii) The total level of contribution by the Company's Developer Services customers equates to:

*Income from wastewater infrastructure charges  
plus  
Income from network reinforcement requisitions*

- (iv) To achieve an indicative wastewater infrastructure charge per premise, the total income as calculated in (iii) above was been divided by the number of new premises built over the period 2015 to 2020. We have continued this approach and applied to our forecast 2020-25 planned investment
  - (v) In 2020-21 we have removed the tiered approach to our wastewater infrastructure charges and replaced with a flat charge. This is because smaller developers benefit from both a lower gross infrastructure charge and increased income offsets on both wastewater and water
  - (vi) The approach outlined in (i) to (v) above allows for the current balance of contributions to be maintained between the Company's Developer Services customers and its customers paying general water services charges. However, it does not fully recover the cost of the Company's wastewater network reinforcement programme.
- 1.4 The Company considers the standard new water and sewerage infrastructure charges contained in the Schedule of Infrastructure Charges 2020-21 in Part 10 to be stable forward-looking charges. In setting this level of charges, the Company has taken into consideration the Water Services Regulation Authority's charging principle of stability and predictability.
- 1.5 Nevertheless the current level of charges, as set out in the Schedule, may change over time in order to ensure that the Company complies with the Water Services Regulation Authority's requirement that the charges will cover the costs of network reinforcement over a rolling five-year period.

## Part 5 – Income Offsets

- 1.1 Income offsets will apply to Infrastructure Charges from 2020-21
- 1.2 Income offsets will apply to the 'gross' headline Infrastructure Charges to provide a 'net' charge that is payable by the customer
- 1.3 Income offsets will only apply to the infrastructure charge if the development that the premise is part of has not received an income offset (or equivalent) previously. Examples of this may include:
- (i) An income offset associated with a requisition
  - (ii) An Asset Payment associated with Self-Laid infrastructure
  - (iii) An Income Offset equivalent in the case of a NAV
- 1.4 The income offsets for water and wastewater are a recognition of future income from the connecting premises. They are calculated in order to ensure that the balance between contributions to costs by developers and other customers prior to 1 April 2018 is broadly maintained
- 1.5 We offer an increased income offset for those developers who develop water efficient homes. This is an important incentive as, in accordance with regulation 4(1) of the Water Industry (Prescribed Conditions) Regulations 1999, as amended, the Secretary of State has determined the whole of the Company's appointed water supply area to be an area of serious water stress. The discount forms part of the Company's wider Target 100 strategy

to promote efficient water usage from its customers, and is applicable to those developments constructed with fixtures and fittings that promote consumption of lower than 110 litres per person per day on average.

## Part 6 - Time for Payment

- 1.1 Subject to the next following paragraph, the water or sewerage infrastructure charge, as the case may be, shall be due and immediately payable to the Company at the time the relevant connection is made.
- 1.2 In the case of the water connection or sewerage connection of a building or part of a building which is occupied as a dwelling house immediately before the connection is made,
- (i) the relevant charge shall be paid in full, within a reasonable period specified by the Company after the connection in respect of which the charge payable is made, or,
  - (ii) at the option of the person liable to pay the relevant charges, an amount equal to the instalment amount shall be paid in each of the twelve years following the relevant connection being made, subject only to that person giving such undertakings to that effect as the Company may reasonably require.
- 1.3 In paragraph 1.2 above, "the instalment amount" means the aggregate amount which would fall to be paid in the relevant year by way of payments of interest and repayments of capital if an amount equal to the water infrastructure charge or, as the case may be, the sewerage infrastructure charge payable for the relevant connection had been borrowed by the Company on terms
- (i) requiring interest to be paid and capital to be repaid in twelve equal annual instalments, and
  - (ii) providing for the amount of the interest to be calculated at such rate, and in accordance with such other provision, as may have been determined either by the Company with the approval of the Water Services Regulation Authority or, in default of such a determination, by the Water Services Regulation Authority.

## Part 7 - Persons Chargeable

The person liable to pay the water infrastructure charge or the sewerage infrastructure charge shall be

- (i) the person requesting the relevant connection to be made, the person making the relevant connection (other than on behalf of the Company) or the person on whose behalf the relevant connection was requested or made, or
- (ii) if the relevant connection is made without authorisation by the Company, the person making such connection, the person on whose behalf the relevant connection was made or the person using the services provided thereby.

## Part 8 - Recalculation of Charges

Where

- (i) a person who has received a demand, or undertaken, to pay water and/or sewerage infrastructure charges in respect of two or more houses subject to a common billing agreement fails to pay them, or any part of them, within 14 days of the date of connection, or
- (ii) a common billing agreement is terminated otherwise than in accordance with its terms by the person who has undertaken to pay charges under it,

the Company may demand and recover from that person, or from the occupier of each house subject to the agreement, standard water and/or sewerage infrastructure charges in respect of each house.

## Part 9 - Relevant Multiplier

- 1.1 To calculate the relevant multiplier for a house to which paragraph 1.5 of Part 3 applies,
  - (i) ascertain in respect of all the houses subject to the common billing agreement in question (e.g. all the flats in a block to which such an agreement applies) and all communal facilities shared by all or any of them, the total number of water fittings in all the categories specified in column 1 of the Table below;
  - (ii) calculate by reference to column 2 of the Table the aggregate loading units attributable to that total number of water fittings (and increase the aggregate, where necessary, to take account of the minimum for domestic appliances);
  - (iii) divide that number of loading units by 24 and divide the resulting figure by the number of houses subject to the common billing agreement;
  - (iv) the resulting number will be the relevant multiplier.
- 1.2 To calculate the relevant multiplier for other premises to which paragraph 1.5 of Part 3 applies
  - (i) ascertain in respect of the premises the total number of water fittings in all the categories specified in column 1 of the Table below;
  - (ii) calculate by reference to column 2 of the Table the aggregate loading units attributable to that total number of water fittings;
  - (iii) divide the aggregate loading units by 24;
  - (ii) the resulting number will be the relevant multiplier, provided that if the resulting number is less than 1, the relevant multiplier will be 1.

TABLE

<u>Column 1</u> <u>Water Fitting (note 1)</u>	<u>Column 2</u> <u>Loading</u> <u>Units</u>
WC flushing cistern	2
Wash basin in a house	1.5
Wash basin elsewhere	3
Bath (tap nominal size 3/4in/20mm) (note 2)	10
Bath (tap nominal size larger than 3/4in/20mm)(note 2) Shower	22
Sink (tap nominal size 1/2in/15mm)	3
Sink (tap nominal size larger than 1/2in/15mm)	3
Spray tap	5
Bidet	0.5
Domestic appliance (subject to a minimum of 6 loading units per house - notes 3 and 4)	1.5
Communal or commercial appliance (note 3)	3
Any other water fitting or outlet (including a tap - but excluding a urinal or water softener)	10
	3

Notes to be read with the Table:

1. Reference to any fitting includes reference to any plumbing, outlet, dedicated space or planning or other provision for that fitting.
2. "Bath" includes a whirlpool bath and a jacuzzi.
3. "Domestic appliance" means an appliance (including a dishwasher, a washing machine and waste disposal unit) in a house and "communal or commercial appliance" means an appliance (including a dishwasher, a washing machine and a waste disposal unit) elsewhere than in a house (including in communal facilities).
4. In any calculation under paragraph 1.1 of this Part, a minimum of six loading units shall be included, in respect of each house, for domestic appliances (whether or not the house has any such appliances) except, in the case of any house, where neither a washing machine nor a dishwasher can be provided (and there is not plumbing, outlet, dedicated space or planning or other provision for either appliance) in the house.
6. In the case of any premises with a sewerage only connection and no water fittings, the relevant multiplier will be one.

# Part 10 - Supplemental Provisions

## 1.1 Legislation

The application, assessment and recovery of charges under this Charges Scheme are subject to the provisions of relevant Acts of Parliament and subordinate legislation made or issued thereunder; the provisions of this Scheme shall be construed so as not to conflict therewith.

## 1.2 Value Added Tax

Water services charges are within the scope of VAT. The charges in the Schedule are shown exclusive of VAT, which will be charged in addition if applicable.

Note: At the time of the making of this Charges Scheme, water supplies to premises engaged in economic activities within Sections C to F inclusive of the Standard Industrial Classification of Economic Activities 1992 are standard-rated; other charges in the Schedule are noted as potentially subject to VAT by way of guidance only.

## 1.3 Customer Information

- 1.3.1 In the event that a consumer has any complaint about the Company's application of this Charges Scheme to the supply of services to his premises, the Company will deal with such complaint in accordance with the Complaints Procedure agreed with the Water Services Regulation Authority. The complaint will be dealt with at an appropriate level in the Company and, if the consumer remains dissatisfied, he may refer the matter to the Consumer Council for Water Southern, whose contact details are provided in paragraph 1.3.2 below. Further information will be provided on request. Under the Water Industry Act 1991 and The Water (Meters) Regulations 1988, some complaints can be referred to an independent arbitrator. Details of this process can be obtained by contacting the company in accordance with paragraph 1.3.2 below.
- 1.3.2 Any request for information must be made to the Company at the telephone number or address specified by it for the purpose.

Note: At the time of the making of this Charges Scheme, the contact details are as follows:-

By phone:	<b>0330 303 0119</b>
Fax:	<b>01962 716 228</b>
Email:	<a href="mailto:developerservices@southernwater.co.uk">developerservices@southernwater.co.uk</a>

By post:

**Developer Services**

Southern Water  
Southern House  
Sparrowgrove  
Otterbourne  
Hampshire, SO21 2SW

**Consumer Council for Water London & South East**

By post:

Consumer Council for Water - London & South East Region  
c/o 1<sup>st</sup> Floor  
Victoria Square House  
Victoria Square  
Birmingham  
B2 4AJ

By phone:

**0300 034 2222**

Fax:

Email:

Online:

**0121 345 1010**

[enquiries@ccwater.org.uk](mailto:enquiries@ccwater.org.uk)

[www.ccwater.org.uk](http://www.ccwater.org.uk)

## Part 11 - Schedule of Infrastructure Charges and Income Offsets 2020-21

<b>Water Supply – Standard Gross Charges</b>	<b>£</b>
New water infrastructure charge	0.00
Old water infrastructure charge	397.26
<b>Sewerage – Standard Gross Charges</b>	<b>£</b>
New sewerage infrastructure charge	790.00
Old sewerage infrastructure charge	397.26
<b>Water Supply – Income Offset</b>	<b>£</b>
New water income offset (non-water efficient development)	335.00
New water income offset (water efficient development)	565.00
<b>Sewerage – Income Offset</b>	<b>£</b>
New sewerage income offset	225.00

Charges are shown exclusive of VAT where this is payable