

# 2020/21 New connection charges

## Information requirement on bill stability

1 February 2020



from  
**Southern  
Water** 

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## Worked examples of typical development bills for new connection services

In this section, we articulate the typical bills associated with a range of development scenarios. The development scenarios correlate closely with Ofwats 'New connection charges: Information requirement on bill stability – draft for feedback'<sup>1</sup>.

The scenarios detail typical customer charges for the 2019/20 charging year, typical customer charges for the 2020/21 charging year and the percentage difference.

### Standard scenario 1

Single connection	No new mains/sewer required; 25-32mm and 100mm water/lateral drain pipe as applicable; Combination of footpath and road surface types in calculations; Short and long connection and road crossing
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Service type	Scenario 1		
	2019/20	2020/21	% change
<b>Water</b>			
<b>Service Connections - non-contestable</b>	<b>£187.30</b>	<b>£187.30</b>	<b>0.0%</b>
Application, admin and inspection fees	£187.30	£187.30	0.0%
<b>Service Connections - contestable</b>	<b>£740.00</b>	<b>£737.00</b>	<b>-0.4%</b>
Contestable construction items	£740.00	£737.00	-0.4%
<b>New mains - non-contestable</b>	<b>£0.00</b>	<b>£0.00</b>	<b>N/A</b>
Application, admin and design fees	£0.00	£0.00	N/A
Non-contestable connection to main	£0.00	£0.00	N/A
<b>New mains - contestable</b>	<b>£0.00</b>	<b>£0.00</b>	<b>N/A</b>
Contestable construction items	£0.00	£0.00	N/A
<b>Income offset - non-contestable</b>	<b>£0.00</b>	<b>-£335.00</b>	<b>N/A</b>
<b>Infrastructure Charges - non-contestable</b>	<b>£200.00</b>	<b>£0.00</b>	<b>-100.0%</b>
<b>Water Total</b>	<b>£1,127.30</b>	<b>£589.30</b>	<b>-47.7%</b>
<b>Wastewater</b>			
<b>Service connections - non-contestable</b>	<b>£295.83</b>	<b>£295.83</b>	<b>0.0%</b>
S106/107 Application / Administration fee	£295.83	£295.83	0.0%
<b>New sewers - non-contestable</b>	<b>£0.00</b>	<b>£0.00</b>	<b>N/A</b>
S104 - Application Fee	£0.00	£0.00	N/A
S102 / S104 - Technical / Inspection Fee	£0.00	£0.00	N/A
<b>Income offset - non-contestable</b>	<b>£0.00</b>	<b>-£225.00</b>	<b>N/A</b>
<b>Infrastructure Charges - non-contestable</b>	<b>£550.00</b>	<b>£790.00</b>	<b>43.6%</b>
<b>Wastewater Total</b>	<b>£845.83</b>	<b>£860.83</b>	<b>1.8%</b>
<b>Non-contestable total</b>	<b>£1,233.13</b>	<b>£713.13</b>	<b>-42.2%</b>
<b>Contestable total</b>	<b>£740.00</b>	<b>£737.00</b>	<b>-0.4%</b>
<b>Overall total</b>	<b>£1,973.13</b>	<b>£1,450.13</b>	<b>-26.5%</b>

<sup>1</sup> Ofwat 2019 - New connection charges: Information requirement on bill stability

## Standard scenario 2

New block of flats (10 units)	No new mains/sewer required; Large diameter water connection and a single sewerage connection; Combination of footpath and road surface types; Short and long connection and road crossing
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Service type	Scenario 2		
	2019/20	2020/21	% change
<b>Water</b>			
<b>Service Connections - non-contestable</b>	<b>£187.30</b>	<b>£187.30</b>	<b>0.0%</b>
Application, admin and inspection fees	£187.30	£187.30	0.0%
<b>Service Connections - contestable</b>	<b>£2,409.00</b>	<b>£2,399.00</b>	<b>-0.4%</b>
Contestable construction items	£2,409.00	£2,399.00	-0.4%
<b>New mains - non-contestable</b>	<b>£0.00</b>	<b>£0.00</b>	<b>N/A</b>
Application, admin and design fees	£0.00	£0.00	N/A
Non-contestable connection to main	£0.00	£0.00	N/A
<b>New mains - contestable</b>	<b>£0.00</b>	<b>£0.00</b>	<b>N/A</b>
Contestable construction items	£0.00	£0.00	N/A
<b>Income offset - non-contestable</b>	<b>£0.00</b>	<b>-£3,350.00</b>	<b>N/A</b>
<b>Infrastructure Charges - non-contestable</b>	<b>£2,000.00</b>	<b>£0.00</b>	<b>-100.0%</b>
<b>Water Total</b>	<b>£4,596.30</b>	<b>-£763.70</b>	<b>-116.6%</b>
<b>Wastewater</b>			
<b>Service connections - non-contestable</b>	<b>£295.83</b>	<b>£295.83</b>	<b>0.0%</b>
S106/107 Application / Administration fee	£295.83	£295.83	0.0%
<b>New sewers - non-contestable</b>	<b>£0.00</b>	<b>£0.00</b>	<b>N/A</b>
S104 - Application Fee	£0.00	£0.00	N/A
S102 / S104 - Technical / Inspection Fee	£0.00	£0.00	N/A
<b>Income offset - non-contestable</b>	<b>£0.00</b>	<b>-£2,250.00</b>	<b>N/A</b>
<b>Infrastructure Charges - non-contestable</b>	<b>£5,500.00</b>	<b>£7,900.00</b>	<b>43.6%</b>
<b>Wastewater Total</b>	<b>£5,795.83</b>	<b>£5,945.83</b>	<b>2.6%</b>
<b>Non-contestable total</b>	<b>£7,983.13</b>	<b>£2,783.13</b>	<b>-65.1%</b>
<b>Contestable total</b>	<b>£2,409.00</b>	<b>£2,399.00</b>	<b>-0.4%</b>
<b>Overall total</b>	<b>£10,392.13</b>	<b>£5,182.13</b>	<b>-50.1%</b>

## Standard scenario 3

Small house development  
(10 new connections)

New mains and sewer required – total length 50m each;  
Combination of unmade and road surface types

Service type	Scenario 3		
	2019/20	2020/21	% change
<b>Water</b>			
<b>Service Connections - non-contestable</b>	<b>£817.12</b>	<b>£817.12</b>	<b>0.0%</b>
Application, admin and inspection fees	£817.12	£817.12	0.0%
<b>Service Connections - contestable</b>	<b>£3,142.00</b>	<b>£3,132.00</b>	<b>-0.3%</b>
Contestable construction items	£3,142.00	£3,132.00	-0.3%
<b>New mains - non-contestable</b>	<b>£4,789.17</b>	<b>£4,774.17</b>	<b>-0.3%</b>
Application, admin and design fees	£1,399.17	£1,399.17	0.0%
Non-contestable connection to main	£3,390.00	£3,375.00	-0.4%
<b>New mains - contestable</b>	<b>£5,668.00</b>	<b>£5,736.13</b>	<b>1.2%</b>
Contestable construction items	£5,668.00	£5,736.13	1.2%
<b>Income offset - non-contestable</b>	<b>-£9,058.00</b>	<b>-£3,350.00</b>	<b>-63.0%</b>
<b>Infrastructure Charges - non-contestable</b>	<b>£2,000.00</b>	<b>£0.00</b>	<b>-100.0%</b>
<b>Water Total</b>	<b>£7,358.29</b>	<b>£11,109.42</b>	<b>51.0%</b>
<b>Wastewater</b>	<b>2019/20</b>	<b>2020/21</b>	<b>% change</b>
<b>Service connections - non-contestable</b>	<b>£295.83</b>	<b>£295.83</b>	<b>0.0%</b>
S106/107 Application / Administration fee	£295.83	£295.83	0.0%
<b>New sewers - non-contestable</b>	<b>£1,515.00</b>	<b>£1,515.00</b>	<b>0.0%</b>
S104 - Application Fee	£515.00	£515.00	0.0%
S102 / S104 - Technical / Inspection Fee	£1,000.00	£1,000.00	0.0%
<b>Income offset - non-contestable</b>	<b>£0.00</b>	<b>-£2,250.00</b>	<b>N/A</b>
<b>Infrastructure Charges - non-contestable</b>	<b>£5,500.00</b>	<b>£7,900.00</b>	<b>43.6%</b>
<b>Wastewater Total</b>	<b>£7,310.83</b>	<b>£7,460.83</b>	<b>2.1%</b>
<b>Non-contestable total</b>	<b>£5,859.12</b>	<b>£9,702.12</b>	<b>65.6%</b>
<b>Contestable total</b>	<b>£8,810.00</b>	<b>£8,868.13</b>	<b>0.7%</b>
<b>Overall total</b>	<b>£14,669.12</b>	<b>£18,570.25</b>	<b>26.6%</b>

## Standard scenario 4

Medium house development (50 new connections)

New mains and sewer required – total length 300m each;  
Combination of unmade and road surface types

Service type	Scenario 4		
	2019/20	2020/21	% change
<b>Water</b>			
<b>Service Connections - non-contestable</b>	<b>£3,921.56</b>	<b>£3,921.56</b>	0.0%
Application, admin and inspection fees	£3,921.56	£3,921.56	0.0%
<b>Service Connections - contestable</b>	<b>£15,594.00</b>	<b>£15,544.00</b>	-0.3%
Contestable construction items	£15,594.00	£15,544.00	-0.3%
<b>New mains - non-contestable</b>	<b>£4,789.17</b>	<b>£4,774.17</b>	-0.3%
Application, admin and design fees	£1,399.17	£1,399.17	0.0%
Non-contestable connection to main	£3,390.00	£3,375.00	-0.4%
<b>New mains - contestable</b>	<b>£31,668.00</b>	<b>£32,084.82</b>	1.3%
Contestable construction items	£31,668.00	£32,084.82	1.3%
<b>Income offset - non-contestable</b>	<b>-£35,058.00</b>	<b>-£16,750.00</b>	-52.2%
<b>Infrastructure Charges - non-contestable</b>	<b>£10,000.00</b>	<b>£0.00</b>	-100.0%
<b>Water Total</b>	<b>£30,914.73</b>	<b>£39,574.55</b>	<b>28.0%</b>
<b>Wastewater</b>			
<b>Service connections - non-contestable</b>	<b>£295.83</b>	<b>£295.83</b>	0.0%
S106/107 Application / Administration fee	£295.83	£295.83	0.0%
<b>New sewers - non-contestable</b>	<b>£4,515.00</b>	<b>£4,515.00</b>	0.0%
S104 - Application Fee	£515.00	£515.00	0.0%
S102 / S104 - Technical / Inspection Fee	£4,000.00	£4,000.00	0.0%
<b>Income offset - non-contestable</b>	<b>£0.00</b>	<b>-£11,250.00</b>	N/A
<b>Infrastructure Charges - non-contestable</b>	<b>£38,250.00</b>	<b>£39,500.00</b>	3.3%
<b>Wastewater Total</b>	<b>£43,060.83</b>	<b>£33,060.83</b>	<b>-23.2%</b>
<b>Non-contestable total</b>	<b>£26,713.56</b>	<b>£25,006.56</b>	-6.4%
<b>Contestable total</b>	<b>£47,262.00</b>	<b>£47,628.82</b>	0.8%
<b>Overall total</b>	<b>£73,975.56</b>	<b>£72,635.38</b>	-1.8%

## Standard scenario 5

Large house development  
(200 new connections)

New mains and sewer required – total length 1,000m each;  
Combination of unmade and road surface types;

Service type	Scenario 5		
	2019/20	2020/21	% change
<b>Water</b>			
<b>Service Connections - non-contestable</b>	<b>£15,563.21</b>	<b>£15,563.21</b>	<b>0.0%</b>
Application, admin and inspection fees	£15,563.21	£15,563.21	0.0%
<b>Service Connections - contestable</b>	<b>£62,260.00</b>	<b>£62,060.00</b>	<b>-0.3%</b>
Contestable construction items	£62,260.00	£62,060.00	-0.3%
<b>New mains - non-contestable</b>	<b>£6,409.00</b>	<b>£6,387.00</b>	<b>-0.3%</b>
Application, admin and design fees	£1,475.00	£1,475.00	0.0%
Non-contestable connection to main	£4,934.00	£4,912.00	-0.4%
<b>New mains - contestable</b>	<b>£112,356.00</b>	<b>£114,012.24</b>	<b>1.5%</b>
Contestable construction items	£112,356.00	£114,012.24	1.5%
<b>Income offset - non-contestable</b>	<b>-£117,290.00</b>	<b>-£67,000.00</b>	<b>-42.9%</b>
<b>Infrastructure Charges - non-contestable</b>	<b>£40,000.00</b>	<b>£0.00</b>	<b>-100.0%</b>
<b>Water Total</b>	<b>£119,298.21</b>	<b>£131,022.45</b>	<b>9.8%</b>
<b>Wastewater</b>	<b>2019/20</b>	<b>2020/21</b>	<b>% change</b>
<b>Service connections - non-contestable</b>	<b>£295.83</b>	<b>£295.83</b>	<b>0.0%</b>
S106/107 Application / Administration fee	£295.83	£295.83	0.0%
<b>New sewers - non-contestable</b>	<b>£15,515.00</b>	<b>£15,515.00</b>	<b>0.0%</b>
S104 - Application Fee	£515.00	£515.00	0.0%
S102 / S104 - Technical / Inspection Fee	£15,000.00	£15,000.00	0.0%
<b>Income offset - non-contestable</b>	<b>£0.00</b>	<b>-£45,000.00</b>	<b>N/A</b>
<b>Infrastructure Charges - non-contestable</b>	<b>£153,000.00</b>	<b>£158,000.00</b>	<b>3.3%</b>
<b>Wastewater Total</b>	<b>£168,810.83</b>	<b>£128,810.83</b>	<b>-23.7%</b>
<b>Non-contestable total</b>	<b>£113,493.04</b>	<b>£83,761.04</b>	<b>-26.2%</b>
<b>Contestable total</b>	<b>£174,616.00</b>	<b>£176,072.24</b>	<b>0.8%</b>
<b>Overall total</b>	<b>£288,109.04</b>	<b>£259,833.28</b>	<b>-9.8%</b>

## Standard scenario 6

Self-laid infrastructure	Admins fees (application, inspection etc)
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Our fees associated with Self-laid infrastructure are unaltered between 2019/20 and 2020/21.

## Non-standard scenario 7

Small house development (21 new connections)	New mains and sewer required – total length 105m each; Combination of unmade and road surface types;
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Service type	Scenario 3a		
	2019/20	2020/21	% change
<b>Water</b>			
<b>Service Connections - non-contestable</b>	<b>£1,739.52</b>	<b>£1,739.52</b>	<b>0.0%</b>
Application, admin and inspection fees	£1,739.52	£1,739.52	0.0%
<b>Service Connections - contestable</b>	<b>£6,517.00</b>	<b>£6,496.00</b>	<b>-0.3%</b>
Contestable construction items	£6,517.00	£6,496.00	-0.3%
<b>New mains - non-contestable</b>	<b>£4,789.17</b>	<b>£4,774.17</b>	<b>-0.3%</b>
Application, admin and design fees	£1,399.17	£1,399.17	0.0%
Non-contestable connection to main	£3,390.00	£3,375.00	-0.4%
<b>New mains - contestable</b>	<b>£11,388.00</b>	<b>£11,532.84</b>	<b>1.3%</b>
Contestable construction items	£11,388.00	£11,532.84	1.3%
<b>Income offset - non-contestable</b>	<b>-£14,778.00</b>	<b>-£7,035.00</b>	<b>-52.4%</b>
<b>Infrastructure Charges - non-contestable</b>	<b>£4,200.00</b>	<b>£0.00</b>	<b>-100.0%</b>
<b>Water Total</b>	<b>£13,855.69</b>	<b>£17,507.53</b>	<b>26.4%</b>
<b>Wastewater</b>	<b>2019/20</b>	<b>2020/21</b>	<b>% change</b>
<b>Service connections - non-contestable</b>	<b>£295.83</b>	<b>£295.83</b>	<b>0.0%</b>
S106/107 Application / Administration fee	£295.83	£295.83	0.0%
<b>New sewers - non-contestable</b>	<b>£2,515.00</b>	<b>£2,515.00</b>	<b>0.0%</b>
S104 - Application Fee	£515.00	£515.00	0.0%
S102 / S104 - Technical / Inspection Fee	£2,000.00	£2,000.00	0.0%
<b>Income offset - non-contestable</b>	<b>£0.00</b>	<b>-£4,725.00</b>	<b>N/A</b>
<b>Infrastructure Charges - non-contestable</b>	<b>£16,065.00</b>	<b>£16,590.00</b>	<b>3.3%</b>
<b>Wastewater Total</b>	<b>£18,875.83</b>	<b>£14,675.83</b>	<b>-22.3%</b>
<b>Non-contestable total</b>	<b>£14,826.52</b>	<b>£14,154.52</b>	<b>-4.5%</b>
<b>Contestable total</b>	<b>£17,905.00</b>	<b>£18,028.84</b>	<b>0.7%</b>
<b>Overall total</b>	<b>£32,731.52</b>	<b>£32,183.36</b>	<b>-1.7%</b>



## Bill increases of over 10%

The only scenario where our customers see a bill increase of over 10% at development level is Scenario 3. Following analysis, it appears that the very limited scenario where customer bills increase are:

- developments of 20 or less properties;
- that also have a water mains requisition

This is because in 2019/20, these developments received a relatively large income offset whilst also paying our lower tier wastewater infrastructure charge of £550 (against £765 for developments of more than 20 properties). The £550 charge applied to developments of 20 or less and was implemented in 2018 to mitigate financial impact on smaller developers following consultation with customers and CCW in 2017.

To test this thesis, we developed Scenario 7. This is a development with the same per unit measures as Scenario 3, but with 21 properties (and therefore the higher £765 historic infrastructure charge). In Scenario 7, development level customer bills in 2020/21 are very slightly lower than 2019/20, as they are for Scenario 4 and 5. This gives confidence that our analysis on the types of development affected by this bill increase is accurate.

## Range of the scenario

We have reviewed a sample of water requisitions that our customers have requested that we deliver. Out of 11,988 new properties connected within the total sample, only 482 are associated with requisitions that have a total property count of 20 or less. This is circa 4% of the total. Given that not all connecting properties are associated with requisitions, it is likely that the number of connecting properties within this Scenario range is comfortably less than 5%.

## The size of impact expected

As per Scenario 3, we believe that the typical impact of the changes within this band to be around £400 per property connected. This equates to a circa 20 – 30% increase on the charges that would have been payable in 2019/20.

## Our decision

We have decided not to offer any handling strategies for this scenario. This is for the following reasons:

- The impact is not due to price increases but down to a reduced income offset across a very specific type of development
- It is only a very limited band (<5%) of connecting properties that are impacted by this scenario
- All other scenarios show a saving in relation to the total charges levied at development level
- The future savings are particularly prominent for smaller developments where there is no requisition as they will benefit from the income offset for the first time
- Customers whose developments fall within the affected band will be likely to be benefiting from (or will in future) savings with other developments that fall into the other charging scenarios
- Handling strategies that focus on a very narrow band of customers would be very difficult to define and communicate
- The handling strategy would add complexity and potentially undermine the principle of transparency and customer focused service
- We have adopted an approach of implementing a uniform approach to the income offset to maximise fairness and affordability for all connecting customers. A localised adjustment may undermine this principle
- Whilst a £400 increase is not insignificant, it must be considered against the commercial returns associated with property development
- Customers have consistently expressed strong support for simplicity and charge certainty

- Customers within this area have options on how work is delivered as a large amount of the scope is contestable. They can utilise the market to seek lower costs. Localised adjustments to the income offset may have a distorting effect on this area of provision

We believe that the benefits of a straightforward, uniform, fair approach where all customers utilise a consistent charging approach outweigh the benefits of adopting a handling strategy for a very limited number of connecting properties. This is particularly relevant when the same customers benefit from often significant savings when their developments fall within all other charging scenarios.