

Important changes to charges for new developments from 1 April 2020

Dear customer

We wrote to you earlier in October to you to inform you of some important changes that affect the way we charge for services to support new developments. The detail of changes is included in our earlier correspondence but we have summarised the main changes that will come into effect from 1 April 2020:

- Ofwat requires water companies to remove income offsets from requisition charges
- This means we will pay no asset payment to self-lay providers (SLP) when mains are self-laid and offered to us for adoption
- We will no longer make a payment that is the equivalent to the income offset amount to New Appointments and Variations (NAV)
- We intend to reduce our water and sewerage infrastructure charges
- We will continue offer discounts for houses that are built to be water efficient and/or drain surface water away from our existing sewers
- Water companies are required to achieve the broad balance of charges that existed prior to April 2018

To illustrate how the changes to our charges may affect typical new developments we have included some examples with this communication. The examples show a number of scenarios where developers have requisitioned water mains from us as this is the area of charging that we believe needs some detailed illustration.

The changes that will affect developments where SLPs and NAVs provide new infrastructure are mentioned above and in our earlier correspondence. Where customers require connections to our existing water mains and sewers there will be no change to the way we charge currently, although those customers will also benefit from lower infrastructure charges.

Our examples, which are for illustrative purposes only, are intended to show any difference in the value for the types of charges that are changing i.e. requisition charges, income offsets and infrastructure charges. To simplify things, we have excluded other types of fees and charges (e.g. service connection charges, design fees, etc.) that are not changing in the way that we apply them. We have used some actual developments where customers have requisitioned water mains from us prior to April 2018 and shown how charges transition in the period before April 2018 to post April 2020.

We hope that this communication is useful in helping you to understand how things will change from next April. If you have any comments that you would like to share with us, we would be pleased to hear from you by 15 November 2019. You can write to us using our email address ConnectConsult@nwl.co.uk or contact the following members of our Developer Services team who will be happy to talk to you:

Ian McCrickard, Customer Service Manager 0191 4196576
Sue Hill, New Development Team Leader 0191 4196580
Steve Wharton, Planning Manager 0191 4196617
Laura Clegg, New Development Team Leader 0191 4196605

Development parameters	
Number of houses	8
Length of water main outside development site (m)	8
Length of water main within development site (m)	97

Cost information	2017/18 DADS calculation	2018/19 fixed income offset per house	2020/21 no income offset
Construction cost of water main	£7,500	£7,500	£7,500
Income offset amount	-£1,236	-£3,320	£0
Developer's payment for water mains	£6,264	£4,180	£7,500
Water infrastructure charges	£2,920	£1,480	£1,080
Sewerage infrastructure charges	£2,920	£2,680	£1,880
Combined cost of mains and infrastructure charges	£12,104	£8,340	£10,460
<u>Discounts for water efficient houses that drain sustainably</u>			
Discount if all houses are water efficient	£0	-£1,480	-£1,080
Discount if all houses drain surface water away from NW's sewers	£0	-£2,280	-£1,480
Combined cost of mains and infrastructure charges	£12,104	£4,580	£7,900

Infrastructure charge and income offset information

Water Infrastructure charge rates	Standard charge	Water efficient charge
2017/18	£365	£0
2018/19	£185	£0
2020/21	£135	£0

Sewerage Infrastructure charge rates	Standard charge	Sustainable drainage charge
2017/18	£365	£365
2018/19	£335	£50
2020/21	£235	£50

Income offset per house	DADS calculation
2017/18	£415
2018/19	£415
2020/21	£0

Infrastructure charge values are indicative for 2020/21

Development Parameters	
Number of houses	60
Length of water main outside development site (m)	5
Length of water main within development site (m)	472

Cost information	2017/18 DADS calculation	2018/19 fixed income offset per house	2020/21 no income offset
Construction cost of water main	£21,500	£21,500	£21,500
Income offset amount	-£21,500	-£21,500	£0
Developer's payment for water mains	£0	£0	£21,500
Water infrastructure charges	£21,900	£11,100	£8,100
Sewerage infrastructure charges	£21,900	£20,100	£14,100
Combined cost of mains and infrastructure charges	£43,800	£31,200	£43,700
<u>Discounts for water efficient houses that drain sustainably</u>			
Discount if all houses are water efficient	£0	-£11,100	-£8,100
Discount if all houses drain surface water away from NW's sewers	£0	-£17,100	-£11,100
Combined cost of mains and infrastructure charges	£43,800	£3,000	£24,500

Infrastructure charge and income offset information

Water Infrastructure charge rates	Standard charge	Water efficient charge
2017/18	£365	£0
2018/19	£185	£0
2020/21	£135	£0

Sewerage Infrastructure charge rates	Standard charge	Sustainable drainage charge
2017/18	£365	£365
2018/19	£335	£50
2020/21	£235	£50

Income offset per house	DADS calculation
2017/18	£415
2018/19	£415
2020/21	£0

Infrastructure charge values are indicative for 2020/21

Development parameters	
Number of houses	228
Length of water main outside development site (m)	88
Length of water main within development site (m)	1662

Cost information	2017/18 DADS calculation	2018/19 fixed income offset per house	2020/21 no income offset
Construction cost of water main	£85,000	£85,000	£85,000
Income offset amount	-£84,878	-£85,000	£0
Developer's payment for water mains	£122	£0	£85,000
Water infrastructure charges	£83,220	£42,180	£30,780
Sewerage infrastructure charges	£83,220	£76,380	£53,580
Combined cost of mains and infrastructure charges	£166,562	£118,560	£169,360
<u>Discounts for water efficient houses that drain sustainably</u>			
Discount if all houses are water efficient	£0	-£42,180	-£30,780
Discount if all houses drain surface water away from NW's sewers	£0	-£64,980	-£42,180
Combined cost of mains and infrastructure charges	£166,562	£11,400	£96,400

Infrastructure charge and income offset information

Water Infrastructure charge rates	Standard charge	Water efficient charge
2017/18	£365	£0
2018/19	£185	£0
2020/21	£135	£0

Sewerage Infrastructure charge rates	Standard charge	Sustainable drainage charge
2017/18	£365	£365
2018/19	£335	£50
2020/21	£235	£50

Income offset per house	DADS calculation
2017/18	£415
2018/19	£415
2020/21	£0

Infrastructure charge values are indicative for 2020/21

Development parameters	
Number of houses	384
Length of water main outside development site (m)	179
Length of water main within development site (m)	2805

Cost information	2017/18 DADS calculation	2018/19 fixed income offset per house	2020/21 no income offset
Construction cost of water main	£157,000	£157,000	£157,000
Income offset amount	-£157,000	-£157,000	£0
Developer's payment for water mains	£0	£0	£157,000
Water infrastructure charges	£140,160	£71,040	£51,840
Sewerage infrastructure charges	£140,160	£128,640	£90,240
Combined cost of mains and infrastructure charges	£280,320	£199,680	£299,080
<u>Discounts for water efficient houses that drain sustainably</u>			
Discount if all houses are water efficient	£0	-£71,040	-£51,840
Discount if all houses drain surface water away from NW's sewers	£0	-£109,440	-£71,040
Combined cost of mains and infrastructure charges	£280,320	£19,200	£176,200

Infrastructure charge and income offset information

Water Infrastructure charge rates	Standard charge	Water efficient charge
2017/18	£365	£0
2018/19	£185	£0
2020/21	£135	£0

Sewerage Infrastructure charge rates	Standard charge	Sustainable drainage charge
2017/18	£365	£365
2018/19	£335	£50
2020/21	£235	£50

Income offset per house	DADS calculation
2017/18	£415
2018/19	£415
2020/21	£0

Infrastructure charge values are indicative for 2020/21