

Development Services

Charging Arrangements Consultation

Phase 1 | November 2024





Development Services: Have your say

Current principles and background to Developer Charging

The Water Act 2014 provides Ofwat with the powers to develop and update Developer Services charging rules. In 2018, Ofwat introduced new rules that govern the charges Water Companies can impose when providing new connection services to customers.

The Charging Rules for New Connection Services (English Undertakers) replaced the charging arrangements that were previously set out in the Water Industry Act of 1991 (WIA91).

Under these new rules, companies were required to determine charges in accordance with the following principles:

1. fairness and affordability;
2. environmental protection;
3. stability and predictability; and
4. transparency and customer focused service.

In 2022/23 Ofwat introduced a 5th principle:

5. charges must reflect the cost of the relevant service

In addition, from April 2020, every New Connection customer, regardless of size or customer type, paid a oneoff Infrastructure Charge, set by each water company based on the forecast costs of future network reinforcement. Ofwat then allowed for an income offset payment back to the developer from the water company in recognition of future income that the company would receive from new customers. This income offset has since been removed by Ofwat and is no longer applicable to new connections from 1 April 2025. Over the last few years, Ofwat has been asking water companies to consider how they can incentivise developers to achieve greater water sustainability in their house building. A number of companies, including Anglian Water, have introduced discounts to their water and/ or wastewater connection infra charges where developers have delivered more water efficient/ sustainable homes. Through this consultation we are considering our proposals to support our customers in delivering a greater level of sustainability, and the level of financial incentive we propose to support this.

Ofwat are also considering how developer charging arrangements need to change over the next funding period (2025-2030) to give increased transparency and simplicity, support competition and ensuring we are maintaining a balance between services offered and costs incurred.

We are seeking your views on our proposals related to the above, through our charges, in preparation for 2025 and beyond.



2025/26 Charges Consultation Questions

Currently, all new properties connected to our water and/or sewerage network are subject to an Infrastructure Charge. From April next year, we are looking to introduce a water environmental incentive in an effort to promote water sustainability. An environmental incentive is where developers are offered discounts on their infrastructure new connection charges for meeting certain standards of water efficiency or sustainable drainage.

In summer 2024 Ofwat published their consultation with draft guidance on their Environmental Incentives Common Framework (EICF). The EICF will come into effect from 1 April 2025. Based on this guidance, we are proposing a new water efficiency incentive using the fixtures and fittings approach, using the specifications published by Ofwat.

We feel that by offering a relatively simple incentive in Year One, we will allow all parties to become accustomed to Environmental Incentives throughout the year, with the potential for more complex and rewarding incentives in subsequent years.

Ofwat previously announced the removal of the 'income offset' from all new connections completed post 1 April 2025. The income offset essentially gave a per plot discount to developers (£491 in 24/25) where an infrastructure charge was payable and removal of this is going to have an impact on customer bills. We are therefore looking at ways in which we can further support our customers at a time when any increase in cost is a concern.

Finally, we have been continuing to develop our general charging arrangements, ensuring they are set up for April 2025 onwards in a way that makes them as clear, simple and transparent as possible. This year, we are reviewing our documentation, as well as considering specific charging elements and ways in which we can make it easier for customers to estimate their overall project costs. Based on customer feedback last year, we already started the process of 'unbundling' our charges for 24/25. We are continuing with the process this year of making it simpler and easier to understand our charges for the services we offer, enhancing our guidance and 'navigation' of our charges to facilitate customers building a cost estimate that is as relevant as possible for each project.

We'd love to hear from you



This year, our 'Have Your Say' consultation is made up of 3 stages:

Phase 1: November 2024: Consultation opens

Launching in November 2024, we'll be reaching out to our key customer groups to get an understanding of what matters to you most, specifically reflecting on Environmental Incentives, Simplicity and Transparency, and Transitional Support Arrangements

Please note – a separate consultation will be shared with our NAV customers shortly.

Phase 2: Working together

From mid November onwards, we'll consolidate and reflect on your feedback as we finalize our charging arrangements and begin to implement our future service offerings.

Phase 3: January 2025: Publishing our plans

We'll publish our final charging arrangements for the period 2025-2026 by the end of January, including full details for the requirements of our Environmental Incentive.

How to give us your views

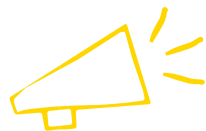
Our consultation covers 3 key areas (Environmental Incentives, Simplicity and Transparency, and Transitional Support Arrangements). with eight questions in total, and should take around 10 minutes to complete.

The consultation is available online using Microsoft Forms and is open until Friday 15th November 2024. You can find the consultation and give us your thoughts [here](#) or using the QR code on this page.



We'll publish an anonymous summary of the feedback we receive on our website and use it to shape our future charging arrangements and service offerings. If you have any questions on this consultation or wish to provide more feedback on your experience of our charging arrangements or working with us, please email engagement@anglianwater.co.uk

Have your say



Environmental Incentives for 2025-2030

Based on the most recently published Ofwat documentation (Environmental incentives to support sustainable new homes — conclusions and final consultation, Ofwat, October 2024) we are proposing introducing a new water environmental incentive using an internal fixtures and fittings approach and a target of **90 litres** per person per day (lpppd) We are considering offering a FULL application (where developers will be using specified fixtures and fittings as well as installing dishwasher and washing machine in line with the specifications), achieving 90lpppd; or a PARTIAL application (where developers will only be installing the qualifying fixtures and fittings, excluding dishwasher and washing machine), which achieves a lower level of water efficiency in the property.

Question 1

When Anglian Water introduce an Environmental Incentive from April 2025 to achieve greater water efficiency in new homes using a fixtures and fittings approach that is in line with Ofwat guidance, would you be interested in applying for this from next year?

Yes

I'd be interested in making a FULL application, including water efficient dishwasher/ washing machine and achieving 90lpppd

Yes

I'd be interested in making a PARTIAL application (excluding dishwasher/ washing machine)

No

I would not be interested in making an application

Comments

Question 2

What value incentive would you expect to receive based on either a FULL or PARTIAL application?

Full application (fixtures and fittings — including dishwasher/ washing machine)

£200

£300

£

£400

£500

Other amount (please specify)

Partial application (fixtures and fittings — excluding dishwasher/ washing machine)

£50

£100

£

£150

£200

Other amount (please specify)

Question 3

We are considering what bespoke incentives we may be able to offer in future years. Do you have any thoughts on what these should be to help shape our thinking?

Comments

Our charges: Simplicity and Transparency

We are working on making our charges more transparent, simplifying the approach for our customers to help ensure we can address your queries with us more easily. As part of this, we are undertaking a review of our charges arrangement documentation to make it as clear as possible, changing the structure of it to support customers to estimate their overall project charge.

Last year customers who responded to our consultation supported our proposals to ‘unbundle’ our charges for excavation and reinstatement, and for traffic management. ‘Unbundling’ means charges are not averaged out across all services, but instead each service has a charge attached to it. This year, to make things even clearer for our customers, we will keep unbundling in place as an Ofwat requirement; additionally, we propose to group similar charges within their unbundled component groups where there are only marginal differences, such as with certain pipe diameters or material types. We feel in this way we are further supporting our customers’ ability to estimate their overall scheme costs. Furthermore, in previous consultations, customers have given their support to the introduction of application fees. We are pleased to say we are now in a position to implement these for all of our services, separating out administrative, design and other fees from our construction elements.

We are proposing we move away from our use of deposits for work and incorporate any upfront payments into our overall fee structure as application fees. For example, we will no longer offer a design deposit and instead will charge design fees as part of the total scheme cost. We have also undertaken a review of our pre-development charges. As a result we propose to introduce a tiered PPE (pre-planning enquiry) service, offering a ‘basic’ initial report for speculative inquiries that will be much faster and cost effective. We then intend to introduce additional charges that would apply to more complex enquiries, such as those that require modelling, for example.

Question 4

With regards to upfront fees, would you prefer an upfront charge structure that gives more cost certainty of final project charges? (this would be an alternative to paying a deposit)

Yes No

Add any additional comment here:

Question 5

Do you agree that grouping of similar charges, for example similar pipe diameters, and having a single price for these components would aid simplicity when estimating the final project charge?

Yes No

Add any additional comment here:

Question 6

Do you agree that in addition to our worked examples, our charges arrangements documentation should be laid out in a structure that assists in the estimation of a final project charge?

Yes No

Add any additional comment here:

Question 7

Do you agree with introducing an initial ‘pre-planning’ charge that covers a basic initial report, with additional charges for those customers seeking further information for their project?

Yes No

Add any additional comment here:

Transitional Support Arrangements

As we consider our developer charging arrangements for April 2025 onwards we are conscious that increased cost is of concern to our customers. Overall, we expect our charges to increase in line with inflation (subject to the potential changes outlined in this consultation), however, due to the removal by Ofwat of the Income Offset (£491 per property in 24/25) for any new connections completed post 1 April 2025, in some instances our charges will need to increase more than we would like. This can be mitigated to a certain extent by applying for our new water environmental incentive. We are therefore seeking your views on which transitional support arrangements would be most beneficial to our customers.

In previous years when we have had more significant increases in our charges, we have ensured we have communicated the changes as widely and early as possible in order that customers have the option to settle their accounts prior to the increase. We also have an online water calculator tool which enables customers to estimate their possible scheme costs in advance.

Question 8

Are there any other support arrangements you believe we should be considering for the 202526 charging year?

Yes No

Add any additional comment here:

Our conversation doesn't end here..

We're currently reviewing our programme of engagement for the year ahead. We'd love to hear more about how you'd like us to keep you up to date, share latest industry updates and understand what value add conversations look like to you. This is the engagement we offer beyond the regular communications you have with our teams or Growth Liaison Managers for your projects.

Question 1

What is your preferred method of engagement throughout the year?
Please select all of the relevant options.

- Face to face forum Virtual forum Electronic or mailed newsletter
- Something else

Question 2

How frequently would you like us to engage with you? Please select all of the relevant options.

- Monthly Quarterly Yearly

Question 3

What content do you or your organisation recognise as value add? (For example technical or service offering information, current and future industry updates.)

Thanks for your time and contribution. We look forward to hearing your views.