



BRISTOL
WATER

New Connections and Developer Services Customer Engagement November 2024

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Engagement with customers

Meaningful engagement with customers and stakeholders is a key element when developing charges. As part of our annual Developer Services cost and charge review process we are undertaking stakeholder engagement.

Understanding the views of our differing customers is important to us as it allows us to consider the feedback in our decision making.

Our Charges need to meet the rules, guidance, principles and balance the views of different customer segments, whether a one-off customer, Self Lay Provider (SLP), New Appointments and Variations (NAV) or large developers.

Our charges follow Ofwat's five principles which are:

- Fairness and affordability;
- Environmental protection;
- Stability and predictability;
- Transparency and customer focussed service and;
- Costs of relevant service.

We will main regular key account engagement with large developer customers, SLPs and NAVs to seek feedback throughout the year on our charging arrangements and working practices. The key account meetings provide invaluable feedback and insight and therefore we will maintain them during 2025/26 to seek regular feedback on our charges as well as explaining more detail of how our charges are developed to further improve transparency.

In our previous year's engagement, we highlighted the changes to the charges that would be implemented over the coming years. The major changes being the removal of Income Offsets and the introduction of an Environmental Incentive Scheme. We have continued to engage with our key developers to discuss these changes and talk to them regarding the options we could consider.

Whilst the responses that we received were not conclusive we are currently in the process of enhancing our environmental incentive scheme for 2025/26 with further information being available in due course. Will continue to work closely with the Regulator and Industry bodies to support this initiative and help to shape future arrangements to balance the impact that new development growth has upon our water resource management and environmental performance.

We will be continuing to work with Developers/NAV/SLPs over the coming months as the charges are implemented to make sure they have a clear understanding on how their projects will be impacted, including any transition arrangements. We will encourage them to consider the environmental incentives as this will be bring benefits to them, their future customers, and the environment.

Scrutinising our contractor rates

Water mains and new connections are delivered for South West Water by our term service contractor which was selected following a market procurement exercise that met the requirements of EU procurement law and The Utilities Contracts Regulations 2016.

Selection process criteria incorporated key aspects that impact our charges to customers and customers' experience when dealing with us, including price, service quality, contractor capability and sustainability and innovation.

To ensure that South West Water's developer customers receive the highest level of customer service each contractor within the process was also assessed to ensure that their delivery plans focussed upon the needs of the Company, our customers and the environment. The capability of the provider to bring efficient working practices and continuous improvement for the duration of the contract was also tested through the selection process.

We insist that our term service contractor is accredited with Water Industry Registration Scheme (WIRS) standards thus ensuring that our expectations of our term contractor mirror those that we have of Self Lay Providers.

We have structured this document to provide transparency to the overall breakdown of sub-activities our term contractor undertakes.

To provide assurance to ourselves and our customers for the rates charged in this document we have conducted bottom-up and comparative assessments of our 2025/26 charges.

The services delivered by our term contractor are provided through a standalone delivery contract linked to an overarching alliance arrangement. This is to ensure cost separation between those services for developers and those undertaken for operational needs.

Bottom-up scrutiny and challenge to rates charged, and allocated, to developer customers is conducted on a regular basis to provide confidence that they are fairly administered.

Our clean water construction work is carried out using locally based resource, spread across seven depots within our operating region. This efficient and effective model helps keep our costs down for our customers and reduced travel is better for the environment.

Other costs

All other costs are also reviewed and scrutinised as part of our annual cost and charge review process. These other costs include non-construction costs such as in-house resource and systems as well as 3rd party construction costs such as Highway Authority permits, road closure costs and 3rd party land entry.

All costs are entered into our charging model, with variances noted and challenged. Furthermore, our model outputs our charges into common worked examples, so the overall impact of our charges on our customers is clear for various sizes of site.

It is important our charges are cost reflective both for our customers and in support of effective markets.

It is also worth noting SWW has invested in improving the customer experience, through training and upskilling of our people as well as introducing new technology. These customer improvements are demonstrated through increasing customer satisfaction scores, including the upward trajectory in our D-MeX ODI score.

2025/26 Engagement Focus Areas

Infrastructure Charges

Currently, all new properties that are connected to our water and/or wastewater network are subject to a infrastructure charge, 'infrastructure charge' means the charge authorised by Section 146(2) of the Water Industry Act 1991.

Charges have been set to recover the costs of future network reinforcement involving new development from those making the demand on the water and sewerage system rather than from existing customers of the water and sewerage companies.

Our charges will include costs for network reinforcement to provide additional capacity for all sites requiring water for domestic purposes or discharging foul flows. Network reinforcement includes works for increasing the capacity of pipes, booster stations and service reservoirs for water connections and, provide additional capacity for the connection of foul flows. It also includes costs for the connection of surface water from development sites providing that the developer has satisfied the Lead Local Flood Authority (LLFA) requirements relating to surface water management through the planning process.

Due to growth in our area, and the additional demands being placed on the existing network, we need to increase our network reinforcement investment over the next five years. This is to protect our existing customers and the environment. Consequently, our Infrastructure Charges will reflect this spend, increasing beyond inflation rate.

Environmental Incentives and Environmental Component

We are looking to introduce a new environmental incentive scheme next year which implements a three-tiered approach. The environmental incentive is to promote water efficiency within new developments.

The environmental incentive will be available to developers where they meet the certain water efficiency criteria, when met the incentive is used as a discount against their new connection infrastructure charges.

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.

Ofwat have introduced a new environmental component which will be applied to all new connections.

Our thoughts are to provide a sliding scale of incentive discounts, dependant on the customer meeting increasing environmental criteria, spread across three tiers.

Income offsets

In line with Ofwat charging rules, income offsets will no longer be payable on any connections undertaken after the 31 March 2025. Within our charges for 2025/26 this has now been removed fully.

To allow customer to transition to the new arrangement, we are proposing: -

1. Agreements prior to April 2024 will continue to receive income offsets as per the agreement.

2. Agreements signed after 1 April 2024 will receive offset until 31st March 2025 but will not receive any for connections made after that date.
3. Any agreement after April 2025 will not have any offsets included within the agreement.

Charging arrangements

We have been continuing our working on the development of our charging arrangements in such a way that meets the rules and guidance, while balancing the principles and customer feedback.

Cost reflectivity is important as it supports fair competition with other service providers, which in turn provides greater customer choice. SWW embrace competition by supporting the market.

As a consequence of our cost review, which includes supply chain and third-party costs, as well as passing on efficiencies our customers can expect some charges to decrease and some to increase. Many will increase by CPIH (or under), while some will increase by greater due to cost drivers. Reviewing our most common scenarios (worked examples) we anticipate overall increases less than 10%, despite increased Infrastructure Charges required to deliver more network reinforcement over the next five years.

Customer engagement questions

To help inform our charging arrangements for 2025/26 we would welcome the views of our customers in respect of the key elements of this year's arrangements and consequently would like to hear your thoughts on the following:

Question 1

Are the reasons for increasing Infrastructure Charges understood and accepted?

Question 2

Do you agree with charge variances based on the sustainability of the development?

Question 3

Do you agree with a having three tiers enabling customers to access reward even by making relatively small changes right through to best practice which would be receive a greater reward?

Question 4

What value incentive would you expect based on a property being water efficient and surface water not connected or communicating with our network?

- £200
- £300
- £400
- £500

Question 5

In line with Charging Rules worked examples are published as part of our Charging Arrangement. The worked examples cover the costs associated with common scenarios, The scenarios are as follows:

- Single connection to a house from an existing water main
- Single connection to a block of flats from an existing water main

- Medium housing development (50 properties) requiring new mains and communication pipes
- Large housing development (100 properties) requiring new mains and communication pipes
- Large housing development (200 properties) requiring new mains and communication pipes
- New Conversion of one property into 4 separate connections from an existing water main

Are the published worked examples, covering common scenarios, helpful in estimating site costs?

Question 6

Are there any other scenarios you would like us to introduce as a worked example?

Question 7

We are considering removing the cost of making a Point of Connection Enquiry (PoC), to encourage customers of all sizes to complete upfront checks to help avoid unexpected surprises.

Do you agree with the PoC charge being removed?

Engagement Session 1

This Initial session launched in early December focusses on explaining our approach to charge setting and key changes whether regulatory or internal. We ask our customers and stakeholders to provide their views primarily on the Environmental Incentives, Environmental Component and Infrastructure Charges.

Engagement Session 2

During December onwards we will review the feedback from the consultation and finalise our charging arrangements.

Engagement Session 3

By the end of January 2025 we will publish our final charges arrangements, this will include full details relating to our new Environmental incentives and Component.

Thank you for reviewing our consultation document. We really want to hear your views so please do feedback on any matters which are charge or service related and in particular the 6 questions in our consultation.

Feedback should be sent to Developer_Services_Questions@southwestwater.co.uk by **17:00 Monday 30th December.**