



Statement of significant change: 2021-22 charging arrangements for new connection services

Thames Water Utilities Limited

Statement of Significant Change: 2021/22 Charging Arrangements for New Connection Services

Introduction

1. The Statement of Significant Change for the 2021-22 Charging Arrangements sets out any significant changes in charging policy for 2021-22 and whether the bill for typical developments is expected to increase by more than 10% from the previous year.
2. This statement is made in accordance with Ofwat Information notice (IN 20/07 November 2020) “Expectations, assurance and information requirements for water company charges 2021-22”, and will confirm:
 - a. what changes have been made to charging policy in 2021-22
 - b. what impacts this has had on typical developments (using worked examples)
 - c. the handling strategies, if appropriate, that have been adopted
 - d. that the board of Director’s has assessed and approved the impacts on customer’s bills and the handling strategies that have been adopted

Information about significant changes to our new connections charging policy for 2021-22

3. We have not changed any of our charging policies for 2021-22 but there are three significant items which are impacting prices
 - a. The removal of the 2020-21 handling strategy.
 - b. The Covid 19 pandemic has impacted our connection volumes.
 - c. The level of network reinforcement required has increased.

Impact of significant changes on typical developments

4. Removal of the 2020-21 handling strategy
 - a. To allow a longer transition period for those customers negatively impacted by the change in income offset rules for 2020-21 we increased the income offset applied on connections to a new main by applying a multiplier of 4 to the water income offset units. This will no longer apply in 2021-22 resulting in passing on the balance of the impact to customers.
5. The Covid 19 pandemic
 - a. Covid 19 has resulted in lower connections for 2020-21 and 2021-22.

- i. The forecast volumes for 2021-22 have been used in our tariff models resulting in a price increase as not all costs move in proportion to volume. The impact on Connection and pipelaying costs is c4% on average.
 - ii. The lower number of connected properties in both 2020-21 and 2021-22 impacts the amount of Infrastructure Charges collected, the shortfall will need to be recovered in order to match network reinforcement costs over the rolling 5-year period commencing Apr-18.
- 6. Network Reinforcement requirements
 - a. Modelling of current and planned developments over the next few years indicates that the level of network reinforcement required is increasing.
- 7. The combined impact of 5.a.ii and 6.a. on customer bills is as follows;
 - Single connection cost increase of 11%
 - Small housing development cost increase of 19%
 - Medium housing development cost increase of 19%
 - Large housing development cost increase of 25%
 - New block of 10 flats cost increase of 58%
 - Large block of 200 flats cost increase of 129%

Handling strategies to mitigate significant bill increases

- 8. The 2020-21 handling strategy applied to income offset on connections to a new main by applying a multiplier of 4 to the water income offset units will no longer be applied under the 2021-22 charging arrangements.
- 9. For 2021-22 the combination of Covid 19 and the level of Network Reinforcement required has had a significant increase on Infrastructure Charge prices. We consulted with our customers on options on how to pass on this increase and they favour price stability and predictability so we have aligned our forecast spend on Network Reinforcement to the end of AMP7 with our forecast of connected properties and set the charge to remain stable for the remaining years. We have capped the Water charge at the maximum allowable under Licence Condition C, and waste is below this level.

Multiple property buildings such as flats are most significantly impacted by this price increase, so we have developed a handling strategy to address this. For 2021-22 we will offer a 2x multiplier on Income offset for multiple property buildings where the loading units are 13 or below per property.

10. Over the coming year we will investigate whether a full water efficiency offering for all customers is feasible in response to our consultation that this is an area our customers would like us to review.

Impact of handling strategies on customer bills

- a. Removal of 2020-21 handling strategy

Small housing development cost increase from 28% to 64%

Medium housing development cost increase from 27% to 63%

Large housing development cost increase from 30% to 77%

- b. 2021-22 handling strategy

New block of 10 flats cost increase has been reduced from 64% to 30%

Large block of 200 flats cost increase has been reduced from 131% to 55%

Additional information

Worked examples

These examples have been prepared in line with OFWAT guidance regarding typical scenarios with the addition of an additional scenario that we also consider typical development for our business. All relevant ancillary charges have been included such as traffic management.

All examples assume that sewer work is carried out by the developer or their contractor and there is application for consent to connect only. It is not typical for Thames to carry out sewer work.

Example 1: Single property – Short connection

25/32mm service connection to an existing main, in the road with 4 metres of pipelaying.

Information Requirement Document

Item	Quantity	2020/21		2021/22	
		Rate	Charge	Rate	Charge
Application FeeNC	1 qty	£50	£50	£50	£50
Design FeeC	1 qty	£50	£50	£50	£50
Total Payable in Advance			£100		£100

Item	Surface type	Length or quantity	2020/21		2021/22	
			Rate	Charge	Rate	Charge
Connection 25/32mmC	Road	1 qty	£1,660	£1,660	£1,880	£1,880
Pipe 25/32mmC	Road	3 metres	£360	£1,080	£410	£1,230
Subtotal				£2,740		£3,110
Infrastructure Charge (water)		1 qty	£140	£140	£400	£400
Infrastructure Charge (wastewater)		1 qty	£210	£210	£365	£365
Income Offset (water)		1 qty	-£200	-£200	-£230	-£230
Income Offset (wastewater)		1 qty	-£40	-£40	-£15	-£15
Net Infrastructure Charges				£110		£520
Consent to connect (foul water)		1 qty	£330	£330	£330	£330
Consent to connect (surface water)		1 qty	£330	£330	£330	£330
Total Connection Charges				£3,510		£4,290

Total Scheme Cost	£3,610		£4,390
			21.6%

C = Contestable, CA = Contestable depending on accreditation, NC = Non-Contestable

Note: the external meter and first metre of pipelaying is included in the published connection charge. Charges also include typical traffic management.

Example 2: Single property – Long connection

25/32mm service connection to an existing main, in the road with 4 metres of pipelaying in the road, and 4 metres in unmade ground.

Item	Quantity	2020/21		2021/22	
		Rate	Charge	Rate	Charge
Application FeeNC	1 qty	£50	£50	£50	£50
Design FeeC	1 qty	£50	£50	£50	£50
Total Payable in Advance			£100		£100

Item	Surface type	Length or quantity	2020/21		2021/22	
			Rate	Charge	Rate	Charge
Connection 25/32mmC	Road	1 qty	£1,660	£1,660	£1,880	£1,880
Pipe 25/32mmC	Road	3 metres	£360	£1,080	£410	£1,230
Pipe 25/32mmC	Unmade	4 metres	£100	£400	£110	£440
Subtotal				£3,140		£3,550
Infrastructure Charge (water)		1 qty	£140	£140	£400	£400
Infrastructure Charge (wastewater)		1 qty	£210	£210	£365	£365
Income Offset (water)		1 qty	-£200	-£200	-£230	-£230
Income Offset (wastewater)		1 qty	-£40	-£40	-£15	-£15
Net Infrastructure Charges				£110		£520
Consent to connect (foul water)		1 qty	£330	£330	£330	£330
Consent to connect (surface water)		1 qty	£330	£330	£330	£330
Total Connection Charges				£3,910		£4,730

Total Scheme Cost	£4,010		£4,830
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20.4%

C = Contestable, CA = Contestable depending on accreditation, NC = Non-Contestable

Note: the external meter and first metre of pipelaying is included in the published connection charge. Charges also include typical traffic management.

Example 3: Block of 10 flats – Short connection

50/63mm service connection to an existing main, with 4 metres of pipelaying in the road.

Item	Quantity	2020/21		2021/22	
		Rate	Charge	Rate	Charge
Application Fee ^{NC}	1 qty	£50	£50	£50	£50
Design Fee ^C	10 qty	£50/£30	£320	£50/£30	£320
Total Payable in Advance			£370		£370

Item	Surface type	Length or quantity	2020/21		2021/22	
			Rate	Charge	Rate	Charge
Connection 50/63mm ^C	Road	1 qty	£2,740	£2,740	£3,090	£3,090
Pipe 50/63mm ^C	Road	3 metres	£390	£1,170	£440	£1,320
Internal Meters 20mm ^C		10 qty	£110	£1,100	£110	£1,100
Subtotal				£5,010		£5,510
Infrastructure Charge (water)		10 qty	£140	£1,400	£400	£4,000
Infrastructure Charge (wastewater)		10 qty	£210	£2,100	£365	£3,650
Income Offset (water)		10 qty	-£200	-£2,000	-£230	-£2,300
Income Offset (wastewater)		10 qty	-£40	-£400	-£15	-£150
Net Infrastructure Charges				£1,100		£5,200
Consent to connect (foul water)		1 qty	£330	£330	£330	£330
Consent to connect (surface water)		1 qty	£330	£330	£330	£330
Total Connection Charges				£6,770		£11,370

Total Scheme Cost	£7,140	£11,740
		64.4%

2x Income offset if below 13 loading units (Water and Waste)		-£490	-£4,900
Total Scheme Cost where Handling Strategy applies	£7,140		£9,290
			30.1%

C = Contestable, CA = Contestable depending on accreditation, NC = Non-Contestable

Note: the external meter and first metre of pipelaying is included in the published connection charge. Charges also include typical traffic management. Example shows cost where the handling strategy has not been applied, and where the handling strategy has been applied.

Example 4: Block of 10 flats – Long connection

50/63mm service connection to an existing main in the road, with 4 metres of pipelaying in the road, and 4 metres in unmade ground.

Item	Quantity	2020/21		2021/22	
		Rate	Charge	Rate	Charge
Application Fee ^{NC}	1 qty	£50	£50	£50	£50
Design Fee ^C	10 qty	£50/£30	£320	£50/£30	£320
Total Payable in Advance			£370		£370

Item	Surface type	Length or quantity	2020/21		2021/22	
			Rate	Charge	Rate	Charge
Connection 50/63mm ^C	Road	1 qty	£2,740	£2,740	£3,090	£3,090
Pipe 50/63mm ^C	Road	3 metres	£390	£1,170	£440	£1,320
Pipe 50/63mm ^C	Unmade	4 metres	£110	£440	£120	£480
Internal Meters 20mm ^C		10 qty	£110	£1,100	£110	£1,100
Subtotal				£5,450		£5,990
Infrastructure Charge (water)		10 qty	£140	£1,400	£400	£4,000
Infrastructure Charge (wastewater)		10 qty	£210	£2,100	£365	£3,650
Income Offset (water)		10 qty	-£200	-£2,000	-£230	-£2,300
Income Offset (wastewater)		10 qty	-£40	-£400	-£15	-£150
Net Infrastructure Charges				£1,100		£5,200
Consent to connect (foul water)		1 qty	£330	£330	£330	£330
Consent to connect (surface water)		1 qty	£330	£330	£330	£330
Total Connection Charges				£7,210		£11,850

Total Scheme Cost	£7,580		£12,220
			61.2%

2x Income offset if below 13 loading units (Water and Waste)			-£490	-£4,900
Total Scheme Cost where Handling Strategy applies	£7,580		£9,770	
				28.9%

C = Contestable, CA = Contestable depending on accreditation, NC = Non-Contestable

Note: the external meter and first metre of pipelaying is included in the published connection charge. Charges also include typical traffic management. Example shows cost where the handling strategy has not been applied, and where the handling strategy has been applied.

Example 5: Small housing development

10 service connections off new mains, each with 3 metres of pipelaying in unmade ground. Plus, a total of 50m of new mains laid as follows: 10m of 90mm pipelaying in road, 20m of 90mm laid in unmade ground, and 20m of 63mm laid in unmade ground.

Scenario for self-lay included for Water only, and assumes all contestable activities are carried out by self-lay providers. Developers would be required to pay the self-lay provider for these elements at their rates.

		Thames Water Delivered				Self Lay Provider Delivered			
		2020/21		2021/22		2020/21		2021/22	
Item	Quantity	Rate	Charge	Rate	Charge	Rate	Charge	Rate	Charge
Application FeeNC	1 qty	£50	£50	£50	£50	£50	£50	£50	£50
Design FeeC/Checking Fee Self Lay	1 qty	£250	£250	£250	£250	£100	£100	£100	£100
Total Payable in Advance			£300		£300		£150		£150

		Thames Water Delivered				Self Lay Provider Delivered			
		2020/21		2021/22		2020/21		2021/22	
Item	Surface type	Length or quantity	Rate	Charge	Rate	Charge	Rate	Charge	Charge
Connection 80/90mmCA	Road	1 qty	£3,670	£3,670	£4,550	£4,550			
Pipe 80/90mmC	Road	9 metres	£600	£5,400	£680	£6,120			
Pipe 80/90mmC	Unmade	20 metres	£230	£4,600	£260	£5,200			
Pipe 50/63mmC	Unmade	20 metres	£230	£4,600	£260	£5,200			
Mains Total				£18,270		£21,070			
Connection 25/32mmC	Unmade	10 qty	£500	£5,000	£560	£5,600			
Pipe 25/32mmC	Unmade	20 metres	£100	£2,000	£110	£2,200			
External Meters (Self Lay only) 15mm concentric		10 qty					£100	£1,000	£100
Service Connections Total				£7,000		£7,800		£1,000	£1,000
Subtotal				£25,270		£28,870		£1,000	£1,000
Infrastructure Charge (water)		10 qty	£140	£1,400	£400	£4,000	£140	£1,400	£400
Infrastructure Charge (wastewater)		10 qty	£210	£2,100	£365	£3,650			
Income Offset (water)		10 qty	-£200	-£8,000	-£230	-£2,300	-£200	-£8,000	-£230
Income Offset (wastewater)		10 qty	-£40	-£400	-£15	-£150			
Net Infrastructure Charges				-£4,900		£5,200		-£6,600	£1,700
Consent to connect (foul water)		1 qty	£330	£330	£330	£330			
Consent to connect (surface water)		1 qty	£330	£330	£330	£330			
Total Connection Charges				£21,030		£34,730		-£5,600	£2,700

Total Scheme Cost	£21,330	£35,030		
		64.2%		
<i>Excluding impact of 2020-21 Income offset transition arrangement</i>	<i>£27,330</i>	<i>28.2%</i>		

	-£5,450	£2,850		
		152.3%		

C = Contestable, CA = Contestable depending on accreditation, NC = Non-Contestable

Note: the external meter and first metre of pipelaying is included in the published connection charge. Charges also include typical traffic management. The impact of the 2020-21 handling strategy is included in the 2020-21 prices, the underlying price and increase excluding this is shown in blue.

Example 6: Medium housing development

50 service connections off new mains, each with 3 metres of pipelaying in unmade ground. Plus, a total of 300m of New Mains laid as follows: 10m of 180mm pipelaying in road, 90m of 180mm laid in unmade ground, 100m of 125mm laid in unmade ground and 100m of 90mm laid in unmade ground.

Scenario for self-lay included for Water only, and assumes all contestable activities are carried out by self-lay providers. Developers would be required to pay the self-lay provider for these elements at their rates.

Thames Water Delivered						Self Lay Provider Delivered			
Item	Quantity	2020/21		2021/22		2020/21		2021/22	
		Rate	Charge	Rate	Charge	Rate	Charge	Rate	Charge
Application FeeNC	1 qty	£50	£50	£50	£50	£50	£50	£50	£50
Design FeeC/Checking Fee Self Lay	1 qty	£1,000	£1,000	£1,000	£1,000	£400	£400	£400	£400
Total Payable in Advance			£1,050		£1,050		£450		£450

Item	Surface type	Length or quantity	2020/21		2021/22		2020/21		2021/22	
			Rate	Charge	Rate	Charge	Rate	Charge	Rate	Charge
Connection 180mmCA	Road	1 qty	£5,950	£5,950	£7,370	£7,370				
Pipe 180mmC	Road	9 metres	£820	£7,380	£930	£8,370				
Pipe 180mmC	Unmade	90 metres	£370	£33,300	£420	£37,800				
Pipe 125mmC	Unmade	100 metres	£250	£25,000	£280	£28,000				
Pipe 80/90mmC	Unmade	100 metres	£230	£23,000	£260	£26,000				
Mains Total				£94,630		£107,540				
Connection 25/32mmC	Unmade	50 qty	£500	£25,000	£560	£28,000				
Pipe 25/32mmC	Unmade	100 metres	£100	£10,000	£110	£11,000				
External Meters (Self Lay only) 15mm concentric		50 qty					£100	£5,000	£100	£5,000
Service Connections Total				£35,000		£39,000		£5,000		£5,000
Subtotal				£129,630		£146,540		£5,000		£5,000
Infrastructure Charge (water)		50 qty	£140	£7,000	£400	£20,000	£140	£7,000	£400	£20,000
Infrastructure Charge (wastewater)		50 qty	£210	£10,500	£365	£18,250				
Income Offset (water)		50 qty	£-200	£-40,000	£-230	£-11,500	£-200	£-40,000	£-230	£-11,500
Income Offset (wastewater)		50 qty	£-40	£-2,000	£-15	£-750				
Net Infrastructure Charges				£-24,500		£26,000		£-33,000		£8,500
Consent to connect (foul water)		1 qty	£330	£330	£330	£330				
Consent to connect (surface water)		1 qty	£330	£330	£330	£330				
Total Connection Charges				£105,790		£173,200		£-28,000		£13,500

Total Scheme Cost		£106,840		£174,250		£-27,550		£13,950
				63.09%				150.6%
<i>Excluding impact of 2020-21 Income offset transition arrangement</i>		<i>£136,840</i>		<i>27.3%</i>				

C = Contestable, CA = Contestable depending on accreditation, NC = Non-Contestable

Note: the external meter and first metre of pipelaying is included in the published connection charge. Charges also include typical traffic management. The impact of the 2020-21 handling strategy is included in the 2020-21 prices, the underlying price and increase excluding this is shown in blue.

Example 7: Large housing development

200 service connections off new mains, each with 3 metres of pipelaying in unmade ground. Plus a total of 1000m of new mains laid as follows: 10m of 180mm pipelaying in road, 290m of 180mm laid in unmade ground, 300m of 125mm laid in unmade ground and 400m of 90mm laid in unmade ground.

Scenario for self-lay included for Water only, and assumes all contestable activities are carried out by self-lay providers. Developers would be required to pay the self-lay provider for these elements at their rates.

		Thames Water Delivered				Self Lay Provider Delivered			
		2020/21		2021/22		2020/21		2021/22	
Item	Quantity	Rate	Charge	Rate	Charge	Rate	Charge	Rate	Charge
Application FeeNC	1 qty	£50	£50	£50	£50	£50	£50	£50	£50
Design FeeC/Checking Fee Self Lay	1 qty	£1,000	£1,000	£1,000	£1,000	£400	£400	£400	£400
Total Payable in Advance			£1,050		£1,050		£450		£450

			2020/21		2021/22		2020/21		2021/22	
Item	Surface type	Length or quantity	Rate	Charge	Rate	Charge	Rate	Charge	Rate	Charge
Connection 180mmCA	Road	1 qty	£5,950	£5,950	£7,370	£7,370				
Pipe 180mmC	Road	9 metres	£820	£7,380	£930	£8,370				
Pipe 180mmC	Unmade	290 metres	£370	£107,300	£420	£121,800				
Pipe 125mmC	Unmade	300 metres	£250	£75,000	£280	£84,000				
Pipe 80/90mmC	Unmade	400 metres	£230	£92,000	£260	£104,000				
Mains Total				£287,630		£325,540				
Connection 25/32mmC	Unmade	200 qty	£500	£100,000	£560	£112,000				
Pipe 25/32mmC	Unmade	400 metres	£100	£40,000	£110	£44,000				
External Meters (Self Lay only) 15mm concentric		200 qty					£100	£20,000	£100	£20,000
Service Connections Total				£140,000		£156,000		£20,000		£20,000
Subtotal				£427,630		£481,540		£20,000		£20,000
Infrastructure Charge (water)		200 qty	£140	£28,000	£400	£80,000	£140	£28,000	£400	£80,000
Infrastructure Charge (wastewater)		200 qty	£210	£42,000	£365	£73,000				
Income Offset (water)		200 qty	-£200	-£160,000	-£230	-£46,000	-£200	-£160,000	-£230	-£46,000
Income Offset (wastewater)		200 qty	-£40	-£8,000	-£15	-£3,000				
Net Infrastructure Charges				-£98,000		£104,000		-£132,000		£34,000
Consent to connect (foul water)		1 qty	£330	£330	£330	£330				
Consent to connect (surface water)		1 qty	£330	£330	£330	£330				
Total Connection Charges				£330,290		£586,200		-£112,000		£54,000

Total Scheme Cost	£331,340	£587,250				-£111,550	£54,450
			77.23%				148.8%

Excluding impact of 2020-21 Income offset transition arrangement £451,340 30.1%

C = Contestable, CA = Contestable depending on accreditation, NC = Non-Contestable

Note: the external meter and first metre of pipelaying is included in the published connection charge. Charges also include typical traffic management. The impact of the 2020-21 handling strategy is included in the 2020-21 prices, the underlying price and increase excluding this is shown in blue.

Example 8: Large block of 200 flats

180mm Connection to an existing main in the road. 8 metre of pipework in the road, and 3 metres in the footpath.

Item	Quantity	2020/21		2021/22	
		Rate	Charge	Rate	Charge
Application FeeNC	1 qty	£50	£50	£50	£50
Design FeeC	1 qty	£50/£30	£6,020	£50/£30	£6,020
Total Payable in Advance			£6,070		£6,070

Item	Surface type	Length or quantity	2020/21		2021/22	
			Rate	Charge	Rate	Charge
Connection 180mmCA	Road	1 qty	£5,790	£5,790	£7,370	£7,370
Pipe 180mmCA	Road	7 metres	£820	£5,740	£930	£6,510
Pipe 180mmCA	Footpath	3 metres	£700	£2,100	£740	£2,220
Internal Meters 20mmC		200 qty	£110	£22,000	£110	£22,000
Sub total				£35,630		£38,100
Infrastructure Charge (water)		200 qty	£140	£28,000	£400	£80,000
Infrastructure Charge (wastewater)		200 qty	£210	£42,000	£365	£73,000
Income Offset (water)		200 qty	-£200	-£40,000	-£230	-£46,000
Income Offset (wastewater)		200 qty	-£40	-£8,000	-£15	-£3,000
Net Infrastructure Charges				£22,000		£104,000
Consent to connect (foul water)		1 qty	£330	£330	£330	£330
Consent to connect (surface water)		1 qty	£330	£330	£330	£330
Total Connection Charges				£58,290		£142,760

Total Scheme Cost	£64,360	£148,830
		131.25%

2x Income offset if below 13 loading units (Water and Waste)			-£490	-£98,000
Total Scheme Cost where Handling Strategy applies	£64,360			£99,830
				55.1%

C = Contestable, CA = Contestable depending on accreditation, NC = Non-Contestable

Note: the external meter and first metre of pipelaying is included in the published connection charge. Charges also include typical traffic management. Example shows cost where the handling strategy has not been applied, and where the handling strategy has been applied.

Declaration

1. We confirm on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the 2021-22 Charging Arrangements for new connections.
2. This document is signed by Brandon Rennet (Chief Financial Officer), Nicola Cocks (Regulation Director) and Nick Land (Senior Independent Non-Executive Director) on behalf of the Board.

Dated: 24 January 2021

Dated: 25 January 2021

Signed: 

Signed: 

Brandon Rennet, Chief Financial Officer

Nicola Cocks, Regulation Director

Dated: 26 January 2021

Signed: 

Nick Land, Senior Independent Non-Executive Director

For and on behalf of Thames Water Utilities Limited

