



# Statement of significant change 2020-21

Charges for new  
connections and  
new developments

## Statement of Significant Change for 2020-21 Charging Arrangements

### Introduction

1. The Statement of Significant Change for the 2020-21 Charging Arrangements sets out any significant changes in charging policy for 2020-21 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 19/05 October 2019) "Expectations, assurance and information requirements for water company charges 2020-21", and will confirm:
  - A. what changes have been made to charging policy in 2020-21
  - 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

Further detail on these are set out below:

#### **A. Information about significant changes to our new connections charging policy for 2020-21**

There are two significant changes for 2020-21:

1. Income Offset
  - a. In 2019-20 the Discounted Aggregate Deficit (DAD) model was used to apply income offset to requisition charges for developments requiring new mains or sewers.
  - b. In 2020-21 it is compulsory for income offset to be applied to infrastructure charges instead of requisitions. This results in the income offset being spread over a larger customer base.
  - c. To maintain the balance of charges the income offset per property has been maintained. We have done this by taking the total value of income offset and Asset Payments between 2015/16 and 2017/18 and divided it by the total number of properties connected to the network in the same time period.
2. Mains Application & Design Fees
  - a. In 2020-21 mains application & design fees will be charged separately rather than being embedded within the connection and pipelaying charges
    - i. This will allow contestable design work to be carried out by other accredited suppliers saving the developer time and money if they can do it quicker and/or cheaper
    - ii. Checking fees will be introduced to cover the cost of checking designs submitted by accredited suppliers if this option is selected
    - iii. The scaling of design fees means that developers are paying a more cost reflective fee for the work required

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- iv. These new charges align Thames Water with other water companies and to the approach taken on service connections
- v. We consulted with our customers on this change with the majority agreeing that this was a fairer approach
- vi. The overall costs recovered have not increased.

### **B. Impact of significant changes on typical developments**

#### 1. Income Offset

- a. The majority of Thames' developer customers will be positively impacted by the new charging rules related to income offset
- b. A small number of house developers where new mains or sewers are required (who previously benefited from income offset on requisitions) will be significantly impacted by the new rules

#### 2. Mains Application & Design Fees

- b. The costs for this work were previously included in the connections / pipelaying charges so this change in policy is not passing on additional cost but charging for it differently. This will mean the costs of processing speculative applications will no longer be picked up by the customers that go ahead but by the customer submitting the application

### **C. Handling strategies to mitigate significant bill increases**

#### Income Offset

- a. We are aware that this change to the way income offset and asset payments are applied will have a significant impact on a small number of customer groups and therefore we have considered a handling strategy to reduce this impact for these groups
- b. For 2020/2021 only we will apply a multiplier of 4 to the water income offset units. This will allow a longer transition period for those customers most negatively impacted by the new income offset rules and has been derived by modelling the impact of the new rules on various historic schemes

#### **Impact of handling strategies on customer bills**

The Impact of this handling strategy on the affected customer groups is as follows

- a. Small housing development cost increase has been reduced from 132% to 76%
- b. Medium housing development cost increase has been reduced from 141% to 82%
- c. Large housing development cost increase has been reduced from 112% to 48%

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### 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 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

25mm service connection in the road with 4 metres of pipelaying

Item	Quantity	2019/20		2020/21	
		Rate	Charge	Rate	Charge
Application Fee <sup>NC</sup>	1 qty	£80	£80	£50	£50
Design Fee <sup>C</sup>	1 qty	£90	£90	£50	£50
<b>Total Payable in Advance</b>			<b>£170</b>		<b>£100</b>

Item	Surface type	Length or quantity	2019/20		2020/21	
			Rate	Charge	Rate	Charge
Connection 25mm <sup>C</sup>	Road	1 qty	£1,480	£1,480	£1,660	£1,660
Pipe 25mm <sup>C</sup>	Road	3 metres	£320	£960	£360	£1,080
A&D Fee refund				-£170		
<b>Subtotal</b>				<b>£2,270</b>		<b>£2,740</b>
Infrastructure Charge (water)		1 qty	£140	£140	£140	£140
Infrastructure Charge (wastewater)		1 qty	£210	£210	£210	£210
Income Offset (water)		1 qty	£0	£0	-£200	-£200
Income Offset (wastewater)		1 qty	£0	£0	-£40	-£40
<b>Net Infrastructure Charges</b>				<b>£350</b>		<b>£110</b>
Consent to connect (foul water)		1 qty	£485	£485	£330	£330
Consent to connect (surface water)		1 qty	£485	£485	£330	£330
<b>Total Connection Charges</b>				<b>£3,590</b>		<b>£3,510</b>

<b>Total Scheme Cost</b>	<b>£3,760</b>		<b>£3,610</b>
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-3.99%

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

*Note: first metre of pipelaying is included in the published connection charge*

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**Example 2: Single property – Long connection**

25mm service connection in the road with 4 metres of pipelaying in the road and 4 metres in unmade ground

Item	Quantity	2019/20		2020/21	
		Rate	Charge	Rate	Charge
Application FeeNC	1 qty	£80	£80	£50	£50
Design FeeC	1 qty	£90	£90	£50	£50
<b>Total Payable in Advance</b>			<b>£170</b>		<b>£100</b>

Item	Surface type	Length or quantity	2019/20		2020/21	
			Rate	Charge	Rate	Charge
Connection 25mmC	Road	1 qty	£1,480	£1,480	£1,660	£1,660
Pipe 25mmC	Road	3 metres	£320	£960	£360	£1,080
Pipe 25mmC	Unmade	4 metres	£90	£360	£100	£400
A&D Fee refund				-£170		
<b>Subtotal</b>				<b>£2,630</b>		<b>£3,140</b>
Infrastructure Charge (water)		1 qty	£140	£140	£140	£140
Infrastructure Charge (wastewater)		1 qty	£210	£210	£210	£210
Income Offset (water)		1 qty	£0	£0	-£200	-£200
Income Offset (wastewater)		1 qty	£0	£0	-£40	-£40
<b>Net Infrastructure Charges</b>				<b>£350</b>		<b>£110</b>
Consent to connect (foul water)		1 qty	£485	£485	£330	£330
Consent to connect (surface water)		1 qty	£485	£485	£330	£330
<b>Total Connection Charges</b>				<b>£3,950</b>		<b>£3,910</b>

<b>Total Scheme Cost</b>	<b>£4,120</b>		<b>£4,010</b>
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-2.67%

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**Example 3: Block of 10 flats – Short connection**

50mm service connection with 4 metres of pipelaying in the road

Item	Quantity	2019/20		2020/21	
		Rate	Charge	Rate	Charge
Application FeeNC	1 qty	£80	£80	£50	£50
Design FeeC <sup>1</sup>	1 /9 qty	£90/£60	£90	£50/£30	£320
<b>Total Payable in Advance</b>			<b>£170</b>		<b>£370</b>

Item	Surface type	Length or quantity	2019/20		2020/21	
			Rate	Charge	Rate	Charge
Connection 50mmC	Road	1 qty	£2,450	£2,450	£2,740	£2,740
Pipe 50mmC	Road	3 metres	£350	£1,050	£390	£1,170
Internal Meters 15mmC		10 qty	£70	£700	£110	£1,100
A&D Fee refund				-£170		
<b>Subtotal</b>				<b>£4,030</b>		<b>£5,010</b>
Infrastructure Charge (water)		10 qty	£140	£1,400	£140	£1,400
Infrastructure Charge (wastewater)		10 qty	£210	£2,100	£210	£2,100
Income Offset (water)		10 qty	£0	£0	-£200	-£2,000
Income Offset (wastewater)		10 qty	£0	£0	-£40	-£400
<b>Net Infrastructure Charges</b>				<b>£3,500</b>		<b>£1,100</b>
Consent to connect (foul water)		1 qty	£485	£485	£330	£330
Consent to connect (surface water)		1 qty	£485	£485	£330	£330
<b>Total Connection Charges</b>				<b>£8,500</b>		<b>£6,770</b>

<b>Total Scheme Cost</b>	<b>£8,670</b>		<b>£7,140</b>
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-17.64%

<sup>1</sup> 19/20 design fees are charged by connection whereas in 20/21 design fees will be charged by property

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### Example 4: Block of 10 flats – Long connection

50mm service connection in the road with 4 metres of pipelaying in the road and 4 metres in unmade ground

Item	Quantity	2019/20		2020/21	
		Rate	Charge	Rate	Charge
Application Fee <sup>NC</sup>	1 qty	£80	£80	£50	£50
Design Fee <sup>C2</sup>	1 / 9 qty	£90/£60	£90	£50/£30	£320
<b>Total Payable in Advance</b>			<b>£170</b>		<b>£370</b>

Item	Surface type	Length or quantity	2019/20		2020/21	
			Rate	Charge	Rate	Charge
Connection 50mm <sup>C</sup>	Road	1 qty	£2,450	£2,450	£2,740	£2,740
Pipe 50mm <sup>C</sup>	Road	3 metres	£350	£1,050	£390	£1,170
Pipe 50mm <sup>C</sup>	Unmade	4 metres	£100	£400	£110	£440
Internal Meters 15mm <sup>C</sup>		10 qty	£70	£700	£110	£1,100
A&D Fee refund				-£170		
<b>Subtotal</b>				<b>£4,430</b>		<b>£5,450</b>
Infrastructure Charge (water)		10 qty	£140	£1,400	£140	£1,400
Infrastructure Charge (wastewater)		10 qty	£210	£2,100	£210	£2,100
Income Offset (water)		10 qty	£0	£0	-£200	-£2,000
Income Offset (wastewater)		10 qty	£0	£0	-£40	-£400
<b>Net Infrastructure Charges</b>				<b>£3,500</b>		<b>£1,100</b>
Consent to connect (foul water)		1 qty	£485	£485	£330	£330
Consent to connect (surface water)		1 qty	£485	£485	£330	£330
<b>Total Connection Charges</b>				<b>£8,900</b>		<b>£7,210</b>

<b>Total Scheme Cost</b>			<b>£9,070</b>		<b>£7,580</b>
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-16.43%

<sup>2</sup> 19/20 design fees are charged by connection whereas in 20/21 design fees will be charged by property

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### Example 5: Small Housing Development

10 house development with new mains required. Total length 50 metres plus related service connections

Item	Quantity	2019/20		2020/21	
		Rate	Charge	Rate	Charge
Application FeeNC	1 qty	£80	£80	£50	£50
Design FeeC	1 qty	£90/£60	£630	£500	£500
<b>Total Payable in Advance</b>			<b>£710</b>		<b>£550</b>

Item	Surface type	Length or quantity	2019/20		2020/21	
			Rate	Charge	Rate	Charge
Connection 80/90mmCA	Road	1 qty	£4,380	£4,380	£3,670	£3,670
Pipe 80/90mmC	Road	9 metres	£540	£4,860	£600	£5,400
Pipe 80/90mmC	Unmade	40 metres	£210	£8,400	£230	£9,200
DAD Income Offset				-£15,334		
<b>Mains Total</b>				<b>£2,306</b>		<b>£18,270</b>
Connection 25/32mmC	Part made	10 qty	£270	£2,700	£300	£3,000
Pipe 25/32mmC	Part made	40 metres	£30	£1,200	£30	£1,200
A&D Fee refund				-£710		
<b>Service Connections Total</b>				<b>£3,190</b>		<b>£4,200</b>
<b>Subtotal</b>				<b>£5,496</b>		<b>£22,470</b>
Infrastructure Charge (water)		10 qty	£140	£1,400	£140	£1,400
Infrastructure Charge (wastewater)		10 qty	£210	£2,100	£210	£2,100
Income Offset (water)		40 qty	£0	£0	-£200	-£8,000
Income Offset (wastewater)		10 qty	£0	£0	-£40	-£400
<b>Net Infrastructure Charges</b>				<b>£3,500</b>		<b>-£4,900</b>
Consent to connect (foul water)		1 qty	£485	£485	£330	£330
Consent to connect (surface water)		1 qty	£485	£485	£330	£330
<b>Total Connection Charges</b>				<b>£9,966</b>		<b>£18,230</b>
<b>Total Scheme Cost</b>				<b>£10,676</b>		<b>£18,780</b>

75.91%



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### Example 6: Medium Housing Development

50 house development with new mains required. Total length 300 metres plus related service connections.

Item	Quantity	2019/20		2020/21	
		Rate	Charge	Rate	Charge
Application FeeNC	1 qty	£80	£80	£50	£50
Design FeeC	1 qty	£90/£60	£3,030	£1,000	£1,000
<b>Total Payable in Advance</b>			<b>£3,110</b>		<b>£1,050</b>

Item	Surface type	Length or quantity	2019/20		2020/21	
			Rate	Charge	Rate	Charge
Connection 180mmCA	Road	1 qty	£7,110	£7,110	£5,950	£5,950
Pipe 180mmC	Road	9 metres	£740	£6,660	£820	£7,380
Pipe 180mmC	Unmade	90 metres	£330	£29,700	£370	£33,300
Pipe 125mmC	Unmade	100 metres	£220	£22,000	£250	£25,000
Pipe 80/90mmC	Unmade	100 metres	£210	£21,000	£230	£23,000
DAD Income Offset				-£73,479		
<b>Mains Total</b>				<b>£12,991</b>		<b>£94,630</b>
Connection 25/32mmC	Part made	50 qty	£270	£13,500	£300	£15,000
Pipe 25/32mmC	Part made	200 metres	£30	£6,000	£30	£6,000
A&D Fee refund				-£3,110		
<b>Service Connections Total</b>				<b>£16,390</b>		<b>£21,000</b>
<b>Subtotal</b>				<b>£29,381</b>		<b>£115,630</b>
Infrastructure Charge (water)		50 qty	£140	£7,000	£140	£7,000
Infrastructure Charge (wastewater)		50 qty	£210	£10,500	£210	£10,500
Income Offset (water)		200 qty	£0	£0	-£200	-£40,000
Income Offset (wastewater)		50 qty	£0	£0	-£40	-£2,000
<b>Net Infrastructure Charges</b>				<b>£17,500</b>		<b>-£24,500</b>
Consent to connect (foul water)		1 qty	£485	£485	£330	£330
Consent to connect (surface water)		1 qty	£485	£485	£330	£330
<b>Total Connection Charges</b>				<b>£47,851</b>		<b>£91,790</b>

<b>Total Scheme Cost</b>			<b>£50,961</b>		<b>£92,840</b>
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82.18%

## Statement of Significant Change for 2020-21 Charging Arrangements

### Example 7: Large Housing Development

200 house development with new mains required. Total length 1000 metres plus related service connections.

Item	Quantity	2019/20		2020/21	
		Rate	Charge	Rate	Charge
Application FeeNC	1 qty	£80	£80	£50	£50
Design FeeC	1 / 199 qty	£90/£60	£12,030	£1,000	£1,000
<b>Total Payable in Advance</b>			<b>£12,110</b>		<b>£1,050</b>

Item	Surface type	Length or quantity	2019/20		2020/21	
			Rate	Charge	Rate	Charge
Connection 180mmCA	Road	1 qty	£7,110	£7,110	£5,950	£5,950
Pipe 180mmC	Road	9 metres	£740	£6,660	£820	£7,380
Pipe 180mmC	Unmade	290 metres	£330	£95,700	£370	£107,300
Pipe 125mmC	Unmade	300 metres	£220	£66,000	£250	£75,000
Pipe 80/90mmC	Unmade	400 metres	£210	£84,000	£230	£92,000
DAD Income Offset				-£221,886		
<b>Mains Total</b>				<b>£37,584</b>		<b>£287,630</b>
Connection 25/32mmC	Part made	200 qty	£270	£54,000	£300	£60,000
Pipe 25/32mmC	Part made	800 metres	£30	£24,000	£30	£24,000
A&D Fee refund				-£12,110		
<b>Service Connections Total</b>				<b>£65,890</b>		<b>£84,000</b>
<b>Subtotal</b>				<b>£103,474</b>		<b>£371,630</b>
Infrastructure Charge (water)		200 qty	£140	£28,000	£140	£28,000
Infrastructure Charge (wastewater)		200 qty	£210	£42,000	£210	£42,000
Income Offset (water)		800 qty	£0	£0	-£200	-£160,000
Income Offset (wastewater)		200 qty	£0	£0	-£40	-£8,000
<b>Net Infrastructure Charges</b>				<b>£70,000</b>		<b>-£98,000</b>
Consent to connect (foul water)		1 qty	£485	£485	£330	£330
Consent to connect (surface water)		1 qty	£485	£485	£330	£330
<b>Total Connection Charges</b>				<b>£174,444</b>		<b>£274,290</b>

<b>Total Scheme Cost</b>			<b>£186,554</b>		<b>£275,340</b>	
						47.59%

## Statement of Significant Change for 2020-21 Charging Arrangements

### Example 8: Large Block of flats

200 flats being connected to an existing water main.

Item	Quantity	2019/20		2020/21	
		Rate	Charge	Rate	Charge
Application FeeNC	1 qty	£80	£80	£50	£50
Design FeeC	1 / 199 qty	1 x £90	£90	£50/£30	£6,020
<b>Total Payable in Advance</b>			<b>£170</b>		<b>£6,070</b>

Item	Surface type	Length or quantity	2019/20		2020/21	
			Rate	Charge	Rate	Charge
Connection 180mmCA	Road	1 qty	£6,920	£6,920	£5,790	£5,790
Pipe 180mmC	Road	7 metres	£740	£5,180	£820	£5,740
Pipe 180mmC	Footpath	3 metres	£670	£2,010	£700	£2,100
Internal Meters 15mmC		200 qty	£70	£14,000	£110	£22,000
A&D Fee refund				-£170		£0
<b>Sub total</b>				<b>£27,940</b>		<b>£35,630</b>
Infrastructure Charge (water)		200 qty	£140	£28,000	£140	£28,000
Infrastructure Charge (wastewater)		200 qty	£210	£42,000	£210	£42,000
Income Offset (water)		200 qty	£0	£0	-£200	-£40,000
Income Offset (wastewater)		200 qty	£0	£0	-£40	-£8,000
<b>Net Infrastructure Charges</b>				<b>£70,000</b>		<b>£22,000</b>
Consent to connect (foul water)		1 qty	£485	£485	£330	£330
Consent to connect (surface water)		1 qty	£485	£485	£330	£330
<b>Total Connection Charges</b>				<b>£98,110</b>		<b>£58,290</b>

<b>Total Scheme Cost</b>	<b>£99,080</b>		<b>£64,360</b>
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-35.04%

**Statement of Significant Change for 2020-21 Charging Arrangements**

**D. Declaration**

1. We confirm on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the 2020-21 Charging Arrangements for new connections.
2. This document is signed by Brandon Rennet (Chief Financial Officer), Nick Fincham (Director of Strategy and Regulation) and Nick Land (Senior Independent Non-Executive Director) on behalf of the Board.

Dated: 29 January 2020

Dated: 29 January 2020

Signed:   
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Nick Land, Senior Independent Non-Executive Director

Signed:   
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Nick Fincham, Director of Strategy & Regulation

Dated: 29 January 2020

Signed:   
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Brandon Rennet, Chief Financial Officer

For and on behalf of Thames Water Utilities Limited