

Development Services

Charges Arrangements Consultation

February 2024



Our consultation process: Have your say

Each year we publish our Development Services' charging arrangements for the services that we offer to enable growth in our region.

We recognise the value of getting the views and opinions of as many of our customers as possible. Through listening to what you tell us, it helps us to understand your needs and to find the best way to create and set our charging arrangements.

Phase 1: December 2023

Launching in December 2023 we asked our customers what matters to you most, specifically reflecting on Environmental Incentives, Unbundling of Charges and Managing Charging Increases.

Phase 2: Working together

Throughout January and early February we consolidated and reflected on your feedback, a summary of which is detailed in this document. This has helped us as we finalise our charging arrangements and begin to implement our future service offerings.

Phase 3: January 2024: Publishing our plans

We published our final charging arrangements for the period 2024-2025 at the end of January 2024.



Phase 1 of our consultation

Our December 2023 consultation reflected on our charging arrangements within the current landscape, and we were interested to hear your views on:

- **Environmental incentives for regulatory period 2025-2030**
Our water resources are coming under increasing pressure from population growth, economic development and climate change, whilst the Anglian region is the driest in the UK. We sought your views on how we should approach environmental incentives from April 2025 onwards.
- **Unbundling in charging year 2024-25**
Ofwat is proposing changes to the Charging Rules for New Connection services to take effect from April 2025. They propose 'unbundling' charges, meaning charges are broken out into their constituent parts rather than rolled up into a single charge. This is to enable greater transparency of charges and allow greater scrutiny by developers. We propose to start this process from 1 April 2024.
- **Charges increases for 2024-25 – Managing the transition**
As we consider our developer charging arrangements for April 2024 onwards, we are conscious that increased cost is of concern to our customers. We sought your views on how we could best support our customers in cases where we have had to increase our charges.

We held an internal review to examine your feedback in relation to our current charging approaches and annual engagement program. Your feedback and our responses can be found detailed in this document.



Customer response

As part of our consultation, we contacted circa 1,000 customers who had completed work with us between August 2023 and early November 2023, using a targeted email campaign.

A big 'Thank You' to all those who responded.

Environmental incentives for regulatory period 2025-30

Currently all new properties connected to our water and/or sewerage network are subject to an Infrastructure Charge. An Environmental Incentive is where developers are offered discounts on new connection charges for meeting certain standards of water efficiency or sustainable drainage. Since the start of last year (April 2023) Anglian Water has had in place a wastewater Environmental Incentive which gives a 50% discount to the wastewater Infrastructure Charge where a sustainable surface water discharge method is used as an alternative.

We, however, are considering an additional proposition for Environmental Incentives for the period 2025-2030. We feel that an Environmental Incentive should be simple to understand, easy to administer and, rather than a tiered approach, as advocated by Ofwat, should have a single, ambitious standard that combines both water and wastewater efficiency.

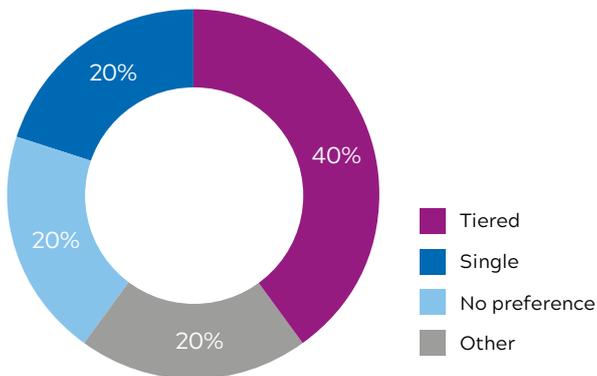
We were interested in hearing your views on this, as well as on how we can continue to protect the wider environment.

The questions that we asked were:

Question 1

Which would be your preferred approach to Environmental Incentives?

- a. Tiered
- b. Single
- c. No preference
- d. Other

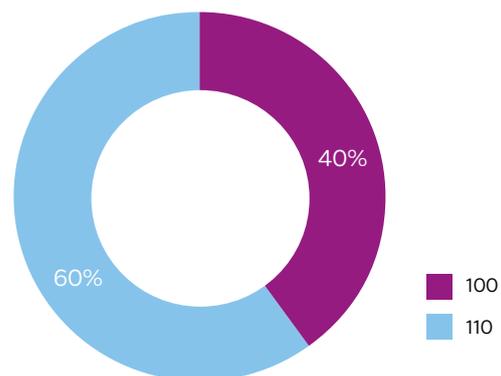


Our respondents' feedback leaned towards that of a tiered approach although there were a few differing views on this, with some being supportive of a single, ambitious target. There was some concern expressed that, depending on the level the target is set at, this could be unachievable for some developers and could exclude them from taking any steps towards water efficiency.

Question 2

If we were to introduce our proposals for a single, more ambitious standard, at what level do you think we should set this standard (in litres per person per day)?

- a. 110
- b. 100
- c. 80
- d. Other

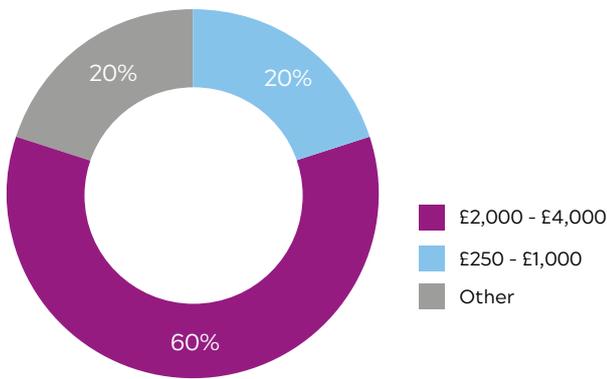


It can be seen from the results that a rate of 110 litres per person per day was the preferred option with no recommendations for 80 or other suggested amounts being submitted. Our [NAV customers](#) would be interested in our assistance with facilitating the monitoring of potential removal of the efficient fixtures and fittings once a homeowner/tenant has moved into the property.

Question 3

What value of discount do you think is reasonable to incentivise achieving the standard you have chosen in Question 2 (amounts per property)?

- a. £0 - £250
- b. £250 - £1,000
- c. £1,000 - £2,000
- d. £2,000 - £4,000
- e. £4,000+

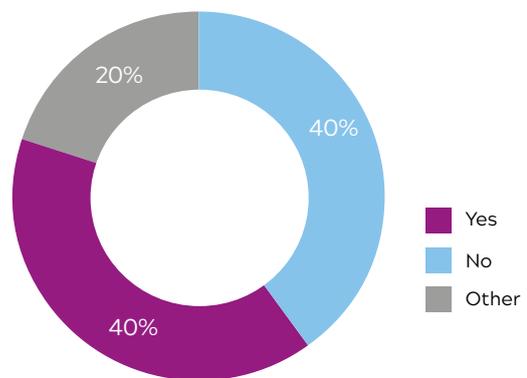


Most respondents felt that £2,000 - £4,000 was a reasonable incentive to support water efficiency. If we relate this back to the previous question, most respondents therefore feel that £2,000 - £4,000 is a reasonable incentive to achieve an efficiency level of 110 litres per person per day.

Question 4

Do you think we should consider alternative approaches to Environmental Incentives, such as incentivising community schemes as opposed to incentives per plot? Or do you think we should consider a credit approach (like that being introduced through the Biodiversity Net Gain Scheme)?

- a. Yes
- b. No
- c. Other



Respondents were equally split in their responses to this. There was some comment that it would be beneficial for proposals to be discussed with other water and wastewater companies to ensure consistency across the industry.

What are we going to do?

Based on the feedback to these questions, we are minded to explore the option of a single target further. We will also consider alternatives, such as community schemes, but will continue to seek our customers' views to ensure we set our targets and incentives at an appropriate level.

Unbundling in charging year 2024-25

Ofwat is proposing changes to the Charging Rules for New Connection services to take effect from April 2025 and have recently (August 2023) published a consultation: [Changing Ofwat's Charging Rules to Support the new Developer Services Framework](#). In this consultation, they propose 'unbundling' charges, meaning charges are broken out into their constituent parts rather than rolled up into a single charge. This is to enable greater transparency of charges and allow greater scrutiny by developers.

We were considering commencing the process of 'unbundling' in our 2024-25 charges to make them more transparent and to prepare for the changes to come from 2025 onwards. We therefore considered unbundling our charges for two specific areas within the 2024-25 charging arrangements, namely, excavation and reinstatement, as well as further unbundling of our traffic management services.

Economic climate

We understand that the predicted prolonged recession in the UK economy is causing volatility and uncertainty across all industries right now, including the knock-on impact to interest rates, mortgage rates and energy prices, inflation rates and supply chain mechanisms.

As part of our consultation, we wanted to better understand how this is impacting you and the organisations you work for or on behalf of. This has helped us to consider how we can tailor our services more effectively to support your organisation in the immediate future.

The questions that we asked were:

Question 5

Do you think 'unbundling' of our excavation and reinstatement charges in 2024-25 is beneficial to you as a customer and will make our charges more transparent to support competition in the water industry?

- a. Yes
- b. No
- c. Additional comments



Our customers unanimously told us that they were in favour of us unbundling our excavation and re-instatement charges. Comments told us this would be of particular benefit to larger developers, SLPs and NAVs, enabling them to gain fuller transparency of the costs required.

Question 6

Do you think 'unbundling' of our traffic management charges in 2024-25 is beneficial to you as a customer and will make our charges more transparent to support competition in the water industry?

- a. Yes
- b. No
- c. Additional comments



A further unanimous response to unbundling of our traffic management costs although this is on the understanding that traffic management costs are dictated by the local authority. However, it was felt this will provide more predictability of the costs to be expected.

Question 7

Are there any other areas of our current charges that we should consider unbundling in the future to make our charges more transparent?

We were requested to consider unbundling our costs for Project Management in the future. No other charges were highlighted.

What are we going to do?

Based on the feedback to these questions, we will continue with our intention to start the process of unbundling early, in 2024-25, in readiness for the changes that Ofwat are recommending from April 2025. We will unbundle both our excavation/ reinstatement charges, as well as our traffic management charges, in 2024-25.

Charges increases for 2024-25 – Managing the transition

As we consider our developer charging arrangements for April 2024 onwards, we are conscious that increased cost is of concern to our customers. Each year we undertake a review of our charges to maintain stability and predictability, which we have been able to achieve over the last few years. However, several factors are influencing potentially larger increases for the charging year 2024-25. The material and labour element of our charges is driven by inflation, including rising energy prices, as well as challenges in our supply chain. The infrastructure element is mainly influenced by our plans for investment in our network reinforcement program, in line with our business plan submission for the period 2025-2030.

We are conscious that in some instances our charges, and particularly our infrastructure charges, will need to increase more than we would like as we try to reflect the level of growth we are currently forecasting in our region.

Looking ahead to the period 2025-2030, Ofwat's intention is to allow for historical variances in infrastructure charge setting, which will enable us to accurately reflect charges for network reinforcement based on actual growth rather than forecast.

We want to help our customers through this transition. We are seeking your views on our charges for 2024-25 and which transitional support arrangements would be most beneficial in providing additional support to our customers.

The questions that we asked were:

Question 8

We are considering the options below to provide support to our customers where we have to implement more significant price increases. Please indicate which of these will be of benefit to you particularly.

- a. Flexible payment schedules
- b. Staging increases over several years
- c. Other

There was limited feedback to this question, with 60% of respondents expressing no preference. There was some limited support for staging the increases over several years.

Question 9

In order to aid transparency and understanding of our charges, we have a live [water calculator tool](#) published on our website which we intend to enhance to capture a wider variety of projects for our customers. We are interested in seeking your views on whether you find this tool useful, in addition to our published work examples, as prescribed by Ofwat?

- a. Yes
- b. No
- c. Not aware of this tool

Whilst respondents were aware of our water connection calculator, it was pointed out that this tool may be more useful for small developments or single plots by our beginner customers and small builders, as these require less complex information.

What are we going to do?

Based on the feedback to this question, we will look to make enhancements to our water calculator tool and will update this on our website.

Question 10

Are there any other support arrangements you believe that we should be considering for the 2024-25 charging year?

We received several comments in this section relating to contestable works, environmental incentives, competition and collaborative working. There were very few suggestions for any additional transitional support arrangements.

What are we going to do?

Based on the feedback to these questions, we will consider how we communicate with our customers in relation to any price increases, as well as enhancing our calculator tool to benefit our smaller customers. We also believe that our intention to start the unbundling process from 2024-25 will support customers in providing greater transparency of our charges.

What next?



We published our 2024-25 charging arrangements at the end of January 2024. These will be implemented from April 2024 onwards.