



New connection charging for 2018/19

The way we charge for new connection services has changed, and as of 1 April 2018 we are operating under new charging rules.

The 'old rules' applied to quotes issued up to 31 March 2018. Our implementation of the 'new rules' is set out in our 'Charging arrangements for new connection services'.

Please note:

- We're no longer able to issue quotes under the old rules.
- We'll honour open quotes that we issued under the old rules, as long as they're accepted and paid for within their validity period.
- We'll honour accepted and paid for quotes even if the work is delivered after 31 March 2018, as long as the work is carried out by 31 March 2023.

What has changed?

We've made our charges simpler and more transparent. The changes mean that more of our charges are fixed and published, rather than provided on application. This will:

- Enable developers to confidently estimate the charges for their work without needing to contact us.
- Allow alternative connection providers such as self-lay providers and New Appointments and Variations (NAVs) to offer developers a competitive quote more easily.

Where fixed charges apply, you'll pay only the published charges and not the actual costs we incur to carry out the works. This is the case with all service connections, all lateral drains and most new water mains.

The fixed charges cover the cost of the works, administration, traffic management and any highway authority charges. In certain circumstances you may have to pay ancillary charges in addition to the fixed charges – for example, if you cancel an agreed appointment. For more details, see our charging arrangements.

You can read the charging rules in full on Ofwat's website at

<http://ofwat.gov.uk/publication/charging-rules-new-connection-services-english-undertakers/>.

The way we calculate infrastructure charges also changed from 1 April 2018 in line with Ofwat's Charges Scheme Rules, available at <https://www.ofwat.gov.uk/publication/charges-scheme-rules/>.

We published our new charges on 30 January 2018 and they came into effect on 1 April 2018. We'll be reviewing and updating our charges annually.

Why have the changes been made?

They are in response to demands for simplification, for transparency and for greater cost certainty. As a result, more of our charges are fixed and published, rather than provided on application. There is also a clear link between our investment in creating capacity for new developments and the amount we collect through infrastructure charges.

The changes don't affect consent application charges for connecting to our wastewater network, build over agreement charges for building over or near our assets, or charges for water needed on construction sites (building water). All of these charges continue to apply.

What services are affected?

Service	What's happening in 2018/19?
Infrastructure charges	One fixed charge for water, and one fixed charge for wastewater
New water and wastewater connections and lateral drains	All charges are fixed and published
New mains and sewers (also known as requisitions)	Charges are fixed and published, except where a defined list of special circumstances apply (complex schemes)
Income offsets (our financial contribution for new mains and sewers)	No change to the basis of the calculation

What do the changes mean for me?

If your works have started, you'll pay the charges associated with the quote you accepted, and this can't be changed. This may mean that you'll be charged under the old rules even for works carried out after 1 April 2018.

If your quote was issued on or after 1 April 2018, you'll pay the charges set out in our 2018/19 charging arrangements, and this also can't be changed. The date of your application doesn't affect this.

You have a choice of charging basis if all the following criteria are met:

1. You received a quote issued before 1 April 2018; and
2. You haven't asked for a re-quote under the new rules; and
3. Your quote is either within its stated validity period or else you previously accepted and paid for the quote within its stated validity period; and
4. Your works have not yet started (for service connections this means you haven't passed your Water Regulations inspection, and for all other work this means you haven't asked us to schedule your works).

As a result of the changes, charges for some schemes may increase while others may be less, depending on the nature of the scheme, while infrastructure charges are lower for the 2018/19 charging year compared to 2017/18. To help customers understand the impact on their scheme, we wrote to everyone who'd had a quote from us between 9 October 2017 and 31 March 2018, telling them what the charges would be under the 2018/19 charging arrangements.

If, by meeting the criteria above, you have a choice of charging basis, then you can proceed with your existing quote (before it expires) or ask for a re-quote under the new rules. Note that when you ask for a re-quote this replaces and invalidates the original quote. You can request a re-quote by emailing developer.services@thameswater.co.uk. A re-quote fee will be payable if your existing quote has expired.

If you've already paid for a quote under the old rules and your re-quote under the 2018/19 charging arrangements is cheaper, we'll refund the difference to you. Please allow us up to 28 days to process the refund and for it to reach your account.

I'm unsure how to proceed – can you advise me what the best option is?

No, we're unable to offer advice. However, we'll provide you with the information you need to in order to decide what's best for your development.

What if, after 1 April 2018, I still have two potential charges (i.e. a quote under the old rules and a comparison charge)?

Our existing quote is valid until 180 days after we issued it, even if we carry out the work after 1 April 2018. If you decide to go ahead with this quote, please make a payment before the end of the existing quote validity period (which can be found on the existing quote letter). If work on your service connection or new water main hasn't begun, you can ask for a requote under the 2018/19 charging arrangements by emailing developer.services@thameswater.co.uk, quoting the reference number in the letter showing your comparison charge. We'll send you a requote, which will be valid for 180 days. Once you let us know that you wish to be charged under the 2018/19 charging arrangements, this will replace and invalidate your existing quote.

What if my existing quote expires and I haven't done anything?

Once it has expired and is no longer valid, then if you still require the service connection or new water main you'll need to ask for a requote. Any quotes and requotes we issue from 1 April 2018 will be calculated using the 2018/19 charging arrangements only. If your quote has expired when you request a requote, you'll need to pay a fee of £90 plus VAT for a service connection requote or £350 plus VAT for a new water main requote. Requote fees are payable on application. Note that the requote fees for service connections will increase from October 2018.

Can I cancel my order?

You can of course cancel your scheme and submit a new application. This restarts the process for obtaining a service connection or new water main and will be subject to the normal service levels.

Do the changes affect my option to use an alternative provider?

Absolutely not. You can still choose to use a self-lay provider to install new water mains and connections and carry out water main diversions, or use your choice of competent contractor to complete lateral drains and sewers. (Please note that we may need to inspect the works.)

Are other water companies taking the same approach?

Owat's charging rules allow scope for different interpretations. Water UK, the trade body for the water industry, has provided some guidance which has reduced the differences, but each company's scheme is different.

Why have your connection charges increased?

Some of our charges have increased while others have reduced. Our published charges are based on analysis of the historical cost of delivery, so they're cost reflective overall. Note that in some cases there is a reduction in one portion of a scheme (for example, the connection) offset by an increase in another (for example, the pipe laying).

Can I request a final account of the cost of my works?

Where fixed charges apply, you'll pay only the published charges and not the actual costs we incur to carry out the works. This is the case with all service connections, all lateral drains and most new water mains. In these circumstances, we won't provide you with an account of our actual costs as it's not relevant to the amount you're liable to pay. For other work – all diversions, complex new water mains and most new sewers – we'll send you a final account of the costs we incurred to carry out the works and will provide you with an invoice or credit for any balance due by or to you.

Infrastructure charges and network reinforcement costs

Will money from infrastructure charges go into a 'pot' to fund network reinforcement?

Yes. Ofwat's rules require us to set infrastructure charges at a level that covers the overall investment we make in network reinforcement. You'll no longer have to pay for a specific piece of network reinforcement work.

We'll still need to discuss what reinforcement may be needed on our network to support your connection, but this won't affect the charges you pay for specific connection services or your ability to estimate them.

Why have your infrastructure charges gone down so much this year and why were they so much more in previous years?

Infrastructure charges were set by Ofwat at a fixed rate several years ago and increased each year by inflation, with the same charge applied for water and wastewater by all companies. It was expected that while developers would be charged for local reinforcement of the networks, wider reinforcement and strategic investment would be funded by infrastructure charges.

Under the new rules for infrastructure charges, we're required to set our own level of infrastructure charges to cover the network reinforcement expenditure we incur. The tighter definition of network reinforcement in the new rules means that a proportion of the investment we make to provide capacity for future development is now excluded, including strategic schemes to provide future capacity. Our infrastructure charges for 2018/19 are therefore lower than in 2017/18.

Why are the wastewater infrastructure charges more expensive than those for water?

We set the infrastructure charges based on the amount of money we expect to spend on network reinforcement. Based on the connections activity we see, we expect to spend more on wastewater network reinforcement than water network reinforcement.

Will there be a 'cap' on the infrastructure charges per unit?

For 2018/19 we have set fixed charges instead of a cap. These will apply for the majority of properties connecting to our water and wastewater networks for the first time.

As previously, we'll apply a 'relevant multiplier' approach for non-household properties and for residential buildings that are subject to a common billing arrangement. We'll also continue to give credits where premises were connected in the five years prior to a redevelopment starting.

We're continuing with the existing meter size methodology for network charges where new supplies are intended for non-domestic usage (this refers to the usage and not the type of building).