

Statement of Board Assurance provided to the Water Services Regulation Authority

2024-25 charges for new connection services

1 February 2024



from
**Southern
Water** 

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Statement of Board Assurance provided to the Water Services Regulation Authority – 2024-25 charges for new connection services

The Company, under the direction of the Board, has undertaken a thorough process of internal and external assurance with regard to the setting of charges for new connection services for the 2024-25 charging year. As a result of the assurances it has received, the Board has satisfied itself to the best of its ability that:

- i. the Company complies with its obligations relating to Ofwat's Charging Rules for New Connection Services;
- ii. the Company has appropriate systems and processes in place to make sure that the information contained in the Charging Arrangements document, and the additional information covered by the annex to Ofwat's Charging Rules for New Connection Services, is accurate;
- iii. the present balance of charges between Developers and other customers is broadly maintained.

We provide information on our compliance with Ofwat's Charging Rules for New Connection Services rules in the Annex to this assurance statement.



Lawrence Gosden
Chief Executive Officer



Keith Lough
Chairman

Annex to new connections services charges assurance statement – compliance with Ofwat’s Charging Rules for New Connection Services

Rule no.	Charges scheme rule	Compliance statement
1-6	<i>Introduction and Interpretation</i>	N/A
7	<i>Consultation</i>	
7	<p>Undertakers must determine what types of charges covered by these rules may or may not be imposed, and the amount of such charges, in accordance with the principle that changes to charges covered by these rules should only be made after proportionate, timely and effective consultation with groups of persons likely to be significantly affected by the proposed Charging Arrangements (or their representatives) and any other persons the undertakers consider it appropriate to consult.</p>	<p>Compliant. For 2024-25 we conducted a multi-stage engagement and feedback approach. This included:</p> <ul style="list-style-type: none"> • Initial discussion with developer Customer Action Group (CAG) • Conference calls to major SLPs and NAV community presenting to developers SLPs and NAV • a formal consultation distributed to developers, stakeholders and regulators on our approach to updating our charges for 2024-25; • Over the year we have worked with Ofwat, customers and the supply chain to review our environmental incentives and align with industry best practice where appropriate <p>Examples of how we have incorporated feedback from stakeholders and latest best practices are provided in a number of the compliance statements below.</p>
8-16	<i>Publication and Transparency</i>	
8	<p>Relevant undertakers must publish charges developed under these rules in a single document (the Charging Arrangements). The Charging Arrangements must be published on the undertaker’s website and in any other manner the undertaker considers appropriate for the purpose of bringing the Charging Arrangements to the attention of persons likely to be affected by it.</p>	<p>Compliant. Our charges have been published in our Charging Arrangements document. This document has been published on our website and we have communicated this to our developer customers and stakeholders via email.</p>

Statement of Board Assurance
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Rule no.	Charges scheme rule	Compliance statement
9	The maximum amount of any charge that may be imposed by an undertaker under the provisions of the Water Industry Act 1991 covered by these rules shall be the amount set out in, or calculated in accordance with, the Charging Arrangements published by that undertaker. For the avoidance of doubt, the charges and charging methodologies set out in the Charging Arrangements must therefore include any relevant miscellaneous and ancillary costs such as assessment, inspection, design, legal and supervision charges that the undertaker is entitled to recover, unless there is a different legal basis for the recovery of such costs.	Compliant. Our charges represent the maximum charge for the specified activities. These include all necessary assessment, inspection, design, legal and supervision charges that we are entitled to recover.
10	The Charging Arrangements must be published no later than 1 February in the year immediately preceding the Charging Year in relation to which they have effect.	Compliant. Our Charging Arrangements document was published on 1 February 2024 for charges applicable April 2024.
11	The Charging Arrangements must explain how each charge has been calculated or derived, including through the use of worked examples. As a minimum, undertakers must publish worked examples showing the scenarios set out in the worked examples published by Ofwat in the document entitled "Common Terms and Worked Examples – English New Connection Rules". Where an undertaker determines the applicable charges other than by Fixed Charges, the methodology for the calculation of such charges must be explained clearly in the Charging Arrangements.	Compliant. Our Charging Arrangements document details how the charges have been derived. The charging document also includes worked examples of our charges based upon the scenarios set out in "Common Terms and Worked Examples – English New Connection Rules." The methodology for determining charges that are not fixed are clearly explained in the Charging Arrangements document.

Rule no.	Charges scheme rule	Compliance statement
12	<p>The Charging Arrangements are to be written and presented in a clear and accessible manner, which takes due account of the varying levels of expertise of all Developer Customers or other customers who may rely on the Charging Arrangements, and using, where appropriate, the terms as defined at Rule 5 and those set out in the list of common terms published by Ofwat in the document entitled "Common Terms and Worked Examples – English New Connection Rules".</p>	<p>Compliant.</p> <p>Our Charging Arrangements has been developed and presented in a manner that all our Developer Services customers will be able to comprehend, with appropriate levels of detail and explanation to reflect the knowledge and understanding of any class of Developer Services customer who would request any given service.</p> <p>We publish worked examples in line with latest guidance published by Ofwat in the document entitled "Common Terms and Worked Examples – English New Connection Rules."</p> <p>For our 2019-20 update we sought feedback from stakeholders and regulators who generally felt that the Charging Arrangements document was clear and accessible. We also developed a calculator for use by our customers to generate estimates and promote understanding. This is accessible to all customers via our website and will be available for 2024/25 charges to provide greater clarity of our charges.</p> <p>Within our charging arrangements document we use the common terms published Ofwat in the document entitled "Common Terms and Worked Examples – English New Connection Rules."</p>
13	<p>Charges must be published with such additional information or explanation as is necessary to make clear what services are covered by each charge.</p>	<p>Compliant.</p> <p>Each section within our Charging Arrangements document details the services included within the charge to allow the Developer Services customer to build a clear picture of the charges applicable.</p>

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Rule no.	Charges scheme rule	Compliance statement
14	Undertakers must publish the charges covered by these rules in such a way that a Developer Customer or other customer can confidently work out a reasonable estimate of the charges payable if they know the relevant parameters of a Development.	Compliant. The design of our charges allows our Developer Services customers to work out the charges payable from the earliest stages of a development proposal. Our calculator (see 12 above) provides customers with an effective tool for the generation of estimates where customers know the relevant parameters of developments.
15	The Charging Arrangements must identify which charges are associated with Contestable Work and Non-contestable Work.	Compliant. Our Charging Arrangements document clearly defines contestable and non-contestable activities and associated charges. Following stakeholder feedback, we have moved SLP and NAV fees into a separate section.
16	Undertakers must provide a reasonable choice of times and methods of payment of the charges and set these out in the Charging Arrangements.	Compliant. Section 5 of the Charging arrangements sets out the timings and methods of payments including the validity period of quotations and transitional arrangements
17	<i>Small companies</i>	<i>N/A</i>

Statement of Board Assurance
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Rule no.	Charges scheme rule	Compliance statement
18	Relevant undertakers must determine what types of charges may or may not be imposed and the amount of any charges that may be imposed in accordance with the principle that charges covered by these rules should reflect:	
(a)	fairness and affordability;	Compliant. The majority of our charges are fixed and visible up-front to our Developer Services customers. We will ensure that across the overall charging framework the broad balance of contribution is maintained, so that affordability is not unduly impacted. For many areas of work that are contestable, Developer Services customers will also have a benchmark cost to enable them to look at alternative methods of provision through the wider market.
(b)	environmental protection;	Compliant. In our charges for 2023-24 we introduced new environmental incentives. These incentives offer substantial reward for water efficiency, recycling and sustainable drainage. In our charges for 2024-25 we have enhanced our offering of environmental incentives with a new silver wastewater incentive. This new incentive rewards developers for enhanced SuDS and encourage sustainable management of surface water run-off.
(c)	stability and predictability;	Compliant. The majority of our charges are fixed and published up-front, providing for a high degree of predictability. Water and wastewater site-specific related charges are predominantly based on supplier costs and contractor rates and should therefore remain stable through AMP7 with inflationary uplifts based on CPI. This year we had to make an additional uplift on site specific water connection services to reflect inflationary cost pressures on our supply chain. In recent years, the cost of fittings, pipes, and labour have increased by more than CPI. We have adjusted our contestable site specific charges to ensure cost reflective prices and to support competition in the market. We have also developed handling strategies which limited the price impact on customers by freezing or reducing non-contestable charges where appropriate and maintaining the current level of the income offset. Infrastructure charges are based on the five-year rule of forecast network reinforcement and therefore change over time. Using the

5-year rule and the data in our business plan, we calculate our water infrastructure charge to be £480 per plot. We consider this too rapid a change for a single charging year as it would dramatically increase customer bills. We have therefore developed a handling strategy by taking a phased approach to the increased charges. Under this approach the gross water infrastructure charge will amount to £241. This handling strategy generates increased funding for the necessary network reinforcement while promoting bill stability for customers while we await final approval from Ofwat on our investment plans. Next year, after Ofwat's Final Determination we will have more certainty on our spend profiles and be in a better position to recommend any possible bill changes necessary to fund network reinforcement and ensure sufficient capacity for new development.

Even with this handling strategy, the combined gross infrastructure charge will increase from £713 to £824 per plot. We have therefore developed a new silver wastewater incentive worth £300 to reduce the bill impact for customers. This new incentive is more easily achievable than our existing gold incentive and will offer developers the chance to substantially reduce their bill.

Changes to the income offset will also impact the net infrastructure charge for customers. The income offset is a credit issued to developers against the gross infrastructure charge. Ofwat have confirmed that the income offset will be removed from April 2025. Last year we introduced a strategy to gradually phase out the income offset over the remainder of this AMP and replace it with environmental efficiency incentives in preparation for the new charging framework. We will pause the phase out of the income offset to counteract the spike in water requisition charges associated with inflationary cost pressures on the supply chain. Instead of reducing the income offset to £144 per plot we will maintain the current credit of £279 while also maintaining and enhancing our offering of environmental incentives.

Rule no.	Charges scheme rule	Compliance statement
18	<i>General charging principles</i>	
(d)	Transparency and customer-focused service	Compliant. Our fixed charges provide a high degree of certainty for both our Developer Services customers and ourselves. This is an enabler for improved customer service in that charges are clear, transparent, and easier to administer. Furthermore, we have tailored our presentation of the charges in relation to the customer group. For example, we have a comprehensive charges-calculator for larger sites run by professional developers and a simplified web-based estimator for domestic customers. This, aligned with wider improvement activities, should result in a significant improvement in our Developer Services customer experience.
(e)	And reflects costs of the relevant service	Compliant. Our charges are reflective of third-party contractor partners and have been adjusted annually in line with CPI and the supply chain inflationary pressures as set out above. This reflects the increase in base cost with our supply chain agreements and promotes fair competition in the market.
19-22	<i>Principles for determining the nature and extent of all charges covered by these rules</i>	
19	In setting charges in accordance with the present rules, undertakers should take reasonable steps to ensure that the balance between contributions to costs by Developers and other customers prior to 1 April 2018, is broadly maintained. Section 3 of Annex A to the Government's Charging Guidance to Ofwat published in January 2016 lists the charges under which Developers contribute costs relevant to this rule. For the avoidance of doubt, Income Offset also needs to be included. An undertaker may only depart from this general requirement where (and to the extent that) this is rendered necessary by circumstances providing clear objective justification for doing so. Any such justification must be clearly identified in any Charging Arrangements prepared pursuant to these rules.	Compliant. Within each price control we have sought to broadly maintain the current balance of contributions to costs between Developers and other customers. Please see the Annex.

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Rule no.	Charges scheme rule	Compliance statement
20	Consistent principles and approaches must be applied to the calculation of charges and when they are payable for different classes of customer. For the avoidance of doubt, this includes the calculation of charges and when they are payable for Non-contestable Work, whether or not a person other than the undertaker is carrying out Contestable Work.	Compliant. Our charges are consistent for all types of Developer Services customer where appropriate. Charges for non-contestable activities are generally consistent regardless of who undertakes contestable elements of work. There are some exceptions to this rule; for example, Self-Lay Water Connections application fees where determination history has specified that there should be differing charges depending on the class of Developer Services customer and the activities that they can undertake directly themselves. Our charges have been built on the principle that they do not discriminate against any class of Developer Services customer whilst also considering appropriate legislation and determinations
21	Charges and arrangements for when they are each payable must be set in accordance with the principle that they should promote effective competition for Contestable Work.	Compliant. Our charges are, wherever possible, based directly on supplier rates and costs and therefore representative of the costs that are incurred directly in the execution of works. Our Charging Arrangements document also detail the range of delivery options available to our Developer Services customers for different types of work.
22	For the avoidance of doubt, in charges covered by these rules undertakers may recover reasonable administrative expenses and other overheads incurred in discharging any rights or obligations under the relevant provisions of the Water Industry Act 1991.	Compliant. Our charges include appropriate administrative costs and overheads as allowed for under the provisions of the Water Industry Act 1991.
23-30	<i>Charges for the requisition of water mains and public sewers</i>	
23	Each undertaker shall set out in its Charging Arrangements charges that will be imposed by that undertaker for work carried out by it in accordance with the duties imposed by section 41(1) (provision of requisitioned Water Main) and section 98(1) (provision of requisitioned public sewer) of the Water Industry Act 1991 (together, “ Requisition Charges ”).	Compliant. Our Charging Arrangements document details the charges as required.
24	These charges are concerned with the cost to the undertaker of providing Site Specific infrastructure necessary for the provision of a Water Main and/or Public Sewer.	Compliant. Our charges are directly relevant to site-specific items.

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Rule no.	Charges scheme rule	Compliance statement
25	In relation to Requisition Charges, an undertaker:	
a)	must provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker;	Compliant. Our charges are generally based upon upfront fixed charges, although there are some exceptions to this approach as permitted under these Charging Rules. Where exceptions may apply, full details, along with examples, are included in our Charging Arrangements.
b)	and may also provide for other alternative methods for calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements.	Compliant. For the areas where it is impractical to offer upfront fixed charges, the mechanism for calculating charges is clearly explained in our Charging Arrangements document.
26	Requisition Charges must relate to the costs of providing the requisitioned Water Main and/or Public Sewer. Such charges may not include any amount for Network Reinforcement costs.	Compliant. The charges that have been developed relate to the provision of site-specific water mains and sewers only. Any network reinforcement will be funded via Infrastructure Charges under the new charging rules.
27	Any Requisition Charges imposed by an undertaker:	
a)	must relate only to Site Specific Work carried out and costs incurred by the undertaker in order to meet its duties under sections 41(1) or 98(1) of the Water Industry Act 1991;	Compliant. Our Requisition charges only relate to site-specific work carried out under sections 41(1) or 98(1) of the Water Industry Act 1991
b)	and must not relate to work needed or desired to modify or enhance existing network infrastructure in order to address pre-existing deficiencies or to enhance network flexibility, in capacity or capability, unrelated to requirements associated with the requisition.	Compliant. Our charges will not be used to address pre-existing deficiencies or to enhance network flexibility, in capacity or capability, unrelated to requirements associated with the requisition.

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Rule no.	Charges scheme rule	Compliance statement
28	Where an undertaker provides a Water Main or Public Sewer pursuant to a requisition and, in so doing, decides to increase the capacity of pipes or other infrastructure beyond that which is needed to meet the undertaker's duty under section 41(1) or section 98(1) of the Water Industry Act 1991, the costs of this work shall, if this increases the costs of the work, be apportioned so that the person making the requisition only pays costs which are in proportion to the particular capacity required by his or her requisition.	Compliant. We will only charge our Developer Services customers requesting a requisition the charges that relate to the capacity required by their requisition. Any capacity increases we choose to implement that is over and above the Developer Services customer's need will be funded through alternative sources. This could include our own funds in the case of network enhancement work, funds from the Infrastructure Charge funding source for proactive network reinforcement, or cost sharing exercises with adjacent developers.
29	Undertakers shall not provide for Income Offsets in setting Requisition Charges	Compliant. Since 2020-21 we have removed the Income Offsets from Requisition Charges
30	Not used	N/A
31-34	<i>Charges for the provision of lateral drains, the connection of water mains and communications with public sewers and for ancillary works</i>	
31	Each undertaker shall set out in its Charging Arrangements charges that will be imposed by that undertaker for work carried out by it in accordance with the duties (or rights) created by the following provisions of the Water Industry Act 1991: section 45(1) (connection with Water Main); section 46(1) (ancillary works for purposes of making a domestic connection); section 98(1A) (provision of lateral drains); section 101B (construction of lateral drains following construction of a public sewer) or section 107(1) (right of undertakers to make communication with Public Sewer) (together, "Connection Charges").	Compliant. A suite of charges has been published for Connection Charges in our Charging Arrangements document.

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Rule no.	Charges scheme rule	Compliance statement
32	In relation to Connection Charges an undertaker:	
a)	must provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker;	Compliant There are fixed upfront charges for water connections and the majority of wastewater connections. We have chosen to cap the depth at which we provide fixed wastewater charges for our Developer Services customers as the risk due to ground conditions becomes very difficult to consistently assess. This would lead to an unduly high fixed price being offered to Developer Services customers, breaching the principle of fairness and affordability. We will provide a site-specific estimate for deep sewer connections that is appropriate, fair and not unduly risk averse. It is very rare that we construct wastewater connections on behalf of Developer Services customers as these are generally constructed directly by customers utilising their own contractors.
b)	and may also provide for other alternative methods for calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements.	Compliant. See a) above.
33	Any Connection Charges imposed by an undertaker must relate only to Site Specific Work carried out and costs incurred by the undertaker pursuant to sections 45(1), 46(1), 98(1A), 101B or 107(1) of the Water Industry Act 1991.	Compliant. Our Connection Charges only relate to sections 45(1), 46(1), 98(1A), 101B or 107(1) of the Water Industry Act 1991

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Rule no.	Charges scheme rule	Compliance statement
34	Undertakers shall not provide for Income Offsets in setting Connection Charges.	Compliant. We do not offer Income Offsets in relation to Connection Charges.
35-41	<i>Charges for asset payments in respect of an Agreement under Section 51A or 104 of the Water Industry Act 1991</i>	
35	Each undertaker shall set out in the applicable Charging Arrangements the charges to be imposed in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991.	Compliant. Our Charging Arrangements document details the charges to be imposed in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991
36	These charges are concerned with the cost of Site Specific Work necessary as part of the adoption or connection of a Water Main, Communication Pipe, Public Sewer and/or Lateral Drain. Such charges may not include any amount for Network Reinforcement costs.	Compliant. The charges only relate to site-specific works. Network Reinforcement will be funded through the Infrastructure Charge
37	Any charges imposed by an undertaker in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991:	
a)	must relate only to Site Specific Work carried out and costs incurred by the undertaker in order to meet its duties under such an agreement;	Compliant: The charges imposed only relate to site-specific works and the costs associated with these agreements
b)	and must not relate to work needed or desired to modify or enhance existing network infrastructure in order to address pre-existing deficiencies, in capacity or capability, unrelated to requirements associated with the agreement.	Compliant. Any work to modify or enhance existing network infrastructure in order to address pre-existing deficiencies, in capacity or capability, unrelated to requirements associated with the agreement, will be funded from other sources.
38	Insofar as section 51A agreements are concerned, water undertakers shall not provide for Asset Payments for the adoption of a Water Main.	Compliant. We do not offer Asset Payments for the adoption of a water main.

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Rule no.	Charges scheme rule	Compliance statement
39	Insofar as section 104 agreements are concerned, sewerage undertakers shall not provide for Asset Payments for the adoption of a Sewer.	Compliant: We did not historically offer any Asset Payment in relation to Section 104 agreements. This position continued following the new charging arrangements coming into effect on 1 April 2018.
40	Not used	N/A
41	Undertakers shall not provide for Asset Payments for the adoption of a Communication Pipe or Lateral Drain.	Compliant. We do not provide for Asset Payments for the adoption of a Communication Pipe or Lateral Drain.
42-43	<i>Charges for diversions of pipes and other apparatus under Section 185 of the Water Industry Act 1991</i>	
42	Each undertaker must set out in its Charging Arrangements its method(s) for calculating the charges imposed by that undertaker pursuant to section 185(5) of the Water Industry Act 1991 (" Diversion Charges "). In relation to Diversion Charges an undertaker:	
a)	may provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker;	Compliant. For the charging year commencing 1 April 2021 we will not offer fixed upfront charges for Diversion Charges. We will keep this under review for future charging years.
b)	and may also provide for other alternative methods of calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements.	Compliant. We detail the method that will be employed for the calculation of Diversion Charges in our Charging Arrangements document.

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Rule no.	Charges scheme rule	Compliance statement
43	Charges levied pursuant to section 185(5) must be calculated by reference to the principle that the undertaker is only entitled to recover costs reasonably incurred as a result of complying with the duty imposed by section 185(1) of the Water Industry Act 1991.	Compliant. Charges levied will only relate to costs reasonably incurred as a result of complying with the duty imposed by section 185(1) of the Water Industry Act 1991.
44-46	<i>Security/deposit arrangements</i>	
44	An undertaker is allowed to require security prior to commencing work, whether in the form of a sum deposited with the undertaker or otherwise:	
a)	under section 42(1)(b), 47(2)(a), 99(1)(b), 101B(3A), 107(3)(b)(ii) or 185(4);	Compliant. We require security prior to commencing work.
b)	or for the purposes of any charges imposed under an agreement under section 51A or section 104 of the Water Industry Act 1991.	Compliant. We require security prior to commencing work.
45	The type and amount of security should not be unduly onerous, taking into account the risk to be borne by the undertaker in carrying out the work in question. Where undertakers require security, the type and amount of security and the payment of interest on the security should reflect the general charging principles set out in paragraph 18.	Compliant. The security required will not be unduly onerous. The type and amount of security, and the payment of interest on the security, will reflect the general charging principles (set out in rule 18). In general, our security and deposit requirements have not changed as a result of the implementation of these rules.
46	The undertaker must clearly set out requirements for security in relation to any charges to be applied in its Charging Arrangements.	Compliant. Our requirements for security in relation to any charges to be applied in our Charging Arrangements document will be clearly set out and documented in the applicable guidance notes and application forms, which will be accessible via our website. A summary will also be included within our Charging Arrangements document for ease of use for our Developer Services customers.

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Rule no.	Charges scheme rule	Compliance statement
47-48	<i>Exception from requirements to provide upfront Fixed Charges</i>	
47	Undertakers are not required to provide for the option of upfront Fixed Charges in accordance with paragraphs 25 (Requisition Charges) of these rules, or to comply with paragraph 14, where, and to the extent that, it would be unreasonable to expect an undertaker to do so (having had regard to the practicality of setting a cost-reflective upfront Fixed Charge and the benefit to customers of producing such a charge).	Compliant. Our charges are generally based upon upfront fixed charges, although there are some exceptions to this approach as permitted under these Charging Rules.
48	Where paragraph 47 applies, an undertaker must set out, and explain clearly, in its Charging Arrangements the alternative method or methods that will apply for calculating charges.	Compliant. For the areas where it is impractical to offer upfront fixed charges, the mechanism for calculating charges is clearly explained in our Charging Arrangements document.
49	<i>Validity period of quotations</i>	
49	Where an undertaker intends to provide quotations for charges set out in its Charging Arrangements, it must explain in its Charging Arrangements the length of time over which such quotations will be valid and explain the approach the undertaker will take where the period over which a quotation is valid would cross into a new charging year. For the avoidance of doubt, provisions in Charging Arrangements relating to the validity of quotations across Charging Years may provide for charges covered by such quotations to be payable as set out in the quotation within the period so specified in the Charging Arrangements even if that charge would have been different if the quotation were provided at the time that the charges are in fact paid or payable.	Compliant. Our charges set out the length of time quotations are valid and the approach taken when quotations cross over into the new charging year.

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Rule no.	Charges scheme rule	Compliance statement
50-58	Infrastructure charges and Income Offsetting (English Undertakers)	
50	Each relevant undertaker whose area is wholly or mainly in England must fix Infrastructure Charges in their Charging Arrangements.	Compliant. Information on Infrastructure Charges is provided in our Charging Arrangements document so that, for customer convenience, all information relating to new connection charges is available in a single document.
51	Not Used	
52	Infrastructure Charges must be determined in accordance with the principle that the amount of such charges will over each period of five consecutive Charging Years ending on 31 March 2023 and, thereafter, on 31 March in each subsequent year cover the costs of Network Reinforcement that the relevant undertaker reasonably incurs, taking into consideration both the number and relevant costs arising in consequence of new connections in the undertaker's own area, and in the areas served by New Appointees with whom the undertaker has an agreement for bulk supplies of water or bulk discharge and before the application of any Income Offset.	Compliant. Our Wastewater Infrastructures Charges for 2024-25 have been calculated on the basis of our forecast costs and likely number of connections over the following five years (the "five-year rule"). Our Water Infrastructures Charges for 2024-25 are similarly calculated based on the "five-year rule". We have introduced a handling strategy this year to phase the increase in the water infrastructure resulting from increased investment in our network proposed in our new Business Plan. Next year, after Ofwat's Final Determination we will have more certainty on our spend profiles and be in a better position to recommend any possible changes to the infrastructure charge necessary to fund network reinforcement and ensure sufficient capacity for new development.
53	Charging Arrangements must include a clear methodology explaining how Infrastructure Charges have been calculated.	Compliant. Our Infrastructure Charges Scheme makes it clear how the charges have been calculated. Further detail on the basis of the calculation has been provided in the 2024-25 Charging Arrangements document.

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Rule no.	Charges scheme rule	Compliance statement
54	For the avoidance of doubt, Infrastructure Charges must not relate to the costs of reinforcing, upgrading or otherwise modifying existing network infrastructure in order to address pre-existing deficiencies in capacity or in capability unrelated: to the provision of a new water main or public sewer pursuant to an agreement with, or a duty owed under the Water Industry Act 1991 to, a person other than a relevant undertaker (including, but not limited to, the provision of a new water main or public sewer pursuant to a requisition under sections 41(1) or 98(1), a section 66D agreement or a section 117E agreement); to the adoption of infrastructure under a section 51A or 104 agreement; or to connections described in section 146(2) of the Water Industry Act 1991.	Compliant. Our Infrastructure Charges do not relate to the costs of reinforcing, upgrading or otherwise modifying existing network infrastructure in order to address pre-existing deficiencies in capacity or in capability unrelated to these sections. The method of calculation does not include any of these types of investment.
55	In setting Infrastructure Charges an undertaker may (but is not required to) provide for an Income Offset. Each undertaker has discretion as to the methodology to be applied to calculate Income Offset.	We provide an income offset as described within the Charging Arrangements document.
56	Infrastructure Charges may be set as a fixed charge per new connection, or calculated in accordance with a formula. As long as the difference between amounts is cost reflective, the amounts of Infrastructure Charges may vary to reflect different circumstances and, in particular, may be different for different geographical areas	Compliant. Our Infrastructure Charges are based on a fixed cost per connection.
(a)	the Charging Arrangements clearly set out how Infrastructure Charges have been calculated;	Compliant. The method of calculation is detailed within our New Connection Charging documents.

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Rule no.	Charges scheme rule	Compliance statement
(b)	the amount of Infrastructure Charges applied in respect of the modification or redevelopment of existing buildings or premises is determined in accordance with the principle that the amount must take due account of any previous usage in the 5 years before the modification or redevelopment began (including supplies of water that were not for domestic purposes and drainage that was not for domestic sewerage purposes) associated with the buildings and/or premises to which the charges are to be applied and be discounted accordingly;	Compliant. Our approach to calculating Infrastructure Charges, in the case of modification or redevelopment of existing building or premises, includes for a mechanism to take due account of any previous usage in the 5 years before the modification or redevelopment began.
(c)	the Charging Arrangements clearly explain the methodology to be applied for determining a discount to reflect previous usage; and	Compliant. Our approach for determining the above discount will be clearly determined within our New Connection Charging Arrangements.
(d)	the Charging Arrangements clearly explain the methodology to be applied for determining any Income Offset.	Compliant. Our approach for determining the above discount will be clearly determined within our New Connection Charging Arrangements.
58	Rules 50 to 57 above do not apply to: (a) New Appointees; or (b) any charges scheme that has effect in relation to a period ending before 1 April 2018.	N/A

Annex to new connections services charges assurance statement – Approach to broadly maintaining the present balance of charges between Developers and other customers

Maintaining the broad balance of charges

A key requirement of the Charging Rules for New Connection Services is to broadly maintain the balance of contributions to costs between developers and other customers. In turn, this requirement has been key to informing our approach to setting charges under the new rules. Our approach on how we propose to achieve this are detailed below.

In October 2021 Ofwat announced that the income offset must come to an end by 2025. We therefore introduced environmental incentives in our charges for 2023-24 to replace the income offset and manage the transition. This approach promoted bill stability while championing sustainable design. The incentives were intended to maintain the balance of charges by heavily rewarding those developers who meet the sustainability criteria.

During the consultation process for our 2023-24 charges, we received feedback from our customers that was supportive of the new incentives and increased focus on sustainability. However, some customers voiced concern that the removal of the income offset in a single charging year was too rapid. We therefore reintroduced a reduced income offset and a managed glidepath to gradually phase out the income offset.

In our charges for 2024-25 we have modified this approach as part of handling strategy to improve bill stability. We have maintained the level of income offset to ensure customer price increases are not excessive.

For the charging year 2024-25 we have maintained our existing offering of environmental incentives and aligned our policies with Ofwat's latest consultations. We have also introduced a new silver wastewater incentive to reward and incentivise enhanced SuDS which go beyond the minimum design criteria set out by the planning process.