

New Connections and Developer Services Charging Arrangements

Statement of Significant Changes and Handling Strategies 2023/24



**South West
Water**



**Bournemouth
Water**

STATEMENT OF SIGNIFICANT CHANGES

As required under Ofwat Information Notice IN 20/07 – Expectations, assurance and information requirements for water company charges, South West Water must publish any significant changes to bills for typical developments when publishing its charging arrangements for 2023-24.

In particular, where bill increases are expected to be greater than 10% from the previous year companies must set out the handling strategies that have been developed to manage the impact such price increases would have on customers.

South West Water has analysed the effect of the 2023-24 Charging Arrangements on a range of typical developments, and considered bill impacts for developer customers that engage directly with the company or use a Self-Lay Provider.

South West Water's Board has reviewed the effects of 2023-24 charges on developer customers and confirms there will be increases greater than 10% to some typical developments which are highlighted within the scenarios to be published with our charges. These changes can be explained by some changes that South West Water has made to the way that our charges are structured following customer engagement and increases in material and resource costs.

Where the impact upon these typical developments is greater than 10% we have considered handling strategies intended to lessen the immediate impact of these increases.

Bill increases when compared to previous year

The typical worked examples in our Appendix, which are based on Ofwat scenarios, demonstrate the expected variance in bills when compared to last year. Of the seven worked examples five show bill increases of no more than 10%. The 5 scenarios represent schemes where new mains and services are required, which equate to circa. 80% of properties connected each year. In the case of barrier pipe some bills have decreased when compared to previous year.

Based on our review the majority of customers will experience bill increases of no more than 10%, however we have two worked examples (scenarios 1 and 2) where greater than 10% bill increases will occur.

Key cost factors underpinning charge movements

The following underlying factors impact new connections charges for 2023/24

- Contractor rate inflation (linked to December CPIH of 10.5%)
- Significant increases in sewer contractor costs relating to sewer requisitions.
- A revised CCTV contract. Taking into account forward looking cost reflectivity of those charges
- Increased Highway Authority costs (permit schemes and Streetworks/traffic management)
- Partially offset by efficiencies and service improvements

Directors Statement

South West Water Board can confirm that it has carefully considered the effects of the new charges on customers' bills for a range of typical developments, and, where these increases are greater than 10%, have approved the handling strategies contained within our charging documents.

The summary of this analysis can be found in our [Charging Arrangement](#)

HANDLING STRATEGY

Within our Appendix we show Ofwat's scenarios for typical developments where we have two scenarios where the overall impact to customers will be greater than 10% when compared to the previous year charges.

Where bills are expected to increase by greater than 10% (Scenarios 1 and 2) we carried out further reviews. In balancing cost reflectivity rules, promoting effective markets and taking into account customer impacts we have decided to:

- continue to actively promote competition by ensuring that our customers understand that contestable work can be done by 'others' therefore encouraging customers to make informed decisions on who carries out such work, understanding best market value (on cost and service).
- honour relevant new connection quotations until the end of September 2023 which provides our customers at least six months beyond the start of the new financial year to accept their quotations based on previous year charges. We have chosen six months because our assessments have shown that typical developments of this type will be completed within a shorter time period and therefore the time extension will ensure that customers do not receive cost increase surprises mid project.

We will continue to work closely with this customer segment to help to lessen the impact of these changes and will commit to considering any customer requests where exceptional circumstances may impact customers beyond the agreed extension date.