



Developer Services Charging Arrangement 2023/24

Proposed engagement strategy

October 2022

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Background

Every year Water Companies must publish their New Connections Charging Arrangements which determine the policies and charges that can be applied for new connection and mains services to new commercial and housing developments. The Charging Arrangements also cover arrangements for SLPs and NAVs

The Charging Arrangements must meet the requirements of Ofwat's Charging Rules and are subject to robust internal and independent external assurance. You can find the Charging Rules document [here](#).

For our own due diligence, and as part of the Charging Rules, it is essential that we engage with customers and other stakeholders to share our proposals and seek feedback and comment on them before the arrangements are finalised. This engagement process will be conducted in several stages in order that views can continue to be considered as the charges are developed.

Your views are important to us

We are now seeking your views as the first part of our process to develop our New Connections Charging Arrangements for 2023/24.

We are doing this as it is important to understand the views of our customers and stakeholders about the elements that they like and those that they would like to be changed or improved. Whilst we maintain consultation with our customers throughout the year this engagement is intended to provide you with the opportunity to influence the changes that we will consider to our existing arrangements.

In reviewing our charges there are a number of requirements that we need to meet which include:

- Ensuring that our charging arrangements are transparent, and customer focussed
- Ensuring that our charges are cost reflective and fixed upfront to allow customers to calculate their own charges
- Promoting customer choice by creating a level playing field for new entrants to provide developer customers with alternative choices to procure new mains and connection services for their development sites
- Ensuring that the balance of charges that customer pay is broadly maintained under the new arrangements

Timetable for influencing our 2023-24 charging arrangements

First stage

This consultation is your first opportunity to share your views on changes that we could make to our Charging Arrangements for 2023/24. We would ask that you provide your feedback to us by 25th October 2022, via one of the survey links provided at the end of this document.

Second stage

The feedback that we receive during this first stage will help to set the framework for the second consultation stage which will consist of more focussed workshops to further understand the views of our customers to influence our future charges scheme. These sessions will be held in November either in person or virtually subject to customer preferences from the first phase of engagement.

Third stage

The final stage of our consultation will be a developer event which will be held in early January 2023 where we will be able to share the policy changes within our charges along with the proposed charges.

We also intend to use this event to provide visibility of other key changes within Developer Services including any recent changes to legislation or procedures to help our customers to understand how future services might be impacted.

One to one discussions

We also like to offer customers an opportunity to engage with us on a one-to-one basis if they would prefer that approach. Please contact us to arrange an appointment by emailing developer_services_questions@southwestwater.co.uk if you would like to engage with us in this way.

Publication

We are required to publish our final charges by 1 February 2023 and therefore this engagement process will ensure that we have enough time to take the views of our customers into account and make any required charges in advance of final publication.

Changes to Ofwat's charging rules and regulatory developments

Whilst Ofwat have not introduced any material changes to their charging rules for 2023/24 it has continued to develop how new connection charging should evolve in the future.

Specifically, it has published a number of documents which will influence water companies' charging arrangements for both 2023/24 and more specifically for the next regulatory funding period (PR24). Within these documents Ofwat has:

- provided its conclusions on the consultation regarding the [Scope and balance of developer charges and incentives](#),
- requested [additional 2021-22 data from incumbent companies](#) to support any future changes, and
- consulted on its draft methodology for PR24 which can be found [here](#).

Inflationary pressures

In line with Ofwat's Charging Rules we must ensure that we provide a charges scheme which reflects the cost of providing new connection services and therefore we anticipate that, due to the current economic pressures that is affecting all construction services, we anticipate that our charges are likely to increase to reflect inflationary pressures.

As a general rule our supply chain contracts are subject to annual increases of CPIH, and therefore we expect to see price increases in excess of 10%, but we will ensure that we communicate any inflationary increases and how we intend to manage them during the engagement process

Specific changes that we would like to seek customer feedback

Per-property pricing (new water mains)

We have previously received feedback from one of our customer segments relating to our charges for 2022/23 which specifically focusses upon our current approach to charge new water mains on a cost per property basis and therefore we would welcome feedback from customers what they think that about these arrangements and whether they would like to see them changed to provide more a more granular breakdown of charges. This would mean moving away from a fixed price to more variable pricing.

Environmental incentives

Furthermore, with water resources being impacted by climate change, population growth and customer behaviours we would like to introduce an environmental incentive scheme to help to introduce sustained reductions in water demand which will help homeowners and businesses to manage their water consumption and future bills. Any scheme would also target the reduction of pollution incidents by removing surface water from foul and combined sewerage networks.

To help us to develop this scheme we seek your feedback on the things that will incentivise the introduction of water efficiency measures for all new developments in the future which will benefit the owners of the new homes and the environment.

Your feedback matters – please let us know your views by completing the relevant survey below, based on the service(s) you use.

Survey	Service(s) you use	Common customer types
Survey A – please click here	New Water Mains & Services Sewer Requisitions Sewer Adoptions Pre-Development Enquiries Self Lay NAV	Developer Self Lay Provider NAV Builder Consultant Contractor Intermediary/Service Provider
Survey B – please click here	New Water Connections (to existing water mains) New Sewer Connections Build Over/Near existing sewers Small Build Process	Home owner Self Build Builder Plumber Consultant Contractor Architect Developer Intermediary/Service Provider Self Lay Provider