

Statement of Assurance for 2020/21 Charges

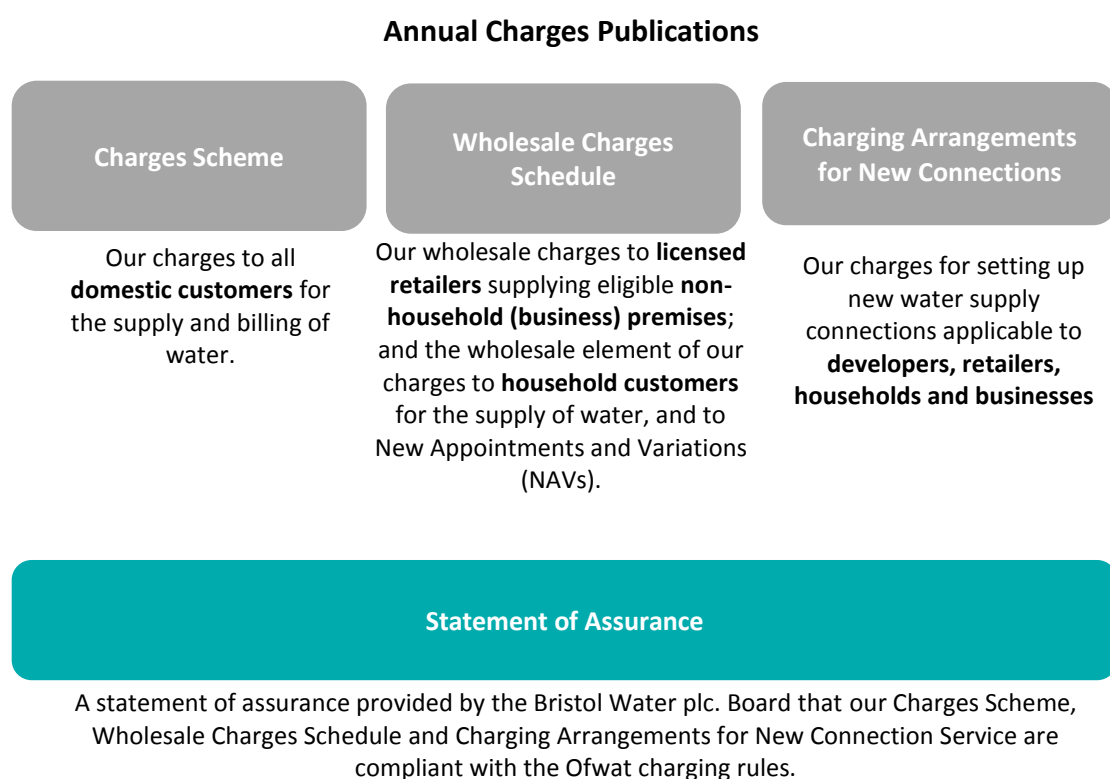
Charges Scheme, Wholesale Charges Schedule and
Charging Arrangements for New Connections
9th January 2020



1. Introduction

This statement of assurance is provided in accordance with Ofwat’s expectations as set out in Information Notice IN19/05 and relevant Charges Rules publications¹. This statement covers the Charges Scheme that applies to end user customer tariffs and charges, wholesale charges to licensed retailers supplying eligible business customer premises and new connection charging arrangements to developers. Our statement is accompanied by supporting useful information on our charges.

A summary of the annual charges publications that this statement of assurance applies to is provided below.



¹ Wholesale Charging rules (October 2018); Charges Scheme Rules (July 2019); and Charging rules for new connection services – English undertakers (July 2019).

2. Statement of Assurance

2020/21 CHARGES SCHEMES, WHOLESALE CHARGE SCHEDULE AND NEW CONNECTION CHARGING ARRANGEMENTS

The Board of Bristol Water confirms that:

- a) The company complies with its legal obligations relating to the charges set out in its charges schemes, wholesale charge schedule and new connection charging arrangements.
- b) The Board has assessed the effects of the 2020/21 charges on customers' bills and wholesale service charges to retailers supplying customers occupying eligible premises for a range of different customer types, and confirms that there are no instances where bill increases for particular customer types exceed 5%, given a constant level of consumption. We summarise our key changes in charges and other useful information that provides context for this statement at the end of this document.
- c) No significant changes to wholesale or household retail charge structures have been made. The final wholesale charges are not significantly different to the indicative wholesale charges published in October 2019, except in that they have been updated for the PR19 Final Determination as published on 16th December 2019.
- d) The company has appropriate systems and processes in place to make sure that the information contained in the charges scheme, wholesale charge schedule and new connection charging arrangements, and the additional information requested by Ofwat is accurate; and
- e) The company has consulted the Consumer Council for Water and other relevant stakeholders in a timely and effective manner on its charges schemes, wholesale charge schedule and new connection charging arrangements.

In addition, for new connection charging arrangements:

- a) The Board has assessed the effects of the planned transition from 2019/20 charge arrangements to 2020/21 charge structures. Based on the range of typical developments set out in our new connection charging arrangements document, the company confirms that there are no instances where bill increases for particular developer type exceeds 10%.
- b) We summarise the change to the charges within the supplementary information alongside this statement. This summarises the extensive engagement with developers in support of our approach.

- c) In addition to the change in new development charging arrangements, we have also updated our charges to reflect our recently market-tested contracting arrangements. The company has reviewed both the typical development charges and the individual item rates to ensure that the balance of charges between developers and other customers is broadly maintained, and that the charges are consistent with promoting competition for contestable work. The balance of charges, including through implementing the infrastructure payment for income offset, is also broadly consistent with the assumptions within the PR19 Final Determination.

The submission is signed by the Board of Bristol Water and we confirm that the Board has reviewed and endorsed it.

Statement of Assurance

2020/21 CHARGES SCHEMES, WHOLESALE CHARGE SCHEDULE AND NEW CONNECTION CHARGING ARRANGEMENTS

Board Approval			
Name	Role	Signature	Date
Keith Ludeman	Chairman		9.1.20
Tim Tutton	Senior Independent Non-Executive		9.1.20
Jeremy Bending	Independent Non-Executive		9.1.20
Paul Francis	Independent Non-Executive		9.1.20
Jim McAuliffe	Independent Non-Executive		9.1.20
Indradoot Dhar	Non-Executive		9.1.20
Hajime Ichishi	Non-Executive		9.1.20
Paul Malan	Non-Executive		9.1.20
Mel Karam	Chief Executive Officer		9.1.20
Laura Flowerdew	Chief Financial Officer		9.1.20

3. Supporting Information on our Household, Wholesale and New Connection Charges

3.1 Bill Impact for Household Customer Charges

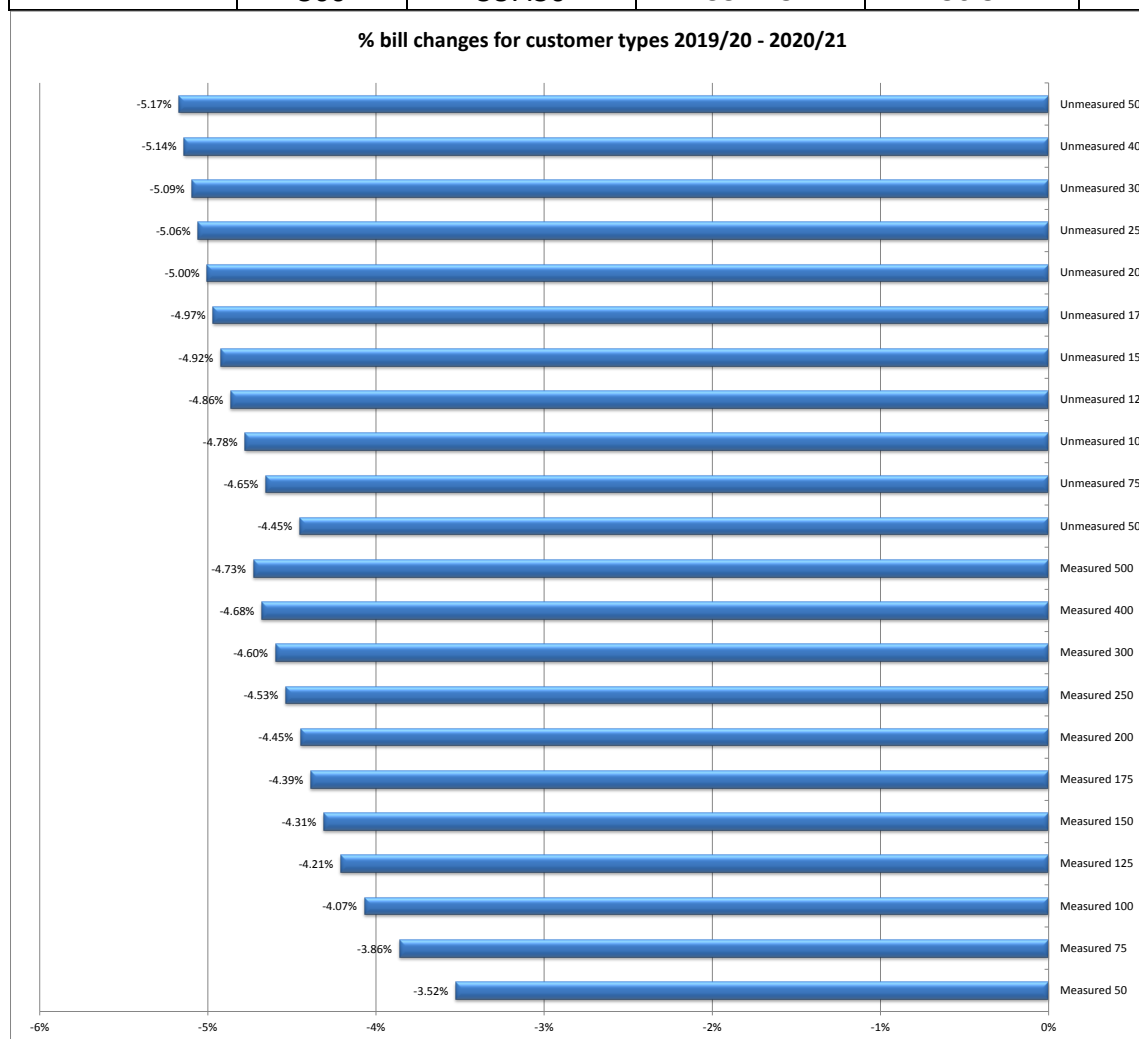
Table 3-1 presents the example bill changes for Household customer charges affecting customers on measured (metered) and unmeasured charges for 2020/21 compared to 2019/20. This shows that all customers on standard tariffs will receive a bill reduction. This is in line with the outcome of the PR19 Final Determination, which illustrated a reduction in the Bristol Water average bill of 9.3% in real terms the first year of the price control. The example bills shown in this table reflect our measured and unmeasured charges as set out in our charges publications, and include inflation and changes in customer characteristics². For measured household customers we show a range of typical volumes (m³ per annum) and for unmeasured household customers a range of Rateable Values (£). The changes in different customer categories largely reflect that retail standing charges do not have CPIH inflation applied. For ease of presentation, the components of the example bills are shown later in this statement.

10. Table 3-1 - Movement in example bills, by Household Customer Group and Levels of Water Usage, 2020/21 charges compared to 2019/20

Household Customers	Water used (m ³ per annum) / Rateable Value £RV	Example Bill 2019/20 (£)	Example Bill 2020/21 (£)	Change (£)	Change (%)
Measured Households	50	107.64	103.85	-3.79	-3.52%
	75	140.96	135.52	-5.44	-3.86%
	100	174.28	167.19	-7.09	-4.07%
	125	207.60	198.87	-8.73	-4.21%
	150	240.92	230.54	-10.38	-4.31%
	175	274.24	262.21	-12.03	-4.39%
	200	307.56	293.88	-13.68	-4.45%
	250	374.20	357.23	-16.97	-4.53%
	300	440.84	420.58	-20.26	-4.60%
	400	574.12	547.27	-26.85	-4.68%
Unmeasured Households	500	707.40	673.96	-33.44	-4.73%
	50	88.45	84.51	-3.94	-4.45%
	75	116.18	110.77	-5.41	-4.65%
	100	143.90	137.03	-6.87	-4.78%
	125	171.63	163.28	-8.34	-4.86%

² Household Charges Scheme and Wholesale Charges Arrangement

Household Customers	Water used (m ³ per annum) / Rateable Value £RV	Example Bill 2019/20 (£)	Example Bill 2020/21 (£)	Change (£)	Change (%)
	150	199.35	189.54	-9.81	-4.92%
	175	227.08	215.79	-11.28	-4.97%
	200	254.80	242.05	-12.75	-5.00%
	250	310.25	294.56	-15.69	-5.06%
	300	365.70	347.08	-18.62	-5.09%
	400	476.60	452.10	-24.50	-5.14%
	500	587.50	557.13	-30.37	-5.17%



3.2 Bill Impacts for Wholesale Charges to Retailers

Table 3-2 presents example bill changes for wholesale charges affecting licenced retailers that supply eligible Non-Household (business) customers on measured (metered) and unmeasured charges for 2020/21 compared to 2019/20³. This reflects

³ Charges for retail services provided by retailers will be added to the wholesale charge payable by Non-Household (business) customers.

our non-Household charges as set out in our published Wholesale Charges Schedule. Charges for measured Non-Household customers (Bands A to G) are based on forecasts of annual water used (m³ per annum) and for unmeasured Non-Household customers (Band U) the charge is based on the Rateable Value (£). The changes to charges are similar to household customer bill changes.

11. Table 3-2 - Movement in the typical bill, by Non-Household Customer Group and Levels of Water Usage, 2020/21 charges compared to 2019/20

Non-Household Customers by Band	Water used (m ³ per annum)	Typical Bill 2019/20 (£)	Typical Bill 2020/21 (£)	Change (£)	Change (%)
Band U	200	233	221	-12	-5.3%
Band G	500	667	637	-30	-4.5%
Band F	2,000	2624	2506	-118	-4.5%
Band E	10,000	12918	12336	-581	-4.5%
Band D	32,500	39006	37250	-1756	-4.5%
Band C	75,000	85530	81681	-3849	-4.5%
Band B	175,000	189351	180830	-8521	-4.5%
Band A	375,000	386614	369216	-17397	-4.5%

3.3 Bill Impact for Assessed Charges (Household and Non-Household)

Assessed charges are levied for customers who have requested to be charged on a measured (metered) basis but for whom it is not possible to install a water meter at their property. Assessed charges are available to both Household customers, in which case the Assessed charge is based on the number of bedrooms in their property, and Non-Household customers in which case the Assessed charge is based on the number of employees. Single Household occupiers receive the 1 bedroom assessed charge.

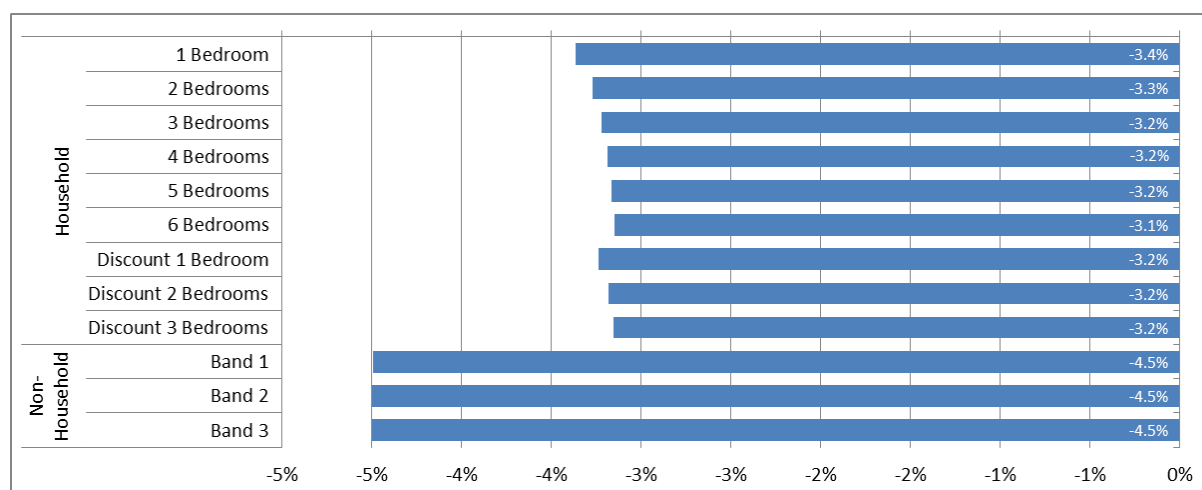
Table 3-3 presents the typical bill changes for Assessed Household and non-Household customer charges for 2020/21 compared to 2019/20, as reflected in our standard charges publications. The change in charges is also presented in Figure 3-1 to illustrate the impact that the revised approach to calculating the charges has had.

12. Table 3-3 – Bill Movement for Household and non-Household customers on Assessed Charges, 2020/21 charges compared to 2019/20

Assessed Charges		Bill 2019/20 (£)	Bill 2020/21 (£)	Change (£)	Change (%)
Household	1 Bedroom	112.17	108.40	-3.77	-3.4%
	2 Bedrooms	159.62	154.40	-5.22	-3.3%
	3 Bedrooms	207.06	200.40	-6.66	-3.2%
	4 Bedrooms	254.51	246.40	-8.11	-3.2%

Assessed Charges		Bill 2019/20 (£)	Bill 2020/21 (£)	Change (£)	Change (%)
	5 Bedrooms	301.96	292.40	-9.56	-3.2%
	6 Bedrooms	349.40	338.40	-11.00	-3.1%
	Discount 1 Bedroom	101.50	98.21	-3.28	-3.2%
	Discount 2 Bedrooms	141.83	137.31	-4.51	-3.2%
	Discount 3 Bedrooms	182.15	176.41	-5.74	-3.2%
Non-Household	Band 1	60.89	58.16	-2.74	-4.5%
	Band 2	100.83	96.30	-4.53	-4.5%
	Band 3	140.78	134.45	-6.33	-4.5%

13. Figure 3-1- Bill Movement for Household and non-Household customers on Assessed Charges, 2020/21 compared to 2019/20 (% change)



3.4 Average Household Customer Bills

Average household bills are forecast to be £177 for 2020/21, compared to £187 in 2019/20, which represents a decrease of 5.1%. The movement in the average bill since 2014/15 is summarised in Figure 3-2, showing the reduction for 2020/21 compared to previous years.

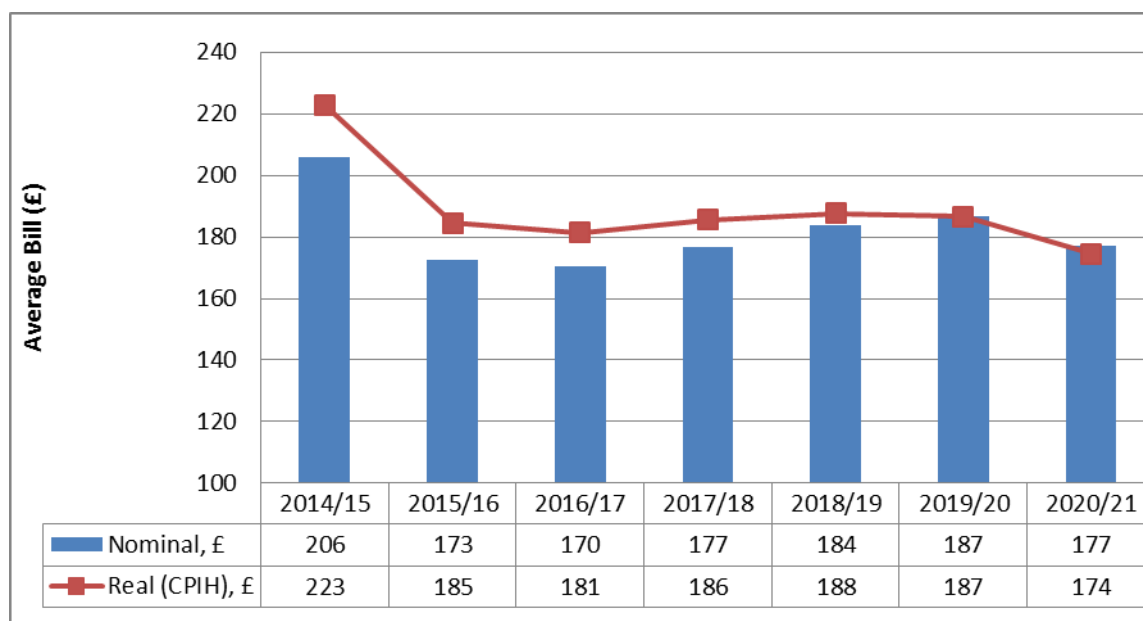
14. Figure 3-2 - Average Household Customer Bill, 2014/15 to 2020/21 (£)

Table 3-4 presents a breakdown of the average bill for Household customers charged on an Unmeasured and Measured (metered) basis for 2020/21 compared to 2019/20.

15. Table 3-4 - Average Household Customer Bill, by Measured and Unmeasured Charges, 2020/21 compared to 2019/20 (£)

Household Customers	2019/20 average bill (£)	2020/21 average bill (£)	Change (£)	Change (%)
Measured	170	163	-7	-4.4%
Unmeasured	209	200	-9	-4.4%
Overall	187	177	-10	-5.1%

The average bill for 2020/21 has decreased by 5.1% compared to 2019/20. This is primarily due to the outcome of the PR19 Final Determination, which has reduced our wholesale revenue allowance by £4.595m (4.1%) in nominal terms. In setting the 2020/21 charges we accounted for November CPIH inflation (1.5%). No specific adjustments are made in respect of revenue correction or outcome delivery incentives, as for 2020/21 these are incorporated within the PR19 Final Determination. The revenue change is a higher reduction at -5.1% in line with the movement in average bills once adjusted for revenue timing.

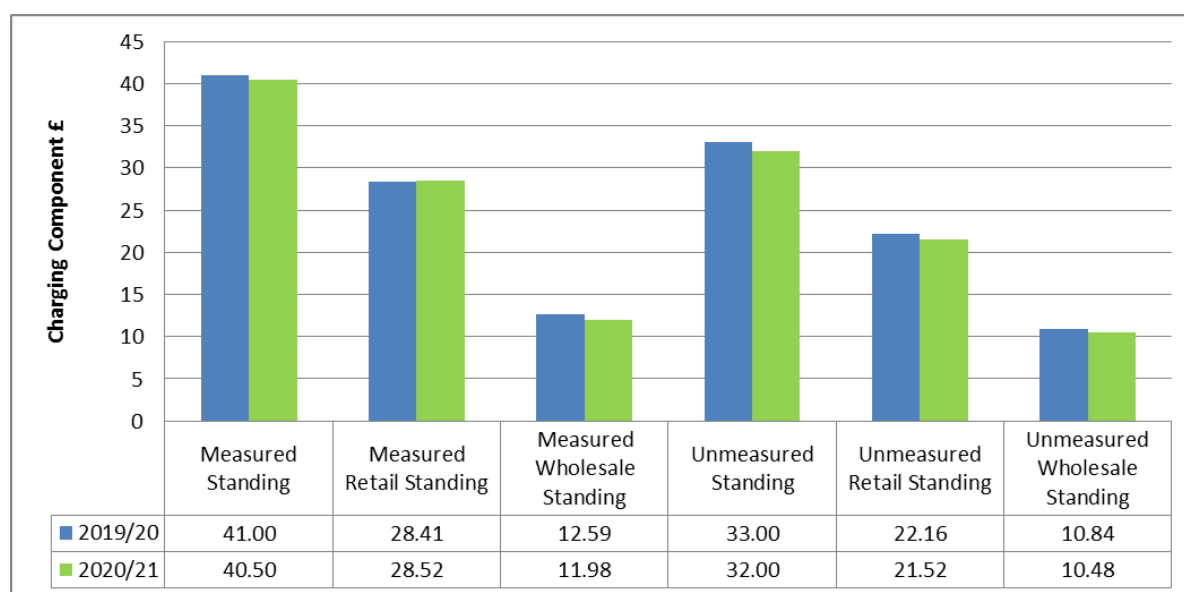
The overall average bill movement is lower than that for unmeasured or measured customers due to the effect of customers switching from higher unmeasured bills to lower measured bills through optional and selective metering, and lower number of new connections in 2018-20 than previously expected.

The movement in charges for measured and unmeasured household customers for 2020/21 compared to 2019/20, broken down by the component standing and variable charges, are summarised in Table 3-5 and Figure 3-3. The charge changes vary by revenue control and also because of social tariff rebalance in the retail standing charge.

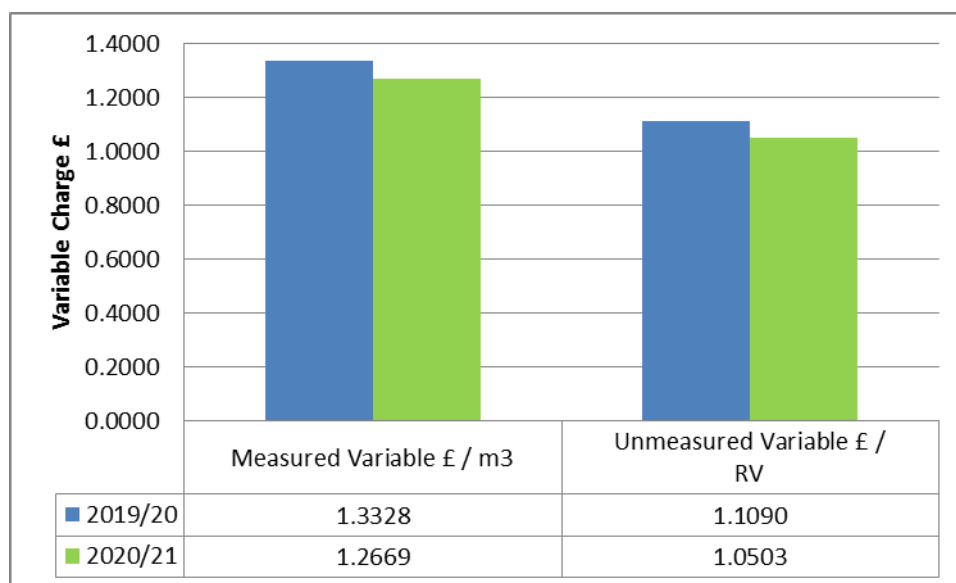
16. Table 3-5 - Movement in Charges for Measured and Unmeasured Customers, by Charging Component, 2020/21 compared to 2019/20

Household Customer	Charging Component	2019/20	2020/21	Change	% change
Measured Household	Standing (£)	41.00	40.50	-0.50	-1.2%
	Variable (£/m3)	1.3328	1.2669	-0.0659	-4.9%
	Retail Standing (£)	28.39	28.52	0.11	0.4%
	Wholesale Standing (£)	12.61	11.98	-0.61	-4.8%
	Wholesale Variable (£/m3)	1.3328	1.2669	-0.0659	-4.9%
Unmeasured Household	Standing (£)	33.00	32.00	-1.00	-3.0%
	Variable (£/RV)	1.1090	1.0503	-0.0587	-5.3%
	Retail Standing (£)	22.14	21.52	-0.64	-2.9%
	Wholesale Standing (£)	10.86	10.48	-0.36	-3.3%
	Wholesale Variable (£/RV)	1.1090	1.0503	-0.0587	-5.3%

17. Figure 3-3 - Movement in Standing Charges for Measured and Unmeasured Customers, by Charging Component, 2019/20 to 2020/21



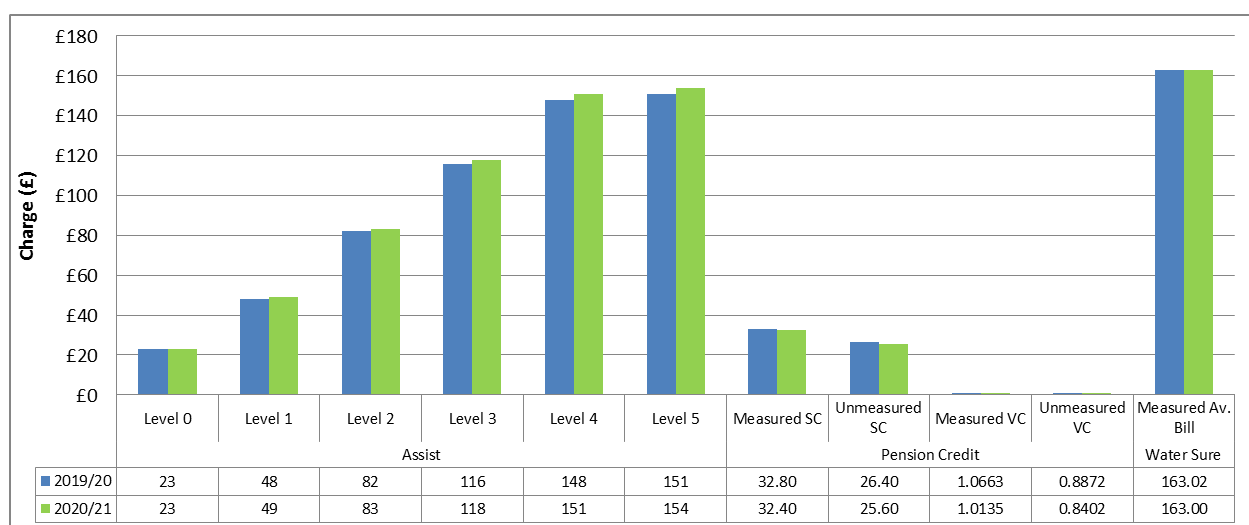
18. Figure 3-4 - Movement in Variable Charges for Measured and Unmeasured Customers, 2020/21 compared to 2019/20



3.5 Social Tariffs and Cross Subsidies

Social Tariffs and the amount recovered through other customer bills vary dependent on the number of claimants and by the level of the social tariff charged. As Figure 3-5 presents, our Pension Credit tariffs have reduced in line with the reduction to standard charges, and continue to offer a 20% discount. Assist charges are retained at 19/20 levels, as these are based on customers' own affordability rather than with reference to the price control. WaterSure+ charges reduce and are in line with the measured average bill.

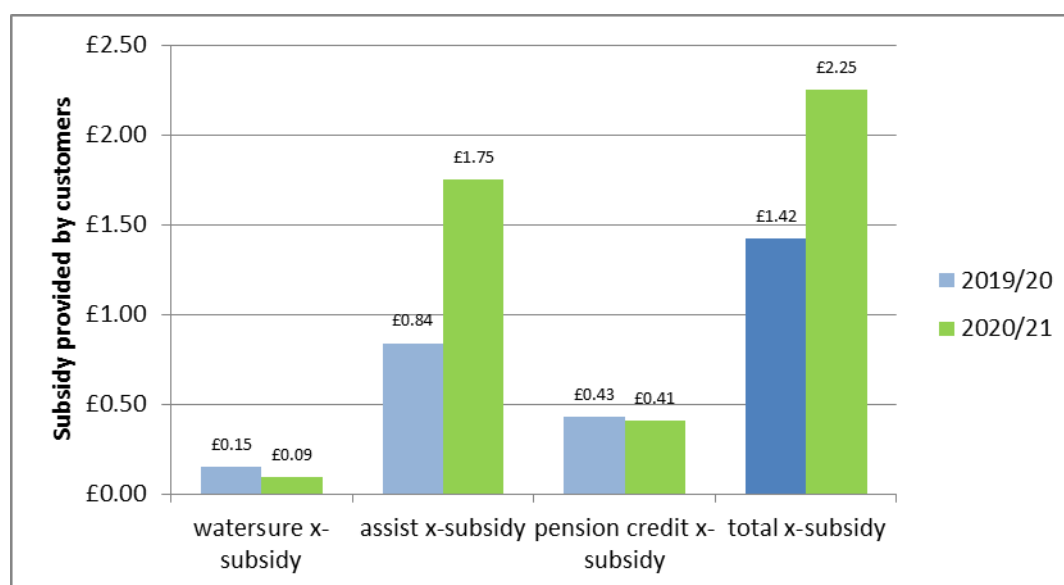
19. Figure 3-5 - Movement in Social Tariff Charges, 2020/21 compared to 2019/20 (£)



The overall level of the social tariff cross-subsidy for 2020/21 is c£2.25 per customer, compared to £1.43 per customer in 2019/20, due to the growth in the number of customers we expect to support, particularly on our Pension Credit tariff. However, the forecast 2019/20 cross-subsidy remains below the target threshold of £2.40 established by our customer research carried out during 2019. Assist social tariffs continue to increase in line with CPIH to align with benefit changes (1.5% for 2020/21). The proportion of unmeasured customers on Assist has been higher than expected, and therefore we plan to promote metering and provide a money saving guarantee as part of this tariff to reduce the cross-subsidy to other customers, without this reducing the level of support provided.

Figure 3-6 presents a summary of the social-tariff cross subsidy by each tariff.

20. Figure 3-6 - Summary of the Movement in the Social Tariff Cross-subsidy, by Tariff, 2020/21 compared to 2019/20 (£ per customer)



3.6 New connection charging arrangements

Infrastructure charges will reduce from £334 to £256 for 2020/21. This reflects a reducing amount of network reinforcement expenditure being required, and an increased forecast in customer numbers. Full details of the expenditure and property number forecasts are included in the new connection charging arrangements document. Revenue from developer services is expected to amount to £3.4m, compared to £3.9m forecast for 2019/20 and £3.1m originally expected for 2020/21 as part of PR19 Final Determination assumptions. The reduction in infrastructure charges, with the income offset/ infrastructure payment of £706 for 2020/21 maintains the balance of charges between developers and other customer groups.

Below we set out the example change in charges for new connection services. Specific Bristol Water examples as well as these Ofwat standard scenarios are included in the new connection charging arrangements document.

Ofwat require companies as a minimum to set out worked examples for typical developments. We have used these to supplement the scenarios our own scenarios we have used previously, which were developed in discussion with our developer customers to help explain the new charging arrangements for new connections which came into force in 2018.

The examples show comparisons between 2019/20 and 2020/21 for changes for a typical development and include requisition charges, infrastructure charges, connection charges and income offset (infrastructure payments). We include application and design fees and traffic permit charges (which are new for 2020/21 for most of our area as councils are in the process of implementing such schemes), but do not assume additional traffic management charges as set out in our charging scheme.

Ofwat Examples - Additional Traffic Management

Signage, barriers etc are included in the rates.

For Connections to mains serving development sites it is assumed that 2 way traffic lights will be required for 3 days to undertake the work

For service connections to existing mains it is assumed that 2 way traffic lights will be required for 3 days for a short side connection and 5 days for a long side connection

Actual traffic management costs would vary for each example. Standard traffic management is included as above. As an illustration, two way temporary traffic management costs where this is required for longer. For instance the charge per day for two-way traffic lights for 2020/21 is £25.80, compared to £23.19 for 2019/20, an increase of 11% due to increase streetworks requirements. This variation for each example is not material to the overall change in charges.

Traffic lights 2 Way

Year	Costs/Day
19/20	£23.19
20/21	£25.80

Traffic Light Costs

Example	Detail	Costs		Notes
		19/20	20/21	
1	Short Side	£69.57	£77.40	3 Days

1	Long Side	£115.95	£129.00	5 Days
2	Connection	£69.57	£77.40	3 Days
3	Connection	£69.57	£77.40	3 Days
4	Connection	£69.57	£77.40	3 Days
5	Connection	£69.57	£77.40	3 Days
6	Connection	£69.57	£77.40	3 Days

Example One – Single Connection only

Assumptions

25mm MDPE Standard Pipe

Short Side is connection to existing main in type 3/4 road, 4 metres of service pipe and provision of boundary box with meter and stoptap.

Long Side is connection to existing main on far side of road, 4 metres of service pipe in type 3/4 road, 4 metres in unmade ground and installation of boundary box with meter and stoptap.

Uncontaminated Ground

Permit Fee (Highways Authority charge) applies to works undertaken in Highway.

2020/21 Infrastructure Charge of £256 (2019/20 £334)

2020/21 Income Offset of £706 (2019/20 – Nil)

2020/21 Connection charges	Connection to existing main in road plus 1 metre of pipe	Type 3/4 Road	Unmade Ground	Permit Fee	Total
Short Side	£865.14	£372.83	£0	£45.00	£1,282.97
Long Side	£865.14	£372.83	£497.10	£45.00	£1,780.07

2019/20 Connection charges	Connection to existing main in road plus 1 metre of pipe	Type 3/4 Road	Unmade Ground	Permit Fee	Total
Short Side	£870.00	£351.00	£0	£0.00	£1,221.00
Long Side	£870.00	£351.00	£468.00	£0.00	£1,689.00

<u>Summary</u>	Connection charges	After Infrastructure charges / income offset
Total cost 2020/21	£3,063.04	£2,613.04
Total cost 2019/20	£2,910.00	£3,244.00
Change on 2019/20	5.3%	-19.4%

The increase in connection charge contract rates in this example (mostly driven by the new Traffic Management Permit costs) is more than offset by the reduction in infrastructure charges and the income offset payment.

Example Two – New block of flats (10 units) – Connection only

Assumptions

63mm MDPE barrier service pipe

Short Side is connection to existing main in type 3/4 road, 4 metres of service pipe and provision of boundary box with meter and stoptap.

Long Side is connection to existing main on far side of road, 4 metres of service pipe in type 3/4 road, 4 metres in unmade ground and installation of boundary box with meter and stoptap.

Greenfield site so no infrastructure credits due.

Permit Fee (Highways Authority charge) applies to works undertaken in Highway.

2020/21 Infrastructure Charge of £2560 (2019/20 £3340)

2020/21 Income Offset of £7060 (2019/20 – Nil)

2020/21 Connection Charges	Connection to existing main in road plus 1 metre of pipe	Type 3/4 Road	Unmade Ground	Permit Fee	Total
Short Side	£1,913.21	£595	£0	£45	£2,553.21
Long Side	£1,913.21	£595	£255.71	£45	£2,808.92

2019/20 connection charges	Connection to existing main in road plus 1 metre of pipe	Type 3/4 Road	Unmade Ground	Permit Fee	Total
Short Side	£1,791.03	£634.86	£0		£2,425.89
Long Side	£1,791.03	£634.86	£225.40		£2,651.29

<u>Summary</u>	Connection charges	After Infrastructure charges / income offset
Total cost 2020/21	£5,362.13	£862.13
Total cost 2019/20	£5,077.18	£8,417.18
Change on 2019/20	5.6%	-89.8%

As expected, a development that requires no new on-site mains (and would have therefore not benefitted from requisition discount to mains costs) benefits from income offset. Changes in contract rates have been reflected in changes to our charges, which show a modest increase in this example.

Example Three – Small house development (10 new connections) – Main and Services

Assumptions

20 metres of 63mm MDPE standard main in type 3/4 road

20 metres of 90mm HPPE standard main in unmade surface

10 metres of 90mm HPPE standard main in type 3/4 road

Connections on site is usually tapping only

Greenfield site so no infrastructure credits due.

Permit Fee (Highways Authority charge) applies to works undertaken in Highway.

2020/21 Infrastructure Charge of £2560 (2019/20 £3340)

2020/21 Income Offset of £7060 (2019/20 – Nil)

2020/21 Requisition charges	Design Admin Fee	Connection to Existing Main	Mains	Washout	Pressure Test	Permit Fee	Chlorination	Total	Notes
10 metres of 90mm HPPE main in type 3/4 road	£300	£1,913.21	£1,896	£351.31	£314.17	£45	£657.70	£5,477.32	Chlorination in one length
20 metres of 90mm HPPE main in unmade surface			£1,103.73					£1,103.73	
20 metres of 63mm MDPE main in unmade surface			£1,086.48					£1,086.48	
Total =								£7,667.54	

Requisition Charges 2019/20	Design Admin Fee	Connection to Existing Main	Mains	Washout	Pressure Test	Permit Fee	Chlorination	Total	Notes
10 metres of 90mm HPPE main in type 3/4 road	£300	£1,791.03	£2,009	£233.28	£303.89		£657.70	£5,295.00	Chlorination in one length
20 metres of 90mm HPPE main in unmade surface			£1,127.00					£1,127.00	
20 metres of 63mm MDPE main in unmade surface			£913.00					£913.00	
Total =								£7,335.00	

2020/21 Connection charges	Connection	Road Crossing	Footpath	Permit Fee	Total	Notes
Service Connections tapping only	£1,158.37				£1,158.37	Tapping Only
Total =					£1,158.37	

2019/20 connection charges	Connection	Road Crossing	Footpath	Permit Fee	Total	Notes
Service Connections tapping only	£13,500.00				£13,500.00	Tapping only

Summary	2020/21	2019/20	Change
Mains =	£7,667.54	£7,335.00	4.5%
Services =	£1,158.37	£2,700.00	-57.1%
Infrastructure Charges =	£2,560	£3,340.00	-23.4%
Income Offset =	-£7,060	-£6,234.75	13.2%
Total =	£4,325.91	£7,140.25	-39.4%

The Service cost reduction reflects new contract rates which are lower for tapping than previously incurred. This example also shows the balance of charges on mains requisition (which are shown gross for 2019/20 before the income offset 85% discount which we show separately to aid comparison). This is a typical development for our area and shows the impact of efficiencies as well as lower infrastructure charges.

Example Four – Medium house development (50 new connections) – Mains and Services

Assumptions

10 metres of 180mm HPPE standard main in type 3/4 road

90 metres of 180mm HPPE standard main in unmade surface

100 metres of 125mm HPPE standard main in unmade surface

100 metres of 90mm HPPE standard main in unmade surface

Greenfield site so no infrastructure credits due

Permit Fee (Highways Authority charge) applies to works undertaken in Highway.

2020/21 Infrastructure Charge of £12800 (2019/20 £16700)

2020/21 Income Offset of £35300 (2019/20 – £20348)

2020/21 requisition charges	Design Admin Fee	Connection to Existing Main	Mains	Washout	Pressure Test	Chlorination	Total	Notes
10 metres of 180mm HPPE main	£600	£2,102.73	£2,510				£5,212.95	Type 3/4
90 metres of 180mm HPPE main			£7,212				£7,212.44	Unmade surface
100 metres of 125mm HPPE main			£6,576.00				£6,576.00	Unmade surface
100 metres of 90mm HPPE main			£5,518.66	£351.31	£314.17	£657.70	£6,841.84	Unmade surface
Total =							£25,843.24	

2019/20 requisition charges	Design Admin Fee	Connection to Existing Main	Mains	Washout	Pressure Test	Chlorination	Total	Notes
10 metres of 180mm HPPE main	£600	£2,194.87	£2,896				£5,690.67	Type 3/4
90 metres of 180mm HPPE main			£7,158				£7,157.70	Unmade surface
100 metres of 125mm HPPE main			£5,331.00				£5,331.00	Unmade surface
100 metres of 90mm HPPE main			£4,565.00	£233.28	£303.89	£657.70	£5,759.87	Unmade surface
Total =							£23,939.24	

2020/21 connection charges	Connection	Road Crossing	Footpath	Permit Fee	Total	Notes
Service Connections tapping only	£5,791.84				£5,791.84	Tapping only

Summary	2020/21	2019/20	Change
Mains =	£25,843.24	£23,939.24	8.0%
Services =	£5,791.84	£13,500.00	-57.1%
Infrastructure Charges =	£12,800.00	£16,700.00	-23.4%
Income Offset =	-£35,300.00	-£20,348.35	73.5%
Total	£9,135.08	£33,790.89	-73.0%

The reduction in the service tapping rates, the reduction in infrastructure charges and the change in income offset from requisition discount combine to lower the cost to a developer in this example. Increase in the mains costs largely comes from an increase in the HPPE pipe cost contract rates, but this is offset by reductions in other charges.

Example Five – Large house development (200 new connections) – Mains and Services

Assumptions

10 metres of 180mm HPPE standard main in type 3/4 road

290 metres of 180mm HPPE standard main in unmade surface

300 metres of 125mm HPPE standard main in unmade surface

400 metres of 90mm HPPE standard main in unmade surface

Greenfield site so no infrastructure credits due.

Permit Fee (Highways Authority charge) applies to works undertaken in Highway.

2020/21 Infrastructure Charge of £51200 (2019/20 £66800)

2020/21 Income Offset of £141200 (2019/20 – Nil)

2020/21 requisition charges	Design Admin Fee	Connection to Existing Main	Mains	Washout	Pressure Test	Chlorination	Total	Notes
10 metres of 180mm HPPE main	£1,200	£2,102.73	£2,510				£5,812.95	Type 3/4
290 metres of 180mm HPPE main			£23,240.10	£351.31	£314.17	£657.70	£24,563.28	Unmade surface
300 metres of 125mm HPPE main			£19,728.00	£351.31	£314.17	£657.70	£21,051.18	Unmade surface
400 metres of 90mm HPPE main			£22,074.66	£351.31	£314.17	£657.70	£23,397.84	Unmade surface
Total							£74,825.24	

2019/20 requisition charges	Design Admin Fee	Connection to Existing Main	Mains	Washout	Pressure Test	Chlorination	Total	Notes
10 metres of 180mm HPPE main	£1,200	£2,194.87	£2,896				£6,290.67	Type 3/4
290 metres of 180mm HPPE main			£23,063.70	£233.28	£303.89	£657.70	£24,258.57	Unmade surface
300 metres of 125mm HPPE main			£15,993.00	£233.28	£303.89	£657.70	£17,187.87	Unmade surface
400 metres of 90mm HPPE main			£18,260.00	£233.28	£303.89	£657.70	£19,454.87	Unmade surface
Total							£67,191.98	

2020/21 connection charges	Connection	Road Crossing	Footpath	Permit Fee	Total	Notes
Service Connections tapping only	£23,167.35				£23,167.35	Tapping only

2019/20 connection charges	Connection	Road Crossing	Footpath	Permit Fee	Total	Notes
Service Connections tapping only	£54,000.00				£54,000.00	Tapping only

Summary	2020/21	2019/20	Change
Mains =	£74,825.24	£67,191.98	11.4%
Services =	£23,167.35	£54,000.00	-57.1%
Infrastructure Charges =	£51,200.00	£66,800.00	-23.4%
Income Offset =	-£141,200.00	-£57,113.18	147.2%
Total	£7,992.60	£130,878.80	-93.9%

A development of this size would normally be undertaken by an SLP. The increase in the income offset compared to the size of the mains development, as well as the reduced infrastructure and service charge results in a significant reduction in developer cost in order to maintain the balance of charges.

Example Six – Self Laid Infrastructure

The following fees are payable by SLP's depending on the service they require from Bristol Water. All of these fees and the structure of these charges are unchanged from 2019/20 levels.

Design Administration Fees

Design administration fees are charged for each mains scheme with the fee refunded if a scheme progresses within 12 months. Fees are only levied once and when a mains application is received.

Design Administration Fees	
Residential	2020/21
<10 houses	300+VAT
11-25 houses	400+VAT
26-75 houses	600 +VAT
76-150 houses	900+VAT
151-300 houses	1,200+VAT
>300 houses	1,500+VAT
Commercial	
< 0.5 l/s	300+VAT
0.6-2 l/s	500+VAT
2.1-5 l/s	800+VAT
5.1-10 l/s	1,000+VAT
10.1-15 l/s	1,500+VAT
>15 l/s	2,000+VAT

Design Fees

Design fees are charged separately to a Self Lay Provider where a Self Lay Provider requests that a design is undertaken by Bristol Water.

This fee is charged at a set rate of £415 + VAT, is non refundable and is in addition to the Design Administration Fee. The fee covers the technical element of producing a design for on-site mains up to 300mm internal diameter.

Non Physical Connection Charge

These fees are levied on Self Lay Providers as an administrative fee for processing self laid service connections.

- **£28.70** – First connection on site
- **£20.86** – First connection of a batch
- **£15.69** – Remaining connections of a batch

New connection charge rate changes

We have new contracting arrangements and have tested carefully the impact in aggregate of changes in charges using the examples above, as well as looking at movements in individual component rates. We publish on our website in excel current year and previous year rates in a standard format used by other companies so developers can compare rates. An example of the rate comparison between 2020/21 and 2019/20 is shown below. The full spreadsheet with all of the comparisons and build up in overhead rates has been available to the Board in making the assurance statement.

Description	Diameter (mm)	No/Minimal Excavation (£/metre)	Verge/Unmade Ground/Field (£/metre)	Unmade/Development Site (£/metre)	Footway (Rigid) (£/metre)	Road (Type 3/4) Rigid (£/metre)
PE Pipe Standard	63	£18.11	£56.41	£54.32	£141.11	£188.73
PE pipe Barrier	63	£27.71	£66.02	£63.93	£150.72	£198.33
PE Pipe Standard	90	£18.97	£57.28	£55.19	£141.98	£189.59
PE pipe Barrier	90	£28.24	£66.55	£64.46	£151.25	£198.86
PE pipe Standard	125	£23.32	£67.97	£65.76	£160.23	£178.42
PE pipe Barrier	125	£35.55	£80.20	£78.00	£172.47	£225.01
PE pipe Standard	180	£32.32	£82.56	£80.14	£191.90	£251.02
PE pipe Barrier	180	£43.77	£94.01	£91.59	£203.36	£262.48
PE pipe Standard	250	£49.46	£118.32	£115.62	£258.82	£325.17
PE pipe Barrier	250	£61.46	£130.32	£127.63	£270.83	£337.18

The table below shows the change on previous years for this rate example. As you would expect some rates increase and some reduce. However the overall reduction with the PR19 Final Determination assumptions on efficiency applied that we will target within our own overhead costs shows a range of rates. We use this example as a small change in charges to distinguish between unmade ground in a field and on a development site, as a development site is slightly cheaper to serve.

Description	Diameter (mm)	No/Minimal Excavation (£/metre)	Verge/Unmade Ground/Field (£/metre)	Unmade/Development Site (£/metre)	Footway (Rigid) (£/metre)	Road (Type 3/4) Rigid (£/metre)	Average
PE Pipe Standard	63	-8.6%	23.6%	19.0%	-18.1%	-6.1%	1.9%
PE pipe Barrier	63	-9.2%	17.2%	13.4%	-17.7%	-6.3%	-0.5%
PE Pipe Standard	90	-4.3%	25.5%	20.9%	-17.6%	-5.6%	3.8%
PE pipe Barrier	90	-7.5%	18.1%	14.4%	-17.4%	-6.0%	0.3%
PE pipe Standard	125	-10.0%	27.5%	23.4%	-14.7%	-18.1%	1.6%
PE pipe Barrier	125	-11.9%	18.4%	15.1%	-14.7%	-3.1%	0.7%
PE pipe Standard	180	-20.9%	3.8%	0.8%	-24.2%	-13.3%	-10.8%
PE pipe Barrier	180	-20.9%	0.0%	-2.6%	-24.0%	-13.7%	-12.3%
PE pipe Standard	250	-15.2%	16.5%	13.9%	-12.2%	-2.9%	0.0%
PE pipe Barrier	250	-39.2%	-9.7%	-11.6%	-19.8%	-10.7%	-18.2%
							-3.3%

4 Summary Log of Engagement with CCWater, Customers and Stakeholders

The table below provides a summary of the engagement we have had with our customers and stakeholders in the development of our household customer charges, wholesale charges to licensed retailers supplying eligible business customer premises and new connection charging arrangements to developers for 2020/21. We consulted on both indicative wholesale and new connection charges in October 2019, based on the PR19 Draft Determination. For the first time we produced indicative charging documents alongside the charges and assurance to aid the consultation process. Both retailers and developers continue to prefer face to face engagement as described below, so we used the indicative charging documents to assist this discussion.

Date	Relevant Charges	Activity	Discussion	Considerations and Actions
12/6/19	Wholesale Charges	Retailer engagement day	Included approach to charges. Discussion on social contract and our work on improving the business retail market.	Positive feedback was provided, including supportive social media comments on our approach. Our position as a top performing wholesaler on operations and market performance measures was backed up in practice. Retailers requested that we introduce a credit support arrangement, which has been incorporated into our wholesale charges scheme for 2020/21. Evidence informed our response to Ofwat's market call for information.
15/11/19	Household	Quarterly liaison meeting with CCWater	Provision of our indicative charges for 2020/21 to CCWater	Charges were presented, with the proviso that these were subject to change as a result of the Final Determination. No concerns were raised by CCWater.

Date	Relevant Charges	Activity	Discussion	Considerations and Actions
26/11/19	New Connection Charges	Developer Day (CCWater and Ofwat observed the discussion)	The consultation on the new charging arrangements, D-MEX, water regulations and water quality and the quality of services were all discussed. Individual developers, SLPs and NAVs attend.	Our approach was welcomed. There was a good discussion that confirmed support for our approach to the new charging arrangements, accepting that even if it doesn't suit everyone, the early publication would allow developers to make the right market choice for them. Developers noted the responsive service we provided and the ability to get in touch with a real person was particularly valuable, especially on the occasions that we get something wrong. The publication of the indicative new charging arrangements in October for consultation. This confirmed the results of 1:1 engagement we have separately had, particularly with retailer and developer representative organisations, and NAVs, concerned about preparedness for the new charging arrangements. Our early preparation over the last 3 years provided confidence that we had fully tested our proposals in practice. The questions and answers from the session are shown at the end of this table for the record.
27/11/19	Household	Meeting with Bristol Water Challenge Panel ⁴ (attended by CWater)	Indicative 2020/21 charges presented	Charges were presented, with the proviso that these were subject to change as a result of the Final Determination. No concerns were raised by the Challenge Panel, it was agreed that we would advise the panel of any significant tariff movements arising from the FD. The principle that they would change with the final average bill profile was maintained so no further consultation was required.
Ongoing	Wholesale	Retailer account meetings (18 Retailers)	We hold account meetings in person at least quarterly with all retailers. We also correspond daily with retailers where they are impacted by planned or unplanned works.	Feedback continues to be positive. The simplicity and transparency of our charging structure is of particular note. There were no specific concerns with 2020/21 charges given the reduction was in line with the Ofwat PR19 determinations.

⁴ A group of local stakeholders representing a range of interests in our area

Bristol Water Market Engagement Day

26th November 2019

The event was well attended by Developers, Self Lay Providers, Consultants and Regulatory bodies. Ten questions were asked on the Charging and Adoption Code Table and we promised to share our response.

Question

1. Will infrastructure charges be the same amongst all water companies in the UK?

Under the current charging mechanism water companies are required to set Infrastructure Charges annually and the contributions received are used to fund upstream reinforcement only so Infrastructure Charges will fluctuate depending on the particular requirements of individual water companies.

2. Will all developers/SLPs pay the same infrastructure charge whether that is for a single plot or a several thousand plot development?

Yes within Bristol Water we will charge an Infrastructure Charge per domestic property irrespective of the size of the development.

3. Will we only use protectaline in the future?

We feel that the use of barrier pipe should be based on a risk approach and are conscious of the cost implications on smaller Developers should we issue a blanket instruction to use barrier pipe.

4. What is the cost difference between standard pipework and barrier pipework?

The cost difference between standard and barrier pipe in Bristol Water depends on pipe size but for a 63mm diameter pipe is less than £10/metre.

5. How will we be invoiced for the works? Based on phasing?

A consequence of the proposed new charging mechanism from April 2020 will be that the Income Offset is applied once a property is connected. This means that upfront costs will increase on Requisition sites whereby previously the Income Offset was applied to the mains at the start of the scheme. We are conscious of the effect of that paying for whole scheme mains at the start of a project could

have implications in cash flow so we consider that a phased approach is applied subject to a reasonable request to lay mains (subject to a pre-determined minimum length) to ease cash flow.

6. When is the cut off point for applications before new charges come in to affect?

The new charges come into effect on 1st April 2020. Any schemes prior to that date are subject to the current rules. There will be a transition period from 1st February whereby quotes will show the current and proposed charges for the scheme.

7. Are we crediting developers back for the infrastructure charges if they have paid a higher rate in a previous year but the connection occurs in a different year where the infrastructure charge is cheaper?

We recognise that some developers would have paid a higher Infrastructure Charge at the start of the scheme but also benefited from lower Mains and Service connection costs. We do not propose to revisit schemes whereby a Developer may have paid a higher or lower Infrastructure Charge. This is fair as the infrastructure charge reflected the requirements at the point the development was planned.

8. What is the reason for the change?

Ofwat have widely consulted the industry on these changes for several. The Income Offset change is to ensure that all new customers benefit from the discount in recognition of the future revenue that a Water Company receives from the new customer. It is worth remembering that Water Companies are required to ensure the balance of income received from existing and new customers remains the same so in effect will not financially benefit from these changes. The remaining changes are to promote competition within the water industry something that all water companies are keen to ensure happens.

9. How often do we calculate income offset?

The Income Offset will be calculated on a yearly basis similar to the Infrastructure Charge and adjusted accordingly to ensure we do not over or under recover on costs.

10. Are we offering developers fixed rates if developments take several years? Developers want certainty on the costs?

The costs of mains are set out at the initial stage. There needs to be careful consideration of locking down Infrastructure Charges and Income Offsets initially so we need to understand how this would likely understand the implications. As Infrastructure Charges are reconciled over a five year period it is likely that the variation from year to year will be limited. We feel that developers have certainty on site costs, but contribution to the wider cost of the network should be at the point of connection. For larger developments this is fair as

the development will be phased over time, and we provide an indication of following year charges in October and confirm these in January (we tend to publish charges at the same time as the assurance statement 11 weeks before the Charging Year, rather than on the early February deadline).