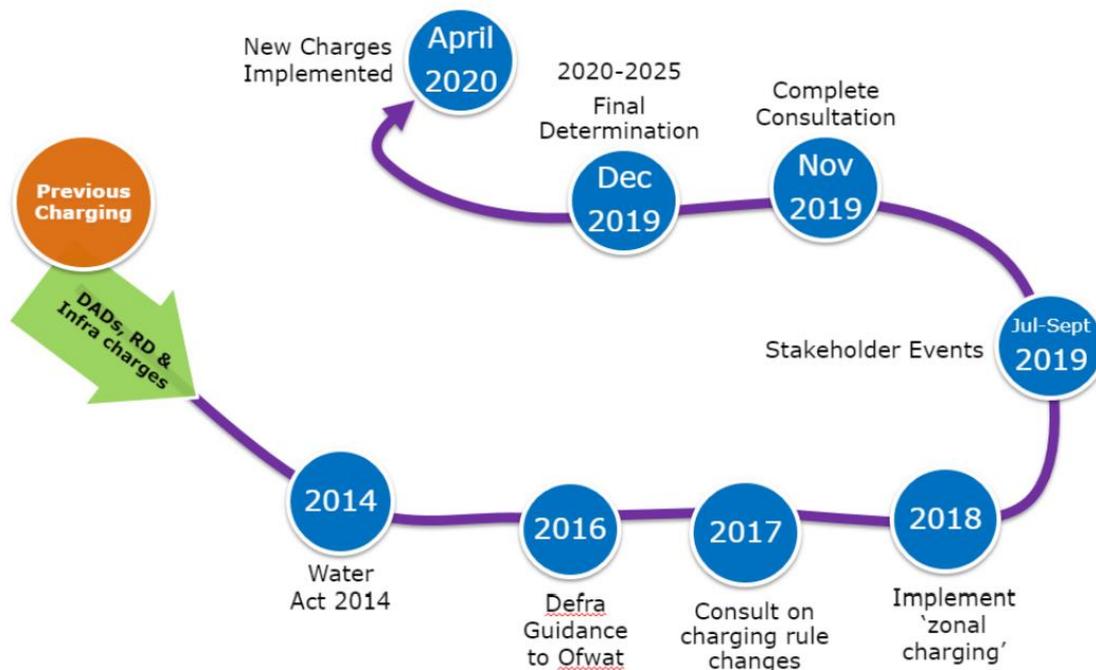


Consultation on developer charges for 2020

We have been talking to our customers about how we comply with the rules from 2020. This document summarises the feedback from customers and how we have responded to it. The journey to the implementation of new charges in April 2020 is shown below.



We started our engagement with a [mailshot](#) and questionnaire to all of our customers in the spring of 2019. This provided us with insight into the initial concerns our customers would have had.

Over the summer, we held three workshops with our customers. These were held in July and September, they were attended by 39 organisations including NAVs, SLPs, land and property developers and home builders. 100% of attendees felt it was 'fairly' (10.3%) to 'very' important (89.7%) that our charges should be predictable and stable.

We have also undertaken a programme of bilateral engagement with certain customers and their representatives.

Following the conclusion of the engagement events, 88% of those who attended felt 'fairly' to 'very' informed on the changes.

The final stage of engagement was a [written consultation](#), launched in October 2019. This written consultation represented the next step in formal engagement on our charges for 2020 and we encouraged all of our customers and stakeholders to respond to share their views. We received three responses to the consultation, one on behalf of self-lay providers (SLPs), one from a new appointment and variation (NAV) customer and one from a developer customer.

Response summary by question

1. What are your views on our existing charging arrangements?

One respondent made several comments in response to this question and in the main body of their response. We respond to these in turn below.

- Cost reflectivity – we are confident that our charges are cost reflective. Anglian Water staff time is based on detailed records and timesheets and our contractor rates are set by the market through our procurement process.
- Design charges – where a self-lay provider or developer undertakes their own design work, the actual cost of vetting the design is added to the final cost and the avoided cost of Anglian Water not undertaking this work is deducted.
- Approach to charging – it was requested to see more information on the timing of project payments. This is will be addressed in the transition and FAQ document published alongside our charging arrangements.
- Administrative charges – we will be adopting the requirements of the industry codes for adoption in relation to contestability. Connection charges for SLPs have been disaggregated in our charging arrangements so that the charge for each component of work is clear. These charges will not be applied if the work is undertaken by another provider.
- Balance of charges – we note that while overall contributions from developers has increased in 2018-19, so has the number of connections. Our approach to maintaining the broad balance of contributions in the charges for 2020-21 has been reviewed by our technical assurance provider, Jacobs.

2. What is your view on our single discount, now we have highlighted the details?

Respondents recognised the simplicity of our proposals and supported a single discount per property.

3. How do you feel about how we are enacting the rules?

One respondent supported our approach to multi-stage consultation but would have liked to see greater detail in the worked examples.

Another respondent questioned why an income offset discount was only proposed for water infrastructure charges. For Anglian Water, this is because we historically made no income offset or contribution to on-site wastewater infrastructure so there is no on-site income offset to discount. We note that for connections to our wastewater network only, the relevant water company would apply its own income offset (if it provides one) to the water infrastructure charges collected.

4. What is your view on effective ways of promoting water efficiency?

One respondent questioned why we could not provide a discount for water efficiency against the infrastructure charge. This was based on our expectation that the infrastructure discount would outweigh the infrastructure charge for water, and that infrastructure charges for water would be 0 (or even a payment) in our region.

5. What is your view on our proposed transition arrangement?

One respondent commented that there appeared to be conflict between point 1) that offers in their validity periods would be honoured and point 2) that agreements that were made after the 1st April would be under the new arrangements. We also received a comment regarding this process for New Appointment and Variation (NAV) would impact NAV companies.

We can confirm that offers made before the 1st April, but which are still within their validity period will be honoured. This includes offers for the provision of Bulk Services. However new offers made where site details or work requirements are significantly different from the previous offer will be charged under the new charging arrangements.

6. How can we support you in the transition?

We received a number of comments and questions in response to this question. In response to this feedback and to support our customers through this transition, we have developed a guidance document detailing the transition arrangements and answering frequently asked questions. This will be available on our website alongside our Development Services Charging Arrangements.

7. What are your thoughts on a 'Pay as you Go' model?

Generally, customers were supportive of this proposal.

Conclusions

Our customers and stakeholders have been clear that predictability and stability is very important to them.

During the workshops some stakeholders suggested larger sites should receive a larger discount reflecting that larger sites historically benefited more from the income offset. We have considered this in detail. We have not seen compelling evidence that this would drive more efficient behaviour from developers to warrant the increased complexity and cost to administer. We note that under the current charging regime that came into effect in April 2018 these larger sites benefitted with the introduction of a zonal charge for network reinforcement, paid by all customers on connection.

On this basis we are proposing to apply a single, consistent, discount to every connection. We believe this provides the best balance of:

- simplicity and predictability for our customers,
- efficiency of administration,
- effective maintenance of the broad balance of contributions between developers and the generality of customers, and
- equity between type of developer customer.

True zonal charging (with different infrastructure charges in different zones depending on investment) will remain under review. Given the scale of change for April 2020, we believe this will add further complexity at this point in time but will look to revisit this during AMP7.

Our proposals

We summarise the changes that will be implemented from April 2020 below:

- We will no longer apply income offsets against the cost of new water mains and sewers.
- We will no longer make asset payments for self-laid new water mains.
- The term zonal charges will be removed and infrastructure charges will be reintroduced. These are designed to recover the costs of network reinforcement.
- We will provide an infrastructure charge discount against each water infrastructure charge. The discount will maintain the broad balance of contributions between our customers for Development Services and the generality of our customers.
- We propose to fix both income and infrastructure charges throughout the next five years with a re-evaluation in 2023.¹

Transition

We have heard clearly that supporting customers through this transition is critical. To support customers during this process we will shortly publish a transition and FAQ document published alongside our Development Services Charging Arrangements. You can also contact us with queries and for support via developercharging@anglianwater.co.uk or your Growth Liaison Manager who would be happy to help.

¹ We will monitor charges, contributions and the broad balance during the period to 2023. We reserve the right to alter the infrastructure charge and discount before 2023.