

AffinityWater

Charging Arrangements for New Connection Services

Statement of Significant Change 2024/25



Introduction

The purpose of this statement is to provide our stakeholders with information on changes to the structure of our charges and any other significant changes to our charges which are anticipated for the 2024/25 charging period beginning 1st April 2024.

The information included in this document is published in accordance with the [new connections charges scheme rules](#) issued by Ofwat. We will publish our New Connection Charging Arrangements and Summary of Developer Services Charges by 1st February 2024.

Affinity Water Developer Services provide advice and guidance, and if requested, delivery capability for the provision of new water services for developer customers, including self-lay providers and new appointments and variations.

If you would like further information, including details on how to apply for a developer services activity, please see our website: <https://www.affinitywater.co.uk/developing>.

Significant Changes

For the 2024/25 charging period the industry will continue to use a set of consistent worked examples; ours can be found in both our New Connection Charging Arrangements and Summary of Developer Services Charges publications. These can be found [here](#). We use these to help determine significant changes to our charges and the impacts that may be felt by our customers.

There is a significant increase to the total charge of some of our worked example calculations which exceed the 10% guideline threshold outlined in the latest Ofwat Information Notice. These are set out in the table below.

Scenario	Description	2023/24 Charge	2024/25 Charge
1	Single connection to a house from an existing main	£3,449	£4,198
2	Single connection to a block of flats from an existing main	£8,455	£9,334
3	Medium housing development requiring new mains and communication pipe (excavation and reinstatement by others)	£86,731	£108,470
4	Medium housing development requiring new mains and communication pipe (excavation and reinstatement by Water Company)	£122,014	£160,332
5	Large housing development requiring new mains and communication pipe (excavation and reinstatement by others)	£296,566	£369,463
6	Large housing development requiring new mains and communication pipe (excavation and reinstatement by Water Company)	£417,656	£550,853

Our Board of Directors have assessed the effects of the new charges on customers' bills for a range of different types of developments using the above information and approves the impact assessments and handling strategies developed

These significant changes are also referred to in our Board Assurance Statement, which can be found [here](#).

Further information on the detail of the significant changes, the drivers and the handling strategies can be found below.

Onsite Charges

Our onsite charges are increasing for 2024/25 due to several contributing factors, but predominantly resulting from a change in our contracted partners.

As our contract with our current delivery partner comes to an end, we are close to finalising contracts with our new partners. The recent review of market costs derived through our tender process has resulted in an increase in the rates upon which we calculate bottom-up, cost-reflective charges. We are confident these are fair representations of the current landscape and will allow us to continue to operate on a level-playing field with other market players.

We strive to ensure our contracts with delivery partners contribute to the stability and predictability of our charges, and as such anticipate changes to charges over the next few years to be limited to direct annual industry factors such as inflation, material costs and connections volume.

In addition to the change in delivery partner for our construction works, we have also agreed terms with a new traffic management provider, which has been reflected in our charges.

Infrastructure Charge, Income Offset and Water Efficiency

There is no significant change to the structure or methodology in calculating our infrastructure charge for 2024/25; it remains a per property (domestic) flat rate.

Under new guidance issued from Ofwat in August 2023, incumbents are not to enter any new agreements which require the provision of income offset post-April 2025. As such, in line with this and our transitional arrangements, income offset is not available under this year's charging arrangements.

We understand that the removal of income offset may significantly impact customers who do not apply for water efficient properties, which remains the sole discount off the infrastructure charge. To encourage more customers to take up this discount we consulted on increasing our water efficiency offering which, as in line with previous years, was fully supported by our customers.

We anticipate this to encourage developers to:

- take up our water efficiency discount offering,
- deliver water efficient connections to our network,
- utilise the increased discount to trial more innovative and viable efficiency technologies, and
- help prepare our customer base for the removal of the income offset in 2025.

Handling Strategies

Through our consultation work, we understand that our developer customers are keen that our charges are reflective of the work we carry out. We have an obligation under competition law to ensure our charges are cost reflective, which is also governed through a general charging

principle. We recognise that any increase may have a negative impact on our developer customers, therefore, we have taken the following steps to help our customers plan for the increases to our charges and ultimately attempt to mitigate any negative impacts:

- Developed our consultation approach in line with our focus on customer relationships and communication. This included creating a personable and friendly video outlining proposed changes, making them simple and easy to understand. We extended our customer reach with the video amassing over 300 views.
- Published a written technical consultation alongside the video to provide further detail and explanatory calculations, where required, on our website and across multiple social media platforms including LinkedIn, Instagram and Facebook.
- Released appropriate and targeted communications to recent customers encouraging participation and outlining the importance of feedback in ensuring we continue to deliver for our customers.
- Streamlined and improved ease of completion of related consultation questions centralising all elements on the developer section of our website.
- Extended our consultation period to increase the opportunity for customers to respond and provide feedback.
- Published our consultation response decision document at the end of November on our website. This was earlier than last year to provide customers with advanced visibility of our planned approach.
- Engaged with our assurers to understand best practice and have ensured that our approach is consistent with the industry.
- Continued offering of an application fee calculator for customers to use to accurately understand the cost of their application.
- Continued offering of a new connections cost estimator tool for customers to use to obtain a budget estimate for their new connection works. This allows customers to self-serve information before committing to a full application, and the associated application fees.
- Updated our website with advanced warning messaging regarding upcoming changes to our charges.
- Updated our email signatures with advanced warning messaging regarding upcoming changes to our charges.
- Continued monitoring and encouragement of open conversations with our customers via our charges email account: charges@affinitywater.co.uk