



Developer Services New Connection Charging FY 2025-2026 Consultation

October 2024



Introduction

We update our Charging Arrangements for New Connections every year. As part of the process, we engage with our developer customers to gather feedback on how best to implement any potential changes.

Bill stability and price predictability remain key principles within our charging scheme. Therefore, we seek to keep changes to our Charging Arrangements to a minimum. However, there will be some necessary changes this year. 2025 represents the beginning of a new 5-year regulatory AMP period and we will renegotiate delivery frameworks. We will adjust our rates to reflect the underlying base contracts to ensure cost reflectivity in our pricing. Furthermore, some new charging rules will change the way some of prices look including more granular pricing and the unbundling of some of our connection packages.

There will also be a number of significant changes this year to the infrastructure charges driven by the need for investment and changes to the charging rules implemented by Ofwat.

There will be an increase in the gross infrastructure charges to reflect increased network investment. There will also be changes to the net infrastructure charge to comply with new charging rules. From April 2025 the income offset, a credit offered to developers per connection, will be removed and we will offer environmental incentives to ensure developers are able to receive a comparable discount for water efficient and environmentally sustainable developments.

Changes to the infrastructure Charge

The biggest change to our charges this year will be an increase in the gross infrastructure charge. This investment is needed to ensure there is sufficient investment in network reinforcement for new developments.

We use a five-year forward-looking window to forecast our costs for network reinforcement and calculate the infrastructure charge. We have just published our business plan for 2025-2030 which detail our investment plans for network reinforcement to accommodate new growth in our region ([Our plans 2025–30 \(southernwater.co.uk\)](https://www.southernwater.co.uk)). Water scarcity is an acute challenge in the South East. The South East experiences relatively low amounts of rainfall per capita and we work hard to protect the environment, particularly chalk streams, from over abstraction. We intend to source water from diverse and geographically dispersed sources. This includes imports from a joint-venture reservoir in Havant Thicket, increased imports of water from neighbouring regions and new water recycling plants. These new and diverse supplies will improve resilience and support new development.

The removal of the income offset will also increase the net infrastructure charge for customers. The income offset is a credit issued to developers against the gross infrastructure charge. Ofwat have confirmed that water companies' ability to offer an income offset will be removed from April 2025. Developers currently benefit from an income offset of £150 for water connections and £129 for wastewater connections. From April, we will remove the income offset altogether to comply with Ofwat's rules. This will increase the net infrastructure charge. In previous years, we introduced environmental incentives as a handling strategy to replace the income offset whilst incentivising sustainable development. We will offer these incentives to ensure developers are still able to receive a discount in place of the income offset.

Q1. What are your thoughts on our existing levels of investment on network reinforcement?

Changes to Environmental Incentives

Ofwat have recently carried out a string of consultations on developing environmental incentives within the new connections market ([Consultation on an environmental incentives common framework - Ofwat](#)). From April 2025, it will become a legal requirement that all water companies offer environmental incentives for water efficient homes. We will continue to offer our existing incentives catering for both for water efficiency and wastewater sustainability.

The most recent Ofwat consultation proposes the introduction of a common approach to incentives as part of the Environmental Incentive Common Framework. Ofwat will deliver their final conclusions in late Autumn, and we will align our existing processes to industry best practice. Likely changes will include:

The environmental component

A new surcharge will be levied on inefficient development to fund the incentive discount for efficient development. We are still waiting final confirmation from Ofwat on the methodology on how we should set the charge. We intend to maintain our existing incentives for water efficient homes of £250 for every home which achieves consumption of less than 100 litres per person per day. We anticipate this would require a surcharge of around £25 per inefficient home.

We will publish full details on how we calculate the surcharge and incentive in our charging arrangements. Furthermore, we will ensure that all money collected through the surcharge is given back to developer customers.

Q2. What are your thoughts on the size of the £250 incentive for water efficient homes?

Q3. What are your thoughts on the size of the surcharge of £25 to fund the incentive?

Common Framework and Updated Processes

Ofwat are proposing a new common approach to incentives across water companies. We will update our processes to align with industry best practice.

Measuring Water efficiency

We will adopt the common approach to measuring water efficiency using the new water fittings approach. The approach calculates consumption based on the fittings installed to the property. The full table developers will be expected to use is inserted below and fully explained in Ofwat's consultation.

Table 1 – Water efficiency methodology

Building Regulations, Part G, Table 2.2		Common Environmental Incentive
Water fittings	Maximum consumption (110 l/p/d)	Maximum consumption (equal to or less than the following values)
WC	4 / 2.6 litres dual flush	≤ 4 / 2.6 litres dual flush
Shower	8 l/min	≤ 7 l/min
Bath	170 litres	≤ 170 litres
Basin taps	5 l/min	≤ 5 l/min
Sink taps	6 l/min	≤ 6 l/min
Dishwasher	1.25 l/place setting	≤ 1.0 l/place setting
Washing machine	8.17 l/kilogram	≤ 6 l/kilogram

*This table has been updated to reflect Ofwat's latest consultation

Q4. What are your thoughts on the new water fittings approach to measuring consumption?

Changes to Site Specific Charges

Whilst we wish to keep our charge increases to a minimum, in line with our duty to provide cost reflective charges, our site-specific rates will have to reflect the new contractor rates for AMP8. These adjustment to the new framework may result in some volatility to our charges.

Ofwat recently carried out a consultation intended to develop rules to protect customers and promote competition in the sector ([Changing Ofwat's charging rules to further protect customers in the new developer services framework](#)). These new rules should not result in a material change to the charges, however, some of our charges may look a bit different. For example, we will now publish the component parts of our bundled services. We developed our product bundles in consultation with our customers and SLPs to provide a great customer experience that balances the ease of use offered by connection packages with the necessity of providing fair, cost-reflective prices. We intend to offer our connection packages and publish the component services individually.

Q5. What do you think of our proposed approach to maintaining our bundled services while publishing the constituent costs?

Currently, an element of traffic management is included in the bundled connections. We will maintain our quoting process for traffic management whereby quotes offer prices for traffic management, road closure and lane rentals will be published as standalone charge. However, should a site survey identify the requirement for a bespoke traffic management solution due to site specific circumstances, we will pass through the full cost to the developer. This approach will offer the benefit of upfront predictability for the majority of customers while ensuring cost reflectivity is maintained.

Q6. Does our proposed approach to traffic management strike a fair balance between providing upfront prices and cost reflectivity?

Key questions:

Q1. What are your thoughts on our existing levels of investment on network reinforcement?

Q2. What are your thoughts on the size of the £250 incentive for water efficient homes?

Q3. What are your thoughts on the size of the surcharge on inefficient homes of £25 to fund the incentive?

Q4. What are your thoughts on the new water fittings approach to measuring consumption?

Q5. What do you think of our proposed approach to maintaining our bundled services while publishing the constituent costs?

Q6. Does our proposed approach to traffic management strike a fair balance between cost providing upfront costs and cost reflectivity?

Q7. Do you have any broader feedback on our charges including anything we could do to make it easier to work with us?

How to have your say

Your feedback on our proposals will help us consider all aspects of the new charging framework before we finalise our approach.

Please provide feedback by Friday 29th November 2024.

To have your say, please read this document then:

- email us at newconnectioncharging@southernwater.co.uk
- Write to us at: Developer Services - New Connections Charging
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Southern House
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Worthing
West Sussex
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We'll use your feedback to shape our final proposals which we will publish on 1 February 2024.

Please refer to the relevant question if you have a specific response. We also welcome general feedback.