

Environmental Incentive Scheme

1 April 2025 to 31 March 2026

New development and infrastructure charges



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Version Control – Summary of changes		
V2	Removal of non-household sections per Ofwat guidance	03/04/2025

Environmental Incentive Scheme

From April 2025 we will introduce an updated environmental incentive scheme aimed at promoting sustainable ~~property and~~ housing developments.

During 2024 Ofwat published consultations and guidance on their Environmental Incentives Common Framework (EICF). High level proposals were concluded in January 2024, with consultation taking place in September 2024.

Final guidance was published in December 2024:

<https://www.ofwat.gov.uk/wp-content/uploads/2024/10/Conclusions-on-our-Environmental-Incentives-Common-Framework.pdf>).

The EICF will come into effect from 1 April 2025 and based on Ofwat guidance, we are proposing to introduce an Environmental Component charge along with tiered discounts depending on the level of sustainability achieved. This will predominantly be based on a water efficiency incentive using the fixtures and fittings approach based on specifications published by Ofwat. Bristol Water also want to encourage sustainable practices for surface water drainage through a similar bespoke wastewater incentive.

Our scheme will introduce a 3 tier incentive scheme, with the level of reward increasing on achieving greater criteria as stated in the proposed scheme. Customers who do not meet minimum water efficiency and drainage criteria will pay more under the scheme rules.

For the purposes of our Environmental Incentive Scheme “developer customers” includes all size developers, New Appointees (NAVs) and Self Lay Providers (SLPs) although, in line with Ofwat's expectations we would expect the NAV/SLP to pass through the environmental incentives to their developer customer.

Under the EICF, water companies are expected to levy a new Environmental Component in the Developers Charges Scheme which it is intended will be used to fund the incentive scheme.

The broad principle under Ofwat's guidance will be that the total cost to the undertaker (i.e. Bristol Water) of the Environmental Incentive is broadly equivalent to the total revenue received by the undertaker from the Environmental Component. In line with Ofwat guidance the intention therefore is to make incentive scheme revenue neutral.

Approach and requirements

To meet these requirements we have developed a calculation methodology that will allow Bristol Water to demonstrate compliance with regulatory requirements and expectations (as set out in the final EICF).

This calculation methodology includes as outputs:

- **Environmental Component** – this means a sum of money charged by an undertaker to a Developer Customer for each water and/or wastewater service provided to a household property connected to the undertaker's network, for the purpose of funding the undertaker's Environmental Incentives. The guidance under the EICF states this Environmental Component should:
 - Be determined separately for water and wastewater; and
 - Is required for household connections ~~and may be differentiated and levied for categories of non-household connections.~~
- **Environmental Incentive** means a payment or payments by an undertaker to a Developer Customer to promote water efficiency and/or sustainable drainage. Ofwat's guidance expects these incentives to be set with reference to the benefits to the water company, wider society and / or the environment.

Our approach to the setting of the Environmental Incentives is based upon a three tier framework as follows:

- Tier 1: Good Practice;
- Tier 2: Enhanced Water Efficiency Measures; and
- Tier 3: Innovation in Water Reuse (covering Rainwater Harvesting and Greywater Recycling).

We have utilised the following datasets to develop the Environmental Component and Environmental Incentives for the 2025-26 Developer Charges Schemes.

- The PR24 Water Resource Management Plans;
- The PR24 Drainage and Wastewater Management Plan;
- The PR24 Business Plan Tables (specifically the enhancement “best value” and expenditure tables for water and wastewater which include estimates of long-run environmental and social benefits from enhancement expenditure programmes).

Qualifying criteria

The table below identifies the requirements that will need to be met by developer customers to qualify for the environmental incentive.

Applications for this scheme must be submitted at the same time as the application for the relevant service. Late or retrospective applications for the sustainable infrastructure charge cannot be accepted onto the scheme.

Our methodology is based on the fittings approach set out in the Building Regulations, which takes as its reference point the capacity or flow rate of different fittings. Although it is described within the Building Regulations as an alternative to calculating the water consumption of a new property, the fittings approach is nonetheless based on the water efficiency calculator method.

Currently, the installation of a water flow restrictor, normally installed within the meter connection, will be exempt from this scheme subject to a trial that the Company is currently undertaking to prove effectiveness and impact upon water supply performance.

Note that your site will be audited to verify the fixtures and fittings included in the application to ensure compliance.

Should we establish through audit that the fixtures and fittings do not comply with the accepted calculator or specifications, we will notify you and reserve the right to retain the full environmental component for the property which failed the audit and remaining plots on site which are not yet connected.

Where a developer customer fails two audits we will liaise with the applicant and discuss their eligibility for future availability of this reduction.

Incentive Tier	Water Target Incentive	Drainage Target Incentive
Tier 1: Good Practice	Demonstrate water efficient properties achieving a 100 litres per person per day (ppd), or 10l ppd less than the value stated through planning/building regs (whichever is lowest).	Installation of a water butt or raised rain planter with a capacity of at least 200 litres connected to the properties main roof drainage,
Tier 2: Enhanced Water Efficiency	Enhance water efficiency measures. Set at 90 litres ppd or 20 ppd reduction compared to than the value stated through planning/building regs (whichever is lowest).	Surface Water does not connect or communicate with sewerage system.
Tier 3 (A): Innovation in Water – Reuse Rainwater Harvesting	Gold standard working toward achieving a water neutral site. Installation of rainwater harvesting system with a capacity of at least 1,000 litres as the primary water source for all toilets, as a minimum, within the property or Installation of grey water re-use system with a capacity of at least 225 litres as the primary water source for all toilets, as a minimum, within the property	
Tier 3 (B): Grey Water Recycling		

Table 1: Three tier qualifying criteria

Following the guidance provide within Ofwat's consultation document of October 2024

<https://www.ofwat.gov.uk/wp-content/uploads/2024/10/EICF-consultation-conclusions.pdf> which specifies a common methodology for measuring water efficiency that all English water companies must use when offering incentives.

This methodology is a 'fittings approach', similar to that currently found in Part G2, which has been formulated by adapting the contender specifications for water efficiency set out by the Future Homes Hub in its 2024 report on water efficient new homes.

Under our proposed methodology, developers must provide evidence they had met the specifications for the fixtures and fittings installed. In the situation where a new property does not come with a washing machine or dishwasher already installed, these white goods will not be part of the efficiency assessment.

However, the remaining fixtures and fittings (ie WC, basin taps, bath, shower and kitchen taps) must all be included in the efficiency assessment. Any properties with fittings that are not compliant once construction is complete will not qualify for an incentive.

This approach recognises that efficiency gains are more likely to be realised in a new development if it comes with efficient fixtures and fittings already installed.

Environmental component

All new household property connections will be required to pay the environmental component as detailed in table 2.

£ per property connected (2025-26 prices)	Bristol
Household Connections	£81.09
Non-Household Connections	£81.09

Table 2: Environmental component charge

Environmental Incentive payments

Where a developer customer can demonstrate that they have met the qualifying criteria they will be rewarded with an environmental incentive as detailed.

The incentive payment will be made upon completion of the connection which includes any audit inspection to ensure that the property installation meets the requirements of the incentive scheme.

£ per <u>household</u> property connected (2025-26 prices)	Bristol
Environmental Component	£81.09
Incentive Payments:	
Tier 1: Good Practice	£71
Tier 2: Enhanced Water Efficiency	£142
Tier 3 (A): Innovation in Water – Reuse Rainwater Harvesting	£154
Tier 3 (B): Grey Water Recycling	£654

Table 3: Environmental Incentive payments

For further guidance on our Environmental Scheme please contact us by emailing development.services@bristolwater.co.uk

There are other incentives for business water property efficiency within that market and the nature of the fittings approach means it is not possible to apply this incentive to non-household properties.

Definitions

“Developer Customer” means any person or business which is responsible for a development, or any person making an application for water or sewerage services to which these rules apply. The person or business may include a developer, New Appointee or Self-Lay Provider.

“Environmental Component” means a sum of money charged by an undertaker to a Developer Customer for each water and / or wastewater service provided to a property connected to the undertaker's network for the first time, for the purpose of funding the undertaker's Environmental Incentives

“Environmental Incentive” means a payment or payments by an undertaker to a Developer Customer to promote water efficiency and/or sustainable drainage.

“Incumbent Water Company” means the Water Company whose area of appointment has been or will be varied under Section 8 of the Water Industry Act 1991, being replaced by a New Appointee as the undertaker for the area of appointment which serves a specific development.

“Qualifying Criteria” means the relevant standards and requirements set by a Water Company for a Developer Customer to meet or exceed in order to be able to claim Environmental Incentives.

“New Appointee” means a company holding an appointment as a relevant undertaker where the conditions of that appointment limit the charges that can be fixed under a charges scheme by reference to the charges fixed by one or more other relevant undertakers.

“Water Company” means a company holding an appointment as a water or sewerage undertaker under the Water Industry Act 1991.