



BRISTOL
WATER

Statement of Assurance for 2023/24 Charges

1 February 2023

Charging Arrangements for New Connections



Introduction

This statement of assurance is provided in accordance with Ofwat's expectations as set out in Information Notice IN22/03 and relevant Charges Rules publications¹. This statement covers the Charges Scheme that applies to the new connection charging arrangements to our developers. It also describes significant changes in charges. Our statement is accompanied by supporting useful information on our charges.

A summary of the annual charges publications that our statements of assurance applies to is provided below.

Annual Charges Publications

Charges Scheme

Our charges to all **domestic customers** for the supply and billing of water.

Wholesale Charges Schedule

Our wholesale charges to **licensed retailers** supplying eligible **non-household (business) premises**; and the wholesale element of our charges to **household customers** for the supply of water, and to New Appointments and Variations (NAVs).

Charging Arrangements for New Connections

Our charges for setting up new water supply connections applicable to **developers, retailers, households and businesses**

Statement of Assurance

A statement of assurance provided by the Board that our Charges Arrangements for New Connections are compliant with the Ofwat charging rules.

On the 1 February 2023, Ofwat terminated the Licence of Bristol Water and varied the Licence of South West Water to cover the area served by Bristol Water, following the acquisition of Bristol Water plc by Pennon. The revised Licence of South West Water provides for separate price controls (and therefore charges) for the Bristol Water area.

¹ Charging rules for new connection services – English undertakers (October 2021).



STATEMENT OF ASSURANCE 2023/24 CHARGING ARRANGEMENTS FOR NEW CONNECTIONS

The Board of Bristol Water confirms that:

- a) The company complies with its legal obligations relating to the charges set out in its new connection charging arrangements.
- b) The Board has assessed the effects of the new charges on customers' bills for a range of different types of development (as described in this section), and approves the impact assessments and handling strategies developed in instances where bill increases for particular types of new developments exceed 10%.
 - In making this statement the Board noted the extensive consultation with Developers and SLPs that had taken place, in particular on the indicative new connection charging arrangements for 2023/24 approved by the Board in September 2022.
 - In most typical scenarios the increases in material prices and wage inflation have allowed increases in charges to remain below 10%. The scenarios that are above 10% reflect a reduction in income offset to maintain the balance of charges, reflecting a transition towards providing a discount on infrastructure charges for water efficient properties below 110 litres/head/day, in line with Ofwat policy.
 - The indicative price changes were discussed at our developer services market engagement day, and were viewed as consistent with price pressures on those active in the competitive market for developer services.
 - The charge increases in the Ofwat typical scenarios range from 3.0% to 16.9%, with higher increases with including infrastructure charges net of income offset, as the scenarios do not assume water efficient properties who benefit from an additional discount to infrastructure charges.
 - No structural changes have been made to new connection charges, following the successful introduction of revised charging structures for application fees last year.



BRISTOL WATER NEW CONNECTION CHARGES ASSURANCE STATEMENT 2023/24

- c) The company has appropriate systems and processes in place to make sure that the information contained in the new connections charging arrangements is accurate.
- d) The company has consulted with relevant stakeholders in a timely and effective manner on its new connection charges schemes.
- e) There are no significant changes to the structure of our new connection charges. Bristol Water publishes our indicative new connection charges document to facilitate early engagement and feedback from our stakeholders.
- f) The final new connection charging arrangements are not significantly different to the indicative new connection charging, particularly once accounting for changes in CPIH.
- g) We consider the charges we propose meet Ofwat's general charging principles and reflect:
 - i. fairness and affordability;
 - ii. environmental protection;
 - iii. stability and predictability; and
 - iv. transparency and customer-focused service.

We summarise our key changes in charges and other useful information that provides context for this statement at the end of this document.

Board Signatures

Signed by the Board of Bristol Water:



**BRISTOL WATER NEW CONNECTION CHARGES
ASSURANCE STATEMENT 2023/24**

| Name | Role | Signature | Date |
|----------------------|----------------------------------|---|-----------------|
| Gill Rider | Chair |  | 26 January 2023 |
| Neil Cooper | Senior Independent Non-Executive |  | 26 January 2023 |
| Iain Evans | Independent Non-Executive |  | 26 January 2023 |
| Claire Ighodaro | Independent Non-Executive |  | 26 January 2023 |
| Jonathan Butterworth | Independent Non-Executive |  | 26 January 2023 |
| Dorothy Burwell | Independent Non-Executive |  | 26 January 2023 |
| Lorraine Woodhouse | Independent Non-Executive |  | 26 January 2023 |
| Susan Davy | Chief Executive Officer |  | 26 January 2023 |
| Paul Boote | Chief Financial Officer |  | 26 January 2023 |



Infrastructure charges and income offset

Our infrastructure charges are forecast to decrease from £309 for 2022/23 to £293 for 2023/24. The cost and connection assumptions behind this are set out in our indicative new connection charging arrangements consultation document.

In addition, the infrastructure payment / “income offset” reflects a payment necessary to developers (including NAVs and SLPs) to reflect the balance between charges paid by developers and those paid by other customers. This is being phased out as Ofwat have decided it should no longer apply. Instead, we are offering infrastructure charge discounts for developments that go further than legally required on water efficiency standards of 110l/hd/day. For 2023/24 income offset is expected to be £591, a reduction from £686 in 2022/23 to maintain the balance of charges.

| | |
|--|--------------|
| Value of income offset to maintain balance of charges | £3,365,802 |
| Number of properties connected | 5,694 |
| Value of income offset per property based on 65% discount to requisition charges | -£591 |
| Infrastructure charge per property | £293 |
| Net infrastructure payment per connection | -£298 |



Bill Impacts and Handling Strategies

We forecast that infrastructure charges will decrease by 5%, due to infrastructure investments already made and an increasing number of NAV connections on major new developments. The value of income offset is reducing because of the balance of charges, and in addition this will help to phase in the Ofwat decision not to apply income offset charges from 2025/26. The impact of income offset payments is that the net impact of infrastructure charges and income offset is a 24% increase. The high levels of materials and general inflation also affect our developer services charges, with typical scenarios suggesting an increase of between 3% and 17%.

We are currently looking at ways we can engage our developers in devising and updating our environmental incentive to improve water efficiency in new homes. We plan to continue to improve and communicate effectively our environmental incentives to influence and incentivise our customers towards environmentally beneficial behaviours. This includes:

- Sending a newsletter to all developers, self-lay providers and NAV's advising them of the changes to charges for 2023/24 and promoting our environmental incentives
- Conducting engagement events with developers, jointly with self-lay providers and NAV's, to promote competition and our environmental incentives to help customers towards environmental beneficial behaviours.
- Regular engagements with all our developers, self-lay providers and NAV's to review any issues they have and see how we can help them in developing water efficient new developments

Summary Log of Engagement with Developers and Other Stakeholders

The table below provides a summary of the key engagement activities we have had with our customers and stakeholders in the development of our charges for 2023/24.

We have held these engagements in person as well as virtually, and we invite all our developers, self-lay providers and NAV's as well as CCW, Ofwat and Fair Water Connections. We consulted on indicative new connection charges, and we produced indicative charging documents alongside the charges and assurance to aid the consultation process.

| Date | Relevant Charges | Activity | Discussion | Considerations and Actions |
|------------|--------------------|-----------------------|---|--|
| 24/11/2022 | Developer Services | Market Engagement Day | Indicative charges for 2023/24 with developers, SLPs and NAVs | 4 of our developers were present with apologies from 6 others. There was |



**BRISTOL WATER NEW CONNECTION CHARGES
ASSURANCE STATEMENT 2023/24**

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| | | | | some discussion about how inflation is affecting the timeline of builds. We provided a post event survey for other comments and also had 1:1 regular liaison meetings. No specific issues raised. |
| July to November 2022 | Ofwat | Various discussions | Return of financing cost and voluntary deferral of K | Various discussions to support the correct regulatory approach for the return of financing cost following the Pennon merger and voluntary deferral of K to 2025-2030 (both without triggering RFI penalties |