

Environmental Incentive Scheme

1 April 2026 to 31 March 2027
New development and infrastructure charges



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Version 2 – 03/04/2025

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Version 1 – March 2026

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Environmental Incentive Scheme

From April 2025 we introduced an updated environmental incentive scheme aimed at promoting sustainable 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. This was updated by Ofwat in January 2026.

Current document published by Ofwat in January 2026: <https://www.ofwat.gov.uk/wp-content/uploads/2024/10/Environmental-Incentives-Common-Framework-English-New-Connection-Rules-Effective-January-2026.pdf>

The EICF came into effect from 1 April 2025 and, in line with Ofwat guidance, we introduced 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. BRS also want to encourage sustainable practices for surface water drainage through a similar bespoke wastewater incentive.

Our scheme introduced 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. BRS) 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 developed a calculation methodology that will allow BRS 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
- **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 2026-27 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.

| Incentive Tier | Water 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). |
| 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). |
| 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 4,000 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 minimum treatment capacity of at least 100 litres as the primary water source for all toilets |
| Tier 3 (B): Grey Water Recycling | |

Table 1: Three tier qualifying criteria

Further explanation of the criteria

Water

Your development will need to install fixtures and fittings which go beyond those set out in Building regulations.

You will need to complete the below table as part of your application, to evidence that the fixtures and fittings that will be installed for your development comply within the maximum consumption levels. The number of incentive payments will be applied to the number of dwellings which meet these standards. We can apply the fittings consumption to applications made for both standard household dwellings and multi-occupancy buildings such as student accommodation, nursing homes or hotels.

The property must have a WC, Shower or Bath, Basin taps and sink taps. The efficiency of Showers, Baths, dishwashers and washing machines will only be assessed if installed by the developer:

| Water Fitting | Maximum consumption (equal to or less than the following values) |
|----------------------|---|
| WC | ≤ 4 / 2.6 litres dual flush |
| Shower | ≤ 7 l/min |
| Bath | ≤ 170 litres |
| Basin taps | ≤ 5 l/min |
| Sink taps | ≤ 6 l/min |
| Dishwasher | ≤ 1.0 l/place setting |
| Washing machine | ≤ 6 l/kilogram |

Tier 3 – Water offsetting - working towards a water neutral site

Rainwater Harvesting

The rainwater harvesting system (RWS) must be designed and installed in full compliance with British Standard BS EN 16941-1:2024. The system should have a nominal storage capacity of at least 4,000 litres and be the primary water source for all toilets, as a minimum, within the property.

For communal arrangements the capacity of the system should be designed to meet and provide the primary water source for all toilets as a minimum.

Greywater recycling

Installation of greywater recycling system is incorporated into the building, it must be designed and installed in full compliance with British Standard BS EN 16941-2:2021. The system should capture greywater from sources such as showers and hand wash basins and must demonstrate that the recycled water serves as the primary water source to all toilets, with a minimum treatment capacity of 100 litres per day.

For communal arrangements the capacity of the system should be designed to meet British Standard BS EN 16941-2:2024 and provide the primary water source for all toilets as a minimum.

Further explanations of the definitions and design criteria can be found at:- <https://www.ewsc.org.uk/project-reports/environmental-incentives-standardisation-across-the-water-sector-to-deliver-water-smart-housing>

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.

Approach to auditing compliance

The applicant must provide evidence of compliance to receive an incentive payment. We will carry out a proportion of audits to confirm compliance with the qualifying conditions. We will not audit every premises.

Our audit criteria will include:

- Premises must be completed (all fittings relevant to the qualifying criteria are installed).
- Premises are unoccupied – if a premises is occupied, we will decide on a different premises with the assistance of the developer.
- The frequency and intensity of audits at a development will depend on the level of noncompliant outcomes of audits at that development or completed by a specific developer.
- We will only audit premises once it's been agreed with the developer that the premises are available for audit

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.

Environmental component

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

| £ per household property connected (2026-27 prices) | Bristol |
|---|---------|
| Household Connections | £157.00 |

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 household property installation meets the requirements of the incentive scheme.

For NAV customers, as long as the audit criteria has been met, the payment will be made at the same time as infrastructure charge invoice is produced unless separately agreed in advance.

| £ per household property connected (2026-27 prices) | Bristol |
|--|-----------|
| Environmental Component | £63.00.00 |
| 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

These environmental discounts are only applicable to quotes produced from 1st April 2026 and connections undertaken from the 1st April 2026 to 31 March 2027.

For the environmental component - please note that the total number of potentially eligible properties will be the same as for the number of infrastructure charges for the development.

Non-standard cases - Redevelopment

The amount of Environmental Component charge (ECC) applied in respect of the modification or redevelopment of existing buildings or premises takes due account of any previous usage in the 5 years before the modification or redevelopment began (including supplies of water that were not for domestic purposes and drainage that was not for domestic sewerage purposes) associated with the buildings and/or premises to which the charges are to be applied and are discounted accordingly.

Where a site is developed or redeveloped (including conversions or sub-divisions of buildings).

Methodology

The number of infrastructure charges which will be payable are calculated as:

- The total number of units with connections to water and/or sewerage services after development
- minus the maximum number of properties which had connections to water and/or sewerage services at any time in the five years before redevelopment began.

The credited number of properties is known as environment component charge credits.

Eg A row of 5 shops and 5 flats all of which had water and sewerage connections is demolished. The site is not re-developed for three years. When it is, a block of 16 self-contained flats is built.

The environmental component charges payable for the redevelopment will be: - 16 sets of ECC minus 10 sets of ECC equal 6 sets of ECC to be paid.

In his example one set of ECC credits is applied for each of the charged properties connected previously.

Where a site to be redeveloped consists of a large single commercial complex - such as a hospital or hotel - and which had a metered connection, the Company will take account of demand on services of the original use of the site in the five years before redevelopment began when calculating ECC (NB where part of a site only has been sold for redevelopment, the continuing water use at that part of the site not being redeveloped will be taken into account when calculating the due infrastructure charges).

It will do this by dividing the maximum consumption recorded by the meter in any of the five financial years prior to development by the average domestic household consumption in the Company's area. This will produce the number of ECC credits which the Company will set against the ECC charges due. E.g. a residential home with a single metered connection is redeveloped and 30 flats built on the site. The maximum annual use of the home in the five years before redevelopment was 930 cubic metres. The ECC payable for the site will be:

930 m³ divided by 125 m³ (average domestic annual consumption) equals 8 credits. 30 sets of ECC - 8 credits = 22 sets of ECCs. For further guidance on our Environmental Scheme please contact us by emailing developerservicesdeliveryteam@southwestwater.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.