



Wessex Water Services Ltd
Assurance Statement for
Charging Arrangements for New Connections Services 2021-22

Introduction

Our Charging Arrangements for New Connection Services 2021-22 fix charges for services provided to those developing land and laying new water and sewerage infrastructure for domestic purposes between 1 April 2021 and 31 March 2022.

These charges are set in accordance with the provisions of the Water Industry Act 1991 (the Act), the Instrument of Appointment (Licence) and other applicable laws. The charges also comply with the Charging Rules for New Connection Services (English Undertakers) issued by Ofwat in March 2020 and other relevant guidance. Charges to Licensed Providers and Household Premises are fixed under separate charges schemes.

This Scheme does not apply to charges required by the Company from another water or sewerage undertaker (including any potential new or replacement undertaker within the contemplation of section 7 of the Act) for the supply of water in bulk or bulk removal of wastewater. Such charges will be fixed by agreement between the parties having regard to sections 40 and 110A of the Act and any relevant Ofwat guidance.

Board ownership

The Board is accountable for the development of the Charging Arrangements for New Connection Services.

On 27 July 2020, the Board considered and approved the strategy and proposals for changes to policies for customer charges and the associated governance processes, to be implemented from 1 April 2021.

On 30 November 2020, following further customer and stakeholder engagement, the Board confirmed the decisions above and considered an analysis of expected bill changes.

The Board further confirmed that, to the best of its knowledge and belief, Ofwat's requirements for Board assurance of charges were met and duly approved this Assurance Statement.

The Board therefore authorised the Company's Executive Director of Finance and Regulation to sign the final Assurance Statement for Charging Arrangements for New Connection Services and the Charging Arrangements for New Connection Services.

Assurance Statement


In making this Assurance Statement, the Board has considered the requirements set out by Ofwat in Expectations, assurance and information requirements for water company charges 2021-22 (IN 20/07) and Charging Rules for New Connection Services (English Undertakers) and confirms that, to the best of its knowledge and belief:

1. the Company complies with its obligations relating to Ofwat's Charging Rules for New Connection Services (English Undertakers)
2. the Company has appropriate systems and processes in place to make sure that the information contained in the charges scheme and additional information is accurate
3. the present balance of charges between developers and other customers is broadly maintained by setting the revenue from developers to a consistent proportion of the total cost of developer activity; and
4. the Company has consulted with its stakeholders in a timely and effective manner.

In addition, the Board has assessed the effects of the new charges on customers' bills for a range of different types of development and notes the bill impacts of more than 10% from the previous year set out in the Statement of Significant Changes in Charges for New Connections and New Developments (the statement). The Board has reviewed and approves the mitigations and handling strategies set out in the statement.

The Board has made this Assurance Statement based on the information available to it at the current time.

The Board authorised the Company's Executive Director of Finance and Regulation to sign the final Assurance Statement, Charging Arrangements for New Connection Services 2021-22 and Statement of Significant Changes in Charges for New Connections and New Developments.

Signed:  Date: 28.01.2021

Andy Pym
Executive Director of Finance and Regulation
(on behalf of the Board)

Board considerations

In making this Assurance Statement the Board has considered the following:

1. The Company complies with its obligations relating to the Charging Rules for New Connection Services (English Undertakers)

The Board considered the outcome of a review undertaken by the Company's technical assurance provider (Mott MacDonald), which confirmed that:

- our Charging Arrangements for 2021-22 are appropriate to meet our obligations under the Water Industry Act 1991 (as amended in 1999 and 2014)
- our Charging Arrangements are consistent with:
 - Charges Scheme Rules (published in March 2020),
 - Wholesale Charging Rules (published in March 2020), and
 - Charging Rules for New Connection Services (English Undertakers) (published March 2020); and
- our Charging Arrangements are consistent with the Company's obligations under licence conditions D and E.

2. The Company has appropriate systems and processes in place to make sure that the information contained in the charges scheme, and the additional information covered by this annex is accurate

The Board reviewed and approved the governance and assurance processes and procedures for the setting of charges in July 2020.

In addition to the external technical assurance detailed above, the Company continues with its internal assurance processes as detailed in the Regulatory Assurance Manual including:

- a requirement for the compiler, owner and reviewer to certify the accuracy of their data and associated calculations; and
- ensuring clear ownership of the process resides with a senior manager.

The charges setting process requires the Economic Regulation team to engage with internal and external stakeholders to ensure that the charges proposals are well rounded and practical. In particular, there is significant engagement with the Company's legal team and those responsible for billing and collecting charges.

3. The present balance of charges is broadly maintained between Developers and other customers.

The Board reviewed the balance of charges over recent years: developers have contributed 89% towards the cost of new connections, with other bill payers contributing 11%. The income offset to maintain the balance of charges, applied

to infrastructure charges for 2021-22, has been set at a level that maintains this balance.

4. *The Company has consulted with its stakeholders in a timely and effective manner on its charging arrangements*

The Board was informed that internal and external stakeholders have been engaged in a timely manner. The Company has engaged with its external stakeholders throughout the year and their feedback has been carefully considered when formulating proposals for 2021-22.

A consultation was carried out from 23 September to 19 October 2020. All major stakeholder groups were consulted included New Appointments and Variations (NAVs), Self Lay Providers (SLPs), developers of a variety of sizes, industry bodies and regulators.

In addition we published indicative charges on 1 December 2020 to give early indications of what we would be charging and another opportunity for feedback and engagement.

We have also engaged with CCW and Fair Water Connections who commented on our proposals. We discussed their comments and we have incorporated their recommendations into our charging arrangements.

5. *As a result of increased infrastructure charges, there is expected bill increases, on typical development scenarios, of more than 10% from the previous year*

The Board was informed that the Company expects a bill for typical developments to increase by more than 10% from the previous year as summarised below.

Type	2020-21 (£k)	2021-22 (£k)	% Change
Single short connection	1.9	2.4	+29%
Single long connection	4.9	5.7	+15%
Short connection to block of 10 flats	5.2	9.5	+81%
Long connection to block of 10 flats	8.3	12.7	+53%
Small development	16.0	18.6	+16%
Medium development	66.7	77.9	+17%

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Type	2020-21 (£k)	2021-22 (£k)	% Change
Large development	214.1	261.7	+22%
Small development (SLP)	5.8	8.2	+40%
Medium development (SLP)	17.3	27.8	+60%
Large development (SLP)	46.6	91.9	+97%

Details of the mitigations and handling strategies to minimise the impact on our customers was presented to the Board in the Statement of Significant Changes in Charges for New Connections and New Developments and these were approved.