



Charging Arrangements for New Connections Services 2018/19

Board Assurance and Compliance Statements

Published Date: 1 February 2018



1. Introduction

The Board of Affinity Water Limited (the “Company”) has reviewed the work undertaken to prepare the preparation of our Charging Arrangements for New Connections Services 2018/19 (“Charging Arrangements”). In particular, the Board has:

- reviewed the requirements published in “Information Notice 17/09”, setting out Ofwat’s expectations for new connection services charging arrangements 2018/19;
- considered the requirements of Ofwat’s Charging Rules for New Connection Services (English Undertakers) (August 2017) (“Ofwat’s Charging Rules”);
- considered the actions undertaken by management to prepare our Charging Arrangements to meet these requirements;
- considered the responses to the consultation run by the Company on its proposed Charging Arrangements and the responses to other consultations run by Water UK and other water companies;
- approved the Board Assurance Statement set out in Section 2 below; and
- approved the Statement of Compliance with Ofwat’s Charging Rules set out in the Appendix to this document.

2. Board Assurance Statement

The Board of Affinity Water Limited having made due enquiry of management and to the best of its knowledge:

- (a) confirms that the Company complies with its obligations relating to the Charging Rules;
- (b) confirms that the Company has appropriate systems and processes in place to make sure that the information contained in its Charging Arrangements, and the additional information covered by the annex to the Charging Rules is accurate; and
- (c) confirms that it considers it is necessary to depart from the general requirement of Rule 19 with respect to the broad balance of charges between Developers and other customers and the Company has provided objective justification for this in the Charging Arrangements and Appendix to this document.

Patrick O’D Bourke



**Independent Non-Executive Director
On behalf of the Board**

1 February 2018

Appendix
Affinity Water Limited
Statement of Compliance with Charging Rules for New Connections Services

Rule No.	Charging Rule	Our Compliance
Rules 1 to 6	Definitions and Interpretation	Not applicable
Consultation		
Rule 7	Undertakers must determine what types of charges covered by these rules may or may not be imposed, and the amount of such charges, in accordance with the principle that changes to charges covered by these rules should only be made after proportionate, timely and effective consultation with groups of persons likely to be significantly affected by the proposed Charging Arrangements (or their representatives) and any other persons the undertakers consider it appropriate to consult.	We have consulted directly with developers and indirectly, through Water UK to ascertain the views of developers on charges for new connection services. Our charges take into account the feedback provided by consultation respondents.
Publication and Transparency		
Rule 8	Relevant undertakers must publish charges developed under these rules in a single document (the Charging Arrangements). The Charging Arrangements must be published on the undertaker's website and in any other manner the undertaker considers appropriate for the purpose of bringing the Charging Arrangements to the attention of persons likely to be affected by it.	All charges developed under the rules are covered by our Charging Arrangements which is a single document. For convenience, it also includes information about Infrastructure Charges levied under the Affinity Water Charges Scheme. Our Charging Arrangements are published on the developer services section of our website.
Rule 9	The maximum amount of any charge that may be imposed by an undertaker under the provisions of the Water Industry Act 1991 covered by these rules shall be the amount set out in, or calculated in accordance with, the Charging Arrangements published by that undertaker. For the avoidance of doubt, the charges and charging methodologies set out in the Charging Arrangements must therefore include any relevant miscellaneous and ancillary costs such as assessment, inspection, design, legal and supervision charges that the undertaker is entitled to recover, unless there is a different legal basis for the recovery of such costs.	Our Charging Arrangements set out all charges imposed by us under the provisions of the Water Industry Act 1991 to which the Charging Rules apply. The charges and methodologies include all relevant miscellaneous and ancillary costs recoverable under those provisions.
Rule 10	The Charging Arrangements must be published no later than two months before the period in relation to which they have effect. Charging Arrangements must be published at least once in every year from 2018 onwards.	Our Charging Arrangements for 2018/19 are published on 1 February 2018 alongside this document.
Rule 11	The Charging Arrangements must explain how each charge has been calculated or derived.	Our Charging Arrangements confirm that our charges

Rule No.	Charging Rule	Our Compliance
	Where an undertaker determines the applicable charges other than by Fixed Charges, the methodology for the calculation of such charges must be explained clearly in the Charging Arrangements.	have been calculated to reflect the costs we have historically incurred in respect of each activity and our forecast estimate of the volume of activities expected to be undertaken and costs incurred in 2018/19.
Rule 12	The Charging Arrangements are to be written and presented in a clear and accessible manner, which takes due account of the varying levels of expertise of all Developers or other customers who may rely on the Charging Arrangements. Undertakers should consider publishing worked examples where this could aid customers' understanding.	We consider our Charging Arrangements to be written in a clear and accessible manner. They include worked examples of charges to help understanding.
Rule 13	Charges must be published with such additional information or explanation as is necessary to make clear what services are covered by each charge.	For each charge item, our Charging Arrangements explain what services are covered by the charge.
Rule 14	Undertakers must publish the charges covered by these rules in such a way that a Developer or other customer can confidently work out a reasonable estimate of the charges payable if they know the relevant parameters of a Development.	Developers and other customers are able to work out a reasonable estimate of charges payable based on the known parameters for their Development.
Rule 15	The Charging Arrangements must identify which charges are associated with Contestable Work and Non-contestable Work.	The charging tables in our Charging Arrangements show which charges relate to Contestable Work and those that relate to Non-contestable Work.
Rule 16	Undertakers must provide a reasonable choice of times and methods of payment of the charges and set these out in the Charging Arrangements.	Section 13 of our Charging Arrangements sets out the times and methods of payment for each of our charges.
Small companies		
Rule 17	Rule not applicable to Affinity Water Limited	Not applicable
General charging principles		
Rule 18	<p>Relevant undertakers must determine what types of charges may or may not be imposed and the amount of any charges that may be imposed in accordance with the principle that charges covered by these rules should reflect:</p> <ul style="list-style-type: none"> (a) fairness and affordability; (b) environmental protection; (c) stability and predictability; and 	The charges set out in our Charging Arrangements have been developed to ensure that they are transparent and easy to understand. We have sought to achieve fairness and affordability by setting different charges for different types of work to reflect the different costs of that work, while balancing against the need for a transparent and simple charging structure.

Rule No.	Charging Rule	Our Compliance
	(d) transparency and customer-focused service.	
Principles for Determining the Nature and Extent of All Charges Covered by these Rules		
Rule 19	In setting charges in accordance with the present rules, undertakers should take reasonable steps to ensure that the present balance of charges between Developers and other customers prior to the implementation of these rules is broadly maintained. An undertaker may only depart from this general requirement where (and to the extent that) this is rendered necessary by circumstances providing clear objective justification for doing so. Any such justification must be clearly identified in any Charging Arrangements prepared pursuant to these rules.	<p>Our Charging Arrangements roll forward our supply chain variable construction costs ensuring through this approach we maintain the “broad balance” in respect of these costs.</p> <p>In preparing our Charging Arrangements, we have identified there has been a divergence over a number of years between actual overhead costs incurred in providing developer services activities and those recovered from developers. The differential has, in effect, been met by customers through water supply charges.</p> <p>In order to be broadly cost reflective and promote effective competition for Contestable Work we have set charges to increase the amount of overhead costs recovered from developers. This will mean a change in the present balance of charges, which we consider to be necessary in light of the requirements of Rule 21. We have clearly identified this change in our Charging Arrangements.</p>
Rule 20	Consistent principles and approaches must be applied to the calculation of charges and when they are payable for different classes of customer. For the avoidance of doubt, this includes the calculation of charges and when they are payable for Non-contestable Work, whether or not a person other than the undertaker is carrying out Contestable Work.	Our Charging Arrangements take a consistent approach to the calculation of charges as between developers, self-lay providers and other customers of developer services activities.
Rule 21	Charges (including any Income Offsets), any Asset Payments and arrangements for when they are each payable must be set in accordance with the principle that they should promote effective competition for Contestable Work.	<p>Charges have been set on the basis of our cost of undertaking the work or providing the service covered by the charges (including contractor costs and the costs of operating our developer services function)</p> <p>The method for calculating Income Offsets and Asset Payments ensures a level playing field for Contestable Work.</p> <p>We offer a choice of payment terms.</p>
Rule 22	For the avoidance of doubt, in charges covered by these rules undertakers may recover reasonable administrative expenses and other overheads incurred in discharging any rights	Our charges include the recovery of administrative expenses and other overheads incurred in discharging

Rule No.	Charging Rule	Our Compliance
	or obligations under the relevant provisions of the Water Industry Act 1991.	any rights or obligations under the relevant provisions of the Water Industry Act 1991
Charges for the Requisition of Water Mains and Public Sewers		
Rule 23	Each undertaker shall set out in its Charging Arrangements charges that will be imposed by that undertaker for work carried out by it in accordance with the duties imposed by section 41(1) (provision of requisitioned Water Main) and section 98(1) (provision of requisitioned public sewer) of the Water Industry Act 1991 (together, " Requisition Charges ").	Section 6 of our Charging Arrangements sets out the charges we impose for work carried out in respect of water mains requisitioned under Section 41 of the Water Industry Act 1991.
Rule 24	These charges are concerned with the cost to the undertaker of providing Site Specific infrastructure necessary for the provision of a Water Main and/or Public Sewer.	Our Charging Arrangements at Section 6 acknowledge this in respect of the provision of a Water Main.
Rule 25	<p>In relation to Requisition Charges, an undertaker:</p> <ul style="list-style-type: none"> a) must provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker; and b) may also provide for other alternative methods for calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements. 	Section 6 of our Charging Arrangements provides for upfront Fixed Charges to be payable in respect of Requisition Charges, subject to the exceptions permitted by Rules 47 and 48 of the Charging Rules.
Rule 26	Requisition Charges must relate to the costs of providing the requisitioned Water Main and/or Public Sewer. Such charges may not include any amount for Network Reinforcement costs.	Our Charging Arrangements at Section 6 confirm that Requisition Charges do not include any amount for Network Reinforcement costs.
Rule 27	<p>Any Requisition Charges imposed by an undertaker:</p> <ul style="list-style-type: none"> a) must relate only to Site Specific Work carried out and costs incurred by the undertaker in order to meet its duties under sections 41(1) or 98(1) of the Water Industry Act 1991; and b) must not relate to work needed or desired to modify or enhance existing network infrastructure in order to address pre-existing deficiencies or to enhance network flexibility, in capacity or capability, unrelated to requirements associated with the requisition. 	Our Charging Arrangements at Section 6 confirm that Requisition Charges relate solely to Site Specific Work undertaken to meet our duties under Section 41(1) of the Water Industry Act 1991 and do not relate to work to modify or enhance the existing network to address pre-existing deficiencies or to enhance network flexibility, capacity of capability unrelated to the requisition.

Rule No.	Charging Rule	Our Compliance
Rule 28	Where an undertaker provides a Water Main or Public Sewer pursuant to a requisition and, in so doing, decides to increase the capacity of pipes or other infrastructure beyond that which is needed to meet the undertaker's duty under section 41(1) or section 98(1) of the Water Industry Act 1991, the costs of this work shall, if this increases the costs of the work, be apportioned so that the person making the requisition only pays costs which are in proportion to the particular capacity required by his or her requisition.	Section 6 of our Charging Arrangements reflects this requirement.
Rule 29	In setting Requisition Charges an undertaker may (but is not required to) provide for an Income Offset.	Section 6 of our Charging Arrangements makes provision for an Income Offset.
Rule 30	<p>As regards the methodology for the calculation of Income Offsetting arrangements:</p> <p>a) Each undertaker has discretion as to the methodology to be applied to calculate an Income Offset. Such methodology must, however, be clearly explained in the applicable Charging Arrangements;</p> <p>b) In addition as regards Water Mains, the methodology for the calculation of any Income Offset applied in respect of requisitioning charges must be equivalent to the methodology applied in calculating any Asset Payment an undertaker may make in respect of the adoption of Water Mains and</p> <p>c) Nothing in these rules prevents an undertaker from providing for Income Offsetting arrangements in relation to the requisition of Public Sewers if it does not make any Asset Payments in respect of the adoption of Sewers. But if the undertaker does make Asset Payments in respect of the adoption of Sewers or Lateral Drains then the methodology for the calculation of any Income Offset applied in respect of Requisition Charges must be equivalent to the methodology applied in calculating any such Asset Payment.</p>	<p>Our methodology for calculating the Income Offset is set out in Section 6 of our Charging Arrangements. It is clearly explained which charges the Income Offset applies to and that the Income Offset is a fixed percentage applied against those charges.</p> <p>Section 8 of our Charging Arrangements confirms that we have used an equivalent methodology to calculate the Asset Payment made in respect of the adoption of Water Mains. The Asset Payment is a fixed percentage against the charges which (i) would have been payable had the Water Main been requisitioned under Section 41 and (ii) would be subject to the Income Offset in those circumstances.</p> <p>Rule 30(c) is not applicable to Affinity Water Limited.</p>
Charges for the Provision of lateral Drains, the Connection of Water Mains and Communications with Public Sewers and Ancillary Works		
Rule 31	Each undertaker shall set out in its Charging Arrangements charges that will be imposed by that undertaker for work carried out by it in accordance with the duties (or rights) created by the following provisions of the Water Industry Act 1991: section 45(1) (connection with Water Main); section 46(1) (ancillary works for purposes of making a domestic connection); section 98(1A) (provision of lateral drains); section 101B (construction of lateral drains following construction of a public sewer) or section 107(1) (right of undertakers to make communication with Public Sewer) (together, " Connection Charges ").	Section 7 of our Charging Arrangements sets out our charges for work carried out in accordance with our duties under Section 45 and Section 46(1) of the Water Industry Act 1991 (Connection Charges)

Rule No.	Charging Rule	Our Compliance
Rule 32	<p>In relation to Connection Charges an undertaker:</p> <ul style="list-style-type: none"> a) must provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker; and b) may also provide for other alternative methods for calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements. 	<p>Our Charging Arrangements provide for upfront Fixed Charges to be payable in respect of work carried out in accordance with our duties under Section 45 and Section 46(1) of the Water Industry Act 1991.</p>
Rule 33	<p>Any Connection Charges imposed by an undertaker must relate only to Site Specific Work carried out and costs incurred by the undertaker pursuant to sections 45(1), 46(1), 98(1A), 101B or 107(1) of the Water Industry Act 1991.</p>	<p>The Connection Charges set out in Section 7 of our Charging Arrangements are imposed solely in respect of our costs of carrying out Site Specific Work under Section 45 and Section 46(1) of the Water Industry Act 1991</p>
Rule 34	<p>Undertakers shall not provide for Income Offsets in setting Connection Charges.</p>	<p>Our Charging Arrangements do not provide for Income Offsets against Connection Charges.</p>
<p>Charges and Asset Payments in respect of an Agreement under Section 51A or 104 of the Water Industry Act 1991</p>		
Rule 35	<p>Each undertaker shall set out in the applicable Charging Arrangements the charges to be imposed and the Asset Payments, if any, to be made in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991.</p>	<p>Section 8 of our Charging Arrangements sets out the charges we impose and the Asset Payments we make in respect of an adoption agreement made pursuant to section 51A of the Water Industry Act 1991.</p>
Rule 36	<p>These charges are concerned with the cost of Site Specific Work necessary as part of the adoption or connection of a Water Main, Communication Pipe, Public Sewer and/or Lateral Drain. Such charges may not include any amount for Network Reinforcement costs.</p>	<p>Section 8 of our Charging Arrangements confirms this.</p>
Rule 37	<p>Any charges imposed by an undertaker in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991:</p> <ul style="list-style-type: none"> a) must relate only to Site Specific Work carried out and costs incurred by the undertaker in order to meet its duties under such an agreement; and b) must not relate to work needed or desired to modify or enhance existing network infrastructure in order to address pre-existing deficiencies, in capacity or capability, unrelated to requirements associated with the agreement. 	<p>Our Charging Arrangements at Section 8 confirm that these charges relate solely to Site Specific Work undertaken and costs incurred to meet our duties under a Section 51A agreement and do not relate to work to modify or enhance the existing network to address pre-existing deficiencies or to enhance network flexibility, capacity of capability unrelated to the requisition.</p>

Rule No.	Charging Rule	Our Compliance
Rule 38	Insofar as section 51A agreements are concerned, water undertakers shall provide for Asset Payments where the undertaker calculates the requisition charge for a Water Main to include an Income Offsetting arrangement.	Section 8 of our Charging Arrangements provides for Asset Payments to be made in respect of Water Mains adopted under a Section 51A agreement and Section 6 of our Charging Arrangements provides for an Income Offset against Requisition Charges.
Rule 39	Rule not applicable to Affinity Water Limited	Not applicable
Rule 40	Where an undertaker provides for Asset Payments in respect of the adoption of a Water Main pursuant to an agreement under section 51A of the Water Industry Act 1991, or the adoption of a Sewer pursuant to an agreement under section 104 of the Water Industry Act 1991, the calculation of any Asset Payment must be equivalent to the methodology applied in calculating an Income Offset applied in respect of Requisition Charges.	Our methodology for calculating the Asset Payment is set out in Section 8 of our Charging Arrangements. It is clearly explained how the Asset payment is calculated and that it is a fixed percentage of the charges which (i) would have been payable had the Water Main been requisitioned under Section 41 and (ii) would therefore have been subject to the Income Offset in those circumstances.
Rule 41	Undertakers shall not provide for Asset Payments for the adoption of a Communication Pipe or Lateral Drain.	Section 9 of our Charging Arrangements set out our charges for the adoption of a Communication Pipe. We do not provide for Asset payments to be made in respect of the adoption of Communication Pipes.
Charges for Diversions of Pipes and other Apparatus under Section 185 of the Water Industry Act 1991		
Rule 42	<p>Each undertaker must set out in its Charging Arrangements its method(s) for calculating the charges imposed by that undertaker pursuant to section 185(5) of the Water Industry Act 1991 ("Diversions Charges"). In relation to Diversions Charges an undertaker:</p> <ul style="list-style-type: none"> a) may provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker; and b) may also provide for other alternative methods of calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements. 	<p>Section 10 of our Charging Arrangements sets out our methodology for calculating charges imposed pursuant to Section 185(2) of the Water Industry Act 1991 in respect of the diversion of pipes and other apparatus.</p> <p>We do not offer an option of upfront Fixed Charges but explain how we will calculate our charges, in particular by using the rates published in our Charging Arrangements for main laying where they are appropriate to the circumstances of the specific pipe diversion.</p>
Rule 43	Charges levied pursuant to section 185(5) must be calculated by reference to the principle	Section 10 of our Charging Arrangements confirms this

Rule No.	Charging Rule	Our Compliance
	that the undertaker is only entitled to recover costs reasonably incurred as a result of complying with the duty imposed by section 185(1) of the Water Industry Act 1991.	is the approach we take to recovery of such costs.
Security/Deposit Arrangements		
Rule 44	<p>An undertaker is allowed to require security prior to commencing work, whether in the form of a sum deposited with the undertaker or otherwise:</p> <p>a) under section 42(1)(b), 47(2)(a), 99(1)(b), 101B(3A), 107(3)(b)(ii) or 185(4); or</p> <p>b) for the purposes of any charges imposed under an agreement under section 51A or section 104 of the Water Industry Act 1991.</p>	<p>Our experience is that developers generally prefer to deposit a sum of money by way of security rather than alternative forms of security. We will consider other forms of security that provide equivalent protection.</p> <p>We do not require security for any charges imposed under a Section 51A agreement to adopt water mains and/or service pipes.</p>
Rule 45	The type and amount of security should not be unduly onerous, taking into account the risk to be borne by the undertaker in carrying out the work in question. Where undertakers require security, the type and amount of security and the payment of interest on the security should reflect the general charging principles set out in paragraph 18.	Section 13 of our Charging Arrangements sets out our requirements for the provision of security. As well as security by way of a deposited sum, we are willing to consider any other form of security offered providing an equivalent level of protection. We will pay interest on any sums deposited with us by way of security.
Rule 46	The undertaker must clearly set out requirements for security in relation to any charges to be applied in its Charging Arrangements.	Section 13 of our Charging Arrangements sets out our requirements for security in relation to charges imposed.
Exceptions from requirements to provide upfront Fixed Charges		
Rule 47	Undertakers are not required to provide for the option of upfront Fixed Charges in accordance with paragraphs 25 (Requisition Charges) of these rules, or to comply with paragraph 14, where, and to the extent that, it would be unreasonable to expect an undertaker to do so (having had regard to the practicality of setting a cost-reflective upfront Fixed Charge and the benefit to customers of producing such a charge).	Section 6 of our Charging Arrangements reflects this.
Rule 48	Where paragraph 47 applies, an undertaker must set out, and explain clearly, in its Charging Arrangements the alternative method or methods that will apply for calculating charges.	Section 6 of our Charging Arrangements sets out the method we will apply to calculate charges in these circumstances; in particular by using the rates published in our Charging Arrangements for main laying where they are appropriate to the circumstances of the specific pipe diversion.

Annex: Information requirements		
Assurance statements		
A1	<p>Each undertaker should provide to the Water Services Regulation Authority an assurance statement from its Board of Directors and publish its statement no later than the time of publication of the [sic] their Charging Arrangements:</p> <ul style="list-style-type: none"> i. confirming that the company complies with its obligations relating to these Charging Rules ii. confirming that 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 iii. explaining how the present balance of charges between Developers and other customers is broadly maintained. 	<p>We have provided an assurance statement in respect of our Charging Arrangements in Section 2 of this document.</p>