

AffinityWater

Charging Arrangements for New Connection Services

Board Assurance Statement 2025/26



Introduction

The charges sub-committee of Affinity Water Limited (the "Company") have overseen the preparation of our tariffs and charges for 2025/26. Both the charges sub-committee and the Board of Affinity Water Limited have:

- Reviewed the requirements published in "Information Notice 24/08", setting out Ofwat's expectations for new connection services charging arrangements 2025/26;
- Considered the requirements of Ofwat's Charging Rules for New Connection Services (English Undertakers) ("Ofwat's Charging Rules")
- Considered the actions undertaken by management to prepare our Charging Arrangements to meet these requirements; and
- Approved the Board Assurance Statement set out below

Significant Changes

For the 2025/26 charging period the industry will use a set of consistent worked examples; ours can be found in the New Connections Charging Arrangements publication. This can be found [here](#).

There is a significant increase to the total charge of some of our worked example calculations which exceed the 10% guideline threshold outlined in the Ofwat Information Notice. These charges are set out in the table below.

Scenario	Description	2024/25 Charge (£)	2025/26 Charge (£)
1	Single connection to a house from an existing main	4,198	4,791
1a	Single connection to three properties, repurposed from a single property, and from an existing main	-	8,941
2	Single connection to a block of flats from an existing main	9,334	15,291
3	Medium housing development requiring new mains and communication pipe (excavation and reinstatement by others)	108,470	134,392
4	Medium housing development requiring new mains and communication pipe (excavation and reinstatement by Water Company)	160,332	201,162
5	Large housing development requiring new mains and communication pipe (excavation and reinstatement by others)	369,463	471,263
6	Large housing development requiring new mains and communication pipe (excavation and reinstatement by Water Company)	550,853	702,523

Our Board of Directors have assessed the effects of the new charges on customers' bills for a range of different types of development using the above information and approves the impact assessments and proposed handling strategies.

These significant changes, along with our handling strategies, are referred to in our statement of significant change which can be found [here](#).

External Assurance

As part of the assurance process for the new connections charging works, Frontier Economics was commissioned by the Board to review the approach and methodology of developer charging including the infrastructure charge and associated credits; and, to review the functionality of the calculation models to comment on the extent of which our approach satisfies the guidance provided by Ofwat and Defra.

A detailed assurance report was provided which concluded:

"We have reviewed AFW's approach to setting developer charges for 2025/26, and ultimately, we find that its approach is in line with Ofwat's guidance. First, we note that Ofwat's rules have undergone a relatively large change this year, with Ofwat issuing new guidance on a number of areas. AFW is aware of these updated rules and has implemented the required changes to its charges, to ensure its approach remains in line with Ofwat's guidance. One of the changes is regarding water efficiency incentives (now referred to as environmental incentives), with companies encouraged to offer multiple tiers of environmental incentives but told to report their lowest environmental incentive in the worked examples.

In line with the guidance, AFW has multiple tiers of the incentives, but its lowest incentive is lower than the singular incentive it offered last year. As a result, AFW's charges, in its worked examples, have increased by 30%. Whilst this is a significant increase, we note that it is not an actual increase in the cost of AFW's charges but purely a result of a change in reporting practice. It is positive here that AFW has engaged developers over the past year to ensure they are aware of this change. Comparing to last year's charges on a like-for-like basis (i.e. excluding water efficiency/environmental incentives), AFW's charges have increased by 1% on average this year. As a top-down sense-check, we note that this cost increase is less than inflation, with CPIH currently forecast at 3.2%, meaning that AFW's proposed cost increase appears reasonable. Finally, we note that this is the first year of Ofwat's updated rules and that some of the changes only will take effect from 2026/27. This suggests that next year may continue to require extra work for AFW to ensure that its approach continues to be in line with the guidance."

Board Assurance Statement

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

- a) The Company complies with its obligations relating to the Charging Rules;
- b) 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;
- c) It has assessed the effects of the new charges on customers' bills for a range of different types of development and approves the impact assessments and handling strategies developed in instances where bill increases for particular types of new developments exceed 10%.



Ian Tyler
Chairman
On behalf of the Board
22 January 2025