

December 2024

Charging Rules for New Connection Services (English Undertakers)

Change History

Date of issue	Modification relative to previous issue
12 December 2024	Updates relative to October 2021 version marked in red or strikethrough
20 October 2021	Introduce new rule from April 2022 to publish common terms and worked examples, include infrastructure charges rules within this document, include new rule on validity of quotations, clarify publication and information requirements. Updates relative to March 2020 version marked in red or strikethrough.
27 March 2020	Change to paragraph 2 to confirm that from 1 April 2020 these rules will also apply to the Isles of Scilly.
22 15 July 2019	Moved the income offset from requisition charges to infrastructure charges. Clarified the balance of charges rule. Effective from April 2020. Changes to the December 2018 version.
20 December 2018	Amendment to make the June 2018 changes permanent.
29 June 2018	Temporary urgent amendment to definition of network reinforcement to ensure that infrastructure charges could be levied regardless of the method by which developer services are procured.
8 December 2017	First issue

WATER SERVICES REGULATION AUTHORITY

WATER INDUSTRY ACT 1991, SECTIONS 51CD, 105ZF AND 144ZA

(INFRASTRUCTURE CHARGES UNDER SECTION 143B)

Charging Rules for New Connection Services (English Undertakers)

Introduction

1. These rules are issued by the Water Services Regulation Authority under sections 51CD, 105ZF, 144ZA and 143B of the Water Industry Act 1991.
2. These rules have effect in relation to charges imposed on or after 1 April 202~~52~~ by water undertakers and sewerage undertakers whose areas are wholly or mainly in England including, from 1 April 2020, the Isles of Scilly.
3. For the avoidance of doubt, these rules do not apply to a relevant undertaker in relation to any:
 - a) request for a supply of water for non-domestic purposes to which section 55 of the Water Industry Act 1991 applies;
 - b) application for a consent to discharge trade effluent from any trade premises under section 119 of the Water Industry Act 1991;
 - c) request made by a water supply licensee for the connection of premises to a water undertaker's supply system, or other steps in respect of that system, to which section 66A of the Water Industry Act 1991 applies;
 - d) request made by a sewerage licensee for the connection of drains or sewers of premises to a sewerage undertaker's sewerage system, or other steps in respect of that system, to which section 117A of the Water Industry Act 1991 applies;
 - e) charges that may be imposed by a water undertaker under an agreement to provide one or more water undertakers with a supply of water in bulk; or
 - f) charges that may be imposed by a sewerage undertaker under an agreement to permit a main connection into its sewerage system by one or more sewerage undertakers.
4. The rules are supplementary to statutory provisions that apply to relevant undertakers under any enactment, or instrument made thereunder (including the conditions of

their appointments). In the event of any conflict between the rules and any statutory provision, the latter shall prevail.

Interpretation

5. Unless the context otherwise requires, in these rules and for the purpose of Charging Arrangements published by undertakers under these rules:

“Accredited Third Party” means a recognised organisation who, in respect of Contestable Work and Services, demonstrates competence, at all relevant times, by satisfying the following:

- (i) accreditation under WIRS; and/or
- (ii) the Water Company’s local accreditation arrangements in relation to a specified activity

“Asset Payment” means:

- i. in relation to a section 51A agreement with a water undertaker, the amount described in section 51CD(3) of the Water Industry Act 1991; and
- ii. in relation to a section 104 agreement with a sewerage undertaker, the amount described in section 105ZF(3) of the Water Industry Act 1991.

“Charging Arrangements” means a document setting out the charges and/or the methodologies for calculating them, applied by the water or sewerage undertaker in accordance with the **English New Connection Charging** Rules issued by Ofwat.

“Charging Year” means a calendar year running from 1 April in a given year to 31 March in the following year.

“Charges Scheme Rules” means the Charges Scheme Rules issued by Ofwat under sections 143(6A) and 143B of the Water Industry Act 1991.

“Communication Pipe” means any part of a Service Pipe which a water undertaker could be, or have been, required to lay under section 46 of the Water Industry Act 1991.

It consists of a pipe laid from an existing or newly laid Water Main to the boundary of a ~~premises~~~~property~~ and may include a meter housing and / or external stop valve.

“Connection Charges” has the meaning given by paragraph 31 below.

“Contestable Work” means work or services that can be completed by either the relevant undertaker or an Accredited Third Party.

“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.

“Development” means premises on which there is a building or buildings, or on which there will be a building or buildings when proposals made by any person for the erection of any buildings are carried out, and which require connection with, and/or modification of, existing water or sewerage infrastructure.

“Diversion Charges” has the meaning given by paragraph 42 below.

“English New Connection Rules” means the Charging Rules for New Connection Services (English Undertakers) issued by Ofwat under sections 51CD, 105ZF, 144ZA and 143B of the Water Industry Act 1991.

“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 premises connected to the undertaker's network, 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.

“Fixed Charges” mean charges set for a given Charging Year which are fixed in amount or which are calculated by reference to a predetermined methodology set out in the undertaker's Charging Arrangements, the application of which allows calculation at the outset of the total amount owing in that Charging Year in respect of the charges in question. Such charges are to be fixed for a Charging Year, as defined above.

For the avoidance of doubt, and subject to the above, undertakers may impose Fixed Charges by reference to a unit measurement (for example, per megalitre).

Furthermore, undertakers may offer more than one Fixed Charge in charging for a service provided in accordance with the present rules (for example, by differentiating between different geographic areas).

“Income Offset” means a sum of money, that may be offered by the undertaker **only under or in connection with any agreement entered into before 1 April 2025**, against the Infrastructure Charges, in recognition of revenue likely to be received by the relevant undertaker in future years for the provision of:

i) supplies of water to the premises connected to a Water Main; or

ii) sewerage services to the premises connected to a Sewer,

and **“Income Offsetting”** shall be construed accordingly.

“Infrastructure Charge” means the charges described in section 146(2) of the Water Industry Act 1991. **They are set to recover the costs of Network Reinforcement.**

“Lateral Drain” means (a) that part of a drain which runs from the curtilage of a building (or buildings or yards within the same curtilage) to the Sewer with which the drain communicates or is to communicate; or (b) (if different and the context so requires) the part of a drain identified in a declaration of vesting made under section 102 of the Water Industry Act 1991 above or in an agreement made under section 104 of this Act.

“Network Reinforcement” refers to work other than Site Specific Work, as defined below, to provide or modify such other:

i. Water Mains and such tanks, service reservoirs and pumping stations, or

ii. Sewers and such pumping stations

as is necessary in consequence of the Site Specific installation or connection of Water Mains, Service Pipes, Public Sewers and Lateral Drains pursuant to an agreement with, or a duty owed under the Water Industry Act 1991 to, a person other than a relevant undertaker, including a requisition (under sections 41(1), 98(1) or 98(1A)), under an agreement for adoption (under sections 51A or 104), under a section 66D of or a section

117E agreement, pursuant to section 45(1) (Duty to make connections with main) or in accordance with another duty imposed by the Act, or in consequence of the exercise of rights under section 106(1) (Right to communicate with public sewers), or pursuant to an agreement for bulk supplies of water or bulk discharge with a New Appointee. It also includes the additional capacity in any earlier Water Main or Sewer that falls to be used in consequence of the provision or connection of a new Water Main or Sewer.

“**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.

“**Non-contestable Work**” means work or services that can only be completed by the relevant undertaker (or an agent acting on their behalf).

“**Ofwat**” means the Water Services Regulation Authority.

“**Off-site**” means construction works or the provision, modification or connection of water or sewerage structures and facilities carried out or proposed to be carried out outside the boundary of the Development up to the Point of Connection, and does not include Pre-Construction Activities.

“**On-site**” means construction works or the provision, modification or connection of water or sewerage structures and facilities carried out or proposed to be carried out within the boundary of the Development, and does not include Pre-Construction Activities.

“**Point of Connection**” means a location which is either i) a practical location indicated by a Developer Customer where the existing water main or sewer is the same size or larger than the new connecting main or sewer or, where they have not indicated a location, ii) the nearest practical location where the existing water main or sewer is the same size or larger than the new connecting main or sewer.

“**Pre-Construction Activities**” means activities before On-Site works or Off-Site works are begun, which might include application administration and design.

“**Public Sewer**” means a sewer for the time being vested in a sewerage undertaker, whether under the Water Act 1989, the Water Industry Act 1991 or otherwise.

“**Requisition Charges**” has the meaning given by paragraph 23 below.

“**Self-Lay**” means the provision of water pipes and associated infrastructure and services by an Accredited Third Party other than the undertaker in accordance with section 51A of the Water Industry Act 1991, and/or of sewers and associated infrastructure by a third party other than the undertaker in accordance with section 104 of the Water Industry Act 1991..

“**Self-Lay Provider**” or **SLP** means an Accredited Third Party other than the undertaker who can provide the water pipes and associated infrastructure and services in accordance with section 51A of the Water Industry Act 1991, and/or a third party other than the undertaker who can provide the sewers and associated infrastructure and services in accordance with section 104 of the Water Industry Act 1991.

“**Service Pipe**” means so much of a pipe which is, or is to be, connected with a water main for supplying water from that main to any premises as — (a) is or is to be subject to water pressure from that main; or (b) would be so subject but for the closing of some valve, and includes part of any service pipe.

“**Sewer**” includes all sewers and drains (not being drains within the meaning given by section 219(1) of the Water Industry Act 1991) which are used for the drainage of buildings and yards appurtenant to buildings. This definition includes tunnels or conduits which serve as such a pipe and any accessories for such a pipe.

“**Site Specific**” refers to the carrying on or the product of Off-site and/or On-site work and “**Site Specific Work**” shall be construed accordingly. It does not refer to costs or work required as part of **Network Reinforcement** as defined above.

~~“**Small Company**” means a New Appointee.~~

~~“**Tether ratio**” means the ratio of unit costs, for site specific water services, for different worked examples of scenarios set out in the document entitled "Common Terms and Worked Examples – English New Connection Rules".~~

“**Undertaker**” means a water undertaker or sewerage undertaker.

“**Water Main**” means any pipe, not being a pipe for the time being vested in a person other than the undertaker, which is used or to be used by a water undertaker or

licensed water supplier for the purpose of making a general supply of water available to customers or potential customers of the undertaker or water supply licensee, as distinct from for the purpose of providing a supply to particular customers. This definition includes tunnels or conduits which serve as a pipe and any accessories for the pipe.

6. Unless the contrary intention appears, words and expressions used in these rules have the same meaning as in any provision of the Water Industry Act 1991.

Consultation

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.

Publication and Transparency

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.
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.
10. The Charging Arrangements must be published no later than 1 February in the year immediately preceding the Charging Year in relation to which they have effect.

11. The Charging Arrangements must explain how each charge has been calculated or derived, including through the use of worked examples. As a minimum, undertakers must publish worked examples showing the scenarios set out in the worked examples published by Ofwat in the document entitled "Common Terms and Worked Examples – English New Connection Rules". 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.
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 Developer Customers or other customers who may rely on the Charging Arrangements, and using, where appropriate, the terms as defined at Rule 5 and those set out in the list of common terms published by Ofwat in the document entitled "Common Terms and Worked Examples – English New Connection Rules".
13. Charges must be published with such additional information or explanation as is necessary to make clear what services are covered by each charge.
14. Undertakers must publish the charges covered by these rules in such a way that a Developer Customer or other customer can confidently work out a reasonable estimate of the charges payable if they know the relevant parameters of a Development.
15. The Charging Arrangements must identify which charges are associated with Contestable Work and Non-contestable Work.
16. Undertakers must provide a reasonable choice of times and methods of payment of the charges and set these out in the Charging Arrangements.

Small companiesNew Appointees

17. These rules apply to a **New AppointeeSmall Company** subject to the following provisions:
 - a) a **New AppointeeSmall Company** is not required to publish one or more of the charges covered by these rules (or a methodology for calculating them) where it would be unreasonable to expect the company to do so (having had regard to the number of requests for the relevant services that the company would reasonably expect to receive);

- b) the charges imposed by a ~~New Appointee Small Company~~ under the provisions of the Water Industry Act 1991 covered by these rules must be calculated in accordance with the principles and requirements set out in these rules whether or not they are published in Charging Arrangements and this includes, where relevant, requirements to provide the option of upfront Fixed Charges;
- c) paragraph 9 of these rules does not restrict the maximum amount of a charge imposed by a ~~New Appointee Small Company~~ if Charging Arrangements published by that company do not include relevant charges or charging methodologies;
- d) paragraph 10 of these rules does not apply to a ~~New Appointee Small Company~~— instead, a ~~New Appointee Small Company~~ must publish any Charging Arrangements no later than 25 February in the year immediately preceding the Charging Year; and
- e) for the avoidance of doubt, this paragraph does not exempt a ~~New Appointee Small Company~~ from the requirement in paragraph 46 of these rules to clearly set out in its Charging Arrangements requirements for security in relation to any charges to be applied.

General charging principles

- 18. 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:
 - (a) fairness and affordability;
 - (b) environmental protection;
 - (c) stability and predictability;
 - (d) transparency and customer-focused service and
 - (e) costs of the relevant service.

Principles for Determining the Nature and Extent of All Charges Covered by these Rules

- 19. ~~Undertakers must set their charges in such a way that the relevant Tether Ratios for each pair of scenarios in their worked examples, calculated using the formula in the~~

~~document entitled "Common Terms and Worked Examples – English New Connection Rules", does not exceed the maximum Tether Ratios set by Ofwat and published in the "Common Terms and Worked Examples – English New Connection Rules". In setting charges in accordance with the present rules, undertakers should take reasonable steps to ensure that the balance between contributions to costs by Developers and other customers prior to 1 April 2018, is broadly maintained. Section 3 of Annex A to the Government's Charging Guidance to Ofwat published in January 2016 lists the charges under which Developers contribute costs relevant to this rule. For the avoidance of doubt, Income Offset also needs to be included. 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.~~

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.
21. Charges 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.
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 or obligations under the relevant provisions of the Water Industry Act 1991.

Charges for the Requisition of Water Mains and Public Sewers

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**").

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.
25. In relation to Requisition Charges, an undertaker:
 - 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.
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.
27. Any Requisition Charges imposed by an undertaker:
 - 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.
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.
29. Undertakers shall not provide for Income Offsets in setting Requisition Charges.
30. Not used

Charges for the Provision of Lateral Drains, the Connection of Water Mains and Communications with Public Sewers and for Ancillary Works

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**”).
32. In relation to Connection Charges an undertaker:
- 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.
33. 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.
34. Undertakers shall not provide for Income Offsets in setting Connection Charges.

Charges and Asset Payments in respect of an Agreement under Section 51A or 104 of the Water Industry Act 1991

35. Each undertaker shall set out in the applicable Charging Arrangements the charges to be imposed in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991.
36. 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.

37. Any charges imposed by an undertaker in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991:
- 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.
38. Insofar as section 51A agreements are concerned, water undertakers shall not provide for Asset Payments for the adoption of a Water Main.
39. Insofar as section 104 agreements are concerned, sewerage undertakers shall not provide for Asset Payments for the adoption of a Sewer.
40. Not used
41. Undertakers shall not provide for Asset Payments for the adoption of a Communication Pipe or Lateral Drain.

Charges for Diversions of Pipes and other Apparatus under Section 185 of the Water Industry Act 1991

42. 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 (“**Diversion Charges**”). In relation to Diversion Charges an undertaker:
- 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.
43. Charges levied pursuant to section 185(5) must be calculated by reference to the principle 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.

Security/Deposit Arrangements

44. An undertaker is allowed to require security prior to commencing work, whether in the form of a sum deposited with the undertaker or otherwise:
- a) under section 42(1)(b), 47(2)(a), 99(1)(b), 101B(3A), 107(3)(b)(ii) or 185(4); or
 - b) for the purposes of any charges imposed under an agreement under section 51A or section 104 of the Water Industry Act 1991.
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.
46. The undertaker must clearly set out requirements for security in relation to any charges to be applied in its Charging Arrangements.

Exception from requirements to provide upfront Fixed Charges

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).
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.

Validity period of quotations

49. Where an undertaker intends to provide quotations for charges set out in its Charging Arrangements, it must explain in its Charging Arrangements the length of time over

which such quotations will be valid and explain the approach the undertaker will take where the period over which a quotation is valid would cross into a new charging year.

For the avoidance of doubt, provisions in Charging Arrangements relating to the validity of quotations across Charging Years may provide for charges covered by such quotations to be payable as set out in the quotation within the period so specified in the Charging Arrangements even if that charge would have been different if the quotation were provided at the time that the charges are in fact paid or payable.

Infrastructure charges and Environmental Incentives ~~Income-Offsetting~~ (English Undertakers)

The following section, comprising rules 50 to ~~5860~~, is issued under section 143B of the Water Industry Act 1991. The rest of the rules under section 143B do not concern charges for new connections services and are published in the [Charges Scheme Rules](#).

50. Each relevant undertaker whose area is wholly or mainly in England must fix Infrastructure Charges ~~and the Environmental Component~~ in their Charging Arrangements.
51. ~~Not used.~~ Each undertaker must offer Environmental Incentives in their Charging Arrangements, according to the principles set out in the document published by Ofwat entitled "Environmental Incentives Common Framework".
52. Infrastructure Charges must be determined in accordance with the ~~following~~ principle
 - that the amount of such charges will over each period of five consecutive Charging Years ~~beginning on 1 April 2025 ending on 31 March 2023~~ and, thereafter, on ~~1 April~~~~31 March~~ in each subsequent year cover the costs of Network Reinforcement that the relevant undertaker reasonably incurs, ~~or has already reasonably incurred~~, in the case of additional capacity in any earlier Water Main or Sewer that will fall to be used in consequence of the provision or connection of a new Water Main or Sewer, before the application of any Income Offset and in calculating these costs the undertaker must:
 - ~~taketaking~~ into consideration both the number and relevant costs arising in consequence of new connections in the undertaker's own area, and in the areas served by New Appointees with whom the undertaker has an agreement for bulk supplies of water or bulk discharge and ~~before the application of any Income Offset~~

- adjust for the difference between expenditure on Network Reinforcement and recovery of Infrastructure Charge revenue in previous Charging Years (beginning 1 April 2025) which has not already been adjusted for in the calculation of any previous infrastructure charge.
53. The Environmental Component must be determined in accordance with the principle that the total cost to the undertaker of the Environmental Incentive is broadly equivalent to the total revenue received by the undertaker from the Environmental Component, including any adjustments made for the difference between such costs and revenues as is necessary to maintain broad equivalence. ~~Charging Arrangements must include a clear methodology explaining how Infrastructure Charges have been calculated.~~
54. For the avoidance of doubt, Infrastructure Charges must not relate to the costs of reinforcing, upgrading or otherwise modifying existing network infrastructure in order to address pre-existing deficiencies in capacity or in capability unrelated:
- (a) to the provision of a new water main or public sewer pursuant to an agreement with, or a duty owed under the Water Industry Act 1991 to, a person other than a relevant undertaker (including, but not limited to, the provision of a new water main or public sewer pursuant to a requisition under sections 41(1) or 98(1), a section 66D agreement or a section 117E agreement);
 - (b) to the adoption of infrastructure under a section 51A or 104 agreement; or
 - (c) to connections described in section 146(2) of the Water Industry Act 1991.
55. In setting Infrastructure Charges an undertaker ~~must not provide for an Income Offset under or in connection with any agreement entered into from April 2025~~ ~~may (but is not required to) provide for an Income Offset. Each undertaker has discretion as to the methodology to be applied to calculate Income Offset.~~
56. Infrastructure Charges may be set as a fixed charge per new connection, or calculated in accordance with a formula. As long as the difference between amounts is cost-reflective, the amounts of Infrastructure Charges may vary to reflect different circumstances and, in particular, may be different for different geographical areas.
57. In making Charging Arrangements, each relevant undertaker must ensure that:

- (a) the Charging Arrangements clearly set out how Infrastructure Charges **and the Environmental Component** have been calculated;
- (b) the amount of Infrastructure Charges **and Environmental Component** applied in respect of the modification or redevelopment of existing buildings or premises is determined in accordance with the principle that the amount must take 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 be discounted accordingly
- (c) the Charging Arrangements clearly explain the methodology to be applied for determining a discount to reflect previous usage; and
- (d) the Charging Arrangements clearly explain the methodology to be applied for determining any Income Offset **under or in connection with any agreement entered into before 1 April 2025.**

58. Rules 50 to 57 above do not apply to:

~~(a) New Appointees; or~~

~~(b) any charges scheme that has effect in relation to a period ending before 1 April 2018.~~

Annex: Information requirements

A1. Each undertaker should provide to Ofwat an assurance statement from its Board of Directors and publish its statement no later than the time of publication of the Charging Arrangements:

- i. confirming that the company complies with its obligations relating to these rules; **and**
- ii. confirming that the company has appropriate systems and processes in place to make sure that the information contained in the Charging Arrangements, and the additional information covered by this annex is accurate; ~~and~~

~~explaining how the present balance of charges between Developers and other customers is broadly maintained.~~

A2. With the exception of New Appointees, each undertaker should include in its published Charging Arrangements a statement setting out any significant changes to bills for typical developments, using as a minimum the worked example scenarios set out in the document entitled "Common Terms and Worked Examples – English New Connection Rules" published by Ofwat. The statement should include the following:

- i. That its Board of Directors 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%;
- ii. Confirmation of whether the undertaker is expecting there to be any bill increases of more than 10% from the previous year (for a given type of development) and, if such increases are expected:
 - what size increase is expected;
 - what types of typical developments are likely to be affected; and
 - the handling strategies adopted by the water company or why the water company considered that no handling strategies are required.

A3. Undertakers should address any significant changes to their charges for new connection services in their Board assurance statement.

**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.**

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