

Statement of Board Assurance provided to the Water Services Regulation Authority

2025-26 charges for new connection services

1 February 2025



from
**Southern
Water** 

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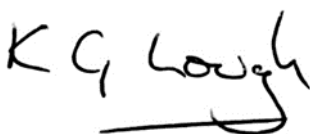
The Company, under the direction of the Board, has undertaken a thorough process of internal and external assurance with regard to the setting of charges for new connection services for the 2025-26 charging year. As a result of the assurances it has received, the Board has satisfied itself to the best of its ability that:

- i. the Company complies with its obligations relating to Ofwat's Charging Rules for New Connection Services;
- ii. the Company has appropriate systems and processes in place to make sure that the information contained in the Charging Arrangements document, and the additional information covered by the annex to Ofwat's Charging Rules for New Connection Services, is accurate;

We provide information on our compliance with Ofwat's Charging Rules for New Connection Services rules in the Annex to this assurance statement.



Lawrence Gosden
Chief Executive Officer



Keith Lough
Chairman

Annex to new connections services charges assurance statement – compliance with Ofwat’s Charging Rules for New Connection Services

Rule no.	Charges scheme rule	Compliance statement
1-6	<i>Introduction and Interpretation</i>	N/A
7	<i>Consultation</i>	
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.	<p>Compliant. For 2025-26 we conducted a multi-stage engagement and feedback approach. This included:</p> <ul style="list-style-type: none"> • Conference calls to major SLPs and NAV community presenting to developers SLPs and NAV • a formal consultation distributed to developers, stakeholders and regulators on our approach to updating our charges for 2025-26; • Over the year we have worked with Ofwat, customers and the supply chain to review our environmental incentives and align with industry best practice where appropriate <p>Examples of how we have incorporated feedback from stakeholders and latest best practices are provided in a number of the compliance statements below.</p>
8-16	<i>Publication and Transparency</i>	
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.	<p>Compliant. Our charges have been published in our Charging Arrangements document. This document has been published on our website and we have communicated this to our developer customers and stakeholders via email.</p>

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Rule no.	Charges scheme rule	Compliance statement
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.	Compliant. Our charges represent the maximum charge for the specified activities. These include all necessary assessment, inspection, design, legal and supervision charges that we are entitled to recover.
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.	Compliant. Our Charging Arrangements document was published on 1 February 2025 for charges applicable April 2025.
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.	Compliant. Our Charging Arrangements document details how the charges have been derived. The charging document also includes worked examples of our charges based upon the scenarios set out in "Common Terms and Worked Examples – English New Connection Rules." The methodology for determining charges that are not fixed are clearly explained in the Charging Arrangements document.

Rule no.	Charges scheme rule	Compliance statement
12	<p>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".</p>	<p>Compliant.</p> <p>Our Charging Arrangements has been developed and presented in a manner that all our Developer Services customers will be able to comprehend, with appropriate levels of detail and explanation to reflect the knowledge and understanding of any class of Developer Services customer who would request any given service.</p> <p>We publish worked examples in line with latest guidance published by Ofwat in the document entitled "Common Terms and Worked Examples – English New Connection Rules."</p> <p>For our 2019-20 update we sought feedback from stakeholders and regulators who generally felt that the Charging Arrangements document was clear and accessible. We also developed a calculator for use by our customers to generate estimates and promote understanding. This is accessible to all customers via our website and will be available for 2025/26 charges to provide greater clarity of our charges.</p> <p>Within our charging arrangements document we use the common terms published Ofwat in the document entitled "Common Terms and Worked Examples – English New Connection Rules."</p>
13	<p>Charges must be published with such additional information or explanation as is necessary to make clear what services are covered by each charge.</p>	<p>Compliant.</p> <p>Each section within our Charging Arrangements document details the services included within the charge to allow the Developer Services customer to build a clear picture of the charges applicable.</p>

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Rule no.	Charges scheme rule	Compliance statement
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.	Compliant. The design of our charges allows our Developer Services customers to work out the charges payable from the earliest stages of a development proposal. Our calculator (see 12 above) provides customers with an effective tool for the generation of estimates where customers know the relevant parameters of developments.
15	The Charging Arrangements must identify which charges are associated with Contestable Work and Non-contestable Work.	Compliant. Our Charging Arrangements document clearly defines contestable and non-contestable activities and associated charges. Following stakeholder feedback, we have moved SLP and NAV fees into a separate section.
16	Undertakers must provide a reasonable choice of times and methods of payment of the charges and set these out in the Charging Arrangements.	Compliant. Section 5 of the Charging arrangements sets out the timings and methods of payments including the validity period of quotations and transitional arrangements
17	<i>New Appointees</i>	<i>N/A</i>
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;	Compliant. The majority of our charges are fixed and visible up-front to our Developer Services customers. Our site-specific charges have recently been tendered to ensure they reflect a fair market rate. For many areas of work that are contestable, Developer Services customers will also have a benchmark cost to enable them to look at alternative methods of provision through the wider market.
(b)	environmental protection;	Compliant. In our charges for 2023-24 we introduced new environmental incentives. These incentives offer substantial reward for water efficiency, recycling and sustainable drainage. In our charges for 2025-26 we have revised our offering. We have made our entry level more easily achievable.

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Rule no.	Charges scheme rule	Compliance statement
(c)	stability and predictability;	<p>Compliant.</p> <p>The majority of our charges are fixed and published up-front, providing for a high degree of predictability.</p> <p>Unanticipated cost inflation within the market has caused significant and rapid price rises over the last few years. For AMP8, we have entered into a new series of contracts for the provision of site-specific work for AMP8. This will result in a one-off adjustment to charges to reflect the new underlying contract. However, for the remainder of the AMP period water and wastewater site-specific charges should remain stable through the AMP period with inflationary uplifts based on CPIH.</p> <p>Infrastructure charges are based on the five-year rule of forecast network reinforcement. The infrastructure charge is increasing this year based on our ambitious investment plans in AMP8. We expect a maintained level of investment over the AMP and currently forecast a stable charge for the remainder of the AMP.</p> <p>We have managed the removal of the income offset since 2022 with the creation of a glide path phasing out the income offset and the introduction of environmental incentives. We have sign posted this approach and communicated this with customers.</p> <p>We have rejected a handling strategy to ensure developers: contribute fully to the cost of network capacity increases; avoid cross-subsidy from end-consumers; and maintain cost reflectivity;</p>

Rule no.	Charges scheme rule	Compliance statement
18	<i>General charging principles</i>	
(d)	Transparency and customer-focused service	Compliant. Our fixed charges provide a high degree of certainty for both our Developer Services customers and ourselves. This is an enabler for improved customer service in that charges are clear, transparent, and easier to administer. Furthermore, we have tailored our presentation of the charges in relation to the customer group. For example, we have a comprehensive charges-calculator for larger sites run by professional developers and a simplified web-based estimator for domestic customers. This, aligned with wider improvement activities, should result in a significant improvement in our Developer Services customer experience.
(e)	And reflects costs of the relevant service	Compliant. Our charges are largely based on the underlying contract rates we have in place for the delivery of site-specific work. We have recently completed a tender service for the provision of our site-specific work for AMP8. We have also benchmarked the new rates to ensure our charges are in line with the market rate. We intend to review these fees annually. This approach ensures our charges remain cost reflective and promote fair competition within the market.
19-22	<i>Principles for determining the nature and extent of all charges covered by these rules</i>	
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 Charging Rules for New Connection Services (English Undertakers) issued by the Water Services Regulation Authority under sections 51CD, 105ZF, 143B and 144ZA of the Water Industry Act 1991 – from April 2025 12 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"	Compliant. Our charges remain comfortably within Ofwat limits. Please see the Annex.

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Rule no.	Charges scheme rule	Compliance statement
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.	Compliant. Our charges are consistent for all types of Developer Services customer where appropriate. Charges for non-contestable activities are generally consistent regardless of who undertakes contestable elements of work. There are some exceptions to this rule; for example, Self-Lay Water Connections application fees where determination history has specified that there should be differing charges depending on the class of Developer Services customer and the activities that they can undertake directly themselves. Our charges have been built on the principle that they do not discriminate against any class of Developer Services customer whilst also considering appropriate legislation and determinations
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.	Compliant. Our charges are, wherever possible, based directly on supplier rates and costs and therefore representative of the costs that are incurred directly in the execution of works. Our Charging Arrangements document also detail the range of delivery options available to our Developer Services customers for different types of 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.	Compliant. Our charges include appropriate administrative costs and overheads as allowed for under the provisions of the Water Industry Act 1991.
23-30	<i>Charges for the requisition of water mains and public sewers</i>	
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 ”).	Compliant. Our Charging Arrangements document details the charges as required.
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.	Compliant. Our charges are directly relevant to site-specific items.

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Rule no.	Charges scheme rule	Compliance statement
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;	Compliant. Our charges are generally based upon upfront fixed charges, although there are some exceptions to this approach as permitted under these Charging Rules. Where exceptions may apply, full details, along with examples, are included in our Charging Arrangements.
b)	and 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.	Compliant. For the areas where it is impractical to offer upfront fixed charges, the mechanism for calculating charges is clearly explained in our Charging Arrangements document.
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.	Compliant. The charges that have been developed relate to the provision of site-specific water mains and sewers only. Any network reinforcement will be funded via Infrastructure Charges under the new charging rules.
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;	Compliant. Our Requisition charges only relate to site-specific work carried out under sections 41(1) or 98(1) of the Water Industry Act 1991
b)	and 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.	Compliant. Our charges will not be used to address pre-existing deficiencies or to enhance network flexibility, in capacity or capability, unrelated to requirements associated with the requisition.

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Rule no.	Charges scheme rule	Compliance statement
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.	Compliant. We will only charge our Developer Services customers requesting a requisition the charges that relate to the capacity required by their requisition. Any capacity increases we choose to implement that is over and above the Developer Services customer's need will be funded through alternative sources. This could include our own funds in the case of network enhancement work, funds from the Infrastructure Charge funding source for proactive network reinforcement, or cost sharing exercises with adjacent developers.
29	Undertakers shall not provide for Income Offsets in setting Requisition Charges	Compliant. Since 2020-21 we have removed the Income Offsets from Requisition Charges
30	Not used	N/A
31-34	<i>Charges for the provision of lateral drains, the connection of water mains and communications with public sewers and for ancillary works</i>	
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").	Compliant. A suite of charges has been published for Connection Charges in our Charging Arrangements document.

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Rule no.	Charges scheme rule	Compliance statement
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;	Compliant There are fixed upfront charges for water connections and the majority of wastewater connections. We have chosen to cap the depth at which we provide fixed wastewater charges for our Developer Services customers as the risk due to ground conditions becomes very difficult to consistently assess. This would lead to an unduly high fixed price being offered to Developer Services customers, breaching the principle of fairness and affordability. We will provide a site-specific estimate for deep sewer connections that is appropriate, fair and not unduly risk averse. It is very rare that we construct wastewater connections on behalf of Developer Services customers as these are generally constructed directly by customers utilising their own contractors.
b)	and 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.	Compliant. See a) above.
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.	Compliant. Our Connection Charges only relate to sections 45(1), 46(1), 98(1A), 101B or 107(1) of the Water Industry Act 1991

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Rule no.	Charges scheme rule	Compliance statement
34	Undertakers shall not provide for Income Offsets in setting Connection Charges.	Compliant. We do not offer Income Offsets in relation to Connection Charges.
35-41	<i>Charges for asset payments in respect of an Agreement under Section 51A or 104 of the Water Industry Act 1991</i>	
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.	Compliant. Our Charging Arrangements document details 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.	Compliant. The charges only relate to site-specific works. Network Reinforcement will be funded through the Infrastructure Charge
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;	Compliant: The charges imposed only relate to site-specific works and the costs associated with these agreements
b)	and 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.	Compliant. Any work 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, will be funded from other sources.
38	Insofar as section 51A agreements are concerned, water undertakers shall not provide for Asset Payments for the adoption of a Water Main.	Compliant. We do not offer Asset Payments for the adoption of a water main.

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Rule no.	Charges scheme rule	Compliance statement
39	Insofar as section 104 agreements are concerned, sewerage undertakers shall not provide for Asset Payments for the adoption of a Sewer.	Compliant: We did not historically offer any Asset Payment in relation to Section 104 agreements. This position continued following the new charging arrangements coming into effect on 1 April 2018.
40	Not used	N/A
41	Undertakers shall not provide for Asset Payments for the adoption of a Communication Pipe or Lateral Drain.	Compliant. We do not provide for Asset Payments for the adoption of a Communication Pipe or Lateral Drain.
42-43	<i>Charges for diversions of pipes and other apparatus under Section 185 of the Water Industry Act 1991</i>	
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;	Compliant. We do not offer fixed upfront charges for Diversion Charges. We will keep this under review for future charging years.
b)	and 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.	Compliant. We detail the method that will be employed for the calculation of Diversion Charges in our Charging Arrangements document.

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Rule no.	Charges scheme rule	Compliance statement
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.	Compliant. Charges levied will only relate to costs reasonably incurred as a result of complying with the duty imposed by section 185(1) of the Water Industry Act 1991.
44-46	<i>Security/deposit arrangements</i>	
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);	Compliant. We require security prior to commencing work.
b)	or for the purposes of any charges imposed under an agreement under section 51A or section 104 of the Water Industry Act 1991.	Compliant. We require security prior to commencing work.
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.	Compliant. The security required will not be unduly onerous. The type and amount of security, and the payment of interest on the security, will reflect the general charging principles (set out in rule 18). In general, our security and deposit requirements have not changed as a result of the implementation of these rules.
46	The undertaker must clearly set out requirements for security in relation to any charges to be applied in its Charging Arrangements.	Compliant. Our requirements for security in relation to any charges to be applied in our Charging Arrangements document will be clearly set out and documented in the applicable guidance notes and application forms, which will be accessible via our website. A summary will also be included within our Charging Arrangements document for ease of use for our Developer Services customers.

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Rule no.	Charges scheme rule	Compliance statement
47-48	<i>Exception from requirements to provide upfront Fixed Charges</i>	
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).	Compliant. Our charges are generally based upon upfront fixed charges, although there are some exceptions to this approach as permitted under these Charging Rules.
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.	Compliant. For the areas where it is impractical to offer upfront fixed charges, the mechanism for calculating charges is clearly explained in our Charging Arrangements document.
49	<i>Validity period of quotations</i>	
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.	Compliant. Our charges set out the length of time quotations are valid and the approach taken when quotations cross over into the new charging year.

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Rule no.	Charges scheme rule	Compliance statement
50-58	<i>Infrastructure charges and Environmental Incentives (English Undertakers)</i>	
50	Each relevant undertaker whose area is wholly or mainly in England must fix Infrastructure Charges and environmental component in their Charging Arrangements.	Compliant. Information on Infrastructure Charges is provided in our Charging Arrangements document so that, for customer convenience, all information relating to new connection charges is available in a single document.
51	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"	Compliant. We offer a range of environmental incentives for both water and wastewater.
52	<p>52. Infrastructure Charges must be determined in accordance with the following principle:</p> <ul style="list-style-type: none"> • 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: • take 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. 	Compliant. Our Wastewater Infrastructures Charges for 2025-26 have been calculated on the basis of our forecast costs and likely number of connections over the following five years (the "five-year rule"). Our Water Infrastructures Charges for 2025-26 are similarly calculated based on the "five-year rule".

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Rule no.	Charges scheme rule	Compliance statement
53	<p>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.</p>	<p>Compliant. Our Infrastructure Charges Scheme makes it clear how the charges have been calculated. Our charges for 2025-26 have been calculated using forecast uptake rates to model expected revenues and costs. This will be reviewed and any variance between costs and revenues will be reflected in next year's charges to maintain broad equivalence.</p>
54	<p>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: 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); to the adoption of infrastructure under a section 51A or 104 agreement; or to connections described in section 146(2) of the Water Industry Act 1991.</p>	<p>Compliant. Our Infrastructure Charges do 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 to these sections. The method of calculation does not include any of these types of investment.</p>
55	<p>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.</p>	<p>Compliant. From April 2025 we will not offer an income offset.</p>
56	<p>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</p>	<p>Compliant. Our Infrastructure Charges are based on a fixed cost per connection.</p>

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(a)	the Charging Arrangements clearly set out how Infrastructure Charges and the Environmental Component have been calculated;	Compliant. The method of calculation is detailed within our New Connection Charging documents.
(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;	Compliant. Our approach to calculating Infrastructure Charges, in the case of modification or redevelopment of existing building or premises, includes for a mechanism to take due account of any previous usage in the 5 years before the modification or redevelopment began.
(c)	the Charging Arrangements clearly explain the methodology to be applied for determining a discount to reflect previous usage; and	Compliant. Our approach for determining the above discount will be clearly determined within our New Connection Charging Arrangements.
(d)	the Charging Arrangements clearly explain the methodology to be applied for determining any Income Offset.	Compliant. Our approach for determining the above discount will be clearly determined within our New Connection Charging Arrangements.
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.	N/A

Annex 1: Tether Ratios

Over AMP7, Ofwat introduced more competition into the sector to leverage the benefits associated with effective markets to improve customer service and encourage competitive pricing. Competition is now firmly embedded in the industry with around 50% of connections in our region being delivered by NAVs and SLPs.

As we enter AMP8, Ofwat has introduced a range of new protections for smaller customers who are sometimes unable to benefit from competition. These protections include increased incumbent reporting requirements, more granular pricing rules and the introduction of tether ratios.

Typically, smaller development sites have reduced choice on who they commission to build their assets. The new tether ratios compare the charges for smaller sites against larger sites and create proportionate price limits for smaller sites. This simulates competition where there is none and ensures smaller customers receive fair treatment.

Ofwat's methodology removes traffic management fees, infrastructure charges and sewerage costs to produce a unit cost for each development type. The tether limits ensure unit costs remain proportionate and promotes fair cost allocations between different customer groups.

The table below compares our unit cost ratios against Ofwat limits. We remain significantly below Ofwat limits reflecting our fair cost allocations which underpin our charges.

	To Scenario 4		To Scenario 6	
	Our Charge	Ofwat Limit	Our Ratio	Ofwat Limit
Unit Cost of Scenario 1	£2,107	£3,034	£2,107	£3,877
Unit Cost of Scenario 2	£641	£1,874	£641	£1,612

This year we have maintained our low tether ratios significantly below Ofwat limits. Even though, the prices for scenarios 1 and 2 have increased. The prices represent fair market rates.

	To Scenario 4		To Scenario 6	
	Our ratio	Ofwat Limit	Our Ratio	Ofwat Limit
Ratio of Scenario 1	0.49	1.44	0.73	1.84
Ratio of Scenario 2	0.15	0.44	0.22	0.56