



Developer Services

New Connection Charging

FY 2024-2025 Consultation

November 2023



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Introduction

We update our Charging Arrangements for New Connections every year. As part of the process, we engage with you, our developer customers, to gather feedback on how best to implement any potential changes.

Bill stability and price predictability remain key principles within our charging scheme. Therefore, we have sought to keep changes to our Charging Arrangements to a minimum.

Whilst we wish to keep our charge increases to a minimum, in line with our duty to provide cost reflective charges, our site-specific rates will be increasing in line with inflation. The biggest change to our charges this year will be an increase in the gross infrastructure charge. The combined gross infrastructure charge for a typical new home will increase by £315. This is largely driven by an increase to the water infrastructure charge. We intend to introduce a new environmental incentive worth a credit of £300 to offset this increase. We want to offer a new incentive for enhanced SuDS and are seeking your feedback on the details of how this could work.

Changes to the infrastructure Charge

We use a five-year forward-looking window to forecast our costs for network reinforcement and calculate the infrastructure charge. We have just published our business plan for 2025-2030 which details our investment plans for network reinforcement to accommodate new growth in our region [Our plans 2025–30 \(southernwater.co.uk\)](https://www.southernwater.co.uk/our-plans-2025-30).

Over the next five years we are investing heavily in network reinforcement to ensure there is sufficient capacity for new developments. This increased investment results in higher infrastructure charges. In AMP7, our water infrastructure charge was comparatively low because of the existing headroom in the network. This was a consequence of heavy industry leaving the South East. Over the next 5 years in AMP8, we forecast to spend £5 million per year which will enable timely connections and ensure your developments have sufficient water supply.

Last year we introduced environmental incentives designed to reward efficient new homes. We intend to maintain those incentives and introduce a new wastewater incentive for enhanced SuDS. This new incentive is intended to be more easily achieved than our existing “gold tier” wastewater neutrality incentive and should reward developments which install SuDS that go beyond minimum planning requirements. Incentives are designed to influence developer behaviour; we therefore intend the incentive to reward only developments that go beyond the minimum SuDS requirements mandated by planning regulations. We want developer and stakeholder feedback on what enhanced SuDS could include. Initial discussion has flagged the following criteria for consideration:

- Reduced discharge frequency of SuDS
- Reduced flow rates
- Nature-based solutions

We would welcome your views on the performance levels needed to achieve enhanced SuDS and other potential opportunities and alternative solutions that could attract the enhanced SuDS incentive.

Promoting bill stability through incentives

The table below demonstrates the £315 increase in the combined gross charge and the balancing effect of the new enhanced SuDS incentive through a £300 credit.

This includes the impact of the reduction in the income offset which is to be removed from 2025 in accordance with changes to the charging rules. Last year we introduced the glidepath to phase out the income offset gradually in preparation for the cut-off date. This year we have continued the gradual phasing out of the income offset.

Combined Water and Wastewater Infrastructure Charge

	2023-24	2024-25	Change
Gross	£713	£1,028	£315
Income Offset	-£279	-£139	£140
Net Charge	£434	£889	£455
SuDS Incentive	£0	-£300	-£300
Water Efficiency incentive	-£250	-£250	£0
Net Charge including incentives	£184	£339	£155

It is worth noting that the total incentive available to a developer who achieves the full range of incentives achieving a water and wastewater neutral development would be £2,192. This would see a developer credit £1,303 per property on an environmentally sustainable development.

Site Specific Charges

Whilst we wish to keep our charge increases to a minimum, in line with our duty to provide cost reflective charges, our site-specific rates will be increasing in line with inflation. The final rate of inflation has yet to be determined but is likely to be around 5%.

Key questions:

We welcome your views and feedback on our charges. We are particularly keen to hear from you on our proposed new environmental incentives. Specifically:

1. Do you support for incentivising SuDS that go beyond minimum planning requirements?
2. What specifications and/or performance levels should we consider as criteria for enhanced SuDS?

How to have your say

Your feedback on our proposals will help us consider all aspects of the new charging framework before we finalise our approach.

Please provide feedback by Friday 1st December 2023.

To have your say, please read this document then:

- email us at newconnectioncharging@southernwater.co.uk
- Write to us at: Developer Services - New Connections Charging
Southern Water
Southern House
Yeoman Road
Worthing
West Sussex
BN13 3NX

We'll use your feedback to shape our final proposals which we will publish on 1 February 2024.

Please refer to the relevant question if you have a specific response. We also welcome general feedback.

Appendix i: Environmental Incentives

We intend to maintain our existing water incentives and enhance our existing offering of wastewater incentives.

New Wastewater Environmental Incentive for Enhanced SuDS

Last year we introduced a new wastewater incentive. This year we intend to enhance our offering of incentives for wastewater and make it easier for developers to redeem the incentive. We will offer a £300 discount on the infrastructure charge to developments where SuDS go beyond the minimum planning requirement. This will significantly offset the increase in the combined gross infrastructure charge necessary to fund more network reinforcement for growth.

The existing wastewater neutrality incentive will be maintained. This “gold” incentive offers a 100% discount on the net infrastructure charge. The size of the discount is therefore increasing from (£434 last year to £542 this year). We will apply this incentive to all development where the developer retrofits SuDS on existing developments to offset the new load on our network.

Wastewater	Description	2023-24	2024-25
Gross Infrastructure Charge		£563	£606
Income Offset		-£129	-£64
Net Charge		£434	£542
New Silver Incentive	Enhanced SuDS	£0	-£300
Net Charge With Silver Incentive		£434	£242

We are seeking developer feedback on our proposed incentive.

Water Efficiency Incentives

Southern Water has been working with Ofwat to produce a nationwide framework for water efficiency incentives for new development. As this framework develops we will align our incentives to match industry best practice. In charging year 2024-25 we will maintain our existing offering of incentives. We will however align the naming of our incentives with Ofwat’s proposed method replacing our tiers system with a bronze, silver, gold ranking.

Bronze – Basic Water Efficiency (Tier 1)

Southern Water currently offers a water efficiency incentive in the form of a reduced water infrastructure charge. The discount is available to developments where houses are designed with efficient fixtures and fittings and achieve a consumption of 100 litres per head per day (l/h/d). The discount is £250 per property.

Silver – Greywater Recycling/Rainwater Harvesting (Tier 2)

As with other water incumbents in water stressed areas, we offer a significant incentive/contribution where developments utilise technologies to capture and reuse water. This could include solutions that use rainwater harvesting, grey water recycling or other water reuse technologies. We will require evidence to demonstrate that the solution will capture at least 50 litres of water per property per day for reuse.

We offer a contribution of £800 per property where the water reuse target is achieved.

Gold – Water Neutrality (Tier 3)

Where both water efficiency and water recycling solutions have been achieved, Southern Water are offer a service to facilitate water neutrality through water efficiency visits and retrofitting water saving devices to other properties. Attainment of tier 1 and tier 2 is a prerequisite to demonstrate that all reasonable efforts have been made to reduce the baseline demand, prior to further water offsetting activity.

Based on achievement of tier 1 (100 litres/person/day) and tier 2 (min 50 litres/property/day reuse) we calculate the baseline property average daily water demand to be 217 litres/property/day. Using evidence from our large-scale water efficiency delivery programme which found an average saving of 27.5l/day, we estimate that providing approximately 7 water efficiency visits to existing homes will offset the remainder of this water demand.

We offer this service at a subsidised rate of £400 to achieve water neutrality where tier 1 and tier 2 water efficiency has been achieved. This equates to a contribution of approx. £300 per property.

Water	2023-24	2024-25
Gross Infrastructure Charge	£150	£422
Income Offset	-£150	-£75
Net Water Infrastructure Charge	£0	£347
Water Efficiency Incentive	-£250	-£250
Water Recycling Incentive	-£800	-£800
Water Neutrality Subsidy	-£300	-£300
Net Infrastructure Charge including maximum incentive	-£1,350	-£1,003

Exclusions to the Water Efficiency Incentives Scheme

The environmental incentive scheme is being introduced to encourage and support behaviour that promotes water efficiency and reduces demand in new homes. We hope that the incentive payment will encourage the development of new homes to meet our 100 litres/person/day challenge and reduce the impact on the environment. As this is an incentive to encourage behaviour it will not be available where there is an obligation to achieve the criterion i.e. in areas where water neutrality is required for planning consent, such as Sussex North.

This is in part because there are insufficient suitable properties available in Sussex North to undertake water efficiency visits and retrofit water saving devices above the activities committed to within our base Water Resource Management Plan (WRMP). For the Sussex North area subject to water neutrality, a centrally coordinated approach is being developed and will be available through the Local Planning Authority strategy to be announced in the new year.

Summary of Proposed Environmental Incentives

Water Efficiency Incentives	Criteria	Discount to Infrastructure Charge*
Bronze - Water Efficiency	Property achieving 100 litres /person/day consumption through water fittings	£250
Silver - Greywater recycling or Rainwater Harvesting	Property using grey water/rainwater harvesting (min 50l/property/day reuse)	£800
Gold - Water Neutrality This is only offered where Tier 1 and Tier 2 criteria is achieved	Subsidy offered for water efficiency retrofits to achieve water neutrality. There is a £400 fee for using Southern Water contractors to achieve the 7 site visits	£300 subsidy
Wastewater Incentive		
Silver - Enhanced SuDS	Awarded to developments where SuDS exceed the minimum planning requirements	£300
Gold - Wastewater neutral	Developments with SuDS: Disconnection of 50m ² of impermeable area in high-risk wastewater catchments Development without SuDS: Disconnection of 100m ² of impermeable area in high-risk wastewater catchments	£542