

Portsmouth Water Limited

## New Connections Charging Consultation



December 2017

# 1 Introduction

This consultation sets out Portsmouth Water's proposals for new arrangements associated with charges related to Developer Services activities. Our proposals covered in this document are a result of charging rules published by the Ofwat ([www.ofwat.gov.uk/publication/charging-rules-new-connection-services-english-undertakers/](http://www.ofwat.gov.uk/publication/charging-rules-new-connection-services-english-undertakers/)), due to come into effect from 01 April 2018.

We consider that these rules present an opportunity to make a step change in the approach to charging, which will promote clearer and more transparent charges. In turn, this will allow direct comparison of the costs for contestable activity, thereby promoting efficient competition. We are also encouraged by the opportunities that the new charges present, to promote sustainability and water efficiency.

Portsmouth Water provides an equivalent service to all of our customers; Developers, New Appointments and Variations (NAV) and Self Lay Providers (SLP). This consultation is relevant to all parties and our proposals aim to be reasonable and fair to all.

Please note that the term 'Developer Customer' throughout this document refers to:

- Developers and builders;
- Individuals wishing to connect, or re-connect, existing or developed properties to our water network;
- Companies that provide infrastructure for developers e.g. SLP and NAV.

Throughout the document, we pose questions relating to our proposals which we would like particular feedback on. We would really appreciate, and value, your comments and opinions.

We shall be holding a forum at our Havant offices on 13 December, where we shall present our proposals outlined in this document and seek Developer Customer feedback. The presentation slides delivered at our forum shall be placed on our website shortly afterwards. Please use the consultation feedback form on our website to respond to

this consultation. Please send consultation responses or requests to attend our forum to [new.developments@portsmouthwater.co.uk](mailto:new.developments@portsmouthwater.co.uk).

We are seeking feedback on our proposals by 05 January 2018. We will use the feedback to shape our final proposals, which we will publish in our Charging Arrangements by 1 February 2018 for use from 1 April 2018.

Our objective, in line with Ofwat guidance, is to maintain the present balance of charges between Developer Customers and other customers.

We feel that effective engagement with our Developer Customers, on the new Charging Arrangements, will provide greater clarity, predictability, and help drive improved customer service and response times.

**The timeline below outlines our charging consultation approach:**

## **November 2017**

Initial scoping and drafting of consultation document

## **4 December 2017**

Charging consultation released to stakeholders

## **4 December 2017**

Website updated with consultation

## **13 December 2017**

New Charges Forum

## **5 January 2017**

Consultation closes

## **Mid-January 2018**

Full review of all responses

## **1 February 2018**

New charges published on website

## **1 April 2018**

New charges implemented

## 2 Background

Across the industry, research by Ofwat has shown that Developer Customers feel that existing new connections charges and charging arrangements are too complex, unpredictable and sometimes unfair. Therefore, following an industry wide consultation, Ofwat published new charging rules, which will take effect in England on 1 April 2018.

The Water Act 2014 allows Ofwat to move away from the current legislative charging framework to a more flexible charging framework and, when defining their rules, Ofwat took into consideration Defra's Charging guidance to Ofwat. These set out four overarching objectives for English water companies to consider:

- 1 Stable and predictable charges;
- 2 Transparent and customer focused charging;
- 3 Fairness and affordability;
- 4 Environmental protection.

Each objective has equal importance, and needs to be balanced between developer customers and other customers and promote effective competition.



### Defining Infrastructure

An important step to define how new infrastructure is funded has been to distinguish between what works are 'site specific' and what works are 'non-site specific'. Ofwat and Water UK have worked together and the following definitions have been proposed:

#### Site Specific Works

These are works undertaken within the dark green shaded areas and brown with white dots areas in Figure 1. The costs of these works will be recovered from the developer or SLP that requested the works, either in full, or where appropriate after using an income offset.

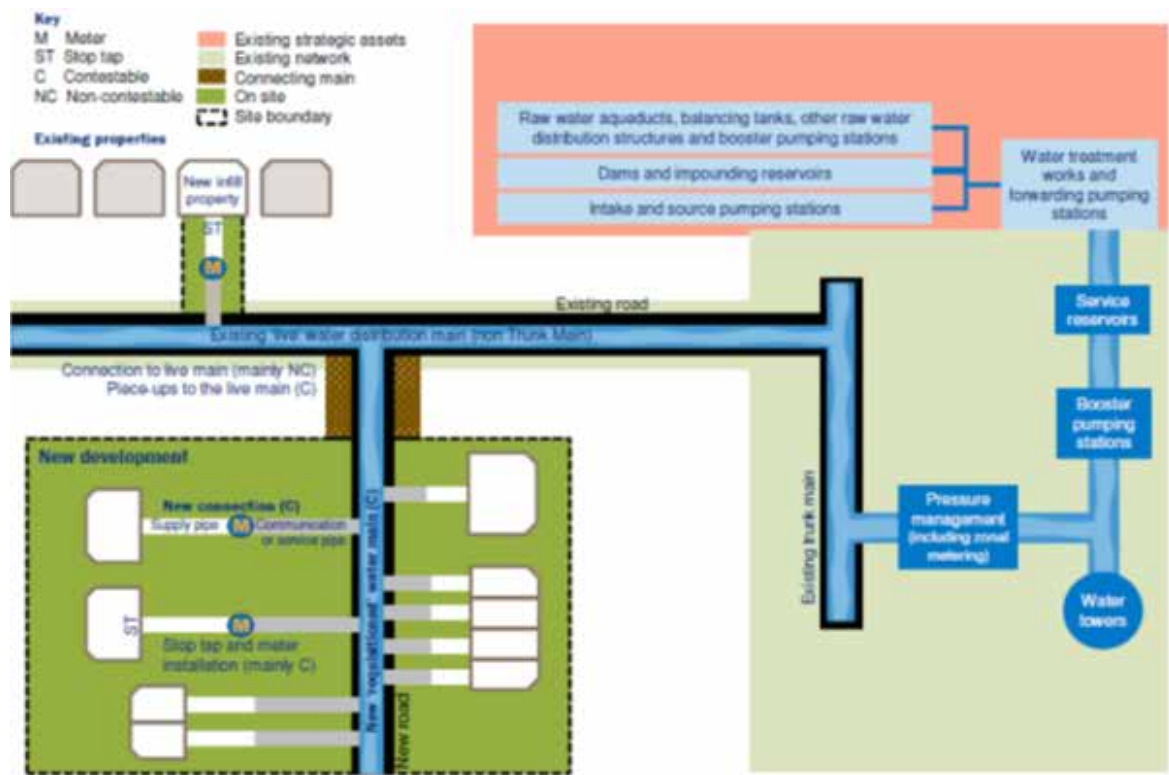
Charges for Site Specific work relate to, the provision of, water structures or facilities located on a development up to the nearest practical point on the existing network where the connecting pipework is of a nominal bore internal diameter no larger than that of the local water company's existing network.

#### Network Reinforcement

These are works on the existing network within the light green and pink shaded areas in Figure 1. The costs of these works will be recovered by means of infrastructure charges payable by developers where appropriate. Unlike the current infrastructure charges, the new ones will be company-specific, reflecting expenditure on network reinforcement by individual companies.

2
Background

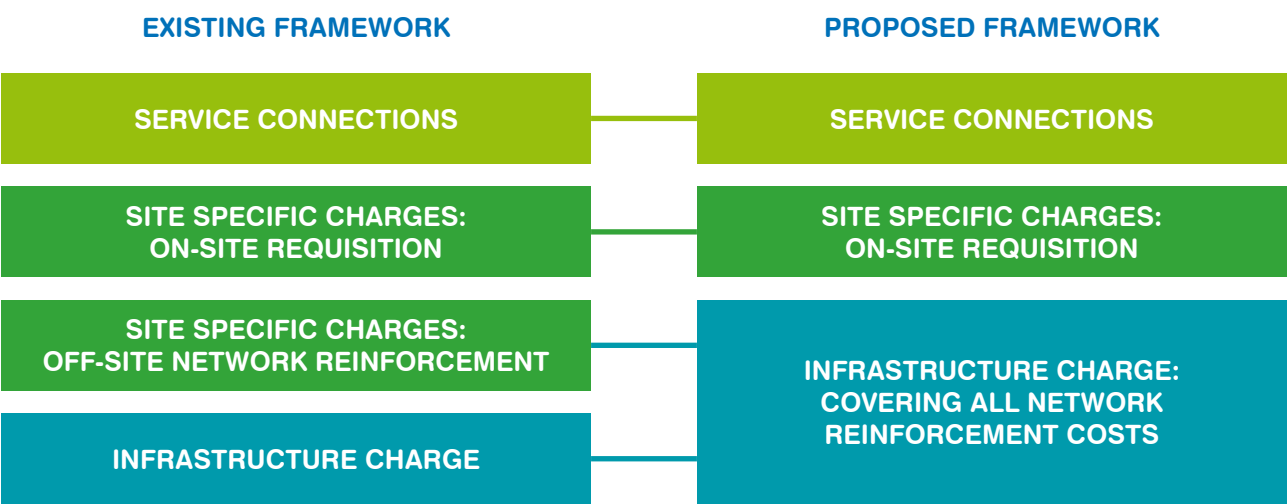
FIGURE 1: TYPICAL CONNECTIONS WORK, AND THE LOCATION OF EXISTING WATER ASSETS



**QUESTION 1**  
 Are you happy with the definitions of “site specific works” and “network reinforcement”?

Figure 2 below illustrates how the components of the charging framework will change under the proposals:

FIGURE 2: NEW CHARGING FRAMEWORK



## 3 Portsmouth Water's Current New Connections Charging

The Water Industry Act (1991) allows water companies to recover costs from its Developer Customers for providing relevant infrastructure for new developments and connections to the water company's network. Portsmouth Water currently recovers these costs through a number of charges:

### Service Connection Charge

This is the charge that a Developer Customer pays for the actual connection to a Portsmouth Water main. The charge is cost reflective and can therefore change for each individual water connection.



### Requisition Charges

This is the contribution that a Developer Customer may have to pay when a new water main is required, to provide a new development with water services. The costs incurred are generally offset by a contribution. The contribution is offered through three options:

- Discounted Aggregate Deficit;
- Relevant Deficit;
- Asset Payment (for SLP).

### Infrastructure Charges

A Developer Customer pays an infrastructure charge when Portsmouth Water, or a SLP, connects a property to our water network. The charge covers the cost of additional network reinforcement that we may need to carry out on the water network because of the extra demand caused by a new development. This is a fixed charge that is applied across the sector.

### Diversion Charges

A diversion of a water main may be required when developers wish to build on private land that already contains a water main, and where it is necessary to move the main to allow the building work to happen. Diversion charges are applied to work associated with disconnecting and abandoning existing water mains and to build new mains that follow an alternative route.

Currently, we charge for diversions on a case by case basis, recovering costs which are reasonably incurred as a result of the works.



## 4 Portsmouth Water's Charging Proposals

### Service Connection Charge

We are proposing a set of fixed charges for different types of connections. The cost will be derived using a table similar to below:

Charge item	Charge unit	Quantity	Charge	Total
Design of service connection (where contestable)	Fixed Fee			
<63mm Connection via ferrule to main & 2 linear metres of service pipe	per connection			
>=63mm Connection via ferrule to main & 2 linear metres of service pipe	per connection			
Excavate, supply and lay additional pipe in verge/ unmade ground and reinstate	per m			
Excavate, supply and lay additional pipe in footpath and reinstate	per m			
Excavate, supply and lay additional pipe in road and reinstate	per m			
Supply and fit domestic fire sprinkler connection	uplift on standard connection			
Traffic management	Fixed fee, rates or %			
Road closure fees	Fixed fee, rates or %			

Our charges will be built up using an activity based costing approach, including the recovery of reasonable management overheads.

We believe using fixed charges for traffic management and road closure, will be simpler than our current charging approach. As all the components of charges will be fixed and published, customers will be able to work out an accurate cost for the connection from our Charging Arrangements, giving them more certainty. Simplifying things will also help us process applications faster and lower the administrative burden for Developer Customers. This should then help improve customer satisfaction in this area.

There are a number of activities associated with Service Connections that are contestable. We shall also publish fixed application, administration and inspection fees associated with those activities undertaken by a SLP. Non-contestable activities are outlined in Appendix B.

Sufficient information will be provided to allow Developer Customers to calculate the total cost of the service connection at the outset. There will be no "exceptional circumstances" that apply to services connection charges, and we will publish fixed charges that apply in all cases.

#### QUESTION 2

Do you agree with this approach? If not, what approach would you prefer, and why?

#### QUESTION 3

Do you agree with our proposed charging units? If not, why?

#### QUESTION 4

What is your preferred charging unit for items such as traffic management, and why?

#### QUESTION 5

Do you feel this approach will promote fair competition for contestable items?

## 4 Portsmouth Water's Charging Proposals

### Requisition Charges

We currently provide our requisition charges for site-specific mains through the water main requisitioning application process. There are various stages following application; budget estimate, detailed estimate and at completion reconciliation. These stages can lead to cost fluctuations as a project develops and changes in charges are often passed on to the developer customer.

The new rules mean that, for all but the most complex projects, we will publish fixed charges. Previously an estimate (and associated charges) could change to reflect the actual cost.

We propose to use a simple 'schedule of charges' approach that details the fixed charges for typical elements that would be encountered when developing an estimate in this area. A typical example is outlined below:

Charge item	Charge unit	Quantity	Charge	Total
Mains Design Fee	per requisition			
Re-design fee where layout subsequently amended	Fixed fee			
Supply and install xmm pipe where developer digs and reinstates the trench	per m			
Excavate, supply and lay additional xmm pipe in verge/ unmade ground and reinstate	per m			
Excavate, supply and lay additional xmm pipe in footpath and reinstate	per m			
Excavate, supply and lay additional xmm pipe in road and reinstate	per m			
Traffic management	Fixed fee, rates, or %			
Road closure fees	Fixed fee, rates, or %			

Our charges will be built up based on an activity based costing approach, including the recovery of reasonable management overheads. They will not include any amounts for network reinforcement costs.

There are a number of activities associated with Requisitions that are contestable. We shall also publish fixed application, administration and inspection fees associated with those activities undertaken by a SLP. Non-contestable activities are outlined in Appendix B.

We think that a comprehensive schedule of charges provides our Developer Customers with a robust, cost reflective set of charges. These can be used by Developer Customers to develop an estimate for the provision of site specific infrastructure associated with their development. Developer Customers in this area are largely commercial developers or their professional representatives, so their level of knowledge and understanding is higher than the general customer base.

As there is potential for competition in many elements of work in this area, to promote fairness, a more transparent charging structure helps give Developer Customers clarity on the charges that apply to comparable activities. In this way, Developers can make a transparent comparison between the costs of Portsmouth Water and those of an SLP, thus promoting competition. We believe this is the fairest mechanism for both developer customers and the wider Portsmouth Water customer base, while also providing stability, predictability and transparency.

## 4 Portsmouth Water's Charging Proposals

Due to the nature of connections work, there are circumstances where the cost incurred is affected by external factors. These external factors may be outside of our immediate knowledge or control and, in a limited set of exceptional circumstances, could lead to significant cost variance. For this reason, we will not provide fixed upfront charges in respect of the following:

- Diversion works (see s185 of the Water Industry Act), and;
- Water infrastructure work requested by the developer (see S41 and S98 of the Water Industry Act) where "it would be unreasonable to expect an undertaker (i.e., water company) to do so".

For standard water connections no such exception applies and these must therefore be subject to fixed charges.

In the following circumstances, it may not be reasonable for us to provide an upfront fixed charge for the work:

- The technical complexity of the work is high or the type of work required is bespoke or carried out infrequently, or;
- Third parties can legitimately recover their costs from water companies and there is not a reasonable level of certainty of those costs in advance of connection work being undertaken, or;
- Third parties have rights to protect their assets or interests in a way that affects the construction method. The third parties' requirements are unknown upfront, or;
- The work is to be carried out on or close to land with particular environmental, historical or archaeological characteristics. These characteristics mean that specific measures are required during construction or reinstatement. The details of these measures may not be fully defined in advance of construction.

Where the above circumstances occur, we will be unable to provide a fixed upfront charge for the entire works, and should provide a budget estimate comprising a mixture of:

- Indicative or estimated charges for the elements of works affected by the circumstances above, and;
- Fixed upfront charges for the elements of the work where there is sufficient certainty and it is reasonable to do so.

We anticipate that there will be occasions where providing an indicative estimate is not possible or where the estimate will not meet the degree of confidence desired by the Developer Customer. In such cases, the parties will need to agree with the developer customer how to proceed.

### QUESTION 6

**Do you agree with our proposal to develop a 'schedule of charges' for requisitions?**

### QUESTION 7

**Do you agree that a 'schedule of charges' is the most appropriate way to allow comparison and competition within this area?**

### QUESTION 8

**Do you agree that there are limited circumstances where it is difficult to provide a fixed charge?**

### QUESTION 9

**Do you have any suggestions on how the requisitions approach could be improved from a stakeholder perspective? Please give examples where appropriate.**



## 4 Portsmouth Water's Charging Proposals

### Income Offsets and Asset Payments

Income Offsets are a mechanism for offering a contribution to the cost of newly requisitioned water mains. It is recognition of the future income Portsmouth Water are likely to receive from the occupants of the new homes who become bill payers for our services.

Asset Payments are how we currently pay a Developer Customer when they undertake work to construct new water mains directly, using a SLP. Under the new rules the mechanism for calculating Income Offsets and Asset Payments must be equivalent so are discussed together here.

We currently calculate these using two mechanisms – the Discounted Aggregate Deficit model (lump sum payment) and the Relevant Deficit model (paid over 12 years).

The calculation references the number of properties, in the planned development, the forecast revenue received, the build schedule, the cost of the requisition works and forecast borrowing costs.

This generates an Income Offset figure that calculates Portsmouth Water's contribution to the costs of the requisition project or forms the basis of the Asset Payment. This figure is currently only available upon application which causes uncertainty for developer customers who don't know what their contribution is until this calculation is done.

We are currently considering two alternative approaches to the treatment of Income Offsets / Asset Payments:

- i. A simplified approach which calculates a fixed percentage offset, or equivalent payment, that is applied to all new developments. This fixed percentage would be based on the historic percentage of offset over the last 5 year period. This would simplify the current model significantly and give clarity to developer customers on their relative contribution from the earliest stages. Asset payments will be calculated using the same methodology as income offsets in line with the new rules.
- ii. To not use Income Offsets/Asset Payments, resulting in a rateably lower infrastructure charge.

We should like to consult on these two alternative options.

#### QUESTION 10

**Do you have a preference between the options to:**

- i. **Retain income offsets and asset payments; or**
- ii. **Not use income offsets / asset payments, resulting in lower infrastructure charge.**

#### QUESTION 11

**Do you agree with the proposal to simplify income offsets and asset payments by using a fixed percentage offset?**

#### QUESTION 12

**Do you have any other suggestions on how we could calculate the income offset/asset payment?**

#### QUESTION 13

**Do you have any other concerns when it comes to the provision of income offsets or asset payments?**

## 4 Portsmouth Water's Charging Proposals

### Infrastructure Charges

In future, Infrastructure Charges will be set by each company based on Network Reinforcement, including off-site mains reinforcement. As the proposed Infrastructure Charge will be based on actual costs, it is likely the charge will vary from year to year more than the current RPI indexed Infrastructure Charge.

The Infrastructure Charge will be set on a yearly basis adjusted to ensure our Network Reinforcement costs are recovered over a rolling 5 year period. This means we will set the infrastructure charge each year based on the latest estimate of the investment required divided by the number of new connections expected in the next 5 years, both will be adjusted in light of experience each year. This will be determined annually as a fixed cost per connection.

As we plan our water supplies as a single Water Resource Zone, and have the ability to supply much of our area of supply from more than one treatment works, we propose a single level Infrastructure Charge across our area. Therefore, although we have considered zonal charging, we do not believe it to be appropriate for Portsmouth Water.

We feel Infrastructure Charges offer the highest potential for supporting the environmental protection objective. There could be scope to provide reductions within the Infrastructure Charge that incentivise minimising the impact on water network capacity and water efficient developments.

We are considering incentivising water efficient measures and are consulting on the appropriately ambitious levels to apply. We are considering a threshold of 100 litres per person per day, or less, in order for this incentive to apply. We would like to seek Developer Customer views on this point.

We are also considering developing a mechanism by which the Infrastructure Charge, on a sliding scale, increases in relation to the overall number of connections on the development. We think an escalating



## 4 Portsmouth Water's Charging Proposals

charge based on number of connections is appropriate as this enables Developer Customers to understand costs at the earliest stages of their proposal. The general trend is that larger developments tend to have a greater impact on capacity and should attract a higher charge.

The proposed mechanism will enable developers and other customers to confidently estimate charges at the point of investment appraisal, without needing to liaise with Portsmouth Water.

Finally, we discuss, in the previous section relating to Income Offsets/Asset Payments, the option not to apply such arrangements to Requisition Charges. In which case, Infrastructure Charges would be rateably reduced. The consultation question, in relation to this point, is included in the previous section.

### **QUESTION 14**

**Do you agree that having a standardised annually fixed Infrastructure Charge is appropriate?**

### **QUESTION 15**

**Do you agree that charges based on number of connections is an appropriate approach?**

### **QUESTION 16**

**Do you agree with a potential water efficiency discount? Would this influence your approach to water efficient development? What represents an appropriately ambitious level of water efficiency?**

### **QUESTION 17**

**What mechanism could be used to assess the level of water efficiency beyond that already required within the building regulations?**

### **QUESTION 18**

**Are there other approaches to standardised Infrastructure charges that may be more appropriate? If so, why?**

## 4 Portsmouth Water's Charging Proposals

### **Diversion Charges**

We currently charge diversionary work on a case by case basis, recovering reasonable expenses incurred. Ofwat's charging rules allow the option of upfront fixed charges for mains diversionary work.

We have considered whether we change our current approach to one of upfront fixed charges given that the infrastructure requirements for each diversion could vary substantially.

We are proposing to publish fixed charges for the application, appraisal, design, technical assessment and inspection (were work is undertaken by a Developer Customer elements of work associated with water mains diversions. Due to the varied requirements of each diversion, we shall continue to use our case by case approach to determine charges.

We shall explain in our Charging Arrangements how we calculate those charges that are not fixed upfront. All or part of the works may be contestable in which case the Developer Customer will be given the opportunity to undertake the works themselves or employ a suitably qualified third party contractor to undertake those contestable elements.

We shall only recover the cost reasonably incurred as a result of the diversion works.

#### **QUESTION 19**

**Do you agree with our proposals for Diversion Charges, if not, why?**

#### **QUESTION 20**

**Are there any other approaches to Diversion Charges that be more appropriate?**

### **NAV**

We propose to use fixed charges for the mains connections work and this will be published in our Charging Arrangements document. The information within this will enable calculation of the mains connection work. Ofwat has recently concluded a study of the NAV market. Future action by Ofwat following this study, and its work on the application of Income Offsets/Asset Payments, could affect our charging proposals for NAVs in the future. We will monitor these developments and any related guidance closely.

### **Security**

In our Charging Arrangements we shall set out security / deposit arrangements associated with requisitions, connections and diversions.

## 5 Transitional Arrangements

We recognise the transition to the new Charging Arrangements may provide uncertainty for Developer Customers that have committed or are considering, development, based on previous quotations. We have set out below the transitional arrangements that have been developed by Water UK, companies and stakeholders, and would propose to implement these:

- If a quotation is provided and it is still within the validity period of the quotation, then the quotation remains valid if the developer customer wishes to proceed.
- If a legal agreement is already in place, then the terms and conditions contained within that agreement remain valid for the life of the site contained in the agreement. This applies to requisition and infrastructure charges. The connection charge will be on the new charges. Infrastructure charges should have a rate of inflation added to them but they should not be applied under the New Charges scheme.
- If a developer customer applies between the new charges being published (on 1 February 2018) and 1 April 2018, we will send out dual offers and the customer can choose which charges scheme they are quoted on. This provides a period of time between February 2018 and 1st April 2018 to decide whether the customer enters into an agreement with our new charging rules in place or the existing charging rules.
- If a developer customer has applied and paid but no work has started by 1 April 2018, then the customer can have the option to cancel this quotation and request a quote under the new charges.

### QUESTION 21

**Do you support this approach?**

### QUESTION 22

**Do you consider there to be further scenarios, as a result of the transition to new charging arrangements?**

## 6 Competition

Rule 21 of the Charging Rules for New Connection Services document establishes that charges, asset payments and arrangements should promote effective competition for Contestable Work. We are keen that our proposed approach meets these objectives and clearly need to understand the views of organisations such as SLP and NAV in assessing whether we have been successful.

### **QUESTION 23**

**Do you think that the changes we have proposed will promote effective competition, and if not, why not and how could they be improved in this area?**



## Appendix A

## Definitions

**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, Income Offsets and Asset Payments, and/or the methodologies for calculating those, applied by a water undertaker in accordance with the Ofwat Charging rules for new connection services.

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

**Connection Charges** charges that will be imposed by an 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).

**Contestable Work** means work or services that either the relevant undertaker or persons other than the relevant undertaker may do or provide.

**Development** means premises on which there are buildings, or on which there will be 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 infrastructure.

**Diversion Charges** the charges imposed by an undertaker pursuant to section 185(5) of the Water Industry Act 1991.

**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.

**Income Offset** means a sum of money offset against the charges that would otherwise be applied for the provision of a Water Main in recognition of revenue likely to be received by the relevant undertaker in future years for the provision of supplies of water to premises connected to the new Water Main.

**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 a duty imposed on the undertaker by the Water Industry Act 1991, whether by requisition (under sections 41(1), 98(1) or 98(1A)), under an agreement for adoption (under sections 51A or 104), 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).

## Appendix A

## Definitions

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 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 only the relevant undertaker (or an agent acting on their behalf) can do or provide (see Appendix B).

**Requisition Charges** charges that will be imposed by an undertaker for work carried out by it in accordance with the duties imposed by section 41(1) (provision of requisitioned Water Main) of the Water Industry Act 1991.

**Site Specific** refers to work on, or the provision of, water structures or facilities located on a Development as well as work to provide and connect a requested Water Main, Communication Pipe, to or in the immediate vicinity of, the Development 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.

**Undertaker** means a water undertaker. w)

**Water Main** means any pipe, not being a pipe for the time being vested in a person other than an 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.

## Appendix B

### Definition of Non-contestable activities in the design and construction of water mains and services

We will allow a SLP to do all elements of work to provide water supplies to new developments other than those defined as non-contestable in the table below.

It is envisaged that the implementation of the New Charging Rules will mean that some of the terms used in the Self-lay Code of Practice will need to be updated. That Code will remain the definitive reference document for contestable and non-contestable water supply works, although in the meantime, the content in Table B1 is provided to illustrate the changes that might be needed.

Design
Design work for Network Reinforcement and Enhancement
Sizing of pipes design guidance – water companies retain responsibility for specifying pipe sizing criteria. Application of the design guidance is a contestable activity.
Design Approval
Approving on-site water distribution systems designs (except where self-certification arrangements are in place).
Installation
It is expected that Network Reinforcement work will normally be undertaken by a water company under the proposed new charging arrangements except where the water company requests a developer or SLP to oversize the assets they are providing to allow for later development.
Network Reinforcement, or Diversion works whose construction heightens the risk of damage to existing water distribution systems or interrupting supplies to existing customers. (See note below).
Network Reinforcement which is provided for a general area or as part of a company's investment programme.
Mains connections that involve heightened risk to existing assets or could affect supplies to existing customers. (See note below).
Serving notices for land entry, and negotiation with third party landowners and occupiers.
Source of water connections to water companies' existing assets.
Service connections larger than 63mm diameter except where the connection is to be constructed as part of main laying works.
Service connections less than 63mm on existing mains where the water company assess that the condition of the main or the material heightens the risks to existing assets or could affect supplies to existing customers. (See note below).
Commissioning
Decommissioning redundant mains following a diversion.

#### Notes:

1. Restrictions on SLPs undertaking work apply when we assess that the construction works significantly heightens either the risk of damage being caused to our existing assets, risk to water quality, or the works interrupting the supplies to our existing customers. The thresholds for this assessment will be set in accordance with our policies for all work on our water distribution systems and allowing SLPs to do work on pipework with such assessments may be subject to accreditation requirements and controls specified in the terms offer.
2. Where a SLP carries out water sampling and quality testing they shall comply with the sampling procedure detailed in our specific schedule of permissible materials and construction arrangements. Testing should be by a UKAS accredited laboratory.
3. Where a SLP has the necessary access permissions installing the new part of diversions made necessary by a development should be considered as contestable work provided that doing this work

## Appendix B

### Definition of Non-contestable activities in the design and construction of water mains and services

does not significantly heighten either the risk of damage being caused to existing assets or the works interrupting the supplies to existing customers.

4. The connection of diversions into existing network systems and the decommissioning of diverted mains are non-contestable works as they are likely to affect supplies to existing customers.