

Growth and new development
PR19 Supporting Appendix 5
3 September 2018

Pure knowh₂ow

What does this appendix do?

This document supports the submission of South East Water's business plan for 2020-2025 and provides:

- Overview of how our Developer Services will be shaped by evolving competition and need for a level playing field in the next planning period
- an explanation of how developer activity and engagement have influenced our business plan
- information on how we will track developer satisfaction and service levels
- Our link into long term resilience

The evidence you will find in this appendix

The following evidence is included in this document:

- Details of current levels of service and proposed approach to D-MeX
- How engagement has shaped our new charges
- Innovation and water efficiency
- How we will manage affordability and vulnerability issues

Where we address our plan's four key themes

Customer Service	Affordability	Resilience	Innovation
Section 2	Section 6	Section 4	Section 5

Need further information?

Please email yourwateryoursay@southeastwater.co.uk if you require further information or wish to clarify anything in this document.

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Executive Summary

Our Water Resources Management Plan is projecting an increasing population and one of the biggest challenges we face will be our ability to understand and be reactive to the population growth predicted in the South East. We are in an area of water scarcity with the highest rate of development. This rate of growth and development is a significant challenge.

At the same time, the method of development delivery and the regulatory framework is changing. In the past Developers may ask the water or sewerage company to install the pipework, whereas Developers can now also choose their own contractor to do the work, an accredited self-lay provider (SLP). Additionally, to encourage more innovation through competitive pressure in water and sewerage services, eligible customers can choose their own appointee, known as the 'new appointments and variations' (NAV) market. Our future plans and service provision needs to accommodate this changing market place and regulatory framework and we also need to ensure that our prices are affordable, fair and transparent for all developers regardless of the method of delivery.

A proportion of Developer-led activity requires reinforcement of our wider network, ensuring that existing customers are not adversely affected by development. Our future planning needs to balance the needs of existing and new customers and ensure that where growth is realised, the water is available and can be transferred.

Service

As we do with all our customers, we aim to engage with our developer customers and understand their expectations and develop our service to meet them. We have been engaging with developers, SLPs and NAVs to help us ensure we are delivering what they need in terms of service, performance levels and transparency of charging. It became clear during the course of our engagement program that, although charges were a significant driver for change, satisfaction and service were equally, if not more important.

While levels of service and overall performance levels have improved over the last two years and we are currently 5th in the industry, there have been issues across the industry with the high levels of quantitative performance not matching actual developer experience.

A new service level mechanism to manage Developer experience - D-MeX, is being trialled. D-MeX will survey all different customer types at different stages of the

process. We see the new D-MeX as a natural iteration of our innovative approach with household customers which measures their satisfaction with our service.

We want our performance to be in the upper quartile in the new D-MeX measure, we will achieve this by:

1. Ensuring a level playing field approach – regardless of delivery method chosen.
2. Operating an easy to follow process that has minimal bureaucracy and fast turnaround times.
3. Having a flexible and transparent delivery approach.
4. Ensuring our developer customers are satisfied with the service they are receiving.
5. Ensuring that the charges and contract are fair and fit for the purpose.
6. Ensuring a smooth transition from developer to end user customer.

Growth

In 2020 to 2025 we are projecting a 6% increase in the annual number of new connections. We need to ensure water is available for new developments within our supply area and offsite network reinforcement will need to be in place as the requirement for water increases. In essence we need to make sure the water is available, where it needs to be and when it is needed.

We have used our network models to investigate the effect on customers of the increase or changes in location of demand in conjunction with the available resources at 2020, 2025, 2030 and 2045 and we have identified when and where failures to meet our levels of service relating to pressure, flows, water quality and storage provided in the network will occur. We then used our models to help identify options to resolve these failures and test solutions. This work has identified an investment requirement of £24.5m in 2020 to 2025.

Resilience and innovation

As we have outlined in our plan, it is our job to supply high quality, drinking water supplies that are safe and reliable, and at an affordable price. The issues of safety, reliability and affordability are all intrinsically linked to being a resilient business – including resilience to future growth.

As with other aspects of our plan, we have applied a “resilience lens” to the area of growth and new development, looking for solutions in a more holistic way.

We have focused on innovative solutions that specifically benefit water efficiency and our customers over a longer period of time, in particular the investigations into an 'eco-connection'. We have been working with a manufacturer to produce a small and cost effective device that can be fitted either at connection stage, or retrospectively, and can reduce water usage. We are now trialling the new eco connection to determine the impact on customers and to measure the potential longer term benefits of providing a slightly smaller connection.

Fairness and affordability

Developer Services feeds into the focus on vulnerability: we want to support the housing market in our area and help customers pay for the services they need.

During 2020 to 2025 we will:

- Provide customers on our Priority Service Register with separation of supply work free of charge.
- introduce a number of payment plans to help customers pay for their new connections
- provide a lower rate of infrastructure for smaller developers and we will be providing a discount for developers who are water efficient.

We will also be looking at other ways of supporting developers in the next period.

1. Setting the scene

Since the start of the 2015 to 2020 period we have seen approximately 22,000 new connections to our network and are projecting to see a further 15,000 by 2020. These connections come through in the form of new development sites or smaller in-fill sites.

Our Water Resources Management Plan (WRMP) (see Appendix 7: Water Resources) is projecting an increasing population and one of the biggest challenges we face will be our ability to understand and be reactive to the population growth predicted in the South East. We are in an area of water scarcity with the highest rate of development. This rate of growth and development is a significant challenge.

At the same time, the method of development delivery and the regulatory framework is changing. In the past Developers may ask the water or sewerage company to install the pipework, whereas Developers can now also choose their own contractor to do the work, an accredited self-lay provider (SLP). Additionally, to encourage more innovation through competitive pressure in water and sewerage services, eligible customers can choose their own appointee, known as the 'new appointments and variations' (NAV) market. Our future plans and service provision needs to accommodate this changing market place and regulatory framework and we also need to ensure that our prices are affordable, fair and transparent for all developers regardless of the method of delivery.

A proportion of Developer-led activity requires reinforcement of our wider network, ensuring that existing customers are not adversely affected by development. Our future planning needs to balance the needs of existing and new customers and ensure that where growth is realised, the water is available and can be transferred.

1.1 Developer Experience Measure

A new service level mechanism to manage Developer experience - D-MeX, is being trialled. D-MeX will work in the same way as C-MeX¹ and will survey all different customer types a different stages of the process.

We see the new D-MeX as a natural iteration of our innovative approach with household customers which measures their satisfaction with our service.

¹ Customer Experience Measure

We are part of the working group shaping this new measure and will continue to provide feedback and suggestions to help support the design and implementation of it.

D-MeX drives.....which means
Understanding of the need for faster delivery – a change for developers to give quality feedback	Developers, SLPs and NAVs are provided with an excellent service and where they are not they are provided redress
A level playing field approach – a fair basis for all options	Developers are empowered to choose how they would like their development to be delivered
Recognition of best practice – when developers really like a service	Developers will be able to feedback which companies are providing the type of service they want and how other companies can adopt the best practice approach
Good relationships - working together for innovation	A focus on all stakeholders working together to innovate for water efficient developments

1.2 Engagement for this plan

As we do with all our customers, we aim to engage with our developer customers and understand their expectations and develop our service to meet them. We have been engaging with developers, SLPs and NAVs to help us ensure we are delivering what they need in terms of service, performance levels and transparency of charging. In addition to the feedback we gain on a day to day basis we attend council meetings, hold developer/SLP/NAV? open days, attend their own company open days and carry out surveys on all our customer types.

We are currently part of the biggest change in Developer Services in the last 20 years. Our developer customers are under pressure to achieve their house building targets while having to deal with numerous utilities and other parties. Our engagement has shown that the market is changing along with the expectations and pressures experienced by our developer customers.

The last two years has seen a significant change in the market, particularly in the South East. We have seen a significant rise in both NAV and SLP activity in our area. This is something that Ofwat is encouraging and expecting incumbent water companies to support.

It became clear during the course of our engagement program that, although charges were a significant driver for change, satisfaction and service were equally, if not more important. The need for changes in Developer Services departments to adapt to the new market place and delivery options became the basis of our plan for 2020 to 2025.

2. Our service model

2.1 Levels of service

2.1.1 Currently

Our current performance is measured by the Water UK levels of service that measure specific delivery metrics. Although this has been a step forward in an area that historically had little in the way of reportable satisfaction data, there have been some significant differences with how developers feel about the service they receive and the high levels of service being reported across the industry.

Table 1: Our current levels of service (April 2017 to March 2018)

Compliance				
			% Within LOS	Target
Developer Services	Estimates completed	Mains	100	97
		Services	100	97
Contractor	Connection Delivery WUK LOS	East	91%	97
		West	97%	97
Contractor	Mains Delivery within WUK LOS	East	100	97
		West	100	97

The Water UK levels of service have been in place since 2015. Reported service levels across the industry are high and there is very little separating the performance of companies. Our performance last year placed us 5th compared to our industry peers and we have maintained a top to mid quartile performance over the last two years. We recognise new connections delivery is an area where improvement is required. Details of how we will tackle this is set out below.

The reporting of levels of service have encouraged good behaviour and overall performance levels have improved over the last two years. However, there have been issues across the industry with high levels of quantitative performance not matching actual developer experience. The introduction of the new satisfaction measure, D-MeX, hopes to bridge the gap between developer experience and the current quantitative metrics.

2.1.2 Going forward

As described earlier our engagement found satisfaction and service were priorities for our developer customers. The need for us to adapt to the new market place,

changing expectations on service and delivery options available, became the basis of our plan for 2020 to 2025.

We will	By
<p>Ensure a level playing field approach. We aim for our team to be seen as a model for developer services within the industry.</p>	<p>Making our structure fit the new emerging developer services markets – enabling developers to access expert advice delivered quickly, whatever option they choose.</p> <p>Having dedicated expert leads on each work stream e.g. NAV, SLP or requisition and a compliance lead to ensure reporting and data is tracked and reported independently for each work stream.</p> <p>Promote self-lay to our developers to ensure they know what choices they have.</p>
<p>Develop an easy to follow process that has minimal bureaucracy and fast turnaround times.</p>	<p>Ensure that our processes are efficient and effective and set up to provide an excellent service to Developers, NAVs and SLPs.</p> <p>Continue to operate our dedicated contact centre for developers. We have dedicated portal, NARS, for recording and tracking where all applications and enquiries are in the process, it is also used to record any customer contact and additional information.</p> <p>Case worker approach – we provide each new development with a case worker. This is the customer’s point of contact for day to day activities as well as any issues.</p>
<p>Have a flexible and transparent delivery approach</p>	<p>Establishing an in-house option to provide assurance to customers that their connection and main laying work will be carried out on time, that their tight timescales will be met, regardless of other high priority work being undertaken.</p>
<p>Ensure our developer customers are satisfied</p>	<p>Make engagement part of our day to day life – we want to build on the developer days, surveys, phone surveys and open days we have carried out, and work engagement into our daily contact, site meetings and</p>

<p>with the service they are receiving.</p>	<p>general catch ups. We will be asking developers for their views on our new proposed new structure and build on the feedback we have already received.</p> <p>Making our communications and services more targeted, tailored and effective, understanding the different developer needs.</p> <p>Being a responsible business (see Appendix 3: Responsible business).</p>
<p>Ensure that the charges and contract are fair and fit for the purpose.</p>	<p>Providing transparent, fair charges that are easy for developers to understand – we will continue to engage with developers to determine best practice and which charge mechanisms they prefer. This will be our focus for the additional changes to charging in 2020.</p> <p>Recognising specific needs and expectations for smaller developers – especially those in vulnerable circumstances.</p> <p>Phased asset payments – We have listened to our SLPs and we will ensure that we phase all asset payments as we would with our term contractor.</p>
<p>Ensure a smooth transition from developer to end user customer.</p>	<p>Talk to end users about their concerns – working with developers to try and ensure that the information they provide ensures a smooth transition for our customers onto our billing system.</p>

We want our performance to be in the upper quartile in the new D-MeX measure. We aim to put in place a bespoke contract for delivery of larger schemes and a dedicated in-house team for smaller developments – key areas for improvement of our service.

3. Growth in 2020 to 2025

3.1 New connections

Whilst our WRMP outlines the future demand forecast including number of connections, locally a forecast of new properties is produced annually based on actual connections made in previous years, with a view applied on growth for the short term based on dialogue with local developers and applications pending.

This ensures we can service connections for new development works and support housing growth in the South East.

To determine the new connections forecast for 2020 to 2025 we have looked at the number of new connections in the last five years and mapped the number of new connections following a similar trend over the next seven years. We also crossed checked this with the WRMP forecast of property numbers; however it should be noted that the number of properties does not equate to the number of physical connections and the WRMP smooths the growth over the planning horizon.

In 2020 to 2025 we are projecting a 6% increase in the annual number of new connections:

Year	2020/21	2021/22	2022/23	2023/24	2024/25
Connection numbers	9,000	9,135	9,272	9,411	9,552

3.2 Level of growth and new development projected

One of the biggest challenges we face will be our ability to understand and react to the population growth predicted in the South East. We are in an area of water scarcity with the highest rate of development - a significant challenge. The link into our long term WRMP is essential for resilience, as is the innovation of water efficiency, joint ventures with Developers, NAVs and SLPs and customer incentives to reduce water usage.

We are currently looking at an eco-connection that will provide a slightly reduced flow rate at the commencement of the service which, coupled with a drive for water efficient fittings, could give significant financial benefits for developers, with a reduced infrastructure charge, and water efficiency over the next planning period. See Section 6 for more details.

The new developer charging model means that we need to ensure water is available for new developments within our supply area and offsite network reinforcement will need to be in place as the requirement for water increases. We will need to work closely with local authority development plans and stakeholders to ensure we identify and prepare for new developments within our supply area regardless of the route the Developer will use to deliver the scheme.

In essence we need to make sure the water is available, where it needs to be and when it is needed.

3.3 Planning for growth and new development

Our Zonal Strategies are essential to maintaining supplies of high quality potable water at adequate pressures throughout the year to all our customers. The WRMP sets out the new schemes required in our business plan to match supply and demand in each Water Resource Zone (WRZ). However, as part of the programme, further network investment is necessary to deliver the water to the areas of demand and growth within each zone. Where new sources of water are identified within the WRMP they have to be connected into and transferred through our networks so the water is delivered to where customers need it.

Growth is forecast at the WRZ level for developing the WRMP, but could occur in almost any District meter Area (DMA) through small infill sites and extensions which are difficult to plan for individually. Some DMAs will see an increase in demand from growth, while others could see a reduction.

For the current period 2015 to 2020, we identified investment in the network that would maintain our levels of service relating to pressure, provision of storage, interconnectivity and water quality. We are meeting our commitments to prevent more than 60 properties from being affected by low pressures, and to use our sources in accordance with outputs agreed in our previous WRMP.

We have improved or set up more than 100 DMAs to date approaching 10% of our total network. This has been successful resulting in leakage reductions and better more efficient use of existing capacity to defer the need for some larger network schemes previously required. For example we have been able to defer reinforcement of the transfer main from Buckhurst Reservoir into Bracknell despite new development in the area.

The 2016 forecasts for the number of net new properties in our area from 2016/17 until 2025/26, derived from population projections, are 50% higher than similar forecasts five years ago, rising to approximately 12,000 per annum. While we are seeing some increase in the number of properties included in developer enquiries it is not at this level yet. One of the reasons for this disparity is due to the difference

between connections to our network and actual properties connected. For example, as we have more NAV applications where one connection may supply up to hundreds of properties. Another factor may be the discrepancy between growth in population and the number of new connections e.g. occupancy rate increases.

We need to plan for this additional demand but allow flexibility in delivery where possible to allow deferral of expenditure where development is delayed.

During 2020 to 2025 we want to provide our customers with the service they want by meeting our levels of service. These are a combination of Performance Commitments, legal requirements, statutory obligations, regulatory measures and outcomes for customers, supported by our customer engagement and “willingness to pay” surveys. The capacity of the distribution network including storage directly affects the pressures and flows customers receive, their risk of loss of supply at peak demand and also their water quality. We undertake to provide all our customers with 9 litres a min at 10m of pressure and to ensure this we need to maintain 15m of pressure in the mains, our models allow for elevation differences and additional head losses in customer service pipes. We do not want the velocities in our mains to exceed 1.2m/s as this can cause early degradation of the mains and discolouration.

Many of our treatment works operate at a steady output and we need to have sufficient storage in the network to balance diurnal variations in demand. We also want to continue to maintain 24 hours supply of treated water stored in these service reservoirs for emergencies. It is also important that infrastructure is not greatly oversized and is properly utilised to avoid deterioration in water quality due to long transit times.

The changes in how we charge developers for offsite reinforcement will enable a more flexible and efficient use of their contributions to network reinforcement within the infrastructure charge. However we have to maintain the balance of charges between developers and customers. Historically we were unable to charge developers for large strategic mains because of the timescales involved. Therefore to maintain the balance of contribution we still need to include growth mains in our business plan.

We have also taken into consideration when, in consultation with the Environment Agency, we are going to reduce abstraction at some sites where it is having a detrimental environmental impact. We will need to transfer water from more sustainable sources where alternative supplies for some areas have been identified to facilitate this. The essential infrastructure is incorporated in our long term plans and also provides resilience for our customers.

3.3.1 Investment required

The initial programme identified investment totalling £81.5m during 2020 to 2025, based on our draft WRMP. We then reviewed the programme in conjunction with more challenging leakage targets and reductions in per capital consumption and were able to defer some proposed investment to the 2025 to 2030 period, leaving a programme of £71.5m.

In consideration of both the uncertainty in the housing market and affordability for our customers we have further prioritised schemes and propose investment of £58.3m on trunk mains, reservoirs and pumping stations (before efficiencies). In this scenario we have assumed 25% of the growth will not in effect occur and this is consistent with the 2015 to 2020 period. This reduced the number of properties at risk of a service failure to around 70,000. Our revised plan in conjunction with local developer schemes aims to mitigate against these failures under most conditions.

Schemes included in our earlier plan totalling £71.5m:

RZ2 CLAYTON-Sadlescombe to Clayton PRV
RZ2 OFFHAM-Coombe Down to Offham PRV
RZ3 Standard Hill SR Upsize from 11.2 to 15MI (GR-RZ3-BH-7)
RZ1 Tonbridge to Bloodshots Main Reinforcement
RZ1 Otford Rd Mains Extension
RZ1 Blackhurst Booster Pump Replacement
RZ2 GROVELANDS-Grovelands to Selsfield
RZ3 Meads to Mill Gap
RZ4 New duplicate main between Greywell and Whitedown
RZ4 Buckhurst SR Network Upsize
RZ4 Black Hill 10"CI to upsize
RZ5 NRV at Oakhanger to Alton Transfer Main
RZ4 Fleet to Ewshot
RZ4 New Ewshot Outlet Connection
RZ5 New PSV on Hale 8" outlet & NRV

RZ4 Cross-connection between the 6" CI main and 12"CI at Popeswood roundabout
RZ4 PSV on London Road on new 350mm main restricting flow to Buckhurst and maintaining pressures in Binfield DMA
RZ4 upsized 6"CI main on London Road
RZ4 6" CI main upsized West Bracknell
RZ4 London Road upsized
RZ4 New NRV at Ewshot SR
RZ3 Cornish WTW to Meads Reservoir
RZ6 Reinforce inlet to Linton Park
RZ6 Upsize or reinforce the inlet to Beech SR
RZ8 Retire the 21" main from Godmersham to Potters Corner and reinforce / replace with a new 600mm [Linked to GR-RZ8-AF-103]
RZ8 Reinforce the 450mm AC and 300mm AC along Kennington Road
RZ8 Aldington SR construction and connecting mains, Pumping station to fill the SR set at 50l/s
RZ6 Reinforce the Outlet main of Beech SR
RZ4 Surrey Hills to Fleet Transfer Main
RZ4 Fleet to Greywell Reinforcement Main
RZ4 Fleet pump station upgrades
RZ4 Cliddesden reservoir upgrade
RZ8 Feeding Mickleburgh area from Blean

In our revised plan costing £58.3m the schemes highlighted in green above are deferred with some additional risk to customers of low pressures or loss of supply. The remaining are mainly major schemes which must be progressed or we will be unable to meet the continuing growth in demand in Basingstoke and Ashford and existing customers will also experience low pressures on the way.

In designing all network investment we have also considered the additional resilience benefit offered. Growth mains have a primary goal to connect water to areas of growth but their secondary benefit relates to the increased connectivity they provide which in itself reduces the likelihood of interruptions and low pressure. More detail is provided on the resilience benefit below and within the Appendix 9: Resilience.

4. Resilience

As we have outlined in our plan, it is our job to supply high quality, drinking water supplies that are safe and reliable, and at an affordable price. The issues of safety, reliability and affordability are all intrinsically linked to being a resilient business – including resilience to future growth.

As described earlier, our WRMP is projecting an increasing population and one of the biggest challenges we face will be our ability to understand and be reactive to the population growth predicted in the South East. We are in an area of water scarcity with the highest rate of development. This rate of growth and development is a significant challenge to ensure we continue to meet customer demand and service is maintained for existing and new customers.

As with other aspects of our plan, we have applied a “resilience lens” to the area of growth and new development, looking for solutions in a more holistic way (see Appendix 9 – Resilience).

We recognise there is more we can do and we are approaching it from the other end too by working collaboratively with our partners and customers, making them part of the solution too.

4.1 Our resilience to growth

The service we will deliver in 2020 to 2025 is set out in Section 2. We will adopt the following principles, to ensure this service remains resilient to future changes and challenges.

<p style="text-align: center;">Principle 1</p> <p style="text-align: center;">Provide expert leads for each different development model - ensuring resilience to market changes and differing needs</p>	<p style="text-align: center;">Principle 2</p> <p style="text-align: center;">Work closely with local authorities and stakeholders to ensure we identify challenges posed by new development early</p>
<p style="text-align: center;">Principle 3</p> <p style="text-align: center;">Fair and flexible charging including payment plans and lower infrastructure charges for more efficient connections</p>	<p style="text-align: center;">Principle 4</p> <p style="text-align: center;">Develop joint ventures with Developers to encourage water efficient development</p>

4.2 Resilient developer

Developers are a key link to arming customers with the tools to act in resilient ways. Through partnerships and engagement with Developers, NAV's and SLPs, we can work to encourage the installation of water efficient devices in homes.

- This will include providing more information and a catalogue of approved water efficient products for use in new development fit outs/ installations.
- Look to introduce a new 20mm eco-connection to our network, with an associated lower cost. Ensure that all landlord/ binstore supplies are via this eco-connection, charged at a lower rate, and enable a retro fit of a flow restriction to limit flow-rate down to an equivalent level (see Section 5 below).
- Look to implement a 'aqua shares' type scheme to allow water savings below a defined baseline usage to be redeemed by the business as an investment in a local environmental project or against a points card scheme.

Further details on our resilience approach can be found in Appendix 9: Resilience in the round.

5. Innovation

Our overall innovation strategy is set out in Appendix 16 – Innovation. Innovation in developer services feeds into the overall plan as new markets and competition will be the key main drivers for innovation in the developer services sector. Competition naturally encourages better customer experience as well as benefitting the wider environment and challenging costs.

The introduction of D-MeX will bring about innovative approaches to all aspects of developer services – best practice will be pulled out and will encourage developers, NAVs, SLPs and incumbent companies to work together to solve problems and come up with solutions that will benefit the industry and wider water environment.

In addition to these general and wider benefits, we have focused on innovative solutions that specifically benefit water efficiency and our customers over a longer period of time.

5.1 Eco connections

We have been looking at ways that water usage can be controlled at the beginning of the connection use, during the development phase. We have been working with a manufacturer to produce a small and cost effective device that can be fitted either at connection stage, or retrospectively, and can reduce water usage. We are now trialling the new eco connection to determine the impact on customers and to measure the potential longer term benefits of providing a slightly smaller connection.

5.1.1 How will this help our customers?

We will provide a significant discount in infrastructure charges to developers who select the use of eco connection. We will also be looking at potential financial benefits for end users if they have an eco-connection or if they opt to have one fitted retrospectively.

5.1.2 How will this support our wider environmental commitments?

We hope that the eco connection will provide long term water efficiency benefits that will help reduce the potential burden that a high level of development in a water scarce area is likely to cause.

5.1.3 Plumbing and fittings venture

The proposed water efficient eco-connection would be a reversion from the standard 25mm connection the company currently offers, capable of providing a flow rate of up to 0.3l/s to a 20mm connection limited to a flow rate of 0.15 l/s. To ensure no loss of service to our customers taking advantage of the eco-connection it is also proposed

in conjunction with a range of suppliers, to produce a catalogue of suitable efficient fittings and appliances certified and rated to be suitable at lower flow demand. We are in discussion with a manufacturer who is developing a new industry leading product designed for this purpose, to be included in the scheme. Universities and other Technology Institutions have also been approached for the opportunity to develop water efficient appliance still further in collaboration with SEW. Developers will be able to source this range of products to demonstrate water efficiency on new developments. All new bin store/landlord connections are proposed as being eco-connections henceforth. For new developments demonstrating proven water efficiency a reduced infrastructure charge could then be applied using a relevant divider methodology. Both the reduced connection cost and lower infrastructure charge are seen as the financial incentive to promote efficiency.

6. Fairness and affordability

Our engagement process for our 2020 to 2025 business plan has helped us focus on vulnerable customers. The company has created a suite of comprehensive and innovative vulnerability performance commitments, outcome delivery incentives (ODIs) and approaches that, combined, provide excellent coverage of all aspects of vulnerability (see Appendix 2: Performance commitments and Outcome Delivery Incentives).

Our performance commitments and ODIs are supported by a definitive vulnerability strategy which is not only built on good tactical performance in this area to date, but which has been genuinely co-created with expert stakeholders in this area (see Appendix 1: Engagement and Appendix 8: Vulnerability - affordable, accessible and protective Services).

Our vulnerability strategy provides a robust framework for future innovation of our services for vulnerable customers.

Developer Services feeds into the focus on vulnerability: we want to support the housing market in our area and help customers pay for the services they need:

- Separations of supply – we will provide customers on Priority Service Register with separation of supply work free of charge. We recognise that shared supplies can often prevent customers from being able to choose a metered supply and they can also suffer from reduced pressure when other customers are using the supply. Our policy will enable these customers to receive a free new connection.
- Payment plans – we have introduced a number of payment plans to help customers pay for their new connections. They can pay on completion or over a period of 12 months.
- Infrastructure – we provide a lower rate of infrastructure for smaller developers and we will be providing a discount for developers who are water efficient. Further details are outlined in Section 5.

We will be looking at other ways of supporting developers in the next period and will use engagement to see what else developers need.

7. Investment

We have set out below our forecasted new connections volume, which is the basis of our investment and charges over 2020 to 2025. We have provided our forecasted expenditure and contribution for all developer services work streams including new connections, developer mains, SLPs and NAVs.

These expenditure requirements have been included in our wholesale investment requirements, set out in Appendix 11 – Our investment plan for 2020 to 2025. The efficiency assumptions applied to this expenditure are consistent with those applied throughout this plan, set out in Appendix 13 – Wholesale Efficiency.

7.1 Developer mains diversions

As well as new connections, we also receive requests from Developers and the Highway Authority to divert mains for new developments and highways work. To determine the investment required for 2020 to 2025 we have reviewed the diversions requested in the last five years and used this trend to map the forecasted number of schemes and expenditure over the next seven years.

We have then applied an efficiency to this forecast expenditure, as described above.

Our resulting expenditure requirement for 2020-25 is set out below.

7.2 New developer onsite mains

Investment for Developer-led onsite mains construction for new developments is based on the forecasted number of new connections above and the cost of on-site mains based on the past five year's data to determine a price per plot.

We have then applied an efficiency to this forecast expenditure, as described above.

Our resulting expenditure requirement for 2020-25 is set out below.

7.3 Self-lay asset payment

We are expecting to see a significant rise in Self-Lay activity over the next AMP. Due to the reallocation of the offset there are unlikely to be asset payments for self-lay mains, however, we have still calculated the notional asset payment over the next period to reflect a rise in this type of activity in the area.

We have used historic data to calculate the current asset payment per plot for self-lay sites and then forecasted the amount of self-lay activity, we have assumed at least a 25% increase in self – lay activity in the next period, this is in line with the number of

projects we have seen delivered in this way in the last 18 months and after engagement with the self-lay providers in our area.

7.4 Offsite reinforcement

A proportion of Developer-led activity requires reinforcement of our wider network, ensuring that existing customers are not adversely affected by development whilst that our prices are affordable and fair for developers.

We have reviewed the requirement for offsite reinforcement over a five year rolling period, again looking at a cost per plot. The basis for our charging is our new connections forecast and as with on-site mains, we have then applied an efficiency to this forecast expenditure.

7.5 Total investment required

Capital investment shown below, new connection spend is not included.

CAPEX	Year 1 (£000s)	Year 2 (£000s)	Year 3 (£000s)	Year 4 (£000s)	Year 5 (£000s)	AMP7 (£000s)
Diversions	0.54	0.53	0.52	0.52	0.51	2.62

CAPEX	Year 1 (£000s)	Year 2 (£000s)	Year 3 (£000s)	Year 4 (£000s)	Year 5 (£000s)	AMP7 (£000s)
Onsite mains	5.91	6.37	6.52	6.62	6.54	31.96
Offsite expenditure	4.95	4.91	4.91	4.88	4.81	24.46
Total	10.86	11.28	11.43	11.50	11.35	56.42

7.6 Developer contributions

We receive a contribution from developers to carry out developer-led work; it also includes asset payments for self-lay schemes. This ensures we recover the amount required to carry out the work without over recovering contribution.

The contributions forecast using the same base methodology as that used for the expenditure.

CAPEX – Contribution	Year 1 (£000s)	Year 2 (£000s)	Year 3 (£000s)	Year 4 (£000s)	Year 5 (£000s)	AMP7 (£000s)
Diversions	0.48	0.48	0.48	0.47	0.47	2.38
Onsite mains	5.65	6.13	6.28	6.37	6.30	30.73
Infrastructure charge	0.82	0.26	0.07	-0.15	-0.16	0.84
New connections	5.94	5.87	5.81	5.75	5.69	29.06
Totals	12,909	12,738	12,633	12,440	12,288	63.01

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