

# **New connection charges 2020-2021**

**Board Assurance Statement  
January 2020**

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# Board Assurance Statement

**This assurance statement is written in relation to Yorkshire Water Services (YWS) New Connections Charging Arrangements under the provisions within the Water Industry Act 1991, as amended for the period 1 April 2020 to the 31 March 2021.**

**The charges are payable in respect of new connections, for any services provided by YWS in the course of carrying out its regulated duties.**

**The charges which have been compiled are consistent with YWS's revenue controls for 2020-2021 for Wholesale Water and Wholesale Sewerage that were published by Ofwat on 16 December 2019. The New Connections Charging Arrangements reflect the relevant revenue from the Wholesale price controls including non-regulated charges in this area.**

## 1. Legal Obligations and Guidance

YWS New Connections Charging Arrangements have been prepared in accordance with its legal obligations, the charging rules for New Connection Services issued by the Water Services Regulation Authority in July 2019 under sections 51CD, 105ZF and 144ZA of the Water Industry Act 1991 and the Charge Scheme rules issued by the Water Services Regulation Authority in July 2019 under sections 143(6A) and 143B of the Water Industry Act 1991.

YWS has taken into account the Company's statutory obligations relating to charging. There has been detailed review of the charging rules by management to provide assurance that they have been complied with. The detail of the charging rules and description of compliance with the rules are documented within this statement.

This Board Assurance Statement is published on the YWS website.

## 2. Systems and Processes

The assurance delivered to the Board Audit Committee has provided evidence that YWS has appropriate systems and processes in place to make sure the information in the charging arrangements is accurate. The assurance has been completed based on the 'three levels of assurance' methodology which is risk based and published within the YWS Assurance Plan.

The assurance process includes audit checks and challenges by senior managers and an external independent auditor. To deliver the assurance YWS provided information and written summaries on the end-to-end data capture process and the cost analysis undertaken. The written procedures and information delivered from the capture and analysis processes were reviewed and assured by appropriate managers.

### **The assurance processes for YWS charges included:**

- an independent review of the cost analysis, charges information, and compliance with the charging rules by senior management who were independent of the data process,
- peer reviews of the charges as part of a wider assurance process, and
- external assurance of the cost analysis, compliance with the charging rules and evidence of appropriate consultation, from the independent technical auditor, Jacobs.

Findings from these assurance processes have been fully reviewed and actions to address any concerns have been implemented. The Board Audit Committee has received the findings from the completed assurance reviews.

### 3. Balance of Charges

The Charging Rules for New Connection Services under Rule 19 require undertakers to take reasonable steps to ensure that the balance between contributions to costs by developers and other customers prior to 1 April 2018, is broadly maintained.

Ahead of publishing the first charging arrangements for 2018-2019, YWS carried out a detailed investigation on the historical balance of charges between developer services customers and the general customer base and they were found to be broadly in balance. The audit process for the 2020-2021 charging arrangements confirmed that the broad balance has been maintained.

The determination of the balance of charges in 2018-2019 was from analysis of historical network reinforcement expenditure and revenue collected from infrastructure charges from 2002-2017. This was coupled with analysis of data from historical requisition cost modelling. It allowed YWS to reflect average network reinforcement costs within the infrastructure charges and maintain the balance of charges.

A combination of a detailed bottom up cost assessment of activities, and the application of RPI to the 2019-2020 charges has been carried out as relevant in order to produce the new connection charges for 2020-2021. The infrastructure charges have been increased based on our planned developer driven network reinforcement expenditures of the five-year period to the end of 2022-2023.

In combination across both water and sewerage services the charges continue to broadly maintain the balance between contributions to costs by developers and other customers prior to 1 April 2018. The general customer base continues not to bear costs in relation to new development and developer services customers (developers, self-lay providers and NAV licensees) do not bear costs associated with enhancements to the existing network that are not a consequence of their new connections.

Cost reflective new connection charging is delivered through defined and published fixed and bespoke charges for individual new connection activities (both non-contestable and contestable) that are undertaken by YWS.

The Board can confirm that, to the best of its knowledge, having made all due enquiries and based on sources of evidence that an appropriate balance of charges has been maintained.

### 4. Engagement with Relevant Stakeholders

YWS has consulted with relevant customers and stakeholders in a proportionate, timely and effective manner. This consultation has included engagement with developers, self-lay providers and NAV licensees (and their representatives) and trade bodies

The company has carried out a variety of stakeholder consultation activities including an online consultation seeking views on the accessibility and transparency of our 2019-2020 charges arrangements and the changes we proposed for the 2020-2021 arrangements.

The summary of stakeholder engagement activities is provided in the following table.

Activity	Date	Stakeholders							
		Developers	SLP	HBF	Fairwater Connections	Consultants	NAVs	Ofwat	CCWater
NAV Bulk Supply Charges – updates on progress	28 Dec 2018						✓		
Yorkshire Water & IWNL senior stakeholder meeting	28 Jan 2019						✓		
NAV Bulk Supply Charges – consultation feedback and decisions (direct & online)	20 Feb 2019						✓		
NAV Bulk Supply Charges – consultation deadline reminder	11 Mar 2019						✓		
NAV Bulk Supply Charges – consultation feedback and decisions (direct & online)	04 Apr 2019						✓		
Developer Day – Engagements	04 Apr 2019	✓	✓				✓		
NAV Bulk Supply Charges – final charges method & self-serve tool (direct & online)	30 May 2019						✓		
Brass review of charges document	18 Jun 2019					✓			
New connection charges – Developer Day	01 Oct 2019	✓	✓						
Ongoing communications with specific NAVs on their issues raised	Various						✓		
New connection charges consultation – online survey emailed	01 Oct 2019	✓	✓	✓	✓	✓	✓		
Website Updated with Charges details & link to survey	01 Oct 2019	✓	✓	✓	✓	✓	✓	✓	✓
Ongoing communications with specific SLP's on their issues raised/keep me informed	Various		✓						
Ongoing communications with specific developer's on their issues raised/keep me informed	Various	✓							
Review questionnaire feedback for charges	15-18 Oct 2019	✓	✓	✓	✓	✓	✓		
Detail feedback from questionnaires	Oct/Nov 2019	✓	✓	✓	✓	✓	✓		
Indicative impact assessment consultation - published on YWS website	12 Dec 2019	✓	✓	✓	✓	✓	✓	✓	✓
Developer Day	13 Dec 2019	✓	✓						

## 5. Information Requirement and Handling Strategies

The requirement to publish information on whether bills for typical development scenarios have increased by more than 10% has been met. The charges used in the bill scenarios are based on the 2019-2020 and the 2020-2021 new connection charges.

A detailed assessment has been carried out on the calculation of the bills based on the typical scenarios published by Ofwat and the impacts delivered by the latest charges.

The Board can confirm that, to the best of its knowledge, having made all due enquiries and based on sources of evidence that none of the bill increases exceed 10%. No stakeholder handling strategies or interventions are required.

## 6. Directors Statements

The Board considers that in preparing and approving the new connections charging arrangements for 2020-2021 the company has applied the processes, procedures and governance described in the detailed statement above.

The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's independent auditors are aware of the information. So far as the directors are aware, there is no relevant audit information of which the company's independent technical and financial auditors are unaware.

**The Board has obtained assurance that there are appropriate systems, processes and controls in place regarding this publication.**



## 2020-2021 New Connection Charges Board Assurance Statement

Signed by Yorkshire Water Services Limited Board of Directors



Anthony Rabin  
Independent Non-Executive Chairman



Liz Barber  
Chief Executive Officer



Nevil Muncaster  
Chief Strategy and Regulation Officer



Andrew Merrick  
Independent Non-Executive Director



Raymond O'Toole  
Independent Non-Executive Director



Andrew Wyllie  
Independent Non-Executive Director



Julia Unwin  
Independent Non-Executive Director



Scott Auty  
Non-Executive Director



Andrew Dench  
Non-Executive Director



Mike Osborne  
Non-Executive Director

# **Appendix 1**

## **Yorkshire Water Charges 2020-2021 Rules Compliance Review**

Rule number	Scheme rule	Are we compliant?	Evidence
<b>Introduction and Interpretation</b>			
1-6		N/A	
<b>Consultation</b>			
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.	Compliant	To obtain feedback on our proposals, we have contacted over 150 customers, a mix of Developers, SLPs and NAVs to inform them that our consultation survey was live for the provision of feedback. We held a workshop with 20 Developers and SLPs in attendance. The consultation focused on six areas; balance of charges, transition, document design, zonal charges, cash flow and environmental incentives. An online survey has also been conducted, focussing on the six areas. Opinions and comments have been collated and used to improve the charging services. A separate document detailing the survey and results and will be published alongside the charges services document.
<b>Publication and Transparency</b>			
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.	Compliant	Our 'Charging Arrangements for new connection services' will be published on the YWS website by the 31 January 2020.
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 'Charging Arrangements for new connection services' will be published on the YWS website by the 31 January 2020.
10	The Charging Arrangements must be published no later than two months before the period in relation to which they have effect. Charging Arrangements must be published at least once in every year from 2018 onwards.	Compliant	Our 'Charging Arrangements for new connection services' will be published on the YWS website by the 31 January 2020.

Rule number	Scheme rule	Are we compliant?	Evidence
11	The Charging Arrangements must explain how each charge has been calculated or derived. 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 for new connection services' will be published on the YWS website by the 31 January 2020. This document will include a detailed explanation of the methodology and calculation of the charges.
12	The Charging Arrangements are to be written and presented in a clear and accessible manner, which takes due account of the varying levels of expertise of all Developers or other customers who may rely on the Charging Arrangements. Undertakers should consider publishing worked examples where this could aid customers' understanding.	Compliant	Our 'Charging Arrangements for new connection services' will be published on the YWS website by the 31 January 2020. The Charging Arrangements contain worked examples to provide extra clarity and aid in understanding. The worked examples are presented as an Appendix in our 2020-2021 charges publication.
13	Charges must be published with such additional information or explanation as is necessary to make clear what services are covered by each charge.	Compliant	Our 'Charging Arrangements for new connection services' will be published on the YWS website by the 31 January 2020. The Charging Arrangements have been copy written to include simplified language.
14	Undertakers must publish the charges covered by these rules in such a way that a Developer or other customer can confidently work out a reasonable estimate of the charges payable if they know the relevant parameters of a Development.	Compliant	Our 'Charging Arrangements for new connection services' will be published on the YWS website by the 31 January 2020. The Charging Arrangements enable customers to confidently assess the applicable charges. To help there are worked examples in the Appendix to the charges publication to build confidence in understanding.
15	The Charging Arrangements must identify which charges are associated with Contestable Work and Non-Contestable Work.	Compliant	Our 'Charging Arrangements for new connection services' will be published on the YWS website by the 31 January 2020. The Charging Arrangements also explain contestable and non-contestable work and charges. Our documentation also provides tool tips throughout advising the customer who can do the work for them if the work is contestable and options are available.

Rule number	Scheme rule	Are we compliant?	Evidence
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	Our 'Charging Arrangements for new connection services' will be published on the YWS website by the 31 January 2020. The Charging Arrangements explain the methods of payment.

### Small Companies

17	These rules apply to a Small Company subject to the following provisions:		
	a) a Small Company is not required to publish one or more of the charges covered by these rules (or a methodology for calculating them) where it would be unreasonable to expect the company to do so (having had regard to the number of requests for the relevant services that the company would reasonably expect to receive);	N/A	These rules do not apply to YWS as we are not classed as being a small company.
	b) the charges imposed, by a Small Company under the provisions of the Water Industry Act 1991 covered by these rules must be calculated in accordance with the principles and requirements set out in these rules whether or not they are published in Charging Arrangements and this includes, where relevant, requirements to provide the option of upfront Fixed Charges;	N/A	These rules do not apply to YWS as we are not classed as being a small company.
	c) paragraph 9 of these rules does not restrict the maximum amount of a charge imposed by a Small Company if Charging Arrangements published by that company do not include relevant charges or charging methodologies;	N/A	These rules do not apply to YWS as we are not classed as being a small company.
	d) paragraph 10 of these rules does not apply to a Small Company – instead, a Small Company must publish any Charging Arrangements no later than five weeks before the period in relation to which they have effect; and	N/A	These rules do not apply to YWS as we are not classed as being a small company.
	e) for the avoidance of doubt, this paragraph does not exempt a Small Company from the requirement in paragraph 46 of these rules to clearly set out in its Charging Arrangements requirements for security in relation to any charges to be applied.	N/A	These rules do not apply to YWS as we are not classed as being a small company.

### General Charging Principles

18	Relevant undertakers must determine what types of charges may or may not be imposed and the amount of any charges that may be imposed in accordance with the principle that charges covered by these rules should reflect:	Compliant	Work has been undertaken to ensure the proposed charges fairly reflect the work being undertaken. Fixed charges will also be calculable in advance of development which will ensure that they are transparent and predictable.
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Rule number	Scheme rule	Are we compliant?	Evidence
	(a) fairness and affordability;		<p>We have maintained our compliance with Ofwat’s charging rules. Our compliance ensures our ability to provide fairness and affordability in our charges. We have maintained the balance between New Developments and the General Customer base in the YWS region. The charges we receive from Third Parties such as traffic management are passed directly on to the customer. A comparison of services and charges with other water companies has also been undertaken, providing a sense check on our own charges.</p>
	(b) environmental protection;		<p>We have provided clear information to our customers on the incentives available if their development is environmentally friendly. By making this information available we are encouraging developers to look to use other methods for surface water disposal, or proactively install low water solutions. Essentially reducing the demand on the existing YWS networks.</p> <p>End customers may benefit from the environmentally innovative solutions or lower bills that NAVs or YWS may be able to offer them as a result of our customers being environmentally aware in the development of a site.</p>
	(c) stability and predictability; and		<p>The document holds a list of fixed charges enabling a customer to predict the cost of their development. These charges will be stable through the year and not fluctuate. Where a fixed cost is not available, we have proactively advised the customer and we have explained the reasoning for each of these. A charges impact assessment has also been undertaken for various scenarios of development size, to show that the increase/reduction in charges is reasonable.</p>

Rule number	Scheme rule	Are we compliant?	Evidence
	(d) transparency and customer focused service.		<p>We have taken onboard CCWater/SLP/Ofwat/Developer feedback that our documentation was not easily accessible. To resolve this we have created a new webpage dedicated to hosting information about our Charging Arrangements. We will use this new webpage as a repository for our charging information going forwards and keep our previous year's documents there for information should our customers wish to access them.</p> <p>We have developed an online customer application portal, providing an additional means of application and method of paying our application fee. Work on this will continue over the coming months to further refine the service and take on board customer feedback.</p>

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

19	<p>In setting charges in accordance with the rules, undertakers should take reasonable steps to ensure that the present balance of between contributions to costs by Developers and other customers prior to 1 April 2018, is broadly maintained. Section 3 of Annex A to the Government's Charging Guidance to Ofwat published in January 2016 lists the charges under which Developers contribute costs relevant to this rule. For the avoidance of doubt, Income Offset also needs to be included. An undertaker may only depart from this general requirement where (and to the extent that) this is rendered necessary by circumstances providing clear objective justification for doing so. Any such justification must be clearly identified in any Charging Arrangements prepared pursuant to these rules.</p>	Compliant	<p>A detailed assessment into our historical developer driven incomes and expenditures on a joint water and sewerage service basis demonstrated the balance between developers and other customers, has been broadly maintained through our cost reflective charges. New development activities are funded through our developer charges and are not paid for by the generality of customers. Moving forward this historical position will be maintained through the use of cost reflective charges for new development activities. We have established cost reflective charging at the heart of our approach, including the level of our infrastructure charges. In order to help protect the environment, we will continue to offer a financial incentive via reduced infrastructure charges to developers who deliver lower water use buildings that are not connected to the surface water network.</p>
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Rule number	Scheme rule	Are we compliant?	Evidence
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	We treat all customers equally, in the calculation of charges, ensuring a level playing field is maintained. With the removal of income offset/ asset payments in the 2018-2019 Charging Arrangements we levelled the playing field between SLP, NAV and WaSCs. So, encouraging competition within the market.
21	Charges (including any Income Offsets), any Asset Payments 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 assurance process has confirmed that our proposed charges for new connection services are fully cost reflective. This has been achieved by removing all Income Offsets from the calculations to ensure charges are fair and transparent. For further information please use this link <a href="http://www.yorkshirewater.com/media/1517/assessing-the-balance-of-developer-charges-and-setting-infrastructure-charges.pdf">www.yorkshirewater.com/media/1517/assessing-the-balance-of-developer-charges-and-setting-infrastructure-charges.pdf</a>
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	The charges have been developed to ensure all reasonable costs are recovered. A review of our current charges has been undertaken with consideration of staff costs, overheads and productivity.
<b>Charges for the Requisition of Water Mains and Public Sewers</b>			
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 charges only include site specific activities.
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	As above, only site specific charges apply.
25	In relation to Requisition Charges, an undertaker: a) must provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker; and	Compliant	In accordance with Rule 47 and 48 that an upfront fixed charge is not required subject to an alternative method being detailed. See rule 25b.



Rule number	Scheme rule	Are we compliant?	Evidence
	b) may also provide for other alternative methods for calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements.	Compliant	<p>For Water mains, a schedule of fixed charges is offered to the customer, these are applied on a site-specific basis. In some situations, a site will receive a bespoke charge to account for our activities.</p> <p>YWS will not be providing a fixed quote for sewerage due to the variable nature of the function. A bespoke charge based on a study for each scheme will be provided. Developers in most instances construct the sewer in third party land, however they do have the option of a sewer requisition. The number of sewer requisitions are low, generally below 10 per year.</p>
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	Requisition charges will only be site specific and will not include any network enhancement or reinforcement.
27	<p>Any Requisition Charges imposed by an undertaker:</p> <p>a) must relate only to Site Specific Work carried out and costs incurred by the undertaker in order to meet its duties under sections 41(1) or 98(1) of the Water Industry Act 1991; and</p> <p>b) must not relate to work needed or desired to modify or enhance existing network infrastructure in order to address pre-existing deficiencies or to enhance network flexibility, in capacity or capability, unrelated to requirements associated with the requisition.</p>	Compliant	<p>Requisition charges will only be site specific and will not include any network enhancement or reinforcement.</p> <p>Requisition charges will only be site specific and will not include any network enhancement or reinforcement.</p>
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	Suitably sizing a new pipe for further development will not be in the site specific charge, but will be incorporated into the infrastructure charge.
29	Undertakers shall not provide for Income Offsets	Compliant	As mentioned above, the proposed YWS charging arrangement, has been designed to be fully cost reflective, and will remove any Income Offset.

Rule number	Scheme rule	Are we compliant?	Evidence
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**Charges for the Provision of Lateral Drains, the Connection of Water Mains and Communications with Public Sewers and for Ancillary Works**

30	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	Our ‘Charging Arrangements for new connection services’ will be published on the YWS website by the 31 January 2020.
31	In relation to Connection Charges an undertaker:  a) must provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker; and  b) may also provide for other alternative methods for calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements.	Compliant	Fixed charges are provided. With one exception; Sewerage connections: on the very rare occasions (once in the last 17 years) where YWS elect to make the connection, a bespoke charge will be applicable.  A bespoke charging service is detailed in the charges document, based on a site survey bespoke charge.
32	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	Connection charges will only be site specific work.
33	Undertakers shall not provide for Income Offsets in setting Connection Charges.	Compliant	Income Offsets are no longer applicable to YWS.

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

34	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	Adoption charges are detailed within our Charging Arrangements.
35	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	Site specific charges applicable only, no network reinforcement is applied.
36	Any charges imposed by an undertaker in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991:		

Rule number	Scheme rule	Are we compliant?	Evidence
	a) must relate only to Site Specific Work carried out and costs incurred by the undertaker in order to meet its duties under such an agreement; and	Compliant	Site specific charges applicable only.
	b) must not relate to work needed or desired to modify or enhance existing network infrastructure in order to address pre-existing deficiencies, in capacity or capability, unrelated to requirements associated with the agreement.	Compliant	Site specific charges applicable only.
37	Insofar as section 51A agreements are concerned, water undertakers shall not provide for Asset Payments for the adoption of a Water Main.	Compliant	Asset Payments are no longer applicable to YWS. This has levelled the playing field between WaSCs, NAVs and SLPs and made the YWS charging structure much simpler.
38	Insofar as section 104 agreements are concerned, sewerage undertakers may provide for Asset Payments for the adoption of a Sewer.	Compliant	No Asset Payments for sewer adoptions.
39	Where an undertaker provides for Asset Payments in respect of the adoption of a Water Main pursuant to an agreement under section 51A of the Water Industry Act 1991, or the adoption of a Sewer pursuant to an agreement under section 104 of the Water Industry Act 1991, the calculation of any Asset Payment must be equivalent to the methodology applied in calculating an Income Offset applied in respect of Requisition Charges.	Compliant	No Asset Payments will be provided.
40	Undertakers shall not provide for Asset Payments for the adoption of a Communication Pipe or Lateral Drain.	Compliant	No Asset Payments will be provided.

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

41	Each undertaker must set out in its Charging Arrangements its method(s) for calculating the charges imposed by that undertaker pursuant to section 185(5) of the Water Industry Act 1991 (“Diversion Charges”). In relation to Diversion Charges an undertaker:		
	a) may provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker; and	Compliant	Water main diversions will not have a fixed charge, and a bespoke charge will be available. The majority of sewerage diversions are developer led, where a fixed charge will be applicable, however capital diversions will be undertaken by YWS and a bespoke charge applied.
	b) may also provide for other alternative methods of calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements.	Compliant	The charges document details the charging regime for diversions, both fixed and bespoke.

Rule number	Scheme rule	Are we compliant?	Evidence
42	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	The charges document details the charging regime for diversions, both fixed and bespoke.

### Security/Deposit Arrangements

43	An undertaker is allowed to require security prior to commencing work, whether in the form of a sum deposited with the undertaker or otherwise:		
	a) under section 42(1)(b), 47(2)(a), 99(1)(b), 101B(3A), 107(3)(b)(ii) or 185(4); or	Compliant	Developers may be required to provide a cash bond or surety. The charges document details when it is required.
	b) for the purposes of any charges imposed under an agreement under section 51A or section 104 of the Water Industry Act 1991.	Compliant	Developers will be required to provide a cash bond or surety. The charges document details when it is required, and when interest is applicable at time of repayment.
44	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	We confirm that the type and amount of security is consistent with national guidance, as follows; a) 100% security for a sewer diversion until beneficially completed and security reduced to 10% for 12 months maintenance period and b) sewer adoption 10% security required.
45	The undertaker must clearly set out requirements for security in relation to any charges to be applied in its Charging Arrangements.	Compliant	Amounts detailed in the charges document.

### Exception from requirements to provide upfront Fixed Charges

46	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	See Rule 25.
47	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	Our 'Charging Arrangements for new connection services' will be published on the YWS website by the 31 January 2020. Detailed in the document.

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