New developments data request - Narrative

1.1 Table commentary

We have completed the data request using our updated projections for AMP 7 following the Draft Determination. We have reduced our connections forecast from 40,109 to 30,000 over the period which we have evenly phased across the period. We have calculated costs by pro-rating our April resubmission down on the revised number of connections and then applying a 6% efficiency as set out in Ofwat's 'Supplementary information for all companies – Grants and contributions' note circulated on the 13 August. We set this out in more detail in Chapter 3 of our representation submission.

In the time available and with the template being re-issued on the 20 August, the submission has been peer reviewed with specific focus on consistency with other parts of our representation.

1.1.1 Block A1/A2 – Diversions expenditure

Line	Title	Commentary
1/5	s185	We averaged the historic split of works between s185 and NRSWA between 2013-2019 to give 49% and 51% respectively. We then applied this percentage split to our diversions expenditure projections.
2/6	NRSWA	As above
3/7	Other non-s185	We have no diversions in this category. We have removed HS2 due to the increasing uncertainty surrounding the project. It is also possible that if it were it to go ahead, we may choose to sub contract out the work.
4	Total diversions	Ofwat calculation- sum of lines 1-3

1.1.2 Block B - Connections volume data –water

Line	Title	Commentary
9	New connections (residential)	Historical new connections data for residential and business customers is taken directly from APRs or previous cost data submissions. As detailed in section 3 of our main submission, we have reviewed Ofwat's adjusted growth forecast and submitted our tables based on 30,000 new connections with flat phasing across the period.
10	New connections (business - excluding NAV connection)	As above
11	Total new connections served by incumbent	Ofwat calculation - sum of line 9 and 10
12	New bulk supply connections into NAV sites	We have one active NAV site in the Cambridge region (Anglian Water) connected via 1 bulk metered supply in 2018-19. Although we have had other enquiries from NAVs about future bulk supply connections but as yet none have been confirmed. Hence, we have not forecast any new NAV connections which is consistent with our original Business Plan submission.
13	Total new connections	Ofwat calculation - sum of line 11 and 12
14	New connections where self-lay providers/developers	The split of connections between self-lay and company are available from 2014-15. For prior years we have taken an historical proportion from 2014-

	a significant proportion of contestable activity (more than 75% of contestable activity)	15 to 2018-19. We have forecast that self-lay will complete 28.5% of our total connections over the next five years.
15	New connections where self-lay providers/developers will undertake some contestable activity (25% to 75% of contestable activity)	We do not analyse our self-lay connections between all contestable activity and some contestable activity. There is an option for self-lay providers to install the main but request that we carry out the service connections. However, based on historical precedent, this is extremely unlikely in our supply area. Therefore we think it is reasonable to assume that there are no cases where self-lay carry out between 25% and 75% of the work and that for a particular development, either we undertake all the majority of the work or the SLP does.
16	New connections where self-lay providers/developers will undertake little to no contestable activity (less than 25% of contestable activity)	This includes all connections where we carry out all the work.
17	Total new connections (excluding NAVs)	Ofwat calculation - sum of lines 14 to 16

1.1.3 Block C - Properties volume data –water

Line	Title	Commentary
18	New properties (residential)	In our business plan we had assumed that the number of connections is the same as the number of new billed properties each year as the number of connections with multiple properties is small. We did not collate this data historically so we have therefore sample tested by reviewing the number of billed properties for 2018-19 to the number of connections in the South Staffs region and assumed that this percentage would be consistent with our Cambridge region. This shows we have 3.2% more billed properties than connections. We have applied this to the block B figures for all years on a consistent basis.
19	New properties (business)	See above
20	Total new properties served by incumbent	Ofwat calculation - sum of lines 18 and 19
21	New properties on NAV sites (residential)	We do not have visibility of NAV connected properties. In the NAV contract we have with Anglian Water it states there will be 1500 properties on the site. We have assumed these to have been completed over a three-year period (2017/18-2019/20) with even phasing. As explained above we have not forecast any new NAV connections due to uncertainty in this area.
22	New properties on NAV sites (business)	See above
23	Total new properties supplied on NAV sites	Ofwat calculation - sum of line 21 and 22
24	Total new properties	Ofwat calculation - sum of line 20 and 23
25	New properties where self-lay	We have applied the 3.2% adjustment to line 14.

	providers/developers will undertake a significant proportion of contestable activity (more than 75% of contestable activity)	
26	New properties where self-lay providers/developers will undertake some contestable activity (25% to 75% of contestable activity)	This definition does not apply to any of our new connections (see line 15 commentary).
27	New properties where self-lay providers/developers will undertake little to no contestable activity (less than 25% of contestable activity)	We have applied the 3.2% adjustment to line 16.
28	Total new properties served by incumbent	Ofwat calculation - sum of line 25 to 27

1.1.4 Block D – Total cost of contestable activity

Line	Title	Commentary
29	Total direct costs of contestable activities for new connections where self-lay providers/developers will undertake a significant proportion of contestable activity (more than 75% of contestable activity)	We have assumed that self-lay complete all the work (see line 14-16 commentary). Hence we do not have any direct costs when this is the case.
30	Total direct costs of contestable activities for new connections where self-lay providers/developers will undertake some contestable activity (25% to 75% of contestable activity)	This definition does not apply to any of our new connections (see line 15 commentary).
31	Total direct costs of contestable activities for new connections where self-lay providers/developers will undertake little to no contestable activity	This is equal to the cost of the connections and the requisitions cost. Consistent with lines 14-16, we have assumed we do all the work in these cases. This line excludes network re-enforcement costs of £9.872m which are non-contestable.

	(less than 25% of contestable activity)	
32	Asset value payments for new connections where self-lay providers/developers a significant proportion of contestable activity (more than 75% of contestable activity)	Historic data has been taken from previous APR and cost assessment tables. In line with new charging rules, there are no asset value payments from 2020. These are shown as an income offset in line 38 and netted down against infrastructure charges in line 36.
33	Asset value payments for new connections where self-lay providers/developers will undertake some contestable activity (25% to 75% of contestable activity)	This definition does not apply to any of our new connections (see line 15 commentary).
34	Asset value payments for new connections where self-lay providers/developers will undertake little to no contestable activity (less than 25% of contestable activity)	Due to the above assumption, all our asset value payments relate to SLPs undertaking all the work. Therefore, the total amount of asset value payments is shown in line 32.
35	Total cost of contestable activities (excluding NAVs)	Ofwat calculation - sum of lines 47-52

1.1.5 Block E – App 28 Data

Line	Title	Commentary
36	Infrastructure charge receipts (s146)	For historic years we have used information reported in our APR. For the additional years 2011/12-2014/15, we have taken the data from our regulatory accounts tables. We have summed together Cambridge and South Staffs figures for pre-merger years. From 2020 onwards, we have taken the costs of network reinforcement and applied income offset allowances as shown in line 38. Therefore, our latest projected network reinforcement costs (£9.872m for the period) can be derived by adding lines 36 and 38.
37	Requisitioned mains (s43, s55 & s56)	For historic years from 2015-16 we have used information reported in our APR. We did not record this data for prior years so we have calculated contributions as a proportion of costs for AMP 6 (29%) and applied this average to historic cost data to calculate the contributions for 2011/12-2014-15.
38	Total value of income offset allowances	This data has not been recorded historically so for the years 2011/12-2019/20 we have used the theoretical assumption that income offset should equal requisition costs less requisition mains contributions plus self-lay asset payments.