PR24

NORTHUMBRIAN WATER living water | ESSEX&SUFFOLK WATER living water

DEVELOPER SERVICES TABLE COMMENTARY

NES_COM8

1. DS1E

Assumptions used to complete the table:

The majority of the data is derived from APR table 2E (Diversion, connection, requisition revenue) for both water and wastewater.

RAG: Green

Confidence Grade: B2

Explanation of what services and activities are included in DS1e.5, DS1e.13, DS1e.19, and DS1e.27:

Activities recorded under DS1e.5/DS1e.13 (Other developer services revenue (price control)) are classified according to RAG Appendix 1 definitions and consistent with revenue reported in APR line 2E.13.

Activities recorded under DS1e.19/DS1e.27 (Other developer service revenue (non-price control)) are classified according to RAG Appendix 1 definitions and consistent with revenue reported in APR line 2E.19.

How our forecast developer services revenue aligns with our developer services charges:

We have predicted a slight reduction in developer services revenue around requisitions, diversions and connections activity. Charges are calculated based on analysis of past activity as well as analysis of direct cost impacts such as contractor rates, labour costs, material costs etc. Charges calculations take into account changes in the level of activity performed by NWG as an incumbent as well as these other factors to ensure charges remain reflective.

2. DS2E

An explanation of any assumptions made to complete the table, and an indication of the confidence in the data provided:

Infrastructure network reinforcement expenditure is aligned with APR 2K.1. New connections expenditure is derived from APR line 2E.9. Requisition main expenditure is derived from 4N.2.

How our forecast developer services revenue aligns with our developer services charges:

Infrastructure charges are set based on a calculation of expected infrastructure network reinforcement costs on a 5-year rolling basis.

3. DS4

An explanation of any material year-on-year variations in developer services activity:

Lines DS4.1-11: PR24 forecasts are derived from the WRMP24 demand forecast under a PR24 Business Plan Scenario. For water customers the WRMP base year forecast is 2021/22 and for wastewater customers base year forecast is 2022/23. Any step changes seen in the first year of the forecast due to the 2022/23 APR being different to those forecasted for 2022/23.

New property growth: The property forecasts include new properties (growth) from our WRMP24 forecast. Our property and population growth forecasts are different between the WRMP24 and the PR24 Business Plan. This is to follow the separate guideline requirements for the WRMP and the Business Plan with regards to population and property forecasting. All other inputs in the demand forecast are the same as WRMP24. However, the difference in the population and property growth forecasts results in a different demand forecast.

For the PR24 Business Plan an ONS trend population and property growth scenario has been selected in line with PR24 guidance. We have selected a ONS 2018 scenario with medium growth. This is an ONS 2018-based Principal sub-national projection (SNPP) using updated mid-year estimates from 2021 Census data, with a five-year history (2013–2018) to derive local fertility and mortality assumptions and a medium long-term UK net international migration assumption of +150k p.a. for the UK in total.

For the WRMP24 guidance requires plans to be underpinned by evidence on Local Plan housing growth for those Local Planning Authorities (LPA). The Housing Plan scenario is a housing-led scenario, with growth underpinned by each local authority's Local Plan housing growth trajectory. Following the final year of local authority data, projected housing growth in non-London areas returns to the ONS-14 & ONS-16 long-term annual growth average by 2050. For London Boroughs, housing growth returns to the GLA Central scenario long-term annual average by 2050.

Most current adopted local authority housing plans end around 2030 in our region. Therefore, until 2030 new property numbers jump up and down year on year as this is the exact planned growth in specific years as detailed in the local plan. From around 2030 onwards when the local plans finish forecasted property growth uses historic averages.

NAVs are increasing within our supply area and the majority (95%) of NAV's are for new housing developments within specific areas. We have created a population and property forecast for each NAV using the data we from all appointee's draft WRMP24 about the NAV's they serve. This included data on the number of premises (both HH and NHH) and the expected year of build. We are currently only aware of new NAVs within the next 5 years, beyond this point NAV numbers decrease as we assume all new property growth will still be our customers to ensure we have accounted for their demand.

An explanation of any assumptions made to complete the table:

Lines DS4.1-11: data derived from our WRMP24 demand forecast under a PR24 Business Plan growth scenario. Start year 2021/22 for forecasts. APR data included for 2022/23.

Please refer to WRMP24 Technical Reports: NW Demand Forecast WRMP24 Revised draft Technical Report and ESW Demand Forecast Revised WRMP24 Technical Report for more detailed information on how we have forecast the new property growth.

It is assumed new connections will be the same as new properties as we have no reason to believe this will be different.

We are currently only aware of new NAVs within the next 5 years, beyond this point NAV numbers decrease as we assume all new property growth will be our customers to ensure we have accounted for their demand in WRMP24.

4. DS5

Network reinforcement costs are expected to increase from 2024/25 onwards, linked to the need for further investment across water and waste in both our Northumbrian and Essex & Suffolk operating areas. In line with our infrastructure charges strategy, we expect costs to increase over the next 2-3 years, with further, more gradual increases over the rest of the reporting period. We will continue to assess investment needs and adjust our infrastructure charge level and spending plans accordingly.

5. DS6

The number of new water pumping stations was derived from previously submitted APR data for 21/22 & 22/23 with the change representing the number of new pumping stations:

6B.20: Total number of potable water pumping stations that pump into and within the treated water distribution system.

The number of upsized pumping stations was derived from our ‘Average Pumping Head 2022’ & ‘Average Pumping Head 2023’ spreadsheets. The kw output of pumping stations is recorded as of the 31st of March each year and this data was used to identify stations that had increased in output over the reporting period.

The total additional pumping capacity installed was derived from data submitted for APR 21/22,22/23 (6B.1) representing the increased potable water pumping capacity installed for the period.

The number of new wastewater network pumping stations is derived from the change in value for line 7C.4 of APR 21/22 & 22,23 (number of network pumping stations).

The number of upsized pumping stations was derived from the ‘Wastewater Investment - network reinforcement Ofwat data request 2017 to 2022’ data sheet. This was filtered to include sewage pumping station upgrades with a commissioned status and completed within the 22-23 reporting period.

The increase in capacity was derived from APR line 7C.3 for 21/22 & 22/23 representing the increase in pumping station capacity.

Forecasted figures are based on the number of new connections forecasted in DS4. The % change in new connections is used to forecast the % change in additional capacity upgrades/new pumping stations.