

Developer Services PR24 data tables commentary

PR24 Draft Determination Representations – August 2024



Developer Services PR24 Data Table Commentary

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Overview of changes to Developer Services tables

We have updated our data tables to reflect our Draft Determination Representations in accordance with Ofwat requirements, including updating 2023-24 forecasts with actuals for both APR aligned and non-APR aligned data.

We have provided commentary on material changes made to the data in the tables. Please refer to our original data table commentary (ANH07 to ANH18) if more information is required.

We have made changes to the following Developer Services tables since submitting the version of our data tables that our Draft Determination is based on (ANH03 Data tables - March 2024 update). Please see the Change Log in ANH_DD_004 - v7 Main data tables for a more detailed summary and the individual tables themselves for changes in red font:

- DS1e
- DS2e
- DS3
- DS4
- DS5
- DS6

Developer Services Summary

Developer Services Summary

We have updated our tables in response to the Draft Determination (DD), including responding to the additional Developer Services tables (ADD11 & ADD13) to show pre-adjustment data as well as updating 2023-24 (AMP7 Year 4 data) in line with our APR return.

Since our October business plan submission, the new government have placed growing the economy and building more homes at the centre of their ambition. The government has already intervened to introduce mandatory housing targets, as well as a range of planning reforms to accelerate housing delivery.

While the impacts of inflation, rising interest rates and effectiveness of these reforms continue to create volatility in the development sector, a review of our business plan has demonstrated that for developer costs this new context creates a heightened risk of investment keeping pace with the needs of developer customers. This risk is compounded by the removal of the Developer Services Reconciliation Mechanism (DSRA) and the challenges this brings with ensuring sufficient revenue for those services that will remain within the price control, requires our plan to carefully balance predicted growth with managing risk to our network.

To address this heightened risk, as set out in our DD representations, we have sought a cost adjustment claim for network reinforcement costs that are within the price control. Alongside the cost adjustment claim, following the additional flexibility provided by onsite costs being removed from the price control, we have based our investment costs on an Office for National Statistics Hybrid (ONS+) Household forecast (based on 2018 Household projections). This forecast uses a blend of ONS household data supplemented with high likelihood growth from local authority local plans using our Edge consultancy data . It represents an upward change that is in keeping with our trend on new connections in AMP7. This approach is considered to be low risk for customers. If connections reduce from the AMP7 trend developer charges will be amended accordingly, although we don't expect this is likely due to the government intentions for housing growth.

DS1e - Developer services revenue (English companies)

The data provided in table DS1e of the PR24 data tables represents the Developer Services revenue collected in Years 3 & 4 (2022-23 & 2023-24) of AMP7 as reported in table 2E from our APR submissions and a forecast of the expected revenue we will collect in the remaining year of AMP7 and the full 5 years of AMP8. The base year used for our data is 2022-23 and all AMP8 data is inclusive of frontier shift and real price effect adjustments according to the expenditure tables. This is with the exception of the data for diversions/third party services linked to tables CW11 and CWW11 and the asset payment lines which are pre-adjusted figures.

DS2e Developer services expenditure - water (English companies)

The data provided in table DS2e of the PR24 data tables represents the Developer Services water expenditure reported in Years 3 & 4 (2022-23 & 2023-24) of AMP7, reflected in table 4N from our APR submissions, a forecast of the expected expenditure we will incur in the remaining year of AMP7 and the full 5 years of AMP8. The base year used for our data is 2022-23 and all AMP8 data is inclusive of frontier shift and real price effect adjustments with exception of asset payment data which is exclusive of these adjustments.

Water developer services expenditure (excluding diversions)- price control Lines 2e.1 - 2e.2

DS2e.1 - Water Infrastructure Network Reinforcement

Our modelling was carried out using a dataset based on local authority growth forecasts sourced from Glenigan Limited & Edge, who we have used for a number of years to provide insight and market analysis information. We used this data and overlaid an ONS+ growth projection to determine a final dataset that we used to create investments for our PR24 business plan.

DS2e.2 - Water Asset Payments (Capex & Opex)

The data in this section relates to our expected residual asset payment profile, across AMP8, for legacy schemes that started prior to 2020. The data here includes any payments due to developers as well as the capitalisation of assets installed during this period.

DS3 Developer services expenditure - wastewater (English and Welsh companies)

The data provided in table DS3 of the PR24 data tables represents the Developer Services Wastewater expenditure reported in Years 3 & 4 (2022-23 & 2024-25) of AMP7, reflected in table 4O from our APR submissions, a forecast of the expected expenditure we will incur in the remaining year of AMP7 and the full 5 years of AMP8. The base year used for our data is 2022-23 and all AMP8 data is inclusive of frontier shift and real price effect adjustments with exception of asset payment data which is exclusive of these adjustments.

Wastewater developer services expenditure (excluding diversions) -price control. Lines 3.14 - 3.15

DS3.14-15 - Wastewater Asset Payments (Capex & Opex)

The data in this section relates to our expected residual asset payment profile, across AMP8, for legacy schemes that started prior to 2020. The data here includes any payments due to developers as well as the capitalisation of assets installed during this period.

DS4 Developer services - New connections, properties and mains

The data populated as part of table DS4 relates to our actual and forecast growth data. Years 3 & 4 (2022-23 & 2023-24) of AMP7 is in line with data reported as part of table 4Q of our APR submissions. The final two years of AMP7 are based on our AMP7 forecast. Our AMP8 data has been forecast based on an ONS+ level of growth for total new properties in our region.

DS5 Network reinforcement costs

The data in this table relates to network reinforcement costs for both water and wastewater activities. The data reported for AMP7 Years 3 & 4 (2022-23 & 2023-24) aligns with table 2J from our reported data from our APR submissions. The remaining two years of AMP7 relate to our forecast expenditure as per our growth forecast shown in table DS4. Our AMP8 data all relates to our expenditure as indicated in tables DS2e.1 and DS3.1 which reflects an ONS+ forecast as shown in table DS4. The base year used for our data is 2022-23 and all AMP8 data is inclusive of frontier shift and real price effect adjustment.

DS6 Network reinforcement drivers - potable mains, sewers, pumping stations and pumping capacity

Our AMP8 data is based on an ONS+ forecast, as documented in table DS4.



Anglian Water Services Limited

Lancaster House
Lancaster Way
Ermine Business Park
Huntingdon
Cambridgeshire
PE29 6XU

anglianwater.co.uk