

6 Financial Contribution

6.1 Introduction

It is intended that the capital costs of the works proposed in the Water Cycle will be met by AWS, through their Asset Management Plan (AMP – see 6.2.1. below). However, other options for financial contribution from developers is to be assessed, particularly for flood risk.

6.2 Means of Contribution

6.2.1 Anglian Water Services

Anglian Water have provided the following comment in relation to the provision of funding contribution for additional infrastructure within the Study Area:

“Anglian Water Services Limited is appointed as the water and sewerage undertaker for the Anglian region, by virtue of an appointment made under the Water Industry Act 1991. Anglian Water Services Limited is a wholly owned subsidiary of AWG plc. The principal duties of a water and sewerage undertaker are set out in that legislation. Section 37 places a duty upon a water undertaker to develop and maintain an efficient and economical system of water supply within its area and to ensure that all such arrangements have been made for providing supplies of water to premises in that area, for making such supplies available to persons who demand them and for maintaining, improving and extending the undertaker’s water mains and other pipes. In addition to the other more specific duties placed upon water undertakers regarding the provision of a public water supply, Section 93A imposes an additional duty on the water undertaker to promote the efficient use of water by its customers. Section 94 places a duty upon a sewerage undertaker to provide, improve and extend a system of public sewers to ensure that its area is effectually drained and the contents of those sewers effectually dealt with. In doing so, it must also make provision for trade effluent.

Strategic development of water resources, distribution networks and sewerage provision is determined in five yearly investment programmes, subject to the approval of the economic regulator, OFWAT. The investment programme is based on the selection of a least-cost plan of options to help meet any imbalances in supply and demand that may be forecast. Anglian Water’s supply demand forecast covers a thirty-year horizon, and informs its short, medium and long-term strategic regional plans. A digest of the current Water Resources Plan can be downloaded from Anglian Water’s website at (<http://www.anglianwater.co.uk>). As part of the water industry management process Anglian Water is required to develop an Asset Management Plan (AMP), which is reviewed with the economic regulator (OFWAT) and used to determine the customer bill limits and thus the level of capital investment over successive five-year periods. This is a robust and well-rehearsed funding mechanism that has been completed for the period 2005-2010 and the next review is proposed for 2009. Setting aside the necessity to secure permissions from planning authorities and environmental regulators, significant changes to water or wastewater infrastructure mid-AMP period, particularly those outside the current price setting mechanism, will need to be agreed with the economic regulator. The investments to serve large-scale, long-term investments should ideally be incorporated into

future Periodic Review cycles and ensure that there is input into any review of the Plan as indicated the East of England Plan (RSS14). The next effective opportunity is the Asset Management Plan submitted to OFWAT in mid-2009.”

From December 2005, non-household customers who are likely to be supplied with at least 50 mega litres of water per year at their premises are now able to benefit from a new Water Supply Licensing mechanism. If eligible, they may be able to choose their water supplier from a range of new companies entering the market. The Water Supply Licensing mechanism enables new companies to supply water once OFWAT has granted them a licence. These companies can compete in two ways:

- By developing their own water source and using the supply systems of appointed water companies (such as AWS) to supply water to customers' premises. This would be carried out under the combined water supply licence; or
- By buying water 'wholesale' from appointed water companies (such as AWS) and selling it on to customers. This would be done under a retail water supply licence.

6.2.2 Developer

The costs involved with undertaking the Water Cycle Study (Stage 1 and 2) and implementing it (Stage 3) can be, in part, shared by developers. Developers can be included into the financial contribution in two ways:

Stage 1 & 2 - Stakeholder Participation

In developing other Water Cycle Studies, property developers have been incorporated into the stakeholder group to provide an input into the direction of the study. In so doing, the developers who are involved would be best placed to undertake the recommendations from Stage 2 of the Water Cycle Study, and ensure that these are incorporated into the design of the developments.

Stage 3 – Infrastructure Funding

Developers may also contribute to the capital works of infrastructure required within the Water Cycle Study. Although this would not apply to wastewater or water supply infrastructure (as this is regulated by the Water Companies through OFWAT) it would include funding for the following:

- Required new flood defence works;
- Required upgrading of existing flood defence works;
- Maintenance of watercourse with known flood related problems;
- Contributions to large scale flood attenuation facilities

Whilst developers cannot contribute directly to the funding of water and wastewater infrastructure, developers can at least contribute to minimizing the capital cost of such infrastructure. It can be seen from the assessment of whether existing infrastructure is adequate that two key variables are water consumption per capita and the percentage of clean

water supplied that is returned to drain. To a large extent developers can be encouraged to reduce these through initiatives such as grey water recycling, having developments with less impermeable surfaces, specifying higher quality materials for pipework etc. By way of example if the percentage return to sewer can be reduced from 90% to 75%, the number of additional properties that can be accommodated per 1m³/d headroom at an existing sewage treatment works is 0.8. If reducing the infiltration of ground water into drains supports the reduction in percentage return to drain by using higher quality drain pipes, the number of additional properties that can be supported per 1m³/d headroom at the same STW can be further increased.

A further option would be for the private developer to contribute funding into a STW. Negotiations between the developer and AWS will need to be undertaken.

6.2.3 Cost Apportionment Mechanism

The contributions for each of the development is likely to be subject to apportioning of funds to the scheme and is likely to be based in the benefits that each of the infrastructure works will have on the developments. This will be subject to further investigation in Stage 2.