

Application Pack 2

Dŵr Cymru Welsh Water's Guidance on how to apply to Requisition Water Mains and Services July 2015

This guidance applies where a developer decides to requisition water mains and services infrastructure from Dŵr Cymru Welsh Water.

This guidance is to be read in conjunction with Dŵr Cymru Welsh Water's Policy on Security Requirements in relation to Self-Lay and Requisition available on our website [at this link](#).

This guidance should also be read in conjunction with the provisions of the Water Industry Act 1991 (WIA91) (which take precedence over this guidance).

If you wish to self-lay the water mains please refer to Application Pack 3 – Dŵr Cymru Welsh Water's Guidance on how to apply to Self-lay Water Mains and Services available on Welsh Water's website [at this link](#).

We recommend that you read this guidance in full before making an application.

Introduction

A developer has two options as to how to construct clean water mains and service pipes:

- Self-lay: where a developer elects to design and construct water mains itself, or nominates a Self-Lay Organisation (SLO) to do so on its behalf; or
- Requisition: where a developer elects for Welsh Water to design and construct the water mains on behalf of the developer.

This guidance applies where the developer has decided to requisition, and explains what you need to do if you decide to requisition.

As the statutory water and sewerage undertaker, Welsh Water has a duty under sections 41–44 of the WIA91 to comply with a Requisition Notice (Notice) served on it for the provision of a new water main and/or associated apparatus, which is required for domestic purposes only.

Two main reasons exist for a person(s) exercising their rights to serve a Notice:

- Where a person(s) wishes Welsh Water to lay water mains in private land (by serving a Notice under section 159 of the WIA91) to connect with an existing public water main;
- Where, as a consequence of the provision of a new water main, reinforcement of the existing water network is required to ensure that the development, and the local area, has an effectual water supply (section 37 of the WIA91).

The requisition process is managed by Welsh Water on a staged basis which is set out in this guidance. Welsh Water will design, construct and commission the water main and any other associated apparatus.

Under the provisions of the WIA91, we are entitled to recover the costs we reasonably incur in providing a requisitioned scheme. This includes, among other things, the costs of design, labour, plant, materials, reinstatement, land purchase (if applicable), compensation, and quality testing, inspection, supervision, administration and overhead costs.

Depending on the circumstances, Welsh Water may require a surety in accordance with Dŵr Cymru Welsh Water's Policy on Security Requirements in relation to Self-lay and Requisition which is available on our website [at this link](#).

In addition, in accordance with section 43 (4) (a) of the WIA91 requisitioning charges may include any costs reasonably incurred in providing any other water main, tanks, service reservoirs and/or pumping stations etc, if necessary to provide as a consequence of the provision of the new water main. These charges are known as network reinforcement charges.

We may also, under section 43 (4) (b) of the WIA91, charge a reasonable proportion of the costs that Welsh Water incurred in providing additional capacity in the relevant water network under a previous requisition within the preceding 12 years as we explain in more detail below.

Whilst improvements to water treatment works cannot form part of a requisition, Welsh Water may consider entering a commercial arrangement with a developer for the provision of water treatment works capacity.

1. General Requirements

This guidance outlines the process to be followed if you want to requisition the construction of water mains from Welsh Water.

A developer who requires the provision of a water main will have the choice of two payment mechanisms:

- The Relevant Deficit Option (known as the RD); or
- The Discounted Aggregate Deficit Option (known as the DAD).

These two different options are explained in more detail in Stage C – Offer and Acceptance, and also in Dŵr Cymru Welsh Water's Policy on Security Requirements in relation to Self-lay and Requisition.

Welsh Water is required to provide you with the requisitioned water main within 3 months of the day when the requisition agreement is completed and signed by the parties (and the DAD is paid in full) unless agreed otherwise. We will inform you should we require an extension of this period.

Statutory Notice periods will apply where we are required to lay water mains in a highway or private land and these periods will be included in our estimated programme of works.

Once the requisitioned water main is constructed and commissioned, the water main and any associated assets will automatically vest in Welsh Water.

You will need to make a separate application to connect with the requisitioned water main by completing and returning Dŵr Cymru Welsh Water's Application Pack 1 – *“How to apply for a new connection to a water main”*, for which other charges will be applicable.

Where Welsh Water proposes to construct water mains in land owned by third parties, we will obtain the rights to access, maintain and repair those mains. In the case of assets other than mains, (e.g. pumping stations, service reservoirs etc.) we will also obtain ownership of the land the assets occupy.

Please note that we do not have statutory powers to serve Land Entry Notices on certain types of landowners e.g. Crown Land and this may cause a delay.

2. The Requisition Process

The steps in the requisition process are:

- Stage A - Making your Application
- Stage B - Detailed Scheme Solution (DSS)
- Stage C - Offer and Acceptance
- Stage D - Construction
- Stage E - Final Account

We will manage each of the above stages and at the end of each stage we will discuss the recommendations with you and agree how you wish to proceed. Should you not progress with the scheme within 3 months of the end of any stage between A and C, the application will be archived and you will be required to pay all of our costs.

In the event that you re-activate the same scheme after it has been archived, you may incur our additional costs for reviewing and updating the scheme.

You are able to terminate the process at any time for stages A to C unless you have formally accepted the offer in Stage C.

Stage A - Making your Application

The requisition process starts by you giving us notice that you require a water main. This must be done by completing the Notice which is included as part of the application form, either by sending it to us on line [at this link](#) or by post to the address below.

You may also be asked to provide the following information:

- A completed application form (which is available to complete on line [at this link](#));
- Proof of land-ownership, legal occupancy or option to buy;
- Planning Approval, including conditions (if not available at the time of application, this must be provided before we can issue the offer);
- Location Plan showing the site boundary (scale 1:2500);
- Detailed site layout (scale 1:500 – our preference is for this to be provided electronically in CAD format);
- Site Geo-technical Report;
- Plan of area to be adopted by the Highway Authority; and
- Upfront payment of £2,000 (inc VAT). This upfront payment will finance the administration of your application and the preparation of the DSS proposal.

If you require any further assistance please contact us at:-

Dŵr Cymru Welsh Water
Developer Services
PO Box 3146
St Mellons
Cardiff
CF30 0EH

Tel: 0800 9172652

Fax: 02920 740472

E-mail: developer.services@dwrcymru.com

Upon receipt of the application form and any supporting information and upfront payment we will check the documents, and contact you should any further information be required.

Stage A will conclude with us sending you a proposal which will include the costs of carrying out the DSS and a programme for the completion of the DSS. A meeting will be held with you if necessary to discuss your scheme in detail.

To progress the DSS you should forward payment for the cost outlined in the proposal together with any requested information. The payment will be subject to standard rate VAT, you can pay the fee on line, or provide payment in the form of a cheque.

Stage B – Detailed Scheme Solution (DSS)

The purpose of the DSS is to undertake the detailed design of the scheme and when it is completed to prepare the total estimated cost of the scheme.

The DSS stage may include among other things the following activities:

- Data collection and review
- Initial surveys
- Hydraulic modelling to ensure that we provide the most efficient solution
- Consultation with stakeholders (e.g. Local Authorities, Highway Authorities, Natural Resources Wales, Countryside Council for Wales etc)
- Specialist surveys
- Obtaining detailed utility company information
- Land ownership enquiries
- Assess costs for obtaining any necessary planning permissions and/or other consents
- Public relations

On completion of this stage we will provide you with the detailed design report which will include a programme and the total estimated scheme cost which will form the basis of the requisition offer to you. You will have already submitted a Build Programme as part of the application in order to provide us with current information about the development which is required for the requisition offer.

Stage C – Offer and Acceptance

We will review and assess the information provided by you and then issue you an offer letter, in which we will detail the 2 funding options available as set out in the WIA91 and the financial amounts for both.

The 2 funding options are:

- 1) Relevant Deficit Option (RD)

With the RD option, based on the estimated scheme cost, we calculate the guaranteed annual amount required to be received every year for 12 years to enable Welsh Water to recover the capital and loan cost of providing the water main. In general, the 12 year period will commence on the commissioning date of the water main. You will be required to enter an agreement which will require you to reimburse Welsh Water annually over the 12 year period any shortfall between the guaranteed annual amount and the revenue received from the relevant water charges from the development in that year. Any shortfall at the end of the 12 year period will become due to Welsh Water. Before we commence work, Welsh Water requires the developer to provide a security in the form of a bond in accordance with Dŵr Cymru Welsh Water's Policy on Security Requirements in relation to Self-lay and Requisition. Should you not pay the shortfall amount in any of the 12 years then Welsh Water shall call on the bond for reimbursement of the relevant amount.

The developer shall pay the cost of preparing the agreement.

On completion of the agreement any payments made since the Notice was served will be refunded to you. Until the agreement is signed by both parties, Welsh Water is unable to issue land entry notices or to commence the scheme.

The security amount will start off as being the total estimated construction costs including financing costs (plus a 10% contingency) over the 12 year period, and will reduce on an annual basis over the 12 years as revenue for the new development starts to be received by Welsh Water. At the end of the 12 year period, or once the revenue received from the water charges exceeds the total guaranteed amount, Welsh Water shall confirm that the surety is no longer required and the bond can be cancelled.

2) Discounted Aggregate Deficit Option (DAD)

The DAD is calculated by offsetting the estimated future revenue based on occupancy that Welsh Water shall receive from the development's water charges over a 12 year period against the total cost of providing the scheme (including the financing costs). Before we commence work, Welsh Water requires the developer to provide a security payment in the sum of the estimated DAD in accordance with Dŵr Cymru Welsh Water's policy on security requirements in relation to self-lay and requisition. Welsh Water holds the estimated DAD until the construction is complete. On completion, we recalculate the DAD using the final cost data and either refunds the developer the difference, or requests an additional payment. Interest is also payable on the security payment held by Welsh Water and this will be taken into account during the preparation of the final account and reconciliation.

Stage D- Construction

Following the signing of the agreement by both parties Welsh Water shall proceed with the construction work, or where required issue any relevant notices etc.

The start of work on site will be subject to:

- a) Serving notice on landowner(s) in order to enter upon any private land
- b) Obtaining Highway Authority permission to work in the public highway
- c) Lead in times.

You should make due allowance in your programme for us to deal with these issues.

We will advise you of any significant changes to the cost or programme as the scheme progresses. At the end of the construction period, we will inform you when the water main has been commissioned and is available for use.

You will need to make a separate application to connect to the new water main by completing and submitting Application Pack 1 - *'Connection to a Water Main'*, for which other charges will be applicable.

Stage E- Final Account

Approximately 3 months following commissioning of the water main, Welsh Water shall calculate the actual scheme costs and recalculate the financial element of your chosen option.

If we have served land entry notices on owners of private land as part of the requisition then it should be noted that landowners have up to 6 years in which to lodge their claims for compensation and up to 10 years for loss of development value. Accordingly, and where appropriate, we will include a provisional sum in the actual scheme costs and adjust as necessary on settlement of the claims.

If the RD option was chosen then a revision to the guaranteed annual amount will be required. If any VAT/interest is due, this will be taken into account in assessing the security requirements.

If the DAD option was chosen, then in the calculation along with the actual costs, we will also include the projected income from the relevant water charges that we will

receive based on a re-assessment of the occupancy levels of the development over the 12 year period. This may require a further payment from you or a refund to you. In addition, any payments made since the formal Notice was served will be taken into consideration at this stage.

VAT

Depending on the nature of the project, VAT may be added to the whole or part of the charges arising from the RD or DAD options.

Reinforcement work

Where the requisitioned main serves a wholly new domestic development Welsh Water shall zero rate its charges for construction work, unless we find it necessary to upgrade existing pipe-work or other assets (e.g. pumping stations) to facilitate the development. In this case, Welsh Water is required to charge standard rate VAT only in respect of the engineering work performed to upgrade existing assets.

Mixed developments

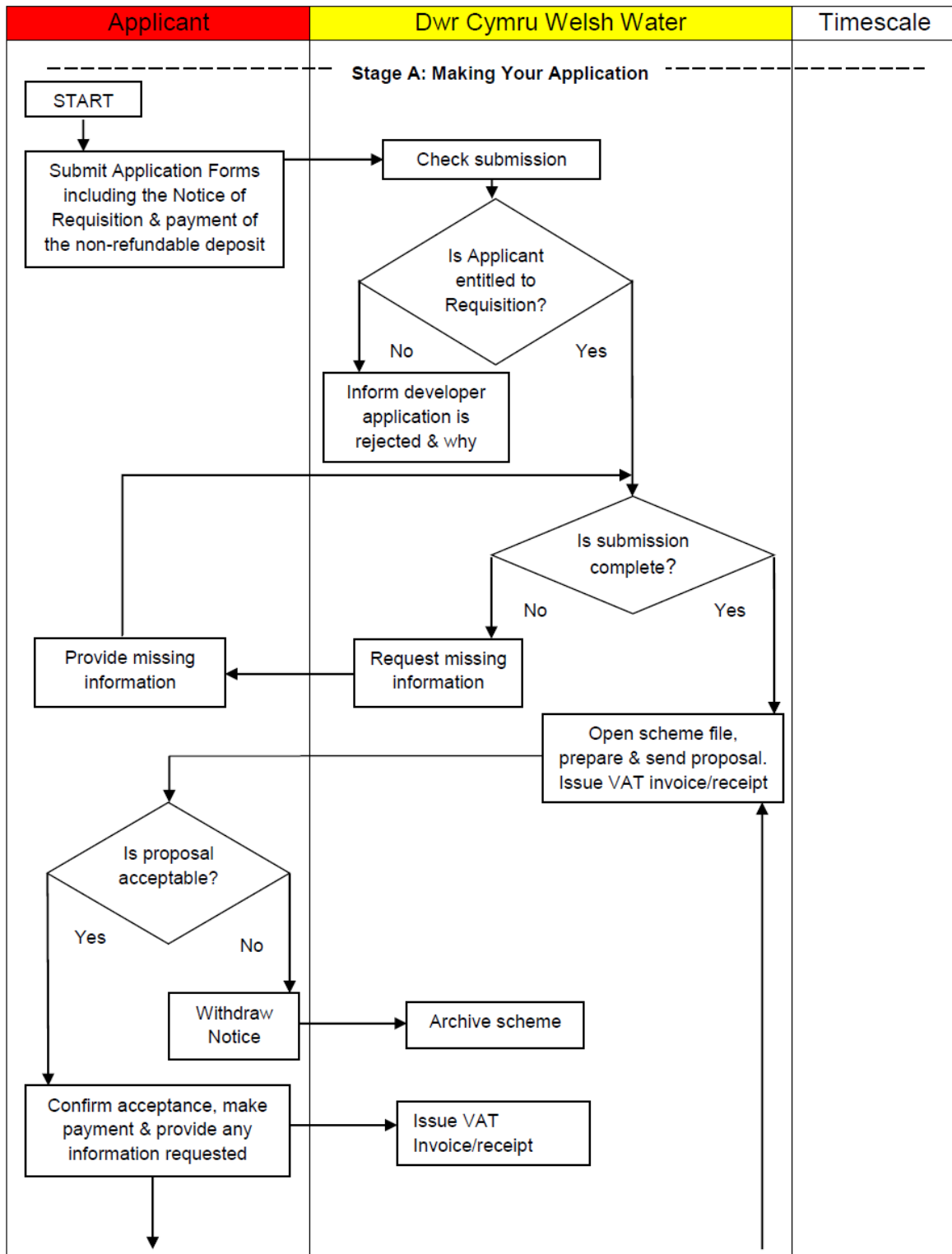
Where a new housing development includes properties which do not qualify for VAT relief (e.g. are not designed to be dwellings) Welsh Water is required to charge VAT on the proportion of its charges which relates to those properties. Normally where these properties have a basic water connection we will attribute VAT to our charges by apportioning the number of non-domestic properties relative to the total number of properties included in the development.

Where the scale of non-domestic properties requires enhanced services (e.g. large supermarkets, schools etc.), VAT will be calculated on the additional cost of up-rating the pipe-work over and above a wholly domestic development.

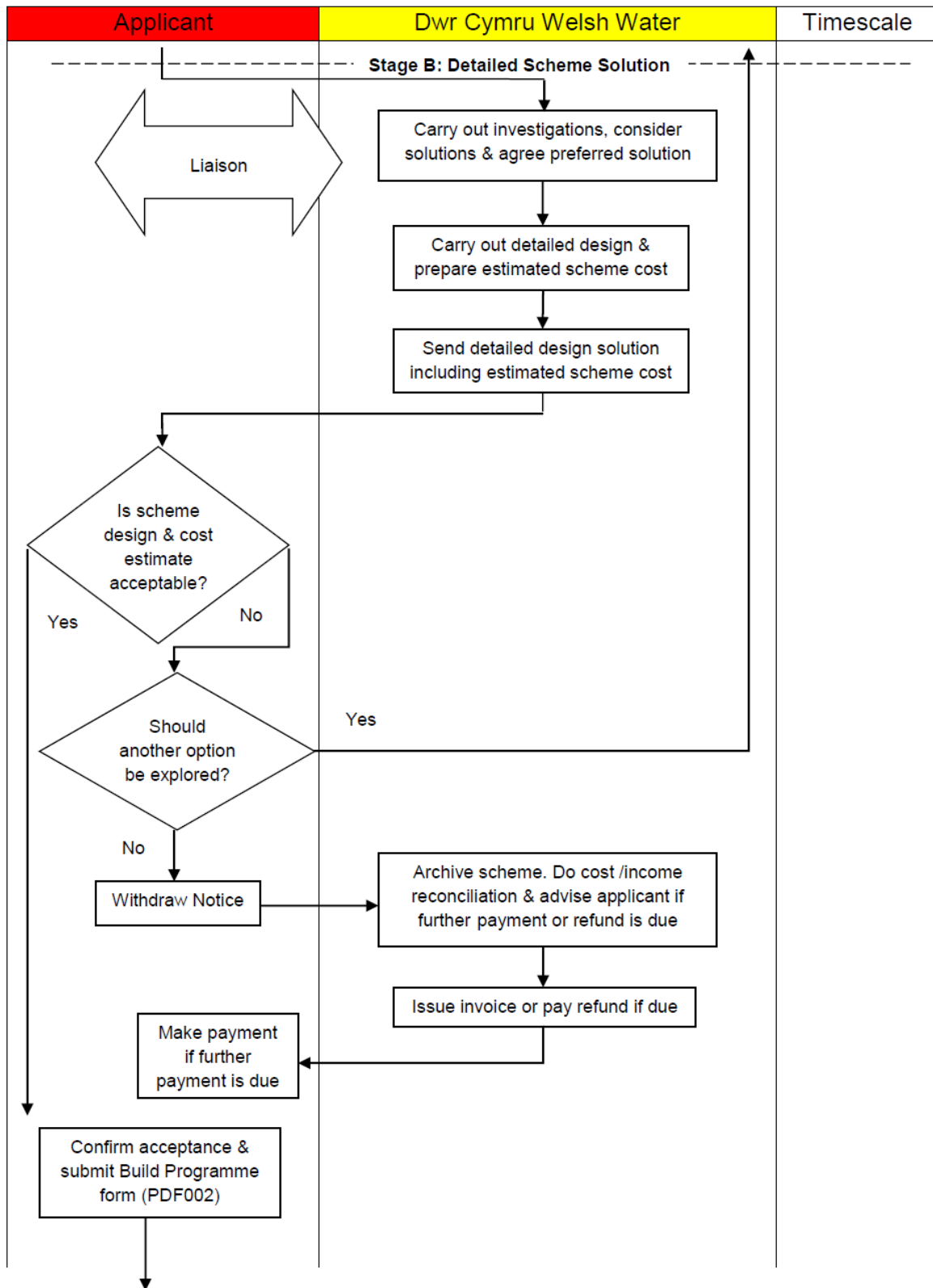
Wholly non-domestic developments

VAT will be charged where applicable at the prevailing rate.

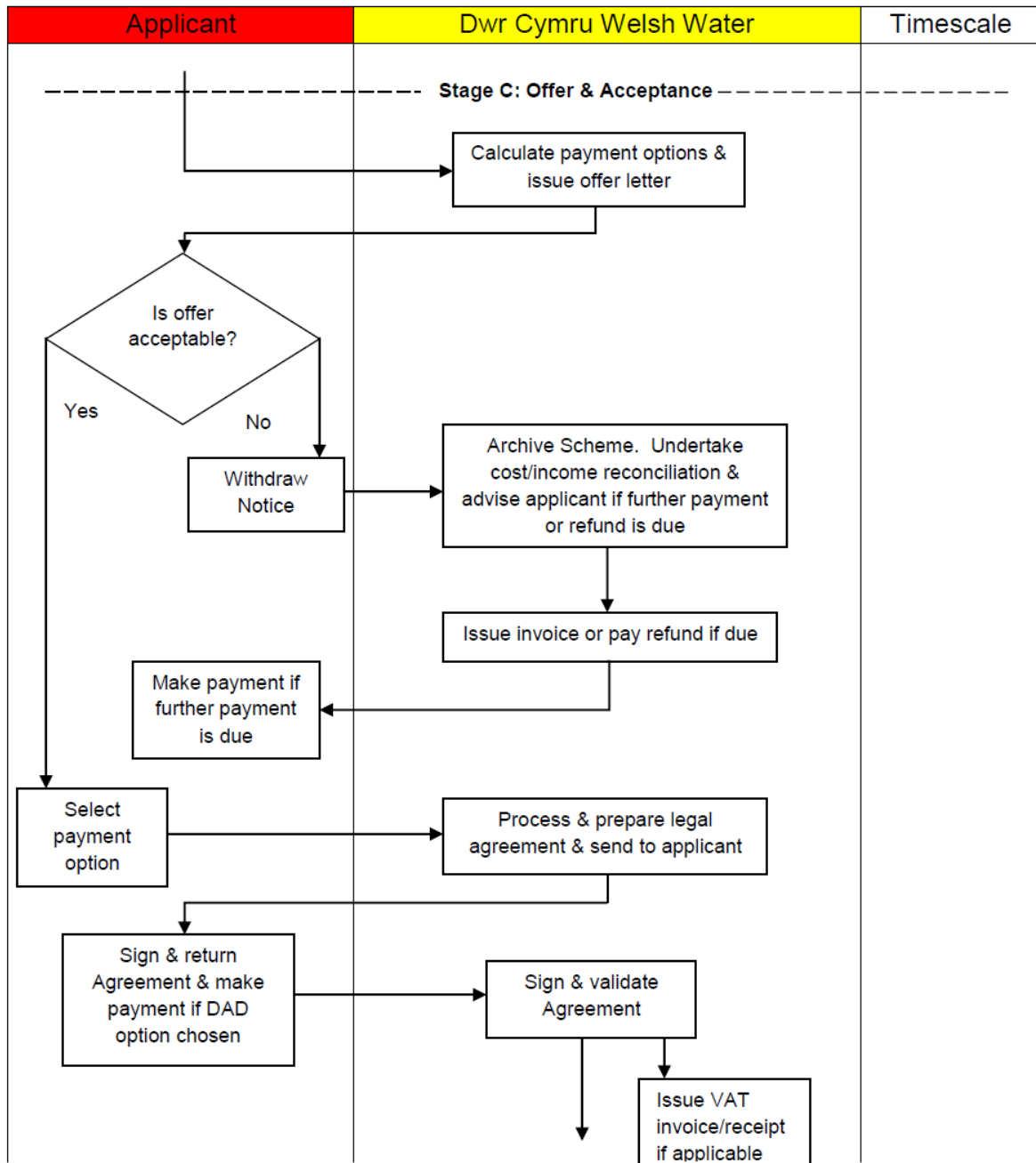
Application Pack 2 – Flowchart
Water Main Requisition WIA91 Sections 41 - 44



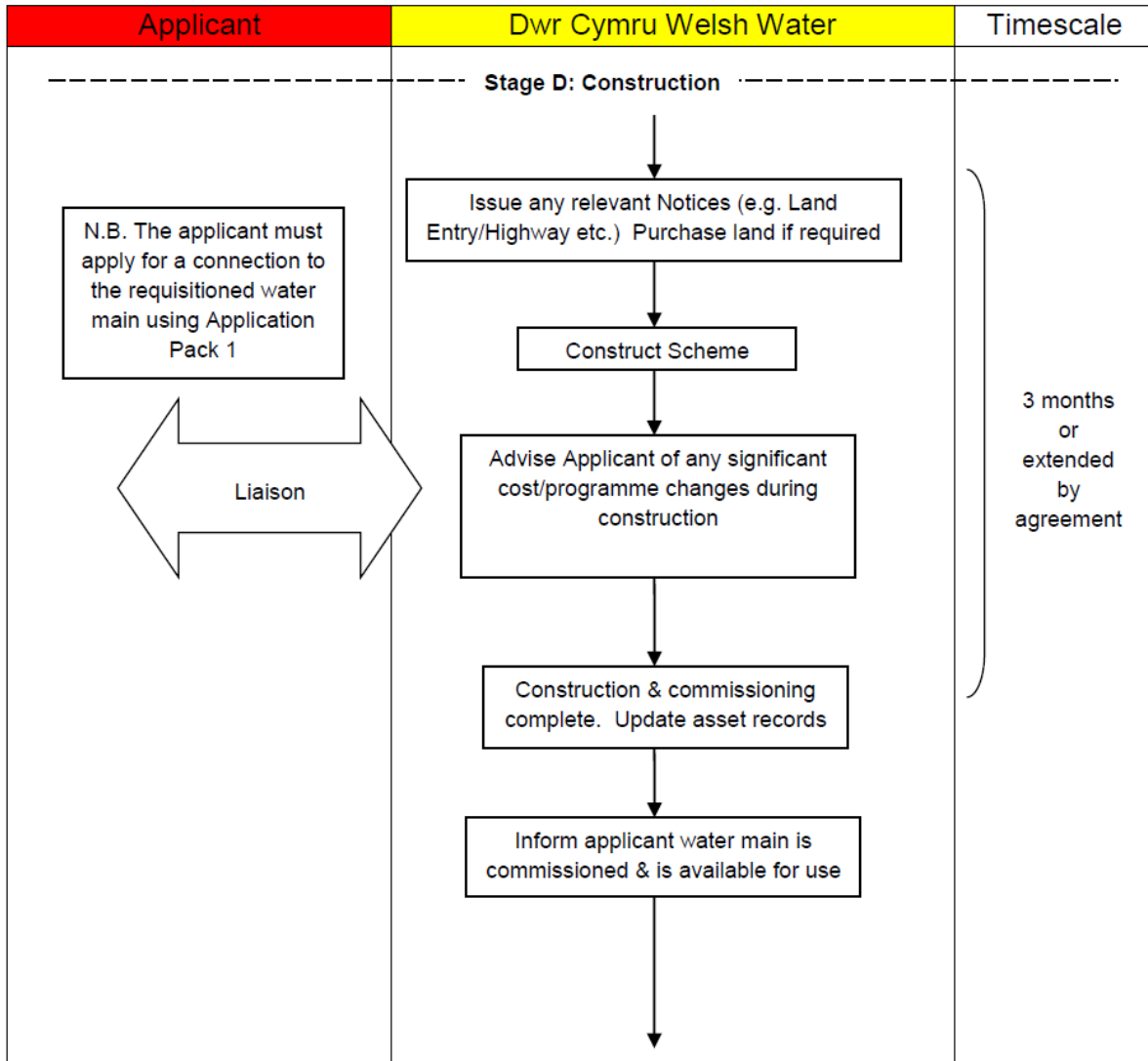
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