

# How to apply to requisition water mains

What you should do, and how we can help





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## Introduction

If you're building multiple properties on a site, then you'll probably need a new water main, which we'll then connect to our existing network. The new main will serve the site and each property will then be connected to the new main via their own individual service pipe.

Applying for a new water main is commonly referred to as requisitioning. We can design and construct the new water main for you through the requisition process.

If you've identified that you do need to requisition a water main, then this guide will take you through the next steps and what you need to be aware of.

### Self lay or requisition?

As a developer, there are two main options when it comes to the construction of clean water mains and service pipes:

- Self-lay: where a developer designs and construct water mains itself, or nominates a self-lay provider (SLP) to do so on its behalf; or
- Requisition: where a developer elects for Dŵr Cymru Welsh Water to design and construct the water mains on their behalf.

If you've opted for self-lay, please take a look at our self-lay guides on our website. If you've opted for requisition, then carry on reading, as this guide will take you through the requisition process.

We have a duty to consider all requisitions required for domestic purposes only under the Water Industry Act 1991 regulation as the statutory water and sewerage undertaker.

### It's important to note

You will need to make a separate application to connect with the requisitioned water main by completing our new water connection application form, for which other charges will be applicable.



## What costs are involved?

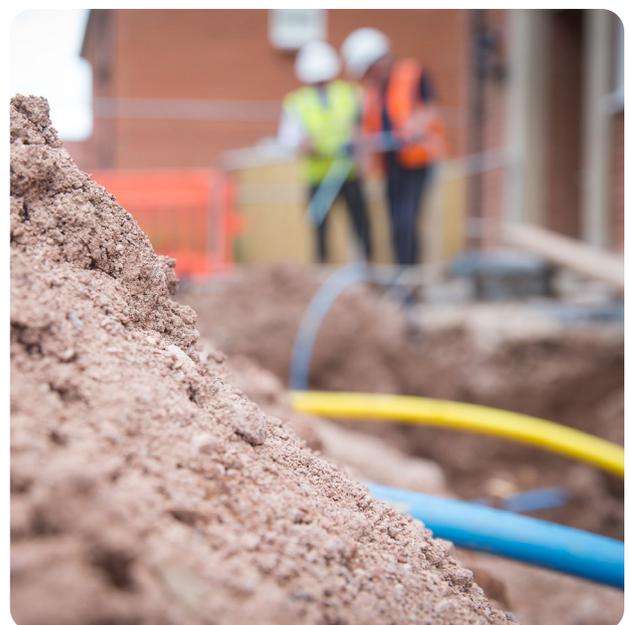
Welsh Water will design, construct and commission the water main and any other associated apparatus.

In return, under the Water Industry Act 1991, we are entitled to recover the costs of providing a requisitioned water main or sewer. This includes, among other things, the reasonable costs of design, labour, plant, materials, reinstatement, land purchase (if applicable), compensation, quality testing, inspection, supervision, administration and overhead costs.

Our requisitioning charges to customers may also include any costs of providing any other water main, tanks, service reservoirs and/or pumping stations etc, as a consequence of the provision of the new water main. These charges are known as network reinforcement charges.

We may also charge a reasonable proportion of the costs that we 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 further on in this booklet.

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





## What are the payment options?

A developer who requires a new water main has the choice of two payment options:

- 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 further on within this document in Stage C – Offer and Acceptance, and also in our Policy on Security Requirements in relation to Self-lay and Requisition.

Due to the above, costs naturally vary from project to project. However, we do require an upfront payment of £2,000 to be made when applying for a new water main, which will finance the administration of your application and the preparation of the detailed scheme solution (DSS) proposal.

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:

### 1. Mixed developments

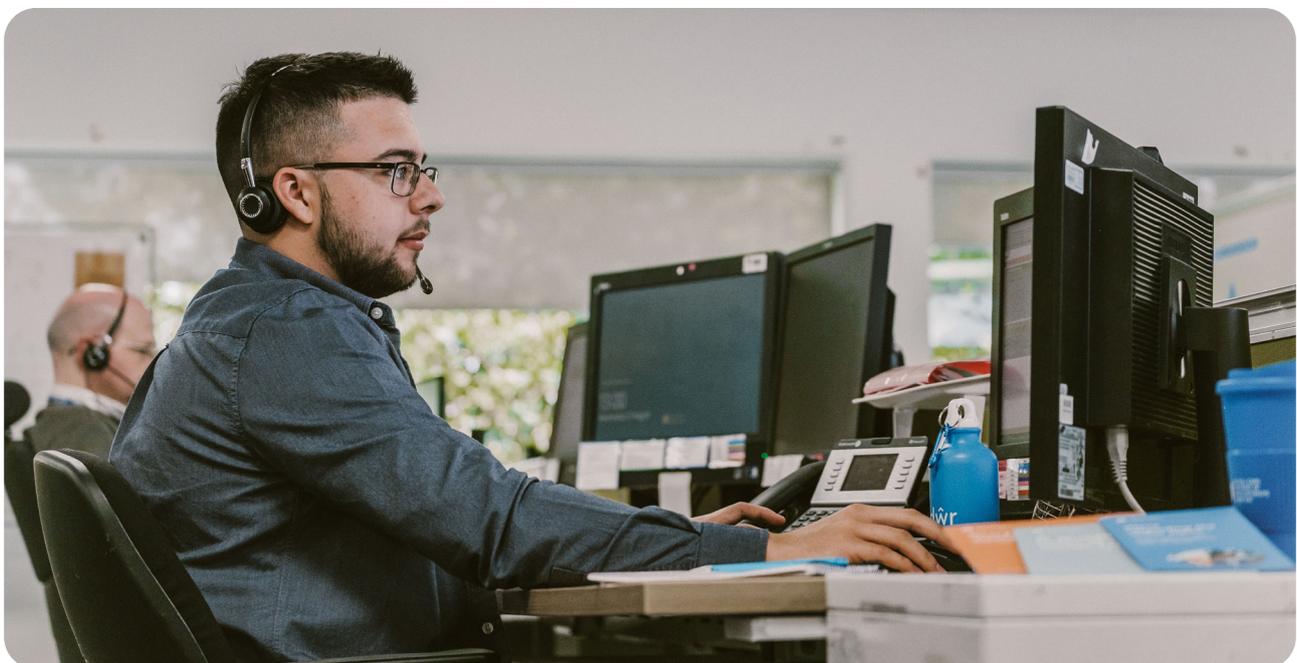
- Where a new housing development includes properties which do not qualify for VAT relief (e.g. are not designed to be dwellings), we will charge VAT on the proportion of our charges which relate to those properties.
- Normally where these properties have a basic water connection we will attribute VAT 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 upgrading the pipework over and above a wholly domestic development.

### 2. Fully non-domestic developments

- VAT will be charged where applicable at the prevailing rate.

### 3. Reinforcement work

- Where the requisitioned water main serves a wholly new domestic development, we 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, we will charge standard rate VAT only in respect of the engineering work performed to upgrade existing assets.





## What's the timeframe?

We will provide 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 let you know if we need an extension. It's important to note that 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.

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.

## What do you do when the land is owned by a third party?

Where we propose 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.

## What happens after the work has been completed?

Once the requisitioned water main is constructed and commissioned, it will automatically become property of Dŵr Cymru Welsh Water, along with any associated assets.

## The requisition process

These are the main steps in the requisition process:

- 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.

### Important tips:

- 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 forms part of the application form, which can be found on our website.

You may also be asked to provide the following information:

- A completed application form (which is available to complete on our website);
- 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);

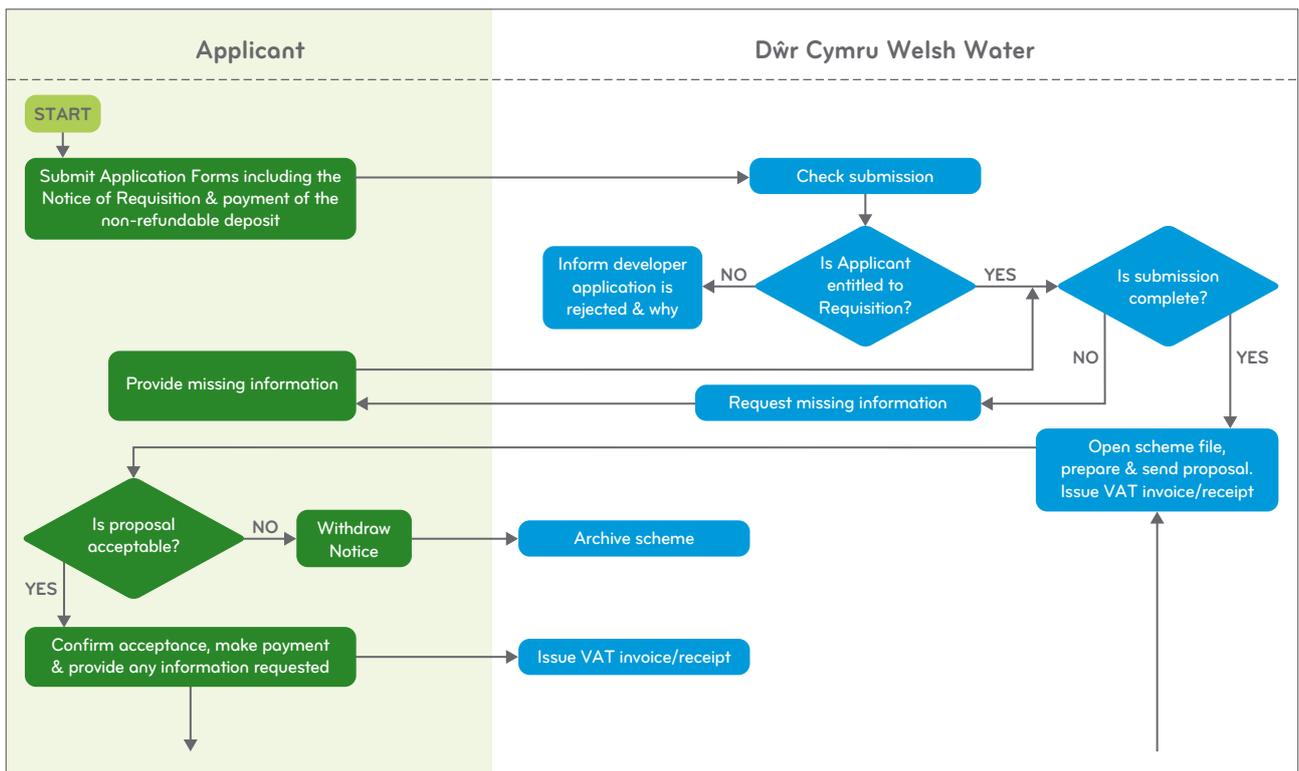
- Site geo-technical report;
- Plan of area to be adopted by the Highway Authority; and
- Upfront payment of £2,000 (inc VAT). This upfront payment will finance the administration of your application and the preparation of the detailed scheme solution (DSS) proposal.

Once we've received the application form, any supporting information and the payment, we will check the documents, and let you know if we need any further information.

We'll then send 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 online or send us a cheque.

Here's a handy flowchart of how stage A generally progresses:





# Stage B – Detailed scheme solution (DSS)

The DSS stage is where we'll undertake the detailed design and prepare the total estimated cost of the scheme.

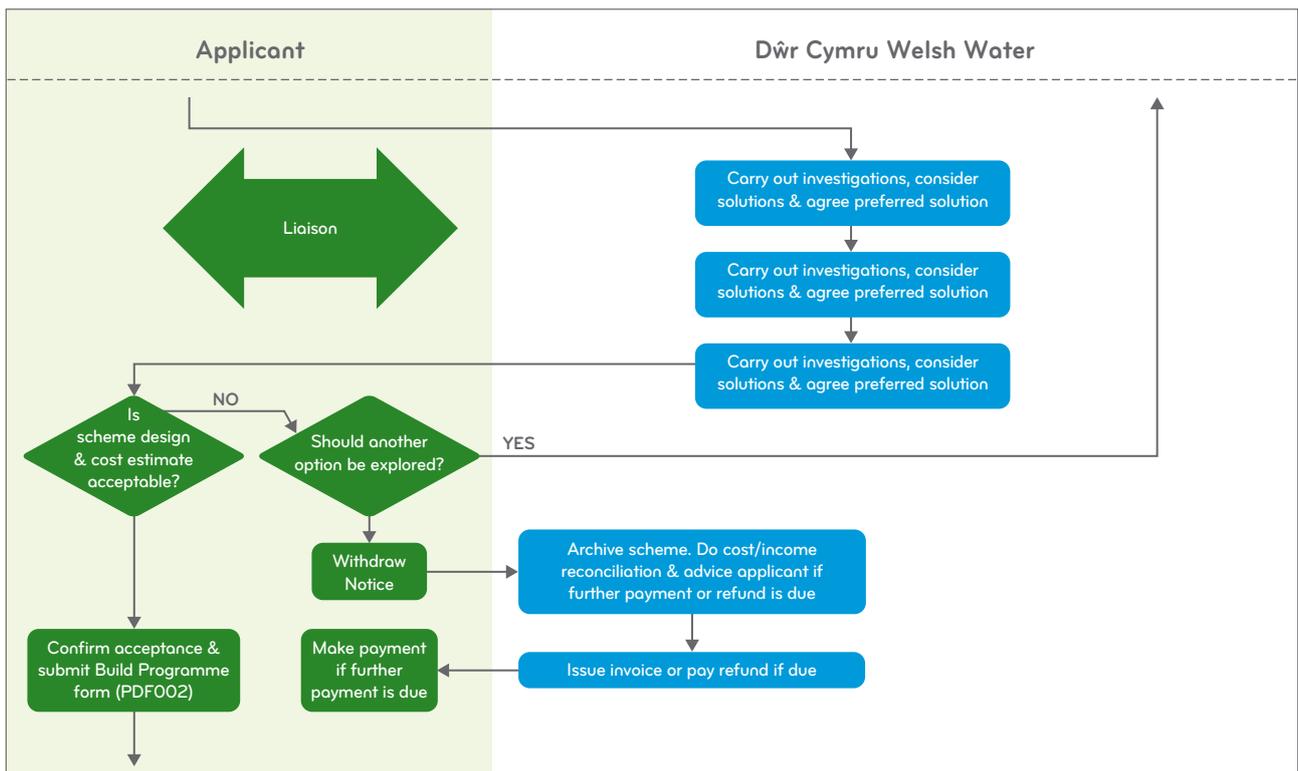
It may include the following activities:

- 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

Once this stage is complete, we'll give you a 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.

Here's how stage B generally progresses:





## 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 two funding options available as set out in the Water Industry Act 1991 and the financial amounts for both.

The two funding options are:

### 1) Relevant Deficit Option (RD)

Based on the estimated scheme cost, we calculate the guaranteed annual amount required to be received every year for 12 years to enable us 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 Dŵr Cymru 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 Dŵr Cymru Welsh Water. Before we commence work, Dŵr Cymru Welsh Water requires the developer to provide a security in the form of a bond in accordance with our 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 we 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, Dŵr Cymru 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 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 Dŵr Cymru Welsh Water. At the end of the 12 year period, or once the revenue received from the water charges exceeds the total guaranteed amount, Dŵr Cymru Welsh Water shall confirm that the surety is no longer required and the bond can be cancelled.

### 2) Discounted Aggregate Deficit Option (DAD)

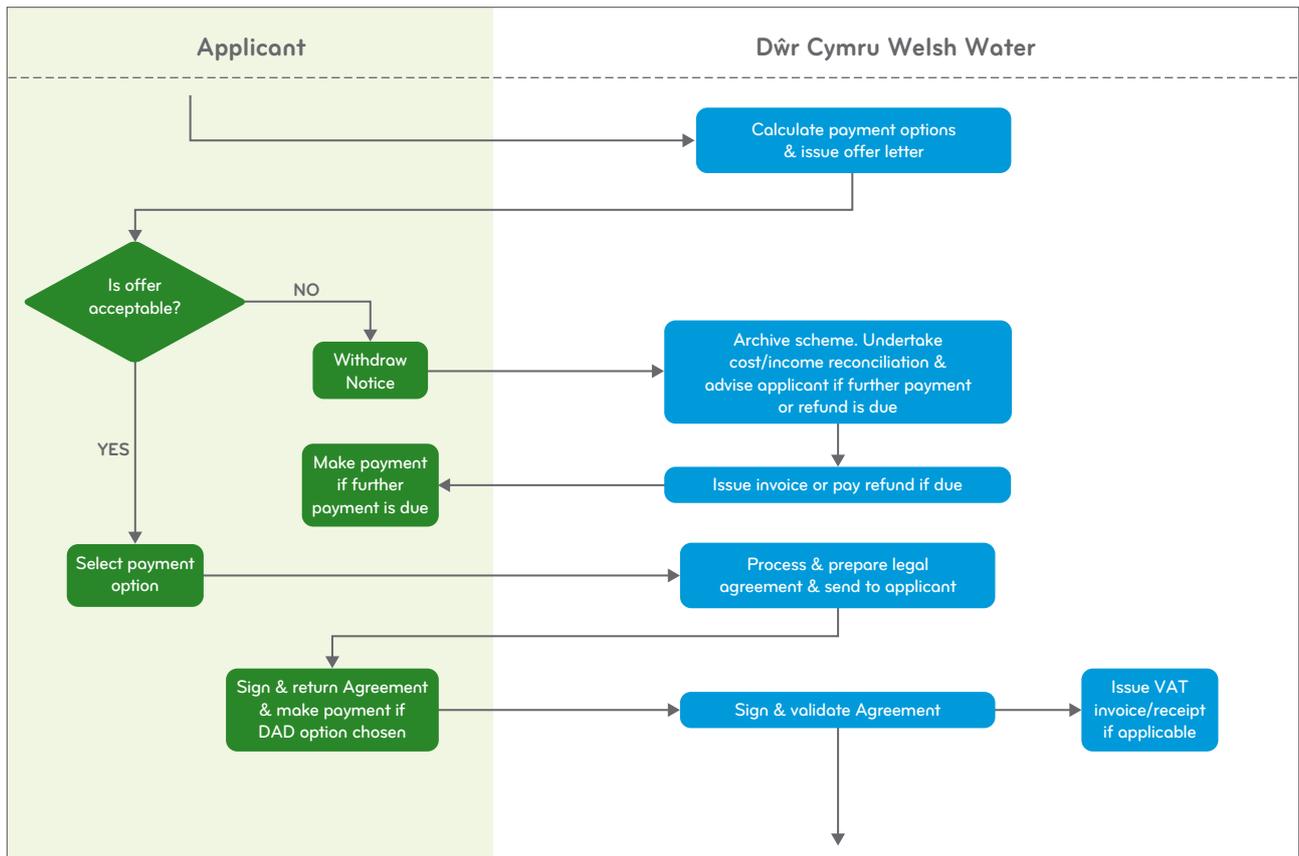
The DAD is calculated by offsetting the estimated future revenue based on occupancy that Welsh Water shall receive from the development's water charges over a 12 year period against the total cost of providing the scheme (including the financing costs).

Before we commence work, Dŵr Cymru Welsh Water requires the developer to provide a security payment in the sum of the estimated DAD in accordance with our policy on security requirements in relation to self-lay and requisition. Dŵr Cymru 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 Dŵr Cymru Welsh Water and this will be considered during the preparation of the final account and reconciliation.



## Stage C – Offer and acceptance (Cont.)

Here's how stage C generally looks:





## Stage D – Construction

Following the signing of the agreement by both parties, we'll start with the construction work or start to issue any relevant notices.

The start of work on site will be subject to:

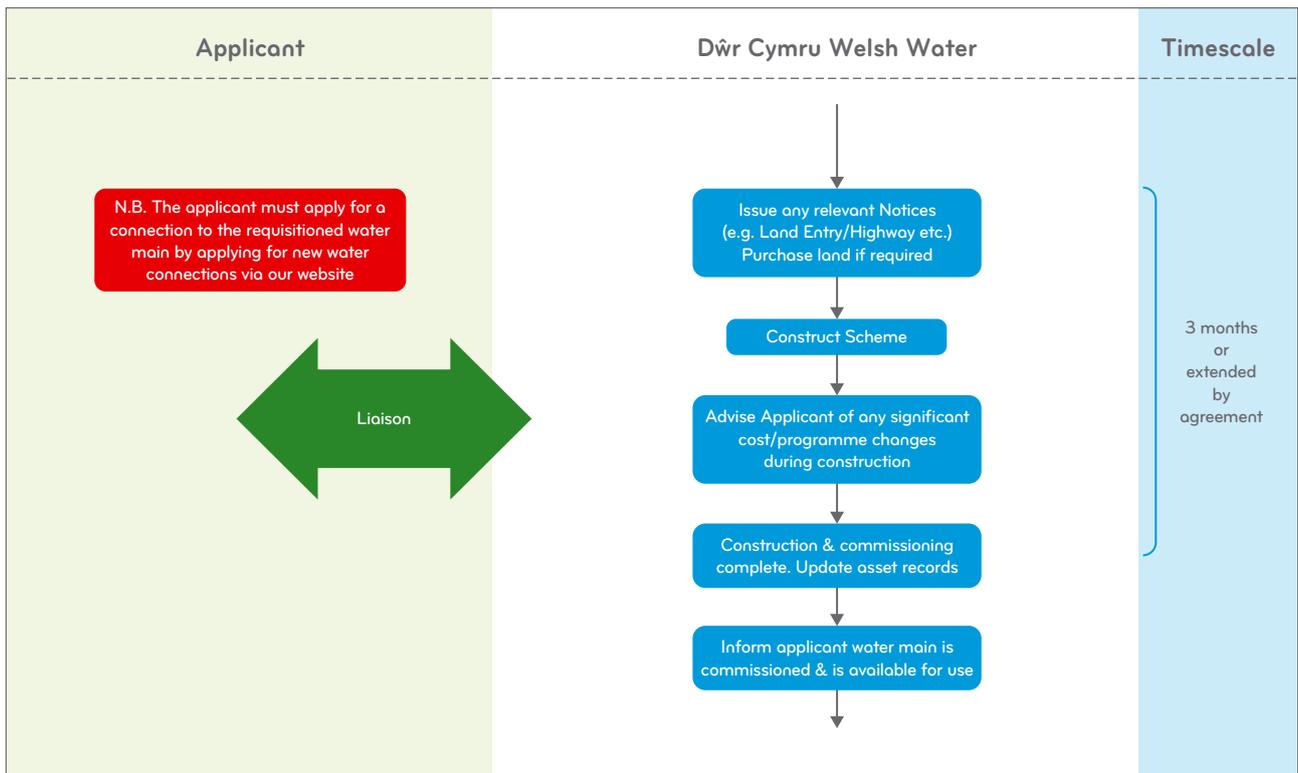
- a) Serving notice on landowner(s) in order to enter upon any private land
- b) Obtaining Highway Authority permission to work in the public highway
- c) Lead in times

You should take this into consideration within your programme when it comes to estimating timings.

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

You'll need to make a separate application to connect to the new water main by completing and submitting the new water connection form on our website, for which other charges will be applicable.

Here's the flow chart showing the activities within stage D:





## Stage E – Final account

Approximately three months following commissioning of the water main, we'll calculate the actual scheme costs and recalculate the financial element of your chosen option.

If we've served land entry notices on owners of private land as part of the requisition, then please note 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.

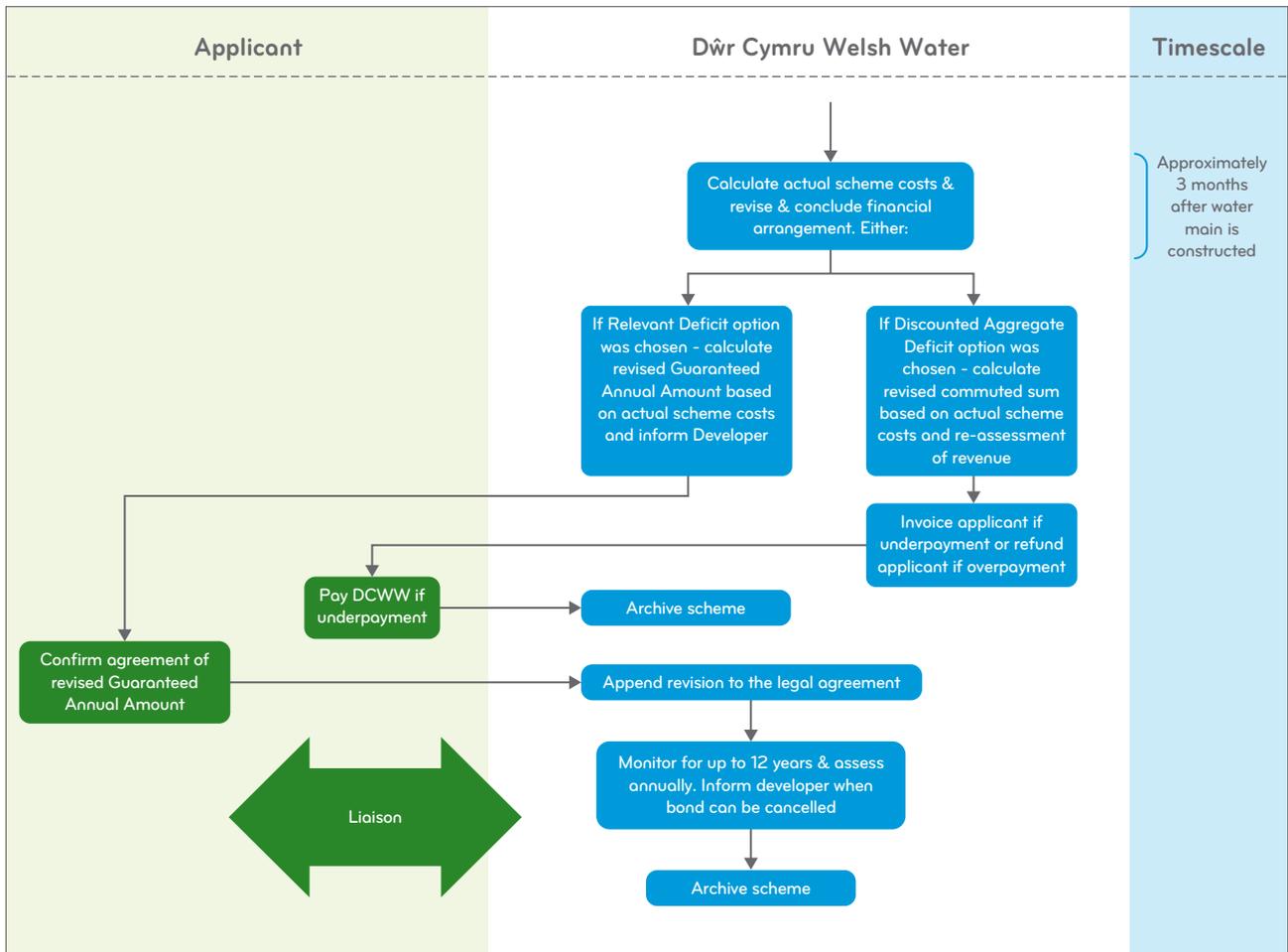
If the RD option was chosen:

- 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:

- 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.

The below flowchart summaries stage E:





## Contact Us:

If you've got any questions or queries,  
then feel free to contact us:

### Call

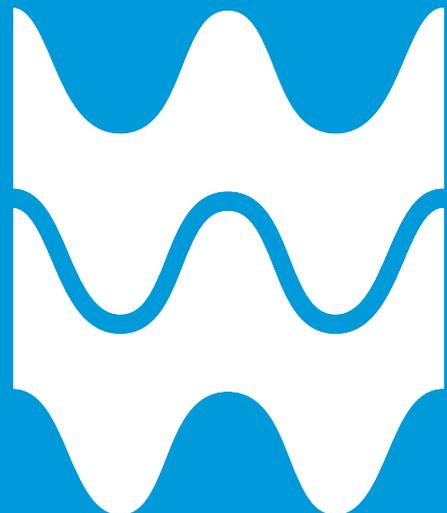
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