Dŵr Cymru
Welsh Water

Application Pack 2

How to apply to Requisition a Water Main

Guidance Notes

The provisions of the Water Industry Act 1991 (WIA91) take precedence over these notes. You may wish to refer to the WIA91 to obtain fuller information regarding this.

We recommend that you read these guidance notes before making an application.

Terms used in this Application Pack are explained in our Glossary which is on our website.

Please note if the water main is going to be delivered by Self Lay (Section 51A WIA91), then please use Application Pack 3 – "*Self Lay Water Mains and Services".*

1. Introduction

As the statutory water undertaker we have a duty under Sections 41–44 of the WIA91 to comply with a requisition Notice served on us 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 Notice. The first is where a person(s) wishes us to lay water mains in private land (by us serving Notice under Section 159 WIA91) so that a connection with an existing public water main can be achieved; the second is 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 WIA91).

The requisition process is managed by us on a staged basis which is set out in these notes. We 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.

We will require such security as may reasonably be required, in line with our Financial Security Policy.

Where you have requisitioned, Section 43 (4) (a) of the WIA91 allows requisitioning charges to include any costs reasonably incurred in providing any other water main, tanks, service reservoirs and pumping stations, etc, as it is necessary to provide as a consequence of the provision of the new water main. These charges are commonly known as network reinforcement charges.

Also, under section 43 (4) (b) of the WIA91 we can, in addition to the costs for the new water main, charge the requisitioner a reasonable proportion of the costs that were incurred in providing additional capacity in the relevant water network under a previous requisition within the preceding 12 years.

Improvements to Water Treatment Works cannot form part of a requisition; however we may consider entering into a commercial arrangement with you for provision of water treatment works capacity.

2. General Requirements

A Requisitioner who requires the provision of a water main will have the choice of two payment mechanisms; either the Relevant Deficit Option (known as the Guaranteed Annual Amount Agreement Option) or the Discounted Aggregate Deficit Option (known as the Commuted Sum Option or DAD). These are explained later in Stage C – Offer and Acceptance.

To enable us to carry out any work we will require a written undertaking from you stating that you will reimburse to us all the costs that we have incurred in relation to the request, should you withdraw the Notice at any stage or if the process becomes dormant for a period in excess of 3 months.

We are 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 commuted sum is paid in full if the DAD option was chosen). This day is called the Relevant Day. We will inform you should a period in excess of 3 months be required and this period can be extended by agreement of the parties.

Statutory Notice periods will apply where we are required to lay water mains in 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 with us.

You will need to make a separate application to connect with the requisitioned water main by using Application Pack 1 – *'Connection to a Water Main'*, for which other charges will be applicable.

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.

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.

3. The Requisition Process

The sequential steps in the 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.

Dŵr Cymru
Welsh Water

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 of Requisition which is included as part of the application form, either by sending it to us on line or via post.

You may also be asked to provide the following information:

- A completed application form (which is available to complete on line or downloadable via 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
- Payment of the non-refundable deposit for the sum of £2,400 (which includes VAT). This deposit 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 Melons
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 non-refundable deposit 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 of the cost outlined in the proposal together with any requested information. The payment will be subject to standard rate vat, you can pay the upfront 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, Environment Agency 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 any 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.

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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 (Guaranteed Annual Amount Agreement):

   With this option, and based on the estimated scheme cost, we will calculate the guaranteed annual amount which is equal to that which we need to receive every year for 12 years in order to recover the capital cost and the annual borrowing costs of a loan required to provide the water main. In general, the 12 year period will commence on the commissioning date of the water main. A legal agreement will be drawn up wherein you agree to reimburse to us on an annual basis for a 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 will become due to us from you. In addition you will be required to provide a bond in accordance with our financial security policy. Should you not pay the shortfall amount in any of the 12 years then we will call on the bond for reimbursement of that amount. The provider of the bond must comply with our minimum requirement applicable at the time of the requisition. The costs we incur in setting up the legal agreement will be payable by you.

   On completion of the agreement any payments made since the formal Notice of Requisition/application was served will be refunded to you. Until the agreement is signed by both parties, we are unable to issue land entry Notices or to commence the scheme.

   The actual scheme costs will be calculated approximately 3 months following the commissioning of the water main. A revised Guaranteed Annual Amount will be calculated based on the actual scheme costs, which will require a revision to the guaranteed annual amount.

   After the 12 year period or once the revenue received from the relevant water charges exceeds the total guaranteed amount for the 12 year period we will confirm that the Agreement will cease and the bond can be cancelled.

2) Discounted Aggregate Deficit Option (Commuted Sum or DAD):

The Discounted Aggregate Deficit is a commuted sum payable by you which is calculated by taking into account and offsetting the estimated future income based on occupancy, we will receive from the development in the form of relevant water charges over a 12 year period against the total cost of providing the scheme, including any finance/interest charges (e.g. on a loan taken out to provide the scheme). No bond is required with this option. In general, the 12 year period will commence on the commissioning date of the water main.

With this option an agreement will be drawn up wherein you agree to reimburse to us the commuted sum value which is recalculated after the completion of the scheme. This shall be undertaken in 2 parts as set out below:

- In the first part, a commuted sum amount will be calculated based on the total estimated scheme cost and assessed income from the relevant water charges that we will receive from the development based on the future occupancy levels over a 12 year period. This amount is payable before the start of the scheme and completes the agreement which enables us to serve relevant notices, obtain permits and commence construction. Any payments made since the formal Notice of Requisition was served will be taken into consideration at this stage.
- In the second part, there will be a re-calculation of the commuted sum amount based on the actual scheme costs and a re-assessment of the income from the development. This exercise will be carried out approximately 3 months after the completion of construction of the water main and a further payment to us or a refund to you therefore may become due.

Stage D- Construction

Following the signing of the Agreement by both parties we will 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, we will 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 Relevant Deficit (Guaranteed Annual Amount Agreement) option was chosen then a revision to the guaranteed annual amount will be required. If any VAT is due, this will be taken into account in assessing the Bond requirements.

If the Discounted Aggregate Deficit (commuted sum or 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 of Requisition 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 Relevant Deficit or Discounted Aggregate Deficit options.

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Reinforcement work

Where the requisitioned main serves a wholly new domestic development we will zero rate our 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 are required to standard rate our charges 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) we are required to charge VAT on the proportion of our 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

We will not charge VAT at the standard rate