

SOUTH WEST WATER
CHECKLIST OF AVOIDED COSTS
2024/25

South West Water - NAV's avoided costs
Checklist for 2024/25

This checklist shows the costs that South West Water have avoided with the setting of the bulk charges for NAVs, this is based on the Ofwat methodology of the 'wholesale-minus' approach. The checklist mirrors the checklist that has been developed by the sector level Bulk Charging Working Group, as published by Ofwat. As this is a standard checklist adopted by South West Water, not all of the activities are applicable to our bulk charges for NAVS.

Link to Ofwat checklist format:

<https://www.ofwat.gov.uk/regulated-companies/company-obligations/ofwat-regulating-the-industry-compliance-requirements-charging/new-appointee-bulk-charging-working-group/>

The values shown in the below checklist detail the avoided costs within the bulk charges, which have been calculated using the bottom-up approach. The avoided costs below are costs per metre, to derive an annual fixed value per property, the avoided costs are multiplied by an assumed length of infrastructure on a typical NAV site which are detailed within our Bulk Charges For NAVs 2024/25 document. We have then produced menus which show the total annual fixed value per property which are also detailed within the same document.

Code	Activity	Cost per metre			Comments
		Water	Wastewater (Full)	Wastewater (excluding SWD)	
WATER					
WD1	Routine and adhoc water quality sampling. Regulatory monitoring at every site irrespective of size	£0.04			
WD2	DWI - Drinking Water Safety Planning (Water Supply (Water Quality) Regulations 2016 - Regs 27 & 28), Monthly water quality reporting, submission of annual data returns.	Within WD1			
WD3	Monitoring and auditing of Laboratory performance - Water Supply (Water Quality) Regulations 2016 - Regulation 16	Within WD1			
WD4	Water Fittings inspections - enforcement of Water Supply (Water Fittings) Regulations 1999	Within WD1			
WD5	Supplementary water quality monitoring e.g. Response to customer contacts,	Within WD1			
WD6	Additional flushing/sampling due to poor performance and/or condition of assets owned and maintained by the upstream incumbent	Within WD1			
WD7	Local Authority and Public Health England Liaison and updates.	Within WD1			
WD8	Planned Maintenance - e.g. flushing activities	£0.83			
WD9	Unplanned Maintenance	£0.08			
WD10	Emergency Response	Within WD9			
WD11	Meter maintenance / replacement	£0.01			
WD12	Meter accuracy testing costs	Within WD11			
WD13	Meter reading	Within WD11			
WD14	Battery replacement	Within WD11			
WD15	Arrangements for sharing meter data	Within WD11			
WD16	Standby arrangements	£0.03			
WD17	Incumbent bulk metering costs	X			This is not a cost that SWW would avoid. SWW would not incur any bulk metering costs if NAV entry did not happen.
WD18	Financial penalties for GSS failure - Also GSS payments made to customers as a consequence of upstream incumbent failure.	£0.01			
WD19	Network losses / unaccounted for water at a direct wholesale cost.	X			We include a leakage adjustment of 2.19% and deduct this from the NAV volumetric tariff, not to be confused with costs in WD20
WD20	Activities to monitor and control leakage/unaccounted for water	£1.19			
WD21	Wholesale cost for 'free' water provided under social tariffs	X			SWW does not charge the NAV for any retail related activity, so this is not a cost that SWW would avoid.
WD22	Offsite network maintenance / repair (No income if NAV tariff assumes connection at boundary)	X			SWW consider that the NAV would not undertake any offsite maintenance, so this is not a cost that SWW would avoid. If required this would be arranged under a separate arrangement that does not fall within the bulk charge.

WD23	Water resource planning and drought plans	X			This is not a cost that SWW would avoid. If the NAV has their own potable water resource, this may negate the need for bulk charges. If this arises then they should liaise with SWW directly to make special arrangements which would not fall within the bulk charge.
WASTEWATER					
WWD1	Planned / unplanned pumping station maintenance		£0.94	£0.80	
WWD2	Planned sewer jetting maintenance		Within WWD1	Within WWD1	
WWD3	Unplanned / emergency response and or maintenance		£0.04	£0.03	
WWD4	Telemetry		Within WWD1	Within WWD1	
WWD5	Planned / unplanned sewer jetting, blockage removal		Within WWD1	Within WWD1	
WWD6	Incumbent customer meter data costs + supplementary data.		Within WWD1	Within WWD1	
WWD7	Incumbent discharge costs for water losses not returned to sewer i.e. where bulk discharge costs are based on a bulk water meter.		Within WWD1	Within WWD1	
WWD8	Capital replacement in made up ground		Within WWD1	Within WWD1	
WWD9	Wholesale cost for 'free' sewerage provided under social tariffs		Within WWD1	Within WWD1	
WWD10	Sewer flooding remediation and compensation		-	-	This is not a cost that SWW would avoid, any compensation cases would be reviewed on a case by case basis.
WWD11	Financial penalties for GSS failure - Also GSS payments made to customers as a consequence of upstream incumbent failure.		£0.01	£0.01	
WWD12	Offsite network maintenance / repair (No income if NAV tariff assumes connection at boundary)		X	X	SWW consider that the NAV would not undertake any offsite maintenance, so this is not a cost that SWW would avoid. If required this would be arranged under a separate arrangement that does not fall within the bulk charge.
WWD13	Tankering incl. pre NAV approval		X	X	This is not a cost that SWW would avoid on a typical basis. This would be an additional NAV cost so would be reviewed on a case by case basis and any additional costs would be settled under a separate arrangement.
WWD14	Trade effluent costs - admin, monitoring, data sharing with downstream incumbent		£0.01	£0.01	
CENTRAL COSTS					
C1	Finance/ HR / Legal and IT staff resource costs	£1.27	£1.07	£0.91	Central overhead costs have been assessed and split across the streams as a percentage based on services provided.
C2	Regulatory Costs - Licence fees, regulatory reporting and compliance	Within C1	Within C1	Within C1	
C3	NAV application and administration costs.	X	X	X	SWW consider that these costs would be recovered directly from the NAV as part of their bidding/quotation costs.
C4	End customer billing and customer service costs	X	X	X	SWW does not charge the NAV for any retail related activity, so this is not a cost that SWW would avoid.
C5	Management costs	Within C1	Within C1	Within C1	Central overhead costs have been assessed and split across the streams as a percentage based on services provided.
C6	External consultancy				
C7	IT systems and development				
C8	Travel and subsistence				
C9	Vehicle fleet costs				
C10	Plant, tools and equipment				
C11	Health and Safety				
C12	Insurance				
C13	Employer pension				
C14	Employer NI				
C15	Premises and utilities				
C16	Telecommunication costs				
C17	Business Rates	X	X	X	SWW does not avoid this cost
C18	Recruitment	Within C1	Within C1	Within C1	
C19	Training and Development	Within C1	Within C1	Within C1	
C20	Bank charges incl. those relating to customer income collection	X	X	X	SWW does not charge the NAV for any retail related activity, so this is not a cost that SWW would avoid.

C21	Customer bad debt and debt recovery costs.	Within C1	Within C1	Within C1	
C22	Revenue protection and voids management.	X	X	X	SWW does not charge the NAV for any retail related activity, so this is not a cost that SWW would avoid.
C23	External audit / accountancy costs	Within C1	Within C1	Within C1	
C24	Asset Financing Costs	X	X	X	SWW for 2024/25 charges have not included any WACC within the charges as on site assests are now fully funded by developers
C25	Working Capital	X	X	X	SWW for 2024/25 charges have not included any WACC within the charges as on site assests are now fully funded by developers
C26	Incumbent Working Capital	X	X	X	SWW for 2024/25 charges have not included any WACC within the charges as on site assests are now fully funded by developers
C27	Marketing, Branding and Customer Relations	Within C1	Within C1	Within C1	
C28	Billing systems costs	X	X	X	SWW does not charge the NAV for any retail related activity, so this is not a cost that SWW would avoid.
C29	Billing and other postage / stationery costs	X	X	X	SWW does not charge the NAV for any retail related activity, so this is not a cost that SWW would avoid.
C30	Cost of Debt	X	X	X	SWW does not charge the NAV for any retail related activity, so this is not a cost that SWW would avoid.