

Charging information for NAVs: Avoided Costs Template 2023-24

Ref.	Cost Category	Is this treated as an avoided cost?	Suggested Cost Allocation Driver	Estimated Materiality	Where Is This Cost Allocated - Wholesale / Retail / Both	Does This Cost Apply to HH or NHH or Both?	Does The Developer Pay This Cost?	Comment
	Central Costs							
C1	Finance/ HR / Legal and IT staff resource costs	Yes	Length of Main	Med	Both	Both	No	
C2	Regulatory Costs - Licence fees, regulatory reporting, and compliance	Yes	Length of Main	Low	Both	Both	No	
C3	NAV application and administration costs.	No	Length of Main	Low	Wholesale	Both	No	Cost not avoided but deducted due to top-down approach.
C4	End customer billing and customer service costs	Yes	Not applicable	Not applicable	Retail	Both	No	
C5	Management costs	Yes	Length of Main	Low	Both	Both	No	
C6	External consultancy	Yes	Length of Main	Low	Both	Both	No	
C7	IT systems and development	Yes	Length of Main	Low	Both	Both	No	
C8	Travel and subsistence	Yes	Length of Main	Low	Both	Both	No	
C9	Vehicle fleet costs	Yes	Length of Main	Low	Both	Both	No	
C10	Plant, tools, and equipment	Yes	Length of Main	Low	Both	Both	No	
C11	Health and Safety	Yes	Length of Main	Low	Both	Both	No	
C12	Insurance	Yes	Length of Main	Low	Both	Both	No	
C13	Employer pension	Yes	Length of Main	Low	Both	Both	No	
C14	Employer NI	Yes	Length of Main	Low	Both	Both	No	
C15	Premises and utilities	Yes	Length of Main	Low	Both	Both	No	
C16	Telecommunication costs	Yes	Length of Main	Low	Both	Both	No	
C17	Business Rates	Yes	Length of Main	Med	Both	Both	No	Local authority and cumulo rates.
C18	Recruitment	Yes	Length of Main	Low	Both	Both	No	
C19	Training and Development	Yes	Length of Main	Low	Both	Both	No	
C20	Bank charges incl. those relating to customer income collection	Yes	Not applicable	Not applicable	Retail	Both	No	
C21	Customer bad debt and debt recovery costs.	Yes	Not applicable	Not applicable	Retail	Both	No	
C22	Revenue protection and voids management (monthly bulk charges necessitate more resource than the incumbents deploy)	Yes	Not applicable	Not applicable	Retail	Both	No	
C23	External audit / accountancy costs	Yes	Length of Main	Low	Both	Both	No	
C24	Asset Financing Costs	Yes	Length of Main	Med	Wholesale	Both	Yes	Developer makes upfront capital contribution towards new water assets. Where DCWW serves the site, the remainder is funded by DCWW. Where a NAV serves the site, an allowance for the avoided financing cost is included in the deduction made for the wholesale allowed return on on-site assets.
C25	Working Capital	No	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Majority of our measured household customer base pays by monthly direct debit regardless of billing frequency. As NAVs also pay monthly, no adjustment has been made for avoided costs.
C26	Incumbent Working Capital i.e. the element relating to bulk charges being payable before the incumbent and NAV would otherwise bill or receive any	No	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	See comment for C25

Ref.	Cost Category	Is this treated as an avoided cost?	Suggested Cost Allocation Driver	Estimated Materiality	Where Is This Cost Allocated - Wholesale / Retail / Both	Does This Cost Apply to HH or NHH or Both?	Does The Developer Pay This Cost?	Comment
	customer income. (Monthly incumbent bulk billing v bi-annual domestic billing)							
C27	Marketing, Branding and Customer Relations	Yes	Length of Main	Low	Both	Both	No	
C28	Billing systems costs	Yes	Not applicable	Not applicable	Retail	Both	No	
C29	Billing and other postage / stationery costs	Yes	Not applicable	Not applicable	Retail	Both	No	
C30	Cost of Debt	Yes	Not applicable	Not applicable	Retail	Both	No	Cost of debt management.

Water Direct Costs								
WD1	Routine and ad hoc water quality sampling. Regulatory monitoring at every site irrespective of size	Yes	Length of Main	Low	Wholesale	Both	No	
WD2	DWI - Drinking Water Safety Planning (Water Supply (Water Quality) Regulations 2016 - Regs 27 & 28), Monthly water quality reporting, submission of annual data returns	Yes	Length of Main	Low	Wholesale	Both	No	
WD3	Monitoring and auditing of Laboratory performance - Water Supply (Water Quality) Regulations 2016 - Regulation 16	Yes	Length of Main	Low	Wholesale	Both	No	
WD4	Water Fittings inspections - enforcement of Water Supply (Water Fittings) Regulations 1999	Yes	Length of Main	Low	Wholesale	Both	No	
WD5	Supplementary water quality monitoring e.g. Response to customer contacts,	Yes	Length of Main	Low	Wholesale	Both	No	
WD6	Additional flushing/sampling due to poor performance and/or condition of assets owned and maintained by the upstream incumbent	Yes	Length of Main	Low	Wholesale	Both	No	
WD7	Local Authority and Public Health England Liaison and updates.	Yes	Length of Main	Low	Wholesale	Both	No	
WD8	Planned Maintenance - e.g. flushing activities	Yes	Length of Main	Med	Wholesale	Both	No	
WD9	Unplanned Maintenance	Yes	Length of Main	Med	Wholesale	Both	No	
WD10	Emergency Response	Yes	Length of Main	Med	Wholesale	Both	No	
WD11	Meter maintenance / replacement	Yes	Length of Main	Low	Wholesale	Both	No	
WD12	Meter accuracy testing costs	Yes	Length of Main	Low	Wholesale	Both	No	
WD13	Meter reading	Yes	Not applicable	Not applicable	Retail	Both	No	
WD14	Battery replacement	Yes	Length of Main	Low	Wholesale	Both	No	
WD15	Arrangements for sharing meter data	Yes	Not applicable	Not applicable	Retail	Both	No	
WD16	Standby arrangements	Yes	Length of Main	Low	Wholesale	Both	No	
WD17	Incumbent bulk metering costs	Yes	Length of Main	Low	Wholesale	Both	No	The costs of bulk meter installed at NAV boundaries are incurred by DCWW and not passed on to NAVs.
WD18	Financial penalties for GSS failure - Also GSS payments made to customers as a consequence of upstream incumbent failure.	Yes	Length of Main	Low	Wholesale	Both	No	DCWW will reimburse the NAV for GSS payments made under the Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008.
WD19	Network losses / unaccounted for water at a direct wholesale cost. (Doubt that the incumbents pay the same £/m3 cost for losses on their network)	Yes	Length of Main	Low	Wholesale	Both	No	

Ref.	Cost Category	Is this treated as an avoided cost?	Suggested Cost Allocation Driver	Estimated Materiality	Where Is This Cost Allocated - Wholesale / Retail / Both	Does This Cost Apply to HH or NHH or Both?	Does The Developer Pay This Cost?	Comment
WD20	Activities to monitor and control leakage/unaccounted for water i.e. monitoring of network to minimise unaccounted for water. Installation of loggers and other remote sensors to enable 'smart' water network.	Yes	Length of Main	Low	Wholesale	Both	No	
WD21	Wholesale cost for 'free' water provided under social tariffs	Yes	Not applicable	Not applicable	Retail	Household	No	
WD22	Offsite network maintenance / repair (No income if NAV tariff assumes connection at boundary)	No	Not applicable	Not applicable	Wholesale	Both	No	Offsite network reinforcement costs are incurred whether an incumbent or a NAV serves site.
WD23	Water resource planning and drought plans	Yes	Not applicable	Not applicable	Wholesale	Both	No	

	Sewerage Foul Direct Costs							
WWD1	Planned / unplanned pumping station maintenance	Yes	Length of Main	Med	Wholesale	Both	No	
WWD2	Planned sewer jetting maintenance	Yes	Length of Main	Med	Wholesale	Both	No	
WWD3	Unplanned / emergency response and or maintenance	Yes	Length of Main	Med	Wholesale	Both	No	
WWD4	Telemetry	Yes	Length of Main	Low	Wholesale	Both	No	
WWD5	Planned / unplanned sewer jetting, blockage removal	Yes	Length of Main	Med	Wholesale	Both	No	
WWD6	Incumbent customer meter data costs + supplementary data.	Yes	Not applicable	Not applicable	Retail	Both	No	
WWD7	Incumbent discharge costs for water losses not returned to sewer i.e. where bulk discharge costs are based on a bulk water meter.	Yes	Length of Main	Low	Wholesale	Both	No	Allowed for through onsite leakage adjustment.
WWD8	Capital replacement in made up ground	Yes	Length of Main	Med	Wholesale	Both	No	
WWD9	Wholesale cost for 'free' sewerage provided under social tariffs	Yes	Not applicable	Not applicable	Retail	Household	No	
WWD10	Sewer flooding remediation and compensation	Yes	Length of Main	Low	Wholesale	Both	No	
WWD11	Financial penalties for GSS failure - Also GSS payments made to customers as a consequence of upstream incumbent failure.	Yes	Not applicable	Not applicable	Wholesale	Both	No	DCWW will reimburse the NAV for GSS payments made under the Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008.
WWD12	Offsite network maintenance / repair (No income if NAV tariff assumes connection at boundary)	No	Not applicable	Not applicable	Wholesale	Both	No	Offsite network reinforcement costs are incurred whether an incumbent or a NAV serves site.
WWD13	Tankering incl. pre NAV approval	Yes	Length of Main	Low	Wholesale	Both	No	
WWD14	Trade effluent costs - admin, monitoring, data sharing with downstream incumbent	Yes	Length of Main	Low	Wholesale	Non-Household	No	

	Surface Water / Highway Drainage Costs							
WWD17	Planned / unplanned pumping station maintenance	Yes	Length of Main	Med	Wholesale	Both	No	
WWD18	Planned sewer jetting maintenance	Yes	Length of Main	Med	Wholesale	Both	No	
WWD19	Incidence response sewer jetting	Yes	Length of Main	Med	Wholesale	Both	No	
WWD20	De-silting	Yes	Length of Main	Med	Wholesale	Both	No	
WWD21	Clearing and maintenance of drainage areas.	Yes	Length of Main	Med	Wholesale	Both	No	
WWD22	Capital replacement in made up ground	Yes	Length of Main	Med	Wholesale	Both	No	
WWD23	Wholesale cost for 'free' drainage provided under social tariffs	Yes	Not applicable	Not applicable	Retail	Household	No	
WWD24	Sewer flooding remediation and compensation	Yes	Length of Main	Low	Wholesale	Both	No	

Ref.	Cost Category	Is this treated as an avoided cost?	Suggested Cost Allocation Driver	Estimated Materiality	Where Is This Cost Allocated - Wholesale / Retail / Both	Does This Cost Apply to HH or NHH or Both?	Does The Developer Pay This Cost?	Comment
WWD25	Offsite network maintenance / repair (No income if NAV tariff assumes connection at boundary)	No	Not applicable	Not applicable	Wholesale	Both	No	Offsite network reinforcement costs are incurred whether an incumbent or a NAV serves site.
WWD26	Discharge permits/costs	No	Not applicable	Not applicable	Wholesale	Both	No	Deductions for discharge consents will be assessed on a site-by-site basis.