Wessex Water Services Limited

Statement of Significant Changes to Primary Wholesale Charges 2024-25

13th October 2023

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In accordance with the Wholesale Charging Rules issued by the Water Services Regulation Authority (Ofwat) under sections 66E and 117I of the Water Industry Act 1991, this notice is to update stakeholders on the proposed significant changes to our primary wholesale charges for 2024-25.

Wholesale charges, as defined by Ofwat in the Wholesale Charging Rules, relate to the charges water and sewerage undertakers can impose on retailers for wholesale water and wastewater services.

We await the outcome of the Retailer Wholesaler Group (RWG)'s April 2023 consultation[1] and may update our meter fixed charges and add a new charging band for final charges depending upon the recommendations. Other than this we do not intend to change the structure of our charges or the methodology for calculating primary wholesale charges at this time.

Calculation of allowed revenues

Charges seek to recover the revenue allowed to us by the Regulator, Ofwat.

The calculation of allowed revenue for 2024-25 has three elements:

1. the wholesale revenue per control based on the "k" factors per service area set out in the most recent in-period determination (Autumn 2023)
2. a forecast of CPIH for November 2023; and
3. the results of mechanisms set out in the PR19 Reconciliation Rulebook that adjust allowed revenues for performance in prior years (ODIs and accounting for previous under/over-recovery).

Price control	Nov CPIH	K Factor	ODIs	Accounting for previous under/over-recovery
Water resources	4.60%	0.58%	0.04%	0.63%
Water network plus		0.22%	2.43%	2.61%
Wastewater network plus		1.36%	0.51%	4.33%
Bio resources		1.75%[2]	-0.06%	-3.28%

This will result in bill incidence effects of over 5% on both our primary wholesale and our household charges, the latter for which we expect to publish a statement of significant changes in due course (in line with the charging rules).

Proposed handling strategy and mitigations

The allowed K factor supports investment that allow us to meet the challenges of a rapidly changing world while providing excellent service, while the allowed increase in revenues from inflation enables us to continue to deliver resilient services in light of the upward cost pressures we are facing.

[1] https://mosl.co.uk/document/groups-and-committees/retailer-wholesaler-group/6717-rwg-tariff-consultation-april-2023/file

[2] Although Bio resources is also linked to inflation its allowed revenue varies with volumes.

We will actively engage with stakeholders about the potential upcoming changes. We will contact all retailers and engage with CCW and our customer challenge group. We will continue engagement with all stakeholders over the coming months to assist in communicating and handling the bill changes, offering retailers one-to-one sessions through our account management team.

Bill incidence effects

Taking account of our allowed revenues, the proposed mitigations above, and latest forecasts for consumption we expect to see bill increases ranging from 10.6% to 13.1%.

The full range of likely changes are presented in the tables below:

Non-household annual consumption / RV	Water		Sewerage		Combined	
	£	%	£	%	£	%
Measured						
100m³	259	10.6%	249	11.4%	508	10.9%
1,000m³	2,542	10.8%	2,041	13.1%	4,583	11.6%
50,000m³	113,179	10.8%	102,730	13.0%	215,909	11.0%
Unmeasured						
£300 RV	722	11.7%	589	12.2%	1,311	11.9%