

Email: [wholesaleservicedesk@wessexwater.co.uk](mailto:wholesaleservicedesk@wessexwater.co.uk)

Date: 29 September 2023

Dear NAVs and other relevant stakeholders,

We are writing to you to inform you of:

- forthcoming increases in our 2024-25 charges; and
- our intention to adopt new charging bands proposed by the RWG in our 2024-25 or 2025-26 charges.

### **Increases in our wholesale charges**

We have a duty, if we expect charges to go up by more than 5% to publish a statement of significant changes which sets out how we have communicated with our customers and what, if any, mitigations we are undertaking.

The wholesale charges we set seek to recover the revenue allowed to us by Ofwat. The calculation of wholesale charges in any one year is made up of three elements – *wholesale revenues* determined by Ofwat, adjusted for the impact of *regulatory mechanisms*, which is then indexed using November CPIH *inflation*.

For 2024-25, we expect our wholesale charges to increase by around 12%. This is due to inflation, deferred rewards and low consumption. The table below further details these key drivers:

<b>Factors influencing our wholesale charges</b>	<b>Impact on charges</b>
Our current forecast of November CPIH inflation	5%
To help support customers through the cost-of-living crisis we deferred all Outcome Delivery Incentive (ODI) rewards that would have otherwise been recovered in our 2023-24 charges. We will collect these in 2024-25	2%
Our revenues were lower in 2022-23 as, linked to the cost-of-living crisis, customers used less water. We will collect this in 2024-25	5%

We want to take this opportunity to highlight the upcoming likely large increase to the wholesale starting point. We hope the above early information is useful to you in the setting and communication of your own charges. For the avoidance of doubt, we would expect the inflationary pressure to also increase our avoided costs in the formulation of our bulk supply tariffs, hence resulting in a greater discount applied in absolute terms when compared to this year. Final bulk charges for NAVs will be confirmed in our charges scheme publication in February 2024.

We will publish indicative wholesale charges in October 2023.

### **Adoption of new charging bands proposed by the RWG**

The tariff sub-group of the national Retailer Wholesaler Group (RWG) exists to investigate how to simplify the existing primary tariff structure in the non-household market.

In April 2023 the RWG consulted<sup>1</sup> on changing the water meter charging band structure and on introducing a new volumetric charging band with proposals to make them consistent across wholesalers. We await the outcome of the consultation before confirming our plans for 2024-25 charges; we may defer this update until our 2025-26 charges subject to timescales.

We also expect a further RWG consultation on simplifying and harmonising the water and wastewater banding structure of tariffs across Wholesalers in 2024. We wanted to keep you informed of these developments as they will likely impact our bulk charges for NAVs in the near future.

### **Further communication**

Considering these changes, we would like to extend an invitation for further discussions around charges, either as one-on-one sessions, or as a group session. Please do not hesitate to get in touch with us.

Yours faithfully

**Sean Larkin**  
**Head of Wholesale Services**

**David Peacock**  
**Head of Economic Regulation**

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<sup>1</sup><https://mosl.co.uk/groups-and-forums/industry-groups-forums/retailer-wholesaler-group/tariff-sub-group>