

Email: wholesaleservicedesk@wessexwater.co.uk

Date: 29 September 2023

Dear Retailers,

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:

Factors influencing our wholesale charges	Impact on charges
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. We hope the above early information is useful to you in the setting and communication of your own charges.

We will publish indicative wholesale charges in October 2023 and final wholesale charges in January 2024.

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 consulted¹ 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 since we last wrote to you on this matter in August 2022.

Yours faithfully

Sean Larkin
Head of Wholesale Services

David Peacock
Head of Economic Regulation

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