

Statement of Significant Changes to Household Charges 2023-24

In accordance with the Charges Scheme Rules issued by the Water Services Regulation Authority (Ofwat) under sections 143(6A) and 143B of the Water Industry Act 1991, this statement is to notify stakeholders on the proposed significant changes to our household charges for 2023-24.

Household charges refer to charges levied and recoverable from domestic premises for any services provided while carrying out our functions as a water and sewerage undertaker. Domestic premises, as defined by Ofwat in the Charges Scheme Rules, means any premises used wholly or partly as a dwelling or intended for such use, such as a house or flat.

We have not changed the structure of our charges, the methodology for calculating household charges, or our charging policy at this time.

Calculation of allowed revenues

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

The calculation of allowed revenue for 2023-24 has three elements:

1. The wholesale revenue per control based on the “K” factors or allowed revenues set out in the most recent in-period determination (Autumn 2022);
2. CPIH for November 2022; and
3. The results of mechanisms set out in the PR19 Reconciliation Rulebook that adjust allowed revenues for performance in prior years.

The main driver for the significant changes to charges for this year is high inflation (9.3%).

As expected in our Statement of Significant Changes for Wholesale charges (published October 2022), this has resulted in bill incidence effects of over 5% on our household charges.

Handling Strategies and Mitigations

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

We have agreed with Ofwat to not take the ODI rewards due from our operational performance in 2021-22, while retaining the penalties. This has reduced the overall revenue we recover, without impacting our resilience.

This will give immediate relief to customers and enables us to keep bill increases lower than inflation at a time where there are significant inflationary pressures on other utilities, food, and general cost of living. It will enable us to smooth the overall bill impact into future years, when inflation and energy costs are forecast to reduce, easing the overall pressure on household finances.

In addition, we have made it easier for customers to receive assistance with paying their bills. They will be able to go directly onto our Assist tariff while they seek debt advice instead of having to go through debt advice before receiving support.

We have actively engaged with and received support from stakeholders, including CCW, our Customer Challenge Group, and our Vulnerability and Affordability Panel about the changes, our handling strategies and mitigations and our customer communications.

Customer Communications

To help give early notice to customers of the bill increases we have:

- Included information in our November magazine and expanded its circulation to all our customers (as opposed to just dual-service customers);
- Published an article on our website; and
- Included an update in our January electronic newsletter.

These communications include information on likely bill increases (based on our indicative charges¹), how to save water and save money and how we can help customers who are struggling to pay.

Alongside this, we have made it clear on our charges webpages how customers can save water and money, promoting our water efficiency and metering offerings to help all customers mitigate the impact of increasing charges. We have also made it clear why bills have increased and the reasons for this, including where customers can go to get more information about their bills.

Bill incidence effects

Taking account of our allowed revenues, the proposed mitigations above, and latest forecasts for consumption we expect to see typical bill increases ranging from 5.8% to 14.2%. Almost all customer groups are expected to be affected.

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

Household customer type	Water		Sewerage		Combined	
	£	%	£	%	£	%
Average bill	265	10.9%	248	6.6%	513	8.8%
Metered 1 person	158	10.2%	164	6.5%	322	8.3%
Metered 2 person	231	10.4%	219	6.2%	450	8.3%
Metered 3 person	272	10.4%	251	6.1%	523	8.3%
Metered 4 person	317	10.5%	286	6.0%	603	8.3%
Metered 5 person	376	10.5%	331	5.9%	707	8.3%
Metered 6 person	424	10.5%	367	5.8%	791	8.3%
Unmetered "low" 100 RV	227	14.2%	178	8.7%	406	11.7%
Unmetered "medium" 160 RV	361	14.2%	282	8.6%	643	11.7%
Unmetered "high" 220 RV	491	14.2%	382	8.6%	873	11.7%

¹ October 2022