

Email: wholesaleservicedesk@wessexwater.co.uk

Date: 10 September 2025

Dear NAVs and other relevant stakeholders,

We are writing to you to update you on:

- Forthcoming changes in the components of our bulk charges for the 2026-27 year; and
- Ofwat's consultation on the introduction of bulk charging rules, and how we intend to take account of this in our charges.

Changes to bulk charges components

We review and update our bulk charges each year. Our charges follow a wholesale-minus approach. This approach starts from the relevant wholesale charges and deducts costs that the incumbent would no longer incur if a new appointee supplied the site instead.

Wholesale starting point

Based on Ofwat's PR24 Final Determination, and our latest forecast of November CPIH inflation, we currently expect typical combined wholesale bills to increase by between 2% and 6% next year, in nominal terms (i.e. including inflation).

However, the scale of these changes remains uncertain. In February 2025, we referred our PR24 Final Determination to the Competition and Markets Authority (CMA). This is because, while it allows for a major increase in investment, we don't believe it will allow us to deliver what our customers have asked of us or fulfil our wider obligations.

The CMA is currently reviewing our PR24 settlement, and it expects to issue a provisional redetermination later this month. It intends to conclude its review by mid-December 2025. The outcome of this review could materially affect our revenue allowance – and therefore our wholesale charges – for 2026-27 as well as the rest of AMP8¹.

As wholesale charges form the starting point in the calculation of bulk tariffs, we want to take this opportunity to highlight both (i) the likely scale of changes in our wholesale charges for 2026-27, based on currently available information; and (ii) the greater uncertainty around these changes, compared to similar communications in previous charging years.

Avoided costs

The avoided costs that we deduct from the wholesale starting point are based on the average of the relevant costs from the most recent five-year period (2020-21 to 2024-25). We will be updating this to reflect the impact of 2024-25 data on our avoided cost calculation.

We also include an allowed return in our bulk charges calculation, reflecting that when a NAV takes on a site they will be taking a risk as a result of owning and operating the on-site assets. We note

¹ The CMA's latest timetable for its redetermination is available [here](#).

that the outcome of the CMA's review could also affect the allowed return for wholesalers, and therefore the total level of avoided costs to be deducted from the wholesale starting point.

Likely direction for final bulk charges

At this stage, based on the latest available information, we expect the wholesale starting point and the avoided costs to both increase for the 2026-27 charging year. However, there remains uncertainty around both these elements as we await the conclusions of the CMA's review and progress our avoided cost work.

Introduction of bulk charging rules

In May 2025, Ofwat published a [consultation](#) on introducing bulk charging rules for new appointees. Ofwat has now [decided](#) to introduce charging rules from April 2026, subject to statutory consultation (which closes on 3 October 2025).

We will be reviewing Ofwat's conclusions to ensure that our 2026-27 charges comply with the new charging rules. Our current methodology (i.e. the wholesale-minus approach) and processes – which include publishing a clear method statement and obtaining Board assurance – already satisfy many of the requirements that are set out in the rules. We will engage further with NAVs in our region to explain any significant changes that we make to our charging methodology, in light of these rules coming into effect next year.

Ofwat's consultation also states that incumbents should seek views from new appointees as to where the bulk charges schedules are best located. We welcome views from new appointees as to whether we can improve the signposting of our bulk charges publications on our website.² Please send any suggestions or comments to wholesaleservicedesk@wessexwater.co.uk.

Timetable and next steps

An indicative timetable for the next steps in our charges-setting process for 2026-27 is below.

This remains subject to change, pending changes to the CMA's timetable for issuing its provisional / final redeterminations.

Date	Milestone
3 October 2025	Deadline for Ofwat statutory consultation on rules for bulk charges
By 13 October 2025	Publish indicative wholesale charges
October – November 2025	Finalise charging methodology, incorporating any changes resulting from Ofwat's bulk charging rules
November 2025	Publish indicative bulk charges
December 2025	Stakeholder feedback on indicative charges
Mid-December 2025	CMA final redetermination – publication of summary
By 13 January 2026	Publish final wholesale charges
By 1 February 2026	Publish final bulk charges

² Our bulk charges schedule (and other relevant documents including our charges calculator) for the current charging year is available here: [Our charges | Wessex Water](#). Previous year's charges are available in our charges library: [Our charges documents | Wessex Water](#).

Further communication

In light of the heightened uncertainty over this year's charges-setting process, 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 if you would find this useful.

Yours faithfully

Sean Larkin

Head of Developer and Wholesale Services

David Peacock

Head of Economic Regulation