Wessex Water Services Limited

Statement of Significant Changes to Household Charges

2026-27

Statement of Significant Changes to Household Charges 2026-27

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 2026-27.

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 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.

Calculation of 2026-27 charges

Allowed revenues

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

The calculation of allowed revenue for 2026-27 is based on the following elements:

1) The revenue per control based on the "k" factors per service area. These factors are based on Ofwat's PR24 Final Determination, published in December 2024, but updated to reflect the impact of the mechanism set out in the PR19 Reconciliation Rulebook that adjusts allowed revenues for performance in prior years (ODIs). This results in a revised set of k-factors as set out in Table 4 of Ofwat's Final determination adjusting for company actual ODI payments in 2024-25 (published in November 2025).

2) An adjustment to revenues to reflect the impact of the RFI mechanism also set out in the PR19 Reconciliation Rulebook, which accounts for under / over-recovery in previous years. This adjustment is set out in Ofwat's Final determination adjusting for actual company performance in 2024-25: Blind year adjustment (published in December 2025). Overall, it results in a reduction in revenues of £4.3 million across all price controls (in 2022-23 prices).

3) A set of one-off 'end-of-period' adjustments (also known as other 'blind year' adjustments) that are made following the end of each AMP. These adjustments, also set out in Ofwat's Blind year adjustment Final Determination, specifically account for any difference between PR24 Final Determination forecasts of end-of-AMP positions, and actual outturns. Overall, they result in a further reduction in revenues of around £0.4 million across all price controls (in 2022-23 prices).

4) The November 2025 CPIH inflation figure of 3.6%[1].

Companies can choose the exact profile of how much of the blind year revenue adjustment (including RFI adjustments) is applied in each charging year to 2029-30. We have chosen to apply all such revenue adjustments to 2026-27 bills, while smoothing some ODI revenue adjustments over the course of AMP8 for the wastewater price control. We believe this approach best balances the need to limit bill increases as far as possible, while maintaining bill stability for customers over the longer-term.

[1] Based on the ONS's CPIH index released 17 December 2025: 139.4 (Nov 2025) and 134.6 (Nov 2024).

The table below summarises the impact of each of these factors on allowed revenues (compared to 2025-26 revenues). The overall increase in allowed revenues for 2026-27, due to these factors, is c.6%.

<table>
<tr><th>Price control</th><th>Nov CPIH</th><th>Unadjusted K-factors</th><th>ODI payments</th><th>RFI adjustments</th><th>Other blind year adjustments</th></tr>
<tr><td>Water resources</td><td rowspan="3">3.6%</td><td>13.9%</td><td>0.0%</td><td>1.6%</td><td>-0.1%</td></tr>
<tr><td>Water network plus</td><td>-6.9%</td><td>0.6%</td><td>0.5%</td><td>-1.0%</td></tr>
<tr><td>Wastewater network plus</td><td>12.0%</td><td>-4.0%</td><td>-1.6%</td><td>0.4%</td></tr>
<tr><td>Bioresources[2]</td><td colspan="3">0.4%</td><td colspan="2">N/A</td></tr>
<tr><td>Retail[1]</td><td colspan="3">4.5%</td><td colspan="2">N/A</td></tr>
</table>

We note that we have not taken account of the Competition and Markets Authority (CMA)'s review of our PR24 settlement on the calculation of allowed revenues. As this review is still ongoing, our charges for 2026-27 continue to be based on Ofwat's PR24 Final Determination. Any changes resulting from the CMA's review will affect revenues (and bills) for the remaining years in AMP8.

Customer and consumption assumptions

Charges are also affected by consumption forecasts. We are forecasting slightly higher household and non-household consumption than our 2025-26 forecast used to set this year's charges, as well as a slight increase in the number of customers. All other things equal, this means that charges will be slightly lower to recover a given revenue allowance.

Additionally, as in previous years, we have accounted for the relative balance of consumption between measured and unmeasured customers. Based on latest information, we forecast that the estimated differential between unmeasured and measured consumption will be slightly narrower, compared to the assumption used to set this year's charges. This means that, to ensure we continue to reflect differences in the relative costs of serving these customer groups, the percentage increase in measured charges is slightly higher than for unmeasured customers.

Other changes

We have made a small change to the way that we recover the costs of social tariffs from the rest of our customers. We previously recovered the cross-subsidy for unmeasured customers on social tariffs from other unmeasured customers, and likewise for measured customers. We now recover the total cross-subsidy (for both customer types) from all customers equally – meaning all non-social tariff customers contribute the same amount towards these social tariffs, regardless of billing type.

All other things equal, this means that the retail revenue requirement per measured customer is slightly higher, and the revenue requirement per unmeasured customer is slightly lower, than it would otherwise be. This is another reason why the percentage increase in measured charges is slightly higher than for unmeasured customers.

[2] There is no k factor for bioresources and retail in the same way for the other price controls, however we have expressed here the overall change in allowed 25-26 to 26-27 revenues.

We have made no other changes to the structure of our charges, the methodology for calculating household charges, or our charging policy this year.

Bill incidence effects

Taken together, the factors set out above will result in bill incidence effects of over 5% for customers who we supply with wastewater services. For other household customer groups, incidence effects are expected to be lower than 5%.

The table below further details the impact of these key drivers, separately for measured and unmeasured charges, for both (i) combined customers and (ii) wastewater-only customers. As the table shows, the key driver of the increase in charges is the increase in allowed revenues from the PR24 price review for wastewater services i.e. the WWN+ k-factor, as well as the impact of inflation.

Key drivers of changes in charges – combined customers

Factors influencing our household charges	Impact on combined measured charge	Impact on combined unmeasured charge
November CPIH inflation	3.6%	3.6%
Change in revenue allowances due to k-factors	6.0%	6.0%
ODI adjustments (revised k-factors)	-1.6%	-1.6%
Other revenue adjustments[3]	-1.9%	-1.9%
Change in customer and consumption forecasts	-1.9%	-2.7%
Other changes (social tariff cross-subsidy recovery)	0.4%	-0.8%
Total impact for a typical bill	**4.5%**	**2.5%**

Key drivers of changes in charges – wastewater customers

Factors influencing our household charges	Impact on wastewater measured charge	Impact on wastewater unmeasured charge
November CPIH inflation	3.6%	3.6%
Change in revenue allowances due to k-factors	12.6%	12.6%
ODI adjustments (revised k-factors)	-3.6%	-3.6%
Other revenue adjustments[3]	-2.4%	-2.4%
Change in customer and consumption forecasts	-0.8%	-1.3%
Other changes (social tariff cross-subsidy recovery)	0.4%	-0.9%
Total impact for a typical bill	**9.8%**	**8.0%**

These changes translate to typical bill increases ranging from -£1.36 per month (for an unmeasured water-only customer) to £4.61 per month (for larger metered wastewater customers). The full range of changes is shown below, for a range of representative customer types. As shown, bill incidence effects of more than 5% are expected for all types of wastewater-only customer, while combined customers will see increases of less than 5% (for a constant consumption level / RV). Water-only customers will see a fall in bills.

[3] This includes the impact of the RFI and other blind year adjustments, as well as the change in forecast revenues from developer services contributions.

Household customer type	Water			Wastewater			Combined		
	Bill	**Increase**	**Increase per month**	**Bill**	**Increase**	**Increase per month**	**Bill**	**Increase**	**Increase per month**
Unit	**£**	**%**	**£**	**£**	**%**	**£**	**£**	**%**	**£**
Metered 1 person	207	**-0.4%**	-£0.08	242	**9.1%**	£1.69	450	**4.5%**	£1.62
Metered 2 person	305	**-0.6%**	-£0.16	337	**9.7%**	£2.49	642	**4.5%**	£2.33
Metered 3 person	360	**-0.7%**	-£0.21	390	**9.9%**	£2.94	751	**4.6%**	£2.73
Metered 4 person	421	**-0.8%**	-£0.27	449	**10.1%**	£3.44	871	**4.6%**	£3.17
Metered 5 person	501	**-0.8%**	-£0.34	526	**10.3%**	£4.08	1027	**4.6%**	£3.74
Metered 6 person	565	**-0.8%**	-£0.40	588	**10.4%**	£4.61	1153	**4.6%**	£4.21
Unmetered 100 RV	302	**-2.4%**	-£0.62	298	**7.9%**	£1.82	600	**2.5%**	£1.20
Unmetered 160 RV	482	**-2.4%**	-£1.00	474	**8.0%**	£2.94	956	**2.5%**	£1.94
Unmetered 220 RV	656	**-2.4%**	-£1.36	645	**8.1%**	£4.01	1301	**2.5%**	£2.65

Handling Strategies and Mitigations

As shown above, the higher bills next year are driven by two main factors: the k-factors set out by Ofwat (particularly for wastewater); and forecast inflation.

The allowed k-factors at FD should support 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 should enable us to continue to deliver resilient services in light of the upward cost pressures we are facing.

In developing our PR24 business plan, we carefully considered the profiling of revenues over AMP8 and how to balance the need for this immediate investment while limiting the impact on customers. We leveraged a range of mitigations which included: slowing down the cost recovery of investment; and reprofiling revenue beyond 2025-26, in order to limit the immediate bill impacts.

We have further considered the appropriate profiling of revenues arising from the blind year and outcome delivery incentive adjustments. As explained above, we proposed some smoothing of ODI revenue adjustments for the wastewater price control as part of Ofwat's blind year process, to maintain a smoother bill profile for customers over the course of AMP8. This was supported by the CCW, and Ofwat confirmed this approach in its Blind year adjustment Final Determination.

To mitigate the immediate impacts of bill increases, we have put in place a strategy to support the most vulnerable customers in our region. We are continuing our approach of making it as easy as possible for customers to receive assistance with paying their bills, through the following measures:

1) Our tailored Assist social tariff offers a variable level of support based on their need. For those already on our Assist tariff, we will not be passing through full bill increases, instead only increasing bills in line with rises to benefits (which is 3.8%). This will directly mitigate the bill increases for around 25,000 households.

2) We continue to offer support to higher users through our WaterSure tariffs. We have retained our policy of setting WaterSure tariffs at the (lower) average measured bill level.

3) We have also limited the increase in fixed charge elements of our tariffs to 5% or less. This gives all customers more scope to save money through meter switching and water efficiency savings, which we will continue to promote.

4) We continue to encourage unmetered customers to reduce their charges by switching to a water meter. This includes our Money Back Guarantee which allows customers to switch back to unmetered charges if they don't save money in the first two years. Customers also will not be charged for water beyond 30 working days after they apply to move onto measured charges, until their meter is installed.

These measures will directly reduce, or help to mitigate, bill impacts for those customers most affected by the changes in charges.

We have also actively engaged with and received support from stakeholders, including CCW and our Vulnerability and Affordability Panel, about the changes to bills and our handling strategies and mitigations.

Customer communications

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

- Included advance information on likely bill increases in our November magazine, which is sent to all customers; and

- Published information on our website in autumn 2025 on likely bill increases for 2026-27; why bills are rising; and what improvements in infrastructure the funding will deliver.

These communications also include information on how customers can save water and money, promoting our water efficiency and metering offerings to help customers mitigate the impact of increasing charges, as well as how we can directly help customers who are struggling to pay. This includes information on our debt support scheme (Restart) for those who are struggling to pay, and for customers in debt.

We have also published further information on our website alongside this Statement of Significant Change, following the confirmation of final charges, which explains in more detail how and why bills have increased and the key reasons for this. We will carry out further communications between the publication of our full household charges scheme (by 1 February) and the start of the next charging year on 1 April.