Wessex Water Services Limited

Statement of Significant Changes for Primary Wholesale Charges

2026-27

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In accordance with the Wholesale Charging Rules issued by the Water Services Regulation Authority (Ofwat) under sections 66E and 117I of the Water Industry Act 1991, this notice is to notify stakeholders about the proposed significant changes to our primary wholesale charges for 2026-27.

Wholesale charges, as defined by Ofwat in the Wholesale Charging Rules, relate to the charges water and sewerage undertakers can impose on retailers for wholesale water and wastewater services.

Calculation of 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 wholesale revenue per control based on the “k” factors per service area. These factors are based on Ofwat’s PR24 Final Determination, but updated to reflect the expected impact of the mechanism set out in the PR19 Reconciliation Rulebook that adjusts allowed revenues for performance in prior years (ODIs).

2. A further adjustment to wholesale revenues to reflect the expected impact of the RFI mechanism also set out in the PR19 Reconciliation Rulebook, which accounts for under / over-recovery in previous years.

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 specifically account for any difference between PR24 Final Determination forecasts of end-of-AMP positions, and actual outturns. The main adjustment is the totex adjustment that determines how much underspend or overspend in AMP7 is shared with customers; and

4. A forecast of CPIH for November 2025.

The table below summarises the impact of each of these factors on allowed revenues (compared to 2025-26 revenues).

<table>
<tr><th>Price control</th><th>Nov CPIH</th><th>Adjusted K-factors</th><th>RFI mechanism</th><th>Other blind year adjustments</th></tr>
<tr><td>Water resources</td><td rowspan="4">3.70%</td><td>13.8%</td><td>1.3%</td><td>0.1%</td></tr>
<tr><td>Water network plus</td><td>-5.9%</td><td>0.4%</td><td>-1.0%</td></tr>
<tr><td>Wastewater network plus</td><td>8.0%</td><td>-1.3%</td><td>0.3%</td></tr>
<tr><td>Bioresources[1]</td><td colspan="3">0.5%</td></tr>
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The overall increase in allowed wholesale revenues for 2026-27, due to these factors, is c.6%.

We have not taken account of the Competition and Markets Authority (CMA)’s ongoing review of our PR24 settlement on the calculation of allowed revenues. The CMA issued its provisional findings on 9 October – this proposes a 3.8% increase in allowed revenues, over and above Ofwat’s PR24 Final Determination, across the whole of AMP8. However, there was not sufficient time to take account of this in our indicative wholesale charges.

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

Consumption forecasts

Charges are also affected by consumption forecasts. Based on the latest available information, we are currently forecasting an increase in average measured consumption, relative to this year's forecasts used to set 2025-26 charges. We are also forecasting a slight decrease in average unmeasured consumption, relative to last year's forecasts. All other things equal, 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.

Bill incidence effects

At this stage, we expect that the change in allowed revenues (combined with our latest forecasts for customer numbers and consumption) will result in wholesale bill incidence effects of over 5% for customers who we supply with wastewater services.

We also anticipate bill incidence effects of over 5% for some of the largest customers who we supply with water services. This is due to a change in our policy with regards to large users – as discussed in more detail below.

Bill incidence effects for other customers groups, based on the latest information set out above, are currently forecast to be lower than 5%.

The range of likely changes is presented in the table below. Overall, we expect to see bill increases ranging from -0.8% to 11.0%.

Non-household annual consumption/RV	**Water**		**Wastewater**		**Combined**	
	£	**%**	**£**	**%**	**£**	**%**
Measured						
100m³	298	**-0.8%**	338	**9.9%**	636	**4.6%**
1,000m³	2,939	**-0.8%**	2,889	**10.9%**	5,829	**4.7%**
50,000m³	133,841	**1.5%**	145,161	**10.9%**	279,003	**6.2%**
500,000m³	1,012,759	**8.1%**	1,431,252	**11.0%**	2,444,011	**9.8%**
Unmeasured						
£300 RV	836	**-2.4%**	808	**7.2%**	1,643	**2.1%**

However, we note that there is greater uncertainty than usual around this year's final changes in primary wholesale charges, which must be published by 13 January 2026. This is because, as noted above, our PR24 settlement is currently being reviewed by the CMA.

If the CMA concludes its redetermination process in sufficient time, we will seek to reflect the conclusions of this redetermination in our final 2026-27 wholesale charges. This would likely affect our calculation of allowed revenues for 2026-27 and could lead to further changes in bill incidence effects presented above (for all customer types).

As such, our final wholesale charges may be materially different to the indicative wholesale charges that we have published alongside this Statement of Significant Changes. All other things equal, based on the CMA's provisional findings, we would expect to see further upward movement in charges.

We will publish an updated Statement of Significant Changes alongside the publication of final wholesale charges in January 2026, setting out any impacts of the CMA's redetermination.

Other changes

We highlight two further changes to the structure of our charges that we intend to implement for the 2026-27 charging year. Our indicative wholesale charges incorporate these planned changes so that stakeholders can see and understand their impact.

(1) Phased removal of 20 Ml / 100 Ml / 150 Ml volumetric bands for potable water

Our existing wholesale tariff structure offers decreasing rates per unit of water if volumes consumed exceed 20 / 100 / 150 megalitres (Ml) per year. This is sometimes known as a 'falling block' tariff.

We have reviewed this tariff structure in the context of our AMP8 water resources strategy. We no longer believe that it sends the right signals to customers, and in particular could reduce incentives to save water. Furthermore, while it reflects short-run differences in costs between users of an existing network, it ignores the costs of future water resource schemes that are partly driven by high water demand.

We therefore intend to phase out these volumetric consumption bands over the rest of AMP8, beginning from April 2026, and move to a single volumetric wholesale rate for potable water. We believe this tariff structure will be more reflective of the long-run costs associated with providing water. Additionally, it will better support our water efficiency objectives and Strategic Direction Statement outcome of sustainable abstraction.

We note that Ofwat has recently published a consultation on promoting water efficiency in wholesale charges for business customers. Ofwat's current view is that falling block tariffs are no longer appropriate, given the water scarcity challenges faced by industry. It also confirms that phasing out these tariffs is consistent with its existing wholesale charging rules.

Alignment with RWG Good Practice Guide

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 February 2025, the RWG issued a Good Practice Guide which recommended that all wholesalers align their metered volumetric consumption bands with the following thresholds: 0.5 Ml, 50 Ml, 100 Ml and 250 Ml. The Guide recommends that implementation should commence from April 2026, with full alignment achieved by the 2030-31 charging year.

This change would ensure compliance with the RWG's Good Practice Guide, which confirms that the same unit rate can be used across multiple consumption bands if an even simpler structure is in use or proposed for use by the wholesaler.

Impact on customers

We have considered the impacts of this change on affected customers.

- There are around 100 existing customers on these tariffs. We estimate that this change will increase charges for the majority of these customers (i.e. those on the 20 Ml consumption band) by an average of less than 2% next year. Furthermore, for around two thirds of these customers (who are currently consuming more than 50 Ml), this impact is broadly equivalent to aligning our 20 Ml threshold with the RWG's recommended 50 Ml threshold – in other words, the incremental impact of removing this band entirely is even smaller.

- The forecast impact for those customers on the higher volumetric bands of 100 Ml and 150 Ml would be between 2-6% and 6-11% respectively in 2026-27.

At this stage, we intend to completely phase out these bands by the start of the 2030-31 charging year, in which case the impacts in years 3-5 of AMP8 would be broadly similar to those presented above. However, we will keep this timing under review as we progress through AMP8.

We wrote to retailers about this change in September 2025, and we will continue to engage with affected stakeholders in advance of the next charging year, in particular to provide advice and support on how they can further mitigate these impacts by reducing their usage. We have already published information on this, and we will be providing further details in due course about our water efficiency visits and water innovation fund.

(2) Alignment of SWD / HWD bands with fixed meter bands

In 2024-25, in response to the Retailer Wholesaler Group (RWG)'s April 2023 consultation on harmonising bands for fixed meter charges, we made some changes to our meter fixed charges for potable water. To ensure alignment across our water and wastewater charges, we intend to amend the threshold for our SWD and HWD fixed charges such that a customer on a 25mm meter size would be charged the lowest standing charge[2]. This would ensure consistent treatment of customers with a 25mm meter across water and wastewater.

We forecast that this change will lower SWD and HWD charges for around 2,000 non-household customers.

Wider handling strategy and mitigations

As set out above, the anticipated bill increases 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.

We will actively engage with stakeholders about the potential upcoming changes. As set out above, we have already written to all retailers informing them of likely increases in our 2026-27 charges, highlighting in particular the impact of removing the 20 Ml / 100 Ml / 150 Ml volumetric bands. We believe that phasing this change over a period up to five years, in addition to early engagement this year, provides sufficient mitigation to allow customers to plan for and manage the impacts.

We will continue engagement with retailers over the coming months to assist in communicating and handling the bill changes, including via regular engagement with our account management team. We will also engage further with CCW and our Customer Challenge Group (CCG).

Additionally, we will keep stakeholders updated about the timing of the CMA's redetermination process and the potential impact on bill increases. While this is outside of our control, we will ensure that stakeholders are kept informed in a timely manner. We will also ensure our wholesale charges are finalised and published as soon as practically possible, and no later than 13 January 2026.

[2] In other words, our SWD and HWD bandings will change from "<25mm" and "≥25mm <30mm" respectively, to "≤25mm" and ">25mm < 30mm".