



Wessex Water Services Limited
Statement of Significant Changes to Primary Wholesale Charges
2023-24

Statement of Significant Changes to primary Wholesale Charges 2023-24

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 statement is to notify stakeholders on the proposed significant changes to our primary Wholesale Charges for 2023-24.

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.

We do not intend to change the structure of our charges or the methodology for calculating primary Wholesale Charges 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 per service area set out in the most recent in-period determination (Autumn 2022);
2. A forecast of 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 (Outcome Delivery Incentives (ODIs) and Revenue Forecasting Incentive (RFI)).

| Price control | Nov CPIH ¹ | K Factor | ODIs | RFI |
|-------------------------|-----------------------|---------------------|--------|--------|
| Water resources | 10.8% | 0.61% | -0.07% | 1.45% |
| Water network plus | | -0.04% | 2.10% | 1.22% |
| Wastewater network plus | | 0.12% | 0.20% | 0.20% |
| Bio resources | | -2.58% ² | -0.08% | -5.92% |

The main driver for the significant changes to charges for this year is the high inflation forecast – currently 10.8%.

This will result in bill incidence effects of over 5% on both our primary Wholesale Charges and our household charges, for which we expect to publish a Statement of Significant Changes in due course (in line with the charging rules).

Proposed handling strategy and mitigations

The allowed K factor supports 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 enable us to continue to deliver resilient services in light of the upward cost pressures we are facing.

We are however proposing to not take the ODI rewards due from our operational performance in 2021-22, while retaining the penalties. This will reduce the overall revenue we recover, without impacting our resilience.

¹ Forecast, at the time of preparing indicative wholesale charges (published 13th October)

² Although Bio resources is also linked to inflation its allowed revenue varies with volumes.

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In addition, it is our policy decision to charge for vacant consumption in the non-household market from 1st April 2023, as facilitated by the market codes. This brings us into line with most of the industry. It results in more water being charged for, and hence a lower unit rate for all individual users.

We have actively engaged with stakeholders about the potential upcoming changes. We have contacted all retailers along with engaging CCW and our customer challenge group. We will continue engagement with all stakeholders over the coming months to assist in communicating and handling the bill changes, offering retailers one-to-one sessions through our account management team.

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 8.3% to 15.1%.

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

| Non-household annual consumption / RV | Water | | Sewerage | | Combined | |
|---------------------------------------|---------|-------|----------|-------|----------|-------|
| | £ | % | £ | % | £ | % |
| Measured | | | | | | |
| 100m ³ | 233 | 10.8% | 227 | 8.4% | 460 | 9.6% |
| 1,000m ³ | 2,291 | 11.0% | 1,839 | 8.3% | 4,130 | 9.9% |
| 50,000m ³ | 101,922 | 10.9% | 92,627 | 8.3% | 194,550 | 9.6% |
| Unmeasured | | | | | | |
| £300 RV | 644 | 15.1% | 532 | 11.2% | 1,177 | 13.3% |