

Email: wholesaleservicedesk@wessexwater.co.uk

Date: 10 September 2025

Dear Retailers,

We are writing to you to:

- Update you on forthcoming changes in our wholesale charges for the 2026-27 year.
- Highlight two policy changes that we intend to make to the structure of our charges:
 - 1) The phased removal of 20 MI / 100 MI / 150 MI volumetric bands for potable water.
 - 2) Aligning Surface Water Drainage / Highway Drainage bands with fixed meter bands.
- Notify you of the republication of our 2025-26 wholesale charges scheme.

Increases in our wholesale charges

We have a duty, if we expect wholesale charges to go up by more than 5%, to publish a statement of significant changes which sets out how we have communicated with our customers and what, if any, mitigations we are undertaking.

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 and the rest of AMP8¹.

We want to take this opportunity at this stage 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.

We will publish a full set of indicative wholesale charges by 13 October 2025. We intend to reflect the CMA's provisional redetermination in those charges, providing that it is published sufficiently in advance of this date. We will confirm the basis on which we have published indicative wholesale charges alongside the publication of those charges.

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

Planned changes to the structure of our wholesale charges

We are also highlighting two changes to the structure of our charges that we intend to implement for the 2026-27 charging year. Our indicative wholesale charges will incorporate these changes, so that stakeholders can see and understand their impact at the earliest possible stage.

(1) Phased removal of 20 MI / 100 MI / 150 MI 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 (MI) 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 MI, 50 MI, 100 MI and 250 MI. 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 MI 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 MI), this impact is broadly equivalent to aligning our 20 MI threshold with the RWG's recommended 50 MI 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 MI and 150 MI 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.

Further engagement

We are keen to work with retailers and affected customers to provide advice and support on how they can further mitigate these impacts by reducing their water usage. We have previously provided [information](#) about the support that is available for this, including our water efficiency visits and water efficiency innovation fund; further details about this fund will be made available during the autumn. In August, we offered a leakage management training course aimed at sites with complex networks. We have also recently reached out to retailers to investigate large continuous flows and offer relevant support where appropriate.

Ofwat's consultation includes further ideas around alternative charging structures that could provide water efficiency benefits, as well as the use of more innovative sharing mechanisms to better align incentives between companies and retailers. While we are not proposing to make any further changes for 2026-27, we will be considering these ideas and will respond to Ofwat's consultation. We would encourage retailers to share any views with Ofwat, as part of its consultation exercise.

We will consider Ofwat's final conclusions and any further implications for our wholesale charging structures when their conclusions are published.

(2) Aligning Surface Water Drainage / Highway Drainage (SWD/HWD) bands with fixed meter bands

In 2024-25, in response to the 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 charge². This would ensure consistent treatment of customers with a 25mm meter across water and wastewater from April 2026 onwards.

² In other words, our SWD and HWD bandings in Tables 1-3 and 1-4 of our wholesale charges scheme would change from "<25mm" and "≥25mm <30mm" respectively, to "≤25mm" and ">25mm < 30mm".

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

Republication of wholesale charges scheme

We have been made aware that our 2025-26 wholesale charges scheme contains some discrepancies between the CMOS charge element listed in our scheme and the tariffs that are live in CMOS. We have therefore republished our [wholesale-charges-scheme](#) (and amended CMOS data fields where necessary) to correct for these discrepancies. For completeness, we have also included in Annex 1 to this letter a full list of the changes made.

For avoidance of doubt, this has not affected any charges for the current charging year as these are all being applied correctly in CMOS.

Further communication

Considering the planned changes set out above, and in light of the ongoing 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

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Head of Economic Regulation

Annex 1: Summary of changes to wholesale charges scheme

Table	Tariff	Nature of change	Old CMOS Charge Element	Old CMOS Charge Element Name	New CMOS Charge Element	New CMOS Charge Element Name
Table 1-5: Trade Effluent	R (reception & conveyance) ≤80 MI of total waste discharge*	Correction to CMOS Charge Element	D7552	-	D7559	-
Table 1-5: Trade Effluent	R (reception & conveyance) >80 MI of total waste discharge*	Correction to CMOS Charge Element	D7553	-	D7559	-
Table 1-5: Trade Effluent	V (primary treatment) charge	Correction to CMOS Charge Element	D7554	-	D7560	-
Table 1-5: Trade Effluent	B (secondary treatment charge) ≤80MI of total waste discharge* - stated in standard strength of 802mg per litre	Correction to CMOS Charge Element	D7556	-	D7563	-
Table 1-5: Trade Effluent	B (secondary treatment charge) >80MI of total waste discharge* - stated in standard strength of 802mg per litre	Correction to CMOS Charge Element	D7557	-	D7563	-
Table 1-5: Trade Effluent	S (sludge treatment and disposal charge) - stated in standard strength of 313 mg per litre	Correction to CMOS Charge Element	D7559	-	D7564	-
Table 1-6: Unmeasured water	Sprinkler	Correction to CMOS Charge Element and CMOS Charge Element Name	D7257	Unmeasured Water Miscellaneous Type B Charge	D7251	Unmeasured Water Fixed Charge
Table 1-8: Assessed Water	All tariffs	Correction to CMOS Charge Element and CMOS Charge Element Name	D7201	Assessed Water Fixed Charge	D7204	Assessed Water Band Charge
Table 1-9: Assessed Sewerage	All tariffs	Correction to CMOS Charge Element and CMOS Charge Element Name	D7351	Assessed Sewerage Fixed Charge	D7354	Assessed Sewerage Band Charge

Table	Tariff	Nature of change	New CMOS Charge Element	New CMOS Charge Element Name
Table 1-6: Unmeasured water	Standard Unmeasured	New line	D7253	Unmeasured Water RV Threshold
Table 1-6: Unmeasured water	Sprinkler	New line	D7252	Unmeasured Water RV Poundage
Table 1-6: Unmeasured water	Sprinkler	New line	D7253	Unmeasured Water RV Threshold
Table 1-6: Unmeasured water	Special Rate Tariff	Data change in CMOS to align Charge Element and Charge Element Name with wholesale charges scheme	-	-