

NORTHUMBRIAN WATER LIMITED

STATEMENT OF SIGNIFICANT CHANGES TO PRIMARY WHOLESAL CHARGES 2020/21

In accordance with the Wholesale Charging Rules issued by the Water Services Regulation Authority under sections 66E and 117I of the Water Industry Act 1991, this notice is to update stakeholders on any significant changes to our primary Wholesale Charges for 2020/21.

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. We prefer to provide stability and consistency for our end customers and retailers. We will monitor feedback from our regulator and the outputs of any industry wide charging harmonisation initiatives that may evolve. If appropriate our final charging structures may be subject to adjustment in the event of any changes to regulatory guidance or in response to any customer beneficial harmonisation proposals within the industry.

Additionally, as part of our vacant property management strategy we are considering the option to charge retailers for properties flagged as vacant in the market where consumption has been recorded, with effect from April 2020. We intend to create an exercisable option to charge for this consumption within our charges schedule but currently we do not propose to exercise this option.

We can therefore confirm that we are not intending to make any significant changes to our primary Wholesale Charges for 2020/21.

2019 Price Review

We would like to draw to your attention to the fact that our indicative primary Wholesale Charges are subject to a greater level of uncertainty than usual due to the timing of the 2019 Price Review. The Final Determination, which will confirm our final wholesale allowed revenue, is not due for publication until December 2019. We have therefore set our indicative Primary Wholesale Charges using a reasonable expectation of the allowed revenues that we will receive drawing on the Draft Determination published in July incorporating any subsequent representations that we have made to Ofwat. We anticipate that the final Wholesale Charges are likely to differ by more than an indexation variance to the indicative Primary Wholesale Charges and we will include an explanation of material movements within the final Board Statement of Assurance which will be published in January 2020.

October 2019