

NORTHUMBRIAN WATER LIMITED

Statement of significant changes to primary wholesale charges 2024/25

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 update stakeholders on any proposed significant changes to our primary wholesale charges for 2024/25.

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 standard charges or the methodology for calculating primary wholesale charges currently. We continue to prefer to provide stability and consistency for our end customers and retailers.

Trade Effluent (TE) Charges

We are reviewing the structure of our published TE charges with a view to incorporating a standard ammonia charge. The intention is that the charge will apply to new large industrial discharges and to our Special Agreements when current contracts end, where effluent has an ammonia content which breaches the threshold set by NWL. We therefore do not consider handling strategies are required for this change at this stage.

Simplification and standardisation of wholesale tariffs

We have actively participated in the Retailer Wholesaler Group project on simplification and standardisation of wholesale tariffs. The group proposed introducing a common volumetric threshold at 0.5MI and simplifying and harmonising bands for fixed meter charge and has recommended that both of these changes are introduced from April 2024. We have made these changes in our 2024/25 tariffs. There are now four meter charge bands and customers will see, at most, an inflationary increase on these charges and some charges will reduce.

Raw Water

Raw water volumes have continued to decline and the charges have been increased to ensure recovery of the fixed costs of the raw water system.

Vacant premises

We have the highest vacancy rate in the non-household market. As part of our vacant property management strategy we have previously created an exercisable option to charge for consumption recorded at vacant non-household premises. We have not yet exercised this option to charge but we continue to reserve the right to consult on this matter in the future.

Assessed charges non-household

We have introduced two additional bands in each of water and wastewater to reflect higher usage premises. Where there was previously a single charge for premises greater than 300 cubic metres, there are now bands for 301-750, 751-1000 and greater than 1000 cubic metres.

Forecasts

Since the start of the Covid-19 pandemic we have experienced changing patterns in consumption in both our household and non-household customer base. We have therefore based our model assumptions and consumption forecasts on the best information we have available at this point however the situation continues to evolve. We will refresh our assumptions prior to publishing the final charges next year.

We regularly review the latest published forecasts by various institutions to help us forecast inflation and have assumed a November CPIH rate of 5.3% in line with our business plan assumptions. The economy is experiencing exceptional volatility at this time, and we will highlight any significant variances in our forecasts in the final Board statement of Assurance for 2024/25 charges.

The indicative charges reflect the consultation on the draft determination of in-period outcome delivery incentives for 2022/23, issued by Ofwat on 26 September 2023. We will respond to this consultation in due course.

13 October 2023