

NORTHUMBRIAN WATER LIMITED

STATEMENT OF SIGNIFICANT CHANGES TO PRIMARY WHOLESALE CHARGES 2021/22

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 the scope of any proposed significant changes to our primary wholesale charges for 2021/22.

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 continue to prefer to provide stability and consistency for our end customers and retailers. We will monitor feedback from Ofwat and the outputs of any industry wide charging harmonisation initiatives that may evolve. If appropriate we will respond to any changes in regulatory guidance or customer beneficial harmonisation proposals within the industry.

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 now intend to exercise this option and commence charging retailers with effect from 1 April 2021. We will also, in due course, be issuing a consultation to the relevant stakeholders regarding a longer term intention to charge for vacant premises that are benefitting from the ongoing provision of foul sewage connections, and surface water drainage and highway drainage services.

On 14 February 2020, NWL formally rejected the Final Determination (FD19) published by Ofwat in December 2019 and requested Ofwat to refer it to the Competition and Markets Authority (CMA) for redetermination in accordance with the procedures under the Water Industry Act 1991 (WIA) and our Licence. Ofwat referred our FD19 to the CMA on 19 March 2020 and we submitted our Statement of Case on 2 April 2020. We received a draft redetermination from the CMA on 29 September 2020. We have therefore taken the opportunity to publish two sets of indicative charges. The first set is based on the FD19 and the second set is based on the draft CMA redetermination. At this stage in the proceedings we believe this is the most appropriate way to deal with our current position. We have based this statement on our reasonable expectations of the wholesale charges that will be set for the 2021/22 charging year via the two sources.

As the final outcomes from the CMA redetermination of the FD19 price review are not due for publication until December 2020, we must continue to draw your attention to the greater level of uncertainty around the scope of any such changes to our charges.

October 2020