

Statement of Significant Changes in relation to 2025-26 Wholesale Charges

Under section A4 of the Wholesale Charging Rules issued by the Water Services Regulation Authority under sections 66E and 117I of the Water Industry Act 1991, we are required to publish details of any significant changes to our indicative Wholesale Charges for 2025-26, including where bill increases are expected to be greater than 5% from the previous year.

Our indicative Wholesale Charges, published alongside this statement, have been developed using the best available information and assumptions, notwithstanding the uncertainty around the PR24 Final Determination. Our final Wholesale Charges will reflect the outcome of the Final Determination, which is expected to be published in December 2024, which may be materially different from the Draft Determination.

Key assumptions

The indicative Wholesale Charges for 2025-26 reflect the following assumptions:

- (i) Allowed revenue has been based on the PR24 Draft Determination
- (ii) November CPIH inflation (3.0%) using Government and independent sources.
- (iii) Estimated future customer billing volumes and consumption.
- (iv) Our annual charges remain July to June.

We have made no adjustments to the charges based on our response to the Draft determination.

Bill increases of greater than 5% from the previous year

The indicative Wholesale Charges are based on Ofwat's Draft Determination, published in July 2024, sets our allowed revenues for 2025-26, expressed as an increase from 2024-25 revenues (described as a K factor). In the Draft Determination, our K factors were 12.14% for the Water Resources price control (constituting 17% of revenue) and 7.33% for the Network plus price control (constituting 83% of revenue).

The inflation measure used by Ofwat, CPIH, is forecast to be 3.0% in November, which is the basis for the final charges.

In addition, the impact of prior year reconciliations (including the Revenue Forecasting Incentive Mechanism, Outcome Delivery Incentives, and Blind Year adjustments) and differences in forecast Grants & Contributions add further upward pressures.

The combined impact is that, based on the Draft Determination, charges for all customers will increase by greater than 5%, with the average increase being between 19% and 21% (based on a July-June billing year).

At this stage the Board has taken the decision that the company should freeze the value of the Social Tariff, which is provided to those customers in financially vulnerable circumstances.

The Board will consider further the need for additional mitigating actions following publication of Ofwat's Final Determination. To inform those discussions, the company will engage further with customers and CCWater prior to publication of the final Wholesale charges, as well as considering the impact on financial resilience of any deferral of revenues.

Changes for the final Wholesale Charges

The published indicative Wholesale Charges for 2025-26 are based on Ofwat's Draft Determination, published in July 2024. The final Wholesale Charges will reflect Ofwat's Final Determination which may be materially different from the Draft Determination.

In addition, we are reviewing two further changes which we are considering for the final Wholesale Charges.

(i) **Metering transitional arrangements**

Between 2025 and 2035 we will be providing all our household and business customers with a smart meter to enable them to better manage their consumption. For many customers this will result in lower charges, but for some it may result in an increase in their water bill. We are currently carrying out work to better understand at an individual customer level the impacts. Based on this analysis we will review how we can best help customers adjust to these changes. This assistance may include special tariff arrangements, alongside advice on using water efficiently.

We will engage with CCWater and Ofwat on our proposed transitional arrangements.

(ii) **Billing period**

We currently levy charges for a period that runs from 1 July to 30 June each year. Our annual price controls are set by Ofwat and run from the 1 April each year to 31 March in the subsequent year. Charges are therefore weighted to ensure that we comply with the annual Ofwat price controls. Most companies in the sector have a billing period that aligns with the price controls set by Ofwat (i.e., from 1 April to 31 March). This causes a degree of additional complexity and business Retailers have told us that aligning with the rest of the sector would be beneficial.

Subject to reviewing the detailed practical implications we proposed to change the billing year from July-June to April-March, from 2026-27. To make the change it is likely that when we issue annual bills in July 2025, these would be for a shorter period – up to 31 March 2026 - with bills in all subsequent years being levied from April to the following March, covering a 12-month period. For the avoidance of doubt, this change would not have any impact on the overall level of charges, only the timing.

We will consult with CCW and engage further with our customers before making any change.

There are no other significant changes proposed to the structure of our Wholesale charges for 2025-26.