

## Statement of significant changes to bills 2025-26

Under Condition A2 of Ofwat's Charges Scheme Rules, we are required to publish a statement setting out any significant changes to the charges published in our Charges Scheme. The statement must include:

- (a) Confirmation of whether the undertaker is expecting there to be any bill increases of more than 5% from the previous year (for a given customer type assuming a constant level of consumption) and, if such increases are expected:
  - a. what size increase is expected;
  - b. which customer types are likely to be affected; and
  - c. the handling strategies adopted by the company or why the company considered that no handling strategies are required.
- (b) Details of any significant changes in charging policy by the company from the previous year

### Assessment of bill increases

The Board of Portsmouth Water has assessed the effect its 2025-26 charges have on customers' bills for a range of different customer types. Based on this analysis the Board can confirm that, as a result of charge increases included in our 2025-26 Charges Scheme, bill increases of more than 5% are expected for all customers. This reflects the profile of allowed revenues set out in the Ofwat's final determination published in December 2024, combined with CPIH for November of 3.5%.

15 groups of household customers have been reviewed, including the average in a class and an upper and lower customer in the class as required by Ofwat guidelines. The results of this impact analysis are shown in Table 1 below.

**Table 1. Bill impact analysis**

HOUSEHOLD	2024-25 Annual Bill (£)	2025-26 Annual Bill (£)	Variance (£)	Variance (%)
Unmeasured Household RV 150	96.91	121.47	24.57	25.4%
Unmeasured Household RV 220	128.67	159.97	31.30	24.3%
Unmeasured Household RV 300	164.97	203.96	38.99	23.6%
Licence Charge	128.67	161.08	32.41	25.2%
Minimum Charge	90.47	115.47	24.99	27.6%
Assessed Charge 1	78.08	99.91	21.83	28.0%
Assessed Charge 2	113.17	143.74	30.57	27.0%
Measured Household 0.5" meter	73.29	93.45	20.16	27.5%
Measured Household 0.5" meter	108.37	135.88	27.51	25.4%
Measured Household 0.5" meter	160.99	199.52	38.53	23.9%
Measured Household 0.75" meter	87.03	105.31	18.28	21.0%
Measured Household 0.75" meter	113.34	137.13	23.79	21.0%
Measured Household 0.75" meter	139.65	168.95	29.30	21.0%
Watersure Tariff (metered)	119.96	149.01	29.04	24.2%

## Consideration of handling strategies

As a result of the significant bill increases identified above, the Board considered what handling strategies might be appropriate. This included reviewing the outputs of specific research commissioned by the Company to understand customer views on the profiling of bill increases over the AMP8 period.

Based on its considerations, and review of the customer research, the Board recognised the challenges these may present to customers in more financially vulnerable circumstances. The Board therefore determined that it should provide protection from significant bill increases for these customers. It therefore concluded that it was appropriate to freeze the value of the Social Tariff, which is provided to customers in financially vulnerable circumstances.

The Board also determined that it was appropriate to implement a wider handling strategy to reduce customer impact at the allowed bounds of the revenue forecasting mechanism to profile bill increases 2% below Ofwat's final determination. This reflects a number of key considerations:

- (i) The profile of price controls, combined with the 1 July billing year, means there is a risk of price reductions being required in 2026-27. Deferring 2% of revenue reduces this risk and provides a smoother profile over the two years.
- (ii) The final determination reflects the underlying cost drivers, so deferring significant revenues to later periods may negatively impact the financial resilience of the business. The proposed deferral should have a low impact on our resilience over the two years before recovery.
- (iii) The independent customer research carried out to test customer preferences in relation to bill profiling showed no clear preference for smoother bill increases, which would result in higher bills by the end of the period, or a step change in 2025-26 followed by flatter bill increases.

While the bill increases expressed in percentage terms are large, our bills are the lowest in the sector and the level of increase equates to just over £2 per month for most customers.

## Significant changes in charging policy

We are proposing two changes to the structure of our charges 2025-26.

### Transitional arrangements for compulsorily metered customers

The first change is in relation to our metering programme. 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. In our draft Wholesale charges we highlighted that we were examining how we could best help customers adjust to their new metered charges, in particular where the metered bill is higher than the current unmetered bill. We have now determined that during the first year of charges upon switching to a meter we will offer customers a 'lowest bill' guarantee. This means that for the first twelve months following the installation of the meter customers will be billed the lower of the new measured bill or the bill that would have been charged, based on the unmeasured tariffs. The policy is designed to give customers clarity over what their new measured charges will be, as well as providing time where appropriate to adjust consumption behaviours to reduce the size of any bill increases.

### Simplification of metered standing charges

The second change is in relation to combining standing charges for 0.5” and 0.75” meters to align with changes made to simplify our non-household charges in 2024-25. The impact is an increase of £1.72 for household customers with a 0.5” meter (above the 30% applied to all household charges) and £4.77 reduction (after the 30%) for household customers with a 0.75” meter. This change is being made ahead of our universal metering programme which commences in 2025-26 to ensure that all customers with a standard-sized domestic meter pay the same charges.

### Changes to billing year

In addition to these changes to the structure of our charges, as noted when we published our indicative Wholesale charges, we are also planning to change our billing year.

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). The current approach causes a degree of additional complexity and business Retailers have told us that aligning with the rest of the sector would be beneficial.

We are therefore proposing to change the billing year from July-June to April-March, from 2026-27. To effect the change, when we issue annual bills in July 2025, these will 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.