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Date: 1 October 2024

Dear Retailers,

We are writing to you to:

- inform you of forthcoming changes in our 2025-26 charges arising from Ofwat's PR24 price review; and
- update you on ongoing work by the RWG in respect of new charging bands.

### **PR24 price review**

We are currently going through the price review planning process with Ofwat (known as PR24). This will determine the amount of revenue we can recover from our customers for the period April 2025 to March 2030. This is an important element in the calculation of our wholesale charges, which seek to recover the revenue allowed to us by Ofwat, adjusted for the impact of *regulatory mechanisms*, and then indexed using November CPIH *inflation*.

In July, Ofwat published its PR24 Draft Determination (DD) which sets out its provisional view of revenue allowances<sup>1</sup>. Ofwat is currently considering responses to its DD and will confirm allowed revenues in its PR24 Final Determination (FD).

We have a duty, if we expect charges to go up by more than 5%, to publish a statement of significant changes which sets out how we have communicated with our customers and what, if any, mitigations we are undertaking. At this stage, based on Ofwat's provisional view set out in its DD, we expect our wholesale charges to increase by around 7-8% in nominal terms (i.e. including inflation). We will be publishing a full set of indicative wholesale charges in mid-October 2024 on this basis, alongside a statement of significant changes.

However, due to the ongoing price control process, there remains significant uncertainty around the allowed revenues that underpin the calculation of next year's charges. While the indicative increase presented in this letter is consistent with Ofwat's DD, as the latest available information, we do not consider that the provisional allowance in the DD is sufficient to fund our future activities. We have reiterated in our response to Ofwat's DD the need to allow additional investment for the 2025-2030 period, which, if accepted, would result in a larger increase for 2025-26. Further details of our response to Ofwat's DD can be found [here](#).

We want to take this opportunity at this stage to highlight the likely increase in our wholesale charges for 2025-26, as well as the increased uncertainty in the scale of this increase compared to similar communications in previous charging years, as we await Ofwat's FD.

We currently expect to confirm next year's charges in January 2025, once Ofwat has published its FD which will confirm revenue allowances for 2025-26. However, Ofwat has indicated that this publication may be delayed until early 2025, in which case our wholesale charges would not be confirmed before February 2025. We will keep all stakeholders informed of updates to this timetable

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<sup>1</sup> [PR24 Draft Determinations - Ofwat](#).

via our website, as we recognise this will affect retailers' plans to finalise and publish any changes to their own retail charges in advance of April 2025.

### **New charging bands proposed by the RWG**

The tariff sub-group of the national Retailer Wholesaler Group (RWG) exists to investigate how to simplify the existing primary tariff structure in the non-household market.

In April 2023 the RWG consulted<sup>2</sup> on changing the water meter charging band structure and on introducing a new volumetric charging band with proposals to make them consistent across wholesalers. The outcome of this consultation was published in June 2024. It identified a shortlist of options to streamline the number of volumetric charging bands for potable water, to between two and four common bands (with thresholds at thresholds at 0.5 MI, 50 MI, 100 MI and 250 MI).

The RWG is shortly due to publish a Good Practice Guide, which will set out its fuller position on harmonising volumetric charging bands across wholesalers.

We will consider the implications of this guidance for our own charging structure in due course, though we do not intend to make any changes for 2025-26. Any changes would be introduced from 2026-27 onwards, subject to further stakeholder engagement before then.

### **Further communication**

Considering these changes, and in light of the heightened uncertainty over this year's charges-setting process, we would like to extend an invitation for further discussions around charges, either as one-on-one sessions, or as a group session. Please do not hesitate to get in touch with us if you would find this useful.

Yours faithfully

**Sean Larkin**  
**Head of Wholesale Services**

**David Peacock**  
**Head of Economic Regulation**

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<sup>2</sup> <https://mosl.co.uk/groups-and-forums/industry-groups-forums/retailer-wholesaler-group/tariff-sub-group>