

WWSL Bulk Charges for NAVs Method Statement

Wessex Water

Contents

Contents	1
Version history	2
1. About this document	3
2. Introduction	4
3. Our wholesale minus approach	5
The relevant starting point.....	5
Relevant avoided costs	7
Setting final bulk tariffs	11
4. Developing our charges	14
Industry best practice	14
Stakeholder engagement	14
Changes for 2023-24	15
Changes for 2024-25	16
Changes for 2025-26	16
Considerations for future changes.....	16
5. Assurance	17
Independent Peer Review	17
Technical Audit	18
6. Glossary	19
Appendix 1 Checklist of avoided costs	20
Appendix 2 Calculator Worked Example	24

Version history

Version number	Version name	Publication date
1.0	Indicative charges 2023-24	01/12/2022
1.1	Final charges 2023-24	01/02/2023
1.1	Final charges 2023-24 – calculator usability updates	24/02/2023
2.0	Final charges 2024-25	01/02/2024
3.0	Final charges 2025-26	30/01/2025

1. About this document

- 1.1 This method statement sets out Wessex Water Services Limited’s approach to setting charges for New Appointments and Variations (NAVs). It relates to bulk supply and discharge agreements between incumbents and NAVs, not between incumbents.
- 1.2 This document has been developed with transparency in mind, to demonstrate how we have accounted for industry best practice and to provide assurance that our bulk charges remain cost reflective.
- 1.3 This method statement forms one of a number of documents that we publish with regard to Bulk Charges for NAVs, as summarised in **Figure 1.1: Charges publication documents:**

Figure 1.1: Charges publication documents

<u>Wholesale charges</u>	<u>Household charges</u>	<u>Bulk charges for NAVs</u>	<u>New connection services charges</u>
Wholesale charges scheme	Household charges scheme	Bulk charges for NAVs scheme	New connection services charges scheme
Wholesale charges Board assurance statement	Household charges scheme Board assurance statement	Bulk charges for NAVs Board assurance statement	New connection services charges Board assurance statement
Wholesale charges Statement of Significant Change	Household charges statement of significant changes	Bulk charges for NAVs method statement	New connection services Statement of Significant Change
		Bulk charges for NAVs calculator	New connection services charges calculator
			New connection services charges worked examples

- 1.4 Our final bulk tariffs are set out in the charges schedule published separately on our website¹². At the same location, we have also published a charges calculator to allow potential NAVs to easily assess the likely charges they will incur. Appendix 2 provides an example of how the calculator may be used.
- 1.5 To request a copy of this or any of the bulk charges for NAVs documents, please contact us using the details below:

Email: wholesalefinance@wessexwater.co.uk

Write to: Head of Wholesale Services
 Wessex Water
 Claverton Down
 Bath, BA2 7WW

¹ <https://corporate.wessexwater.co.uk/our-performance/our-charges>

² For completeness, we have also included our 2025-26 charges within this document.

2. Introduction

- 2.1 The NAV market was established to enable developers and large business customers to choose their water and sewerage undertaker for a specific geographic area, typically one which has never previously been served by an incumbent.
- 2.2 We set bulk supply for NAV charges to cover the bulk supply or discharge agreements between incumbents and new appointees, using a wholesale minus approach. We review and publish bulk charges for new appointees at least annually, in line with the expectations set out in Ofwat's January 2021 revised guidance on bulk charges for new appointees³.
- 2.3 For our 2025-26 charges, we have retained the same methodology and approach used to set these charges in previous years. While this has resulted in minimal changes to charges, we have updated this method statement where relevant, to reflect the latest information.

³ <https://www.ofwat.gov.uk/publication/bulk-charges-for-new-appointees-guidance-on-our-approach-and-expectations/>

3. Our wholesale minus approach

- 3.1 We use a wholesale minus approach for setting our bulk charges for NAVs, which is consistent with the latest Ofwat guidance⁴ (January 2021).
- 3.2 This approach starts from the relevant wholesale tariff(s) and deducts costs that the incumbent would no longer incur if a new appointee supplied the site instead.
- 3.3 There are four essential elements in this approach:
- the wholesale charges or set of charges as the relevant starting point from which to deduct the relevant costs;
 - the ‘minus’ element which consists of the costs to be deducted from the relevant starting point. There are three categories of avoided costs that may apply:
 - ongoing costs;
 - a wholesale allowed return on on-site assets; and
 - depreciation on on-site assets”⁵.
- 3.4 The wholesale minus approach is summarised in Figure 3.1:

Figure 3.1: The wholesale minus approach to bulk charges



- 3.5 Each element is considered in turn. The following explanation of our approach is applicable to both water and wastewater services unless otherwise stated.

The relevant starting point

- 3.6 The relevant starting point is our wholesale charges that reflects the new appointee’s end customer base on the site.
- 3.7 This method statement takes as given our wholesale charges⁶ as a data source for the calculation of bulk charges for NAVs. Our wholesale charges are calculated annually and are set to recover allowed revenue as determined through the five year price control process. Annual revenue allowances are adjusted to reflect in period determinations and are indexed to November CPIH inflation. Due to this regulatory process, the relevant wholesale starting point does move year-on-year.
- 3.8 We create an ‘overall weighted average’ tariff that reflects the combined measured wholesale charges (fixed and volumetric) of all the NAV’s customers on that site. This accounts for different types of end-customers, including households and non-households. We do this by using information on the number of households and non-households on the site and their consumption. As such, we also account for different discharge arrangements (foul, Surface Water Drainage (SWD) and Highway Drainage (HWD)) to inform the relevant starting point.

⁴ [Bulk charges for new appointees – guidance on our approach and expectations \(ofwat.gov.uk\)](https://www.ofwat.gov.uk/guidance/bulk-charges-for-new-appointees/)

⁵ [Bulk charges for new appointees – guidance on our approach and expectations \(ofwat.gov.uk\)](https://www.ofwat.gov.uk/guidance/bulk-charges-for-new-appointees/), p.9

⁶ Further information on our wholesale charges and the assurance of them can be found on our website: [Our charges | Wessex Water](#).

- 3.9 A final site-specific fixed charge is applied for water to recover the cost of the single bulk meter, based upon the total expected water consumption.
- 3.10 HWD is included in the relevant wholesale starting point charged to NAVs because it is a socialised cost of collecting and treating water that drains from the highways into our network.
- 3.11 The inclusion of SWD in the relevant starting point depends on the services that the NAV offers to its end customers. For example, if all properties on a site have sustainable drainage solutions, we would not expect this to be included in the bulk charges we set.
- 3.12 For the avoidance of doubt, retail costs (such as billing services and reading the meters of end customers) are not recovered by wholesale charges and are not included in the relevant starting point.
- 3.13 Competition costs refer to the upfront set up and ongoing operating costs we incur as an incumbent operating in the non-household retail market. These costs form part of our non-household wholesale charges and therefore form part of the wholesale starting point for our NAV charges, dependent on the number of non-household customers the NAV site serves.

Adjustment for Leakage

- 3.14 We make a downward adjustment of 5.5% to the volume recorded at the bulk meter to account for any on-site leakage that might impact the effective price at the end-customers' meters. This deduction is applied directly to the recorded volume consumed on a NAV site.
- 3.15 This adjustment accounts for the long-run average volume of water that would have counterfactually leaked from the network beyond the bulk meter, had we been operating the network instead of a NAV.
- 3.16 To calculate the quantum of on-site leakage as a percentage of the total volume at the bulk meter, we have constructed a theoretical model using expert engineering knowledge that calculates the leakage in an area over 60 years. We created a notional local network with a demand forecast consistent with that made in our most recent Water Resources Management Plan (2019). Over a 60-year horizon, average consumption per domestic property reduces from 104m³ per annum in 2020 to 93m³ per annum in 2080.
- 3.17 At year zero, leakage is almost zero in the newly laid network. A deterioration function was then created which simulates the increase in leakage over time as the network deteriorates. This function is exponential, so over time leakage increases significantly. An intervention threshold of 50 litres per property per day (or circa 20% of billed volume) was chosen as the point at which a company would intervene to reduce leakage back to a reasonable level. As the network deteriorates, leakage increases faster, and exponentially more frequent interventions are required. The costs of these interventions are included, on an average basis, within our avoided cost calculation.
- 3.18 The resulting 60-year average leakage is 15 litres per property per day compared to the total average bulk meter volume of 264 litres per property per day. This is calculated as 5.5% of total volume.
- 3.19 We recognise the potential variability of this calculation and have therefore performed sensitivity testing of all the variable parameters, trialling significantly different deterioration rates and different intervention thresholds. This analysis resulted in leakage figures of 4.5% to

6.5%, a variation of +/- 1% compared to the average value. This gives greater confidence that the approach we have taken is reasonable and robust.

Relevant avoided costs

3.20 We consider three categories of avoided costs (avoided ongoing costs, wholesale allowed return and depreciation) in turn below. The following explanation of our approach is applicable to both water and wastewater services unless otherwise stated.

3.21 We recognise the progress made by the Ofwat bulk charges working group (section 4) and have considered each item in the checklist developed by the avoided costs sub-group, as summarised in Appendix 1.

Avoided ongoing costs

3.22 Avoided ongoing costs relate to the ongoing costs of operating and maintaining assets that we, as an incumbent, avoid in the NAV serving the site instead of ourselves.

3.23 We have considered the following costs:

- Direct operating costs
- Direct capital maintenance costs
- Central costs

Direct operating and direct capital maintenance costs

3.24 We have considered the activities we do and the activities we would avoid if a NAV were to serve a site instead of ourselves. We have considered this on an activity by activity, bottom-up basis, with reference to the NAV checklist (Appendix 1) and our own experience of the activities and costs of serving a site. We have then identified the direct operating costs and direct capital maintenance costs of those activities from our accounting system.

3.25 Direct operating costs refers to expenditure avoided in the operating and monitoring of assets. Direct operating costs include but are not limited to labour costs, power, materials and consumables, Local Authority rates, and general and support costs.

3.26 Direct capital maintenance costs refers to expenditure on activities such as asset replacement and asset renewals required to maintain the network. Capital maintenance costs includes all infrastructure maintenance and replacement costs.

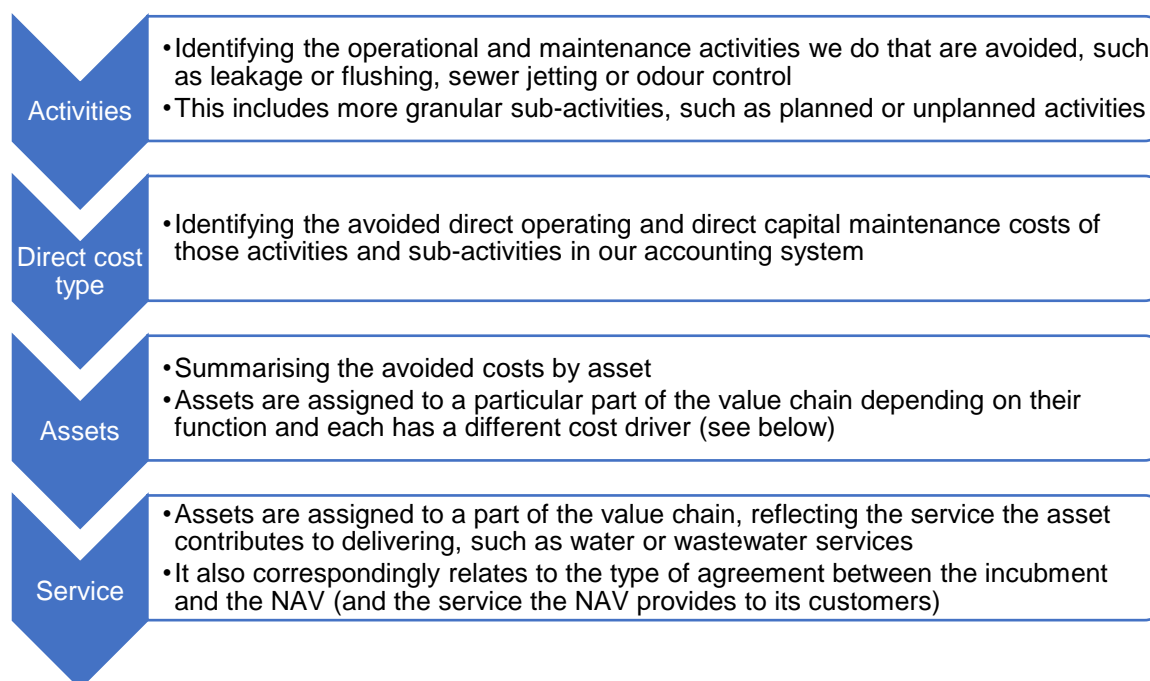
3.27 Our accounting system records the direct operating and direct capital maintenance costs to assets. Based on the costs identified, the relevant avoided direct costs have been allocated to one of the following asset areas:

- Mains (water) / sewers (waste)
- Communication pipes
- Water meters
- Pumping stations (water / waste)

3.28 Within our account system and reflecting the structure of our business by function and service delivered, assets are assigned to a part of the value chain (e.g., a water pumping station is assigned to treated water distribution, which is part of wholesale network plus).

3.29 We summarise our approach to identifying and capturing the relevant avoided direct operating and direct capital maintenance costs in Figure 3.2.

Figure 3.2: Cost structure within which we have considered the relevant avoided direct costs



3.30 We have used a 5-year average of cost information for direct operating costs and direct capital maintenance costs to inform the avoided ongoing costs.

3.31 We recognise that the level, timing and profile of direct capital maintenance costs varies over the lifetime of the asset. We have not considered it proportionate to consider capital maintenance costs on a net present value, asset-by-asset, basis. Instead, we have considered the direct capital maintenance costs we incur in maintaining our asset stock (e.g., pumping stations), a stock which is made up assets of different ages and taken a five year average (over the years 2019-20 to 2023-24) to smooth any uneven spend profiling.

3.32 Within the relevant avoided costs for wastewater, we include all costs associated with HWD and SWD such as clearing and maintaining drainage areas and de-silting. When we undertake these types of activities, it is difficult to attribute whether, for example, the de-silting activity was due to foul, SWD or HWD in the network or the appropriate mix of services these activities contribute to.

Central costs

3.33 We have considered and identified the relevant avoided central costs, with reference to the NAV checklist (Appendix 1) and our own experience. We do not typically avoid any costs associated with central functions as a result of a new site being added to our network because the costs do not normally directly correlate to levels of activity. For example, we do not initially avoid any FTE costs associated with central HR, legal or finance functions if one NAV were to operate a new site instead of ourselves because the change is generally marginal, however we would avoid costs if a significant number of sites were to be taken on by NAVs.

3.34 We acknowledge that Ofwat's guidance suggests we should include the notional incremental central cost increase that we would observe if a significant number of sites were to be taken

on by NAVs, scaled to a single NAV site (and therefore scaled to relevant cost drivers). We have therefore included a top-down allocation of overheads (again based on a five-year average of cost information). Appendix 1 summarises the central costs, with reference to the checklist, that we have included.

- 3.35 We note in the checklist⁷ that business rates are included both as a checklist column and centrally avoided cost (C17). We reflect any avoided business rate costs in the central costs considered.
- 3.36 All central costs have been allocated pro-rata to direct operating and capital maintenance costs and included in the direct operating and direct capital maintenance costs summarised in Table 3.2.

Cost drivers

- 3.37 Based on the above approach, we have identified the total costs by asset listed in paragraph 3.27 we incur based on a five-year average for activities we consider relevant for a new development site.
- 3.38 We have further identified a set of cost drivers to scale the total costs by asset to give a view of the level of avoided costs at a site. We have considered the most relevant cost driver for each asset type as set out in Table 3.1.

Table 3.1: Cost drivers considered and used, water and waste

Category	Breakdown			
Asset area	Mains / Sewers	Communication pipes	Meters	Pumping stations (water / waste)
Cost drivers considered	<ul style="list-style-type: none"> • Volume - water / sewerage • No. of properties • Km of main / sewers 	<ul style="list-style-type: none"> • Volume – water • Km of comm. pipes • No. of comm. pipes 	<ul style="list-style-type: none"> • Volume – water • No. of meters 	<ul style="list-style-type: none"> • Volume - water / sewerage • kW of pumping stations • No. of pumping stations
Final cost driver	Km of main / sewers	No. of comm. pipes	No. of meters	kW of pumping stations

- 3.39 Based on operational insight, we consider the length of mains and sewers the most appropriate driver of direct operating costs and direct maintenance costs related to the treated water distribution and sewerage collection parts of the network as there is a strong direct relationship between length and cost.
- 3.40 We have discounted the use of volumetric drivers (water, wastewater) across all the assets, because assets require maintenance even if there are no flows. On a similar basis, we have discounted the number of properties as a driver of cost, again because if there is no demand, maintenance will still be required.
- 3.41 Based on operational insight we have made the assumption that changes in length of a communication pipe does not have a significant impact on cost. We have also assumed that in most cases the length of a communication pipe to a property does not vary greatly.
- 3.42 The capacity of pumping stations (supply and waste) was the preferred cost driver. The advantage of this cost driver is that it should closely reflect the scaled costs associated with a

⁷ [Sub-Group-3-NAV-Wholesale-minus-framework.xlsx \(live.com\)](#)

specific pumping station. Also, if a NAV pumping station is contributing to the flow of the incumbent's network upstream or downstream, this should be captured in the avoided cost.

3.43 Table 3.2 summarises and quantifies the relevant avoided costs per length or count of asset (cost driver) derived from the above steps.

Table 3.2: Avoided ongoing costs per asset, including central costs 2025-26

Avoided cost	Unit	Water	Wastewater		
			Sewerage	SWD	HWD
Main pipes & wastewater sewers					
Avoided direct operational costs	£ per km pipe	1,290.32	630.69	313.60	295.63
Avoided direct capital maintenance costs	£ per km pipe	1,782.26	641.94	293.49	276.68
Total avoided cost	£ per km pipe	3,072.58	1,272.63	607.09	572.31
Communication pipes					
Avoided direct operational costs	£ per communication pipe	4.54			
Avoided direct capital maintenance costs	£ per communication pipe	6.34			
Total avoided cost	£ per communication pipe	10.89			
Meters					
Avoided direct operational costs	£ per meter	3.76			
Avoided direct capital maintenance costs	£ per meter	4.28			
Total avoided cost	£ per meter	8.03			
Pumping Stations					
Avoided direct operational costs	£ per kW	190.24		220.07	
Avoided direct capital maintenance costs	£ per kW	12.68		124.32	
Total avoided cost	£ per kW	202.92		344.39	

Wholesale allowed return

3.44 On a new development site, if an incumbent were to serve it, the assets would be fully funded by the developer. Therefore, initially there would be no avoided returns as there would be no addition to the Regulatory Capital Value (RCV) associated with the site.

3.45 We recognise that when a NAV takes on a site that they will still be taking a risk as a result of owning and operating the on-site assets. Therefore, it is appropriate that the NAV receives a return for this risk and we have therefore included an avoided return in our bulk charges calculation.

3.46 There has currently been no discussion or best practice guidance on NAV returns as part of the bulk charges working group. However, Ofwat in its bulk charges for NAVs guidance⁸, has set out a methodology for calculating a NAV WACC. We have used this methodology and updated it appropriately (for instance using WACC parameter values determined as part of Ofwat's PR24 process), as well as using the equity delta (cost of equity wedge) implied by the method, to give an updated value for the NAV WACC that reflects the latest information on allowed returns on water and wastewater assets.

3.47 In the regulated framework set by Ofwat, an incumbent's return is calculated as the WACC multiplied by the RCV.

3.48 We have applied this approach to those assets which, if owned by the incumbent, would eventually through routine capital maintenance be added to the RCV. This therefore relates to the non-infrastructure assets on site (meters, communication pipes and pumping stations for water and pumping stations for wastewater). Replacement of infrastructure assets do not get

⁸ <https://www.ofwat.gov.uk/wp-content/uploads/2018/05/Bulk-charges-for-NAV-s-final-guidance.pdf>

added to the RCV but instead are recovered pound for pound from customers (similar to opex).

- 3.49 We have also provided for a working capital adjustment to acknowledge where a NAV may need to incur expenditure in advance of receiving income in any one particular year. We have calculated this adjustment as the allowed NAV WACC multiplied by one year of maintenance and operational expenditure for the site. We include the working capital adjustment within the allowed return line of our NAV avoided cost, as summarised in Table 3.3.

Table 3.3: Return on on-site assets 2025-26

Avoided cost	Unit	Water	Wastewater		
			Sewerage	SWD	HWD
Main pipes & wastewater sewers	£ per km pipe	151.48	62.74	29.93	28.22
Communication pipes	£ per communication pipe	0.54			
Meters	£ per meter	3.56			
Pumping Stations	£ per kW	28.75	200.85		

Note: This includes both the return and working capital adjustment

Depreciation

- 3.50 Depreciation provides a broad equivalence to the annual average of capital maintenance expenditure incurred over the life of an asset, which is discussed in the section on direct operating and direct capital maintenance costs (paragraphs 3.24 to 3.32).

Setting final bulk tariffs

- 3.51 We have considered, identified and quantified the relevant avoided costs and returns on an asset or size of asset basis, for the asset types set out in paragraph 3.27.
- 3.52 Whilst this provides transparency of the make-up of avoided costs in the wholesale minus calculation, we have received feedback from stakeholders (see section Stakeholder engagement) that setting charges bespoke to each site using site-specific asset information would not be appropriate. This is because of concerns around data provision, complexity and administrative scalability of site-specific charging and less upfront surety of charges when NAVs are assessing the financial viability of future potential sites, before they know the exact technical details.
- 3.53 We have therefore set final bulk charges based on a notional site.
- 3.54 As part of Ofwat's charging publications for new connection services, incumbents are required to publish the cost make-up of connecting a new site for a number of pre-defined site-scenarios or worked examples⁹. These worked examples had "been agreed collectively by companies, in consultation with stakeholders, during 2021"¹⁰.
- 3.55 We have used the scenarios for a large housing development (200 properties) to inform the asset ratios for a notional site. On this basis, we have used the number of properties as the cost driver for mains and sewers with an assumption for the average length of main or sewer per property; and we assume a one-to-one ratio of communication pipes and meters to properties.

⁹ [Common Terms And Worked Examples Effective April 2022.pdf \(ofwat.gov.uk\)](#)

¹⁰ [Common Terms And Worked Examples Effective April 2022.pdf \(ofwat.gov.uk\)](#), p.1

- 3.56 We have also made the assumption that a standard size meter smaller than 25mm (household or non-household) and standard size communication pipe (household or non-household) is installed for all properties.
- 3.57 Our final avoided costs capture the full menu of avoided costs – including allowed returns – scalable to the number of properties on the site (Table 3.4). We have considered it appropriate to present this for a notional site without pumping stations and for a notional site, scalable to the total utilised capacity of pumping stations. This is because there are other more relevant factors than property numbers that drives the need for and capacity of pumping stations on a site. In addition, we recognise that the costs of operating and maintaining pumping stations are significant and in a single notional site charging structure this would create a noticeable cross-subsidising effect from sites without pumping stations to those with.
- 3.58 Our approach means on average, a NAV is appropriately remunerated for the avoided costs.

Table 3.4: Menu of avoided costs for a notional NAV site, with and without pumping stations 2025-26

Avoided cost	Unit	Water	Wastewater		
			Sewerage	SWD	HWD
Main pipes, wastewater sewers, communication pipes & meters					
Avoided direct operational costs	£ per property	14.75	3.15	1.57	1.48
Avoided direct capital maintenance costs	£ per property	19.53	3.21	1.47	1.38
Allowed return	£ per property	4.86	0.31	0.15	0.14
Total avoided cost	£ per property	39.14	6.67	3.19	3.00
Pumping Stations					
Avoided direct operational costs	£ per kW	190.24	220.07		
Avoided direct capital maintenance costs	£ per kW	12.68	124.32		
Allowed return	£ per kW	28.75	200.85		
Total avoided cost	£ per kW	231.67	545.24		

- 3.59 In addition to the avoided activity level costs referred above, we are also open to passing on any environmental or other innovative cost savings to NAVs. It is appropriate we consider this on a site-specific basis, rather than a notional basis to ensure full and appropriate remuneration to a NAV for the interventions made. To ensure any such interventions are accounted for in how we calculate the charges, we are not proposing a prescriptive methodology here, but rather committing to discuss this on a case-by-case basis.
- 3.60 Similarly, we are proposing a principles-based approach to considering the impact of any additional services offered, either by us to a NAV or by a NAV to us. Please do get in touch with us, our contact details are provided in section 1.

NAV data requirements

- 3.61 Although we are using a notional site, we do require some information from NAVs to inform the charges menu:
- Number of household and non-household properties on site;
 - Number of properties connected for SWD (if there is a wastewater supply); and

- Water volume (except for a wastewater-only site where wastewater volume will be sufficient¹¹).

- 3.62 If the wastewater volume is not known then a 95% return to sewer allowance is applied to the water volume (after applying the leakage adjustment).
- 3.63 If there is a pumping station (water or sewerage) on site but average utilised capacity is not known, we will provide an estimate based on the volume on site.
- 3.64 Data inputs are all requested within our bulk charges for NAVs calculator¹². Necessary estimates are applied within the calculator and are used along with the inputs to set final charges.

¹¹ On a wastewater only site where wastewater volume is not known, water volume will be sufficient as an alternative. Where estimated volumes are used Wessex Water will make the final decision on whether an estimate is reasonable for charging purposes.

¹² This can be found on our website here: <https://corporate.wessexwater.co.uk/our-performance/our-charges>. See also Annex 2 of this document for a worked example of the calculator.

4. Developing our charges

Industry best practice

- 4.1 Ofwat has run a 'New Appointee bulk charging working group' attended by representatives of both incumbent companies and NAVs. This group was established to develop industry best practice for the setting of bulk charges, including the use of a more bottom-up wholesale minus approach. Key outputs of the group, including the wholesale minus charging framework, have now been published¹³.
- 4.2 Our bulk charges methodology and approach has evolved to align with the best practice as it continues to evolve. For instance, in summer 2022, the avoided costs sub-group developed an avoided costs checklist¹⁴ for incumbents to consider in the calculation of bottom-up avoided costs. We have considered all costs included in the checklist, as summarised in Appendix 1.
- 4.3 At times, how we term what we do and capture our costs within the above structure, does not perfectly align to the activities in the checklist. However we are confident that we have included all relevant avoided costs. As part of our continuous data improvements, we will continue to review the granularity of our bottom-up costs used in the calculation.
- 4.4 The working group has not convened regularly during 2024-25. We understand that Ofwat is considering how the group might evolve going forward. We will continue to engage fully in any future working groups to ensure our approach continues to align with industry best practice.

Stakeholder engagement

- 4.5 We have engaged with Ofwat and stakeholders to inform our approach to setting charges. In particular, we have:
- 4.6 **Spoken to NAVs** who operate in our area, as part of our continuous dialogue. We have reflected on the key messages from these discussions, which were¹⁵:
 - Bottom-up method of considering the relevant avoided costs (to ensure all costs are considered), with recognition that central costs such as overheads might be more suited to a fully allocated approach
 - Documentation detailing our cost allocation and avoided cost checklist
 - Confidence of cost reconciliation to the Annual Performance Report (APR) regulatory accounts
 - Concerns around the administrative scalability of bespoke charges requiring site-specific asset data
 - A preference for simplicity of the final bulk charges to help NAVs assess the financial viability of sites
 - Clarifying our approach to HWD and highlighting how we are accounting for those avoided costs

¹³ <https://www.ofwat.gov.uk/regulated-companies/company-obligations/ofwat-regulating-the-industry-compliance-requirements-charging/new-appointee-bulk-charging-working-group/>

¹⁴ [Sub-Group-3-NAV-Wholesale-minus-framework.xlsx \(live.com\)](#)

¹⁵ These key messages are not intended to comprehensively capture every aspect of our respective discussions, or provide verbatim accounts. We hope these are an accurate reflection of what was discussed and do not unduly misconstrue or misrepresent any views presented.

4.7 **Engaged with Ofwat** bilaterally on key aspects of our approach, including:

- Wholesale allowed return.
- Our proposed approach to use asset ratios to develop a view of a notional, average site, instead of pursuing site-specific charging based on NAV provided asset data, reflecting NAV feedback.

4.8 **Written to NAVs in our area** to keep them updated on relevant developments. As explained below, our approach and methodology for calculating charges has not changed for 2025-26. Nonetheless, in October 2024, we wrote to notify NAVs of the likely impact of significant bill increases on the relevant wholesale starting point this year, and to provide opportunity for further discussion¹⁶. We also published indicative charges in November 2024 in order to provide further opportunity for comment on the charges themselves.

4.9 A summary of the key changes made in recent years, reflecting this engagement and other factors, is set out below.

Changes for 2023-24

4.10 We moved from a top-down to bottom-up approach for calculating the direct avoided costs, reflecting working group discussions. We also included an avoided cost element for returns.

4.11 We considered and where feasible adopted feedback from our engagement with stakeholders for our 2023-24 charges, including:

- Publishing this document to provide clarity and transparency
- Adopting a notional site for the basis of charging with a simple menu (see section Setting final bulk tariffs)
- Confirming source cost data reconciles to the APR (see paragraph 5.1)

4.12 Due to the change in methodology from a top-down to bottom-up approach, we cannot make a like-for-like comparison of the menu of avoided costs for 2023-24 compared to 2022-23 charges. However, we have compared avoided costs for a notional site and observe that for both water and waste sites, with and without pumping stations the avoided cost element has increased. This is primarily attributable to:

- inclusion of a WACC return;
- moving to a bottom-up approach has revealed increased avoided costs in some areas, especially costs associated with pumping stations;
- the change in cost drivers, e.g. the switch to a per property cost driver for mains, communication pipes and meters has increased the avoided costs. The switch to per pumping station kW capacity from 2022-23's per m³ has also increased the avoided costs;
- the impact of inflation on avoided costs.

¹⁶ [bulk-charges-for-navs-letter-october-2024.pdf](#)

Changes for 2024-25

- 4.13 In response to the independent peer review from Frontier Economics (discussed in more detail in section 5) we made the decision to extend the time series of our data from 3 to 5 years for 2024-25 charges. This mirrors the length of a price control period and therefore smooths any uneven spend profile.
- 4.14 The level of avoided costs for 2024-25 increased compared to 2023-24, especially for water. This was due to:
- The addition of two years operational and maintenance cost data to create a five year average. 2022-23 was a particularly high cost year for the Company from an operational cost perspective particularly for water and 2018-19 was also a high spend year for water;
 - the impact of inflation.

Changes for 2025-26

- 4.15 Our methodology remains unchanged since publishing our 2024-25 charges. Overall, we have seen a small increase in the level of avoided costs for 2025-26 for each asset area, compared to 2024-25. This is due to the inclusion of more up-to-date input data and reflects in particular:
- An increase in direct operational costs, following the inclusion of cost data for the 2023-2024 year in place of 2018-19 data. This is partly offset by a fall in capital maintenance costs, particularly for pumping stations (for which 2018-19 was a particularly high spend year).
 - An increase in the allowed return, driven by the use of a higher WACC set as part of Ofwat's PR24 Final Determination (4.03%). All other things equal, this serves to increase the avoided return on assets.

Considerations for future changes

- 4.16 Reflecting the evolving nature of best practice, continuation of working group discussions, longer-term recommendations arising from the peer review and feedback from stakeholder engagement, we plan to continue reviewing the below (and anything else that arises in the interim) as part of our ongoing charges work:
- Continuous review of cost drivers, for example we could consider cost drivers for direct operating costs separate to cost drivers for direct capital maintenance costs.
 - Continuous review of bottom up costs and granularity.

5. Assurance

- 5.1 We have reviewed our bottom-up avoided costs against our APR regulatory submission to Ofwat. This gives assurance that all costs have been considered and none have unintentionally been omitted.

Independent Peer Review

- 5.2 To ensure our new methodology is compliant with all relevant guidance and charging principals, we have (in addition to our normal assurance procedures) had our charges model and methodology, including this Method Statement, externally peer reviewed by Frontier Economics (October 2022).
- 5.3 We have published the full peer review report from Frontier, which can be found on our website¹⁷.
- 5.4 In summary, “Frontier Economics were commissioned by Wessex Water to peer review its revised methodology for setting bulk charges for New Appointments and Variations (NAVs) in 2023/24. In particular, the aim of this work was to assess whether the Wessex approach complies with the most recent bulk charging guidance for new appointees issued by Ofwat¹⁸,^{19, 20}, emerging best practice from the Bulk Charging Working Group (BCWG)²¹, as well as its obligations under the application of the Competition Act 1998²².

The scope of this work is limited to a review of Wessex’s bulk charging methodology and a high level review of its underlying bulk charges model only. A technical review has been separately commissioned for a formal assurance of the efficiency of inputs, calculations and accounting approach.²³”

- 5.5 Frontier Economics found that, “Subject to the limitations of our peer review and the high-level nature of Ofwat’s guidance, we consider that Wessex’s approach for setting bulk charges for new appointments and variations and its approach to explaining them to stakeholders in its method statement is
- in line with the latest guidance available,
 - has made progress towards aligning to the current industry best practice (which we note continues to evolve), and
 - not inconsistent with the economic principles of competition law”²⁴.
- 5.6 Frontier Economics recommend that, “Going forward, we consider that a longer time period than the current three years for the averaging of costs may be more appropriate for the calculation of direct ongoing capital maintenance costs, to give greater consideration to the level, timing and profile of all maintenance costs incurred over the lifetime of the asset. This

¹⁷ <https://corporate.wessexwater.co.uk/media/x1ldw5s4/peer-review-wessex-approach-to-bulk-charges-frontier-economics-november-2022-1.pdf>

¹⁸ [Ofwat, January 2021, Bulk charges for new appointees – guidance on our approach and expectations](#)

¹⁹ [Ofwat, January 2021, Bulk charges for new appointees - conclusions on revising our guidance](#)

²⁰ <https://www.ofwat.gov.uk/wp-content/uploads/2023/09/IN-2309-Information-notice-charging-information-requirements.pdf>

²¹ [Ofwat Bulk Charging Working Group, August 2022, Setting the relevant starting point and overall tariff approach](#)

²² [UK Competition Act, 1998, and other Enactments \(Amendment\) Regulations 2004 \(S.I. 2004 No.1261\)](#)

²³ Frontier Economics (2022), Wessex’s Approach to Setting Bulk Charges for New Appointments and Variations (NAVs), p.1

²⁴ Frontier Economics (2022), Wessex’s Approach to Setting Bulk Charges for New Appointments and Variations (NAVs), p.9

would also potentially give greater consideration to the length of the regulatory cycle. We recommend that Wessex continues to consider ways to reflect the smoothing the costs over the whole asset life”²⁵. As explained in Section 4, we updated our methodology to consider a five-year average of costs for the 2024-25 charging year.

- 5.7 As such, we consider the findings reached by Frontier Economics are valid for our 2025-26 charges which use that same methodological framework.

Technical Audit

- 5.8 We have used Mott MacDonald, as expert technical auditors, to review all our charges including bulk charges for NAVs. Mott MacDonald found that our bulk charges for NAVs contain no errors and comply with all relevant guidance.

²⁵ Frontier Economics (2022), Wessex’s Approach to Setting Bulk Charges for New Appointments and Variations (NAVs), p.9

6. Glossary

Term	Definition
Bulk agreements	Bulk supply agreements and bulk discharge agreements.
Bulk charges	The charges for bulk services, i.e. bulk supplies and bulk discharges.
Bulk discharge	Supply of wastewater from one wastewater company to another.
Bulk discharge agreement	A contract setting out the terms and conditions for bulk discharges.
Bulk services	Bulk supplies and bulk discharges.
Bulk supply	Supply of water from one water company to another.
Bulk supply agreement	A contract setting out the terms and conditions for bulk supply.
Consumer Prices Index including owner occupiers' housing costs (CPIH)	According to ONS, CPIH is the most comprehensive measure of inflation. In the water and sewerage industry charges are linked to November CPIH.
Direct capital maintenance costs	Expenditure on activities such as asset replacement and asset renewals required to maintain the network. Capital maintenance costs includes all infrastructure maintenance and replacement costs.
Direct operating costs	Expenditure avoided in the operating and monitoring of assets. Direct operating costs include but are not limited to labour costs, power, materials and consumables, Local Authority rates, and general and support costs.
End-customers	Household retail customers and business retail customers.
Full-service NAV	A full-service NAV is a NAV that provides drinking water (either buying it wholesale or supplying it from a local resource like a borehole) and treats wastewater onsite and then discharges it locally or treats it and reuses it for irrigation and toilet flushing.
Highway Drainage (HWD)	Rainwater that drains from roads and footpaths and flows into drainage systems.
New Appointment and Variation (NAV)	A water company that (either directly or indirectly) has replaced, or will replace, one or more incumbent water companies in relation to specific sites and for whom we do not currently set individual price controls. Although a NAV can operate its own treatment facilities, a NAV normally obtains a bulk supply of water from, and/or agrees a bulk discharge of wastewater to, an incumbent water company.
Regulatory Capital Value (RCV)	The regulatory capital value (RCV) is one of the critical components underlying price limits. It was developed for regulatory purposes. It is the value of the capital base of each water and or sewerage company for the purposes of setting price limits. The RCV is now widely used by the investment community as a proxy for the market value of a regulated business.
Surface Water Drainage (SWD)	Rainwater that drains from roofs of buildings and yards and other hard standing areas appurtenant to buildings into drainage systems.

Appendix 1 Checklist of avoided costs

Checklist		Water		Wastewater		Central Costs	Notes / Comments
Code	Activity	Direct operating cost	Direct capital maintenance cost	Direct operating cost	Direct capital maintenance cost		
WD1	Routine and adhoc water quality sampling. Regulatory monitoring at every site irrespective of size	✓	✓				
WD2	DWI - Drinking Water Safety Planning (Water Supply (Water Quality) Regulations 2016 - Regs 27 & 28), Monthly water quality reporting, submission of annual data returns.	✓	✓				
WD3	Monitoring and auditing of Laboratory performance - Water Supply (Water Quality) Regulations 2016 - Regulation 16	✓	✗				Opex only by its nature
WD4	Water Fittings inspections - enforcement of Water Supply (Water Fittings) Regulations 1999	✓	✗				Opex only by its nature
WD5	Supplementary water quality monitoring e.g. Response to customer contacts,	✓	✓				
WD6	Additional flushing/sampling due to poor performance and/or condition of assets owned and maintained by the upstream incumbent	✓	✗				Opex only by its nature
WD7	Local Authority and Public Health England Liaison and updates.	✓	✗				Opex only by its nature
WD8	Planned Maintenance - e.g. flushing activities	✓	✓				
WD9	Unplanned Maintenance	✓	✓				
WD10	Emergency Response	✓	✓				
WD11	Meter maintenance / replacement	✓	✓				
WD12	Meter accuracy testing costs	✓	✗				Opex only by its nature
WD13	Meter reading	✗	✗				This is a retail cost, therefore we have excluded.
WD14	Battery replacement	✓	✗				Opex only by its nature
WD15	Arrangements for sharing meter data	✓	✗				Opex only by its nature
WD16	Standby arrangements	✓	✗				Opex only by its nature
WD17	Incumbent bulk metering costs	✗	✗				This is not an avoided cost (we would not incur bulk metering costs if we ran the site)

WD18	Financial penalties for GSS failure - Also GSS payments made to customers as a consequence of upstream incumbent failure.	✓	✗				Opex only by its nature, implicitly included
WD19	Network losses / unaccounted for water at a direct wholesale cost.	✓	✗				We capture this in the leakage adjustment to the relevant wholesale starting point
WD20	Activities to monitor and control leakage/unaccounted for water	✓	✓				We capture this in the leakage adjustment to the relevant wholesale starting point
WD21	Wholesale cost for 'free' water provided under social tariffs	✗	✗				This is a retail cost. It is funded through standard customers retail bills via the cross subsidy so there should be no avoided cost to the incumbent
WD22	Offsite network maintenance / repair (No income if NAV tariff assumes connection at boundary)	✗	✗				We assume that the NAV connection is at the boundary and therefore there is no income
WD23	Water resource planning and drought plans	✗	✗				This is not an avoided cost (this would only be an avoided cost if the NAV had their own water resource)
WWD1 and WWD17	Planned / unplanned pumping station maintenance			✓	✓		
WWD2 and WWD18	Planned sewer jetting maintenance			✓	✓		
WWD3	Unplanned / emergency response and or maintenance			✓	✓		
WWD4	Telemetry			✓	✓		
WWD5	Planned / unplanned sewer jetting, blockage removal			✓	✗		Opex only by its nature
WWD6	Incumbent customer meter data costs + supplementary data.			✗	✗		This is a retail cost, therefore we have excluded.
WWD7	Incumbent discharge costs for water losses not returned to sewer i.e. where bulk discharge costs are based on a bulk water meter.			✓	✓		We account for this by applying the non-return to sewer allowance to volume
WWD8 and WWD22	Capital replacement in made up ground			✓	✓		
WWD9 and WWD23	Wholesale cost for 'free' sewerage provided under social tariffs			✗	✗		This is a retail cost. It is funded through standard customers retail bills via the cross subsidy so there should be no avoided cost to the incumbent
WWD10 and WWD24	Sewer flooding remediation and compensation			✓	✗		Opex only by its nature
WWD11	Financial penalties for GSS failure - Also GSS payments made to customers as a consequence of upstream incumbent failure.			✓	✓		Opex only by its nature, implicitly included

WWD12 and WWD25	Offsite network maintenance / repair (No income if NAV tariff assumes connection at boundary)			x	x		We assume that the NAV connection is at the boundary and therefore there is no income
WWD13	Tankering incl. pre NAV approval			✓	✓		
WWD14	Trade effluent costs - admin, monitoring, data sharing with downstream incumbent			✓	✓		
WWD19	Incidence response sewer jetting			✓	✓		
WWD20	De-silting			✓	✓		
WWD21	Clearing and maintenance of drainage areas.			✓	✓		
WWD26	Discharge permits/costs			✓	✓		
C1	Finance/ HR / Legal and IT staff resource costs					✓	
C2	Regulatory Costs - Licence fees, regulatory reporting and compliance					✓	
C3	NAV application and administration costs.					✓	
C4	End customer billing and customer service costs					x	This is a retail cost, therefore we have excluded.
C5	Management costs					✓	
C6	External consultancy					✓	
C7	IT systems and development					✓	
C8	Travel and subsistence					✓	
C9	Vehicle fleet costs					✓	
C10	Plant, tools and equipment					✓	
C11	Health and Safety					✓	
C12	Insurance					✓	
C13	Employer pension					✓	
C14	Employer NI					✓	
C15	Premises and utilities					✓	
C16	Telecommunication costs					✓	
C17	Business Rates					✓	
C18	Recruitment					✓	
C19	Training and Development					✓	
C20	Bank charges incl. those relating to customer income collection					x	This is a retail cost, therefore we have excluded.
C21	Customer bad debt and debt recovery costs.					x	This is a retail cost, therefore we have excluded.

C22	Revenue protection and voids management.					x	This is a retail cost, therefore we have excluded.
C23	External audit / accountancy costs					✓	
C24	Asset Financing Costs					✓	
C25	Working Capital					x	This is not an avoided cost, however we have made a provision for this. Please see section on returns
C26	Incumbent Working Capital					x	This is not an avoided cost, however we have made a provision for this. Please see section on returns
C27	Marketing, Branding and Customer Relations					✓	
C28	Billing systems costs					x	This is a retail cost, therefore we have excluded.
C29	Billing and other postage / stationery costs					x	This is a retail cost, therefore we have excluded.
C30	Cost of Debt					✓	Please see section on returns – this is covered by the returns and working capital allowance we provide.

Notes:

WWD15 and WWD16 not in checklist

Central costs have been allocated on a top-down basis

Appendix 2 Calculator Worked Example

We will examine a theoretical new development site by inputting data into our Bulk Charges for NAVs calculator which is available on our website.²⁶ We are also happy to provide a copy on request.

The details of the site are as follows:

- There are 400 households and 10 non-households both with water and wastewater services supplied by a NAV.
- None of the properties are connected for SWD
- Household water volume on site is 37,980m³
- Non-household water volume on site is 1,000m³
- Wastewater volume is not known
- The site has one NAV operated water booster pumping station with utilised capacity of 5kW
- The site also has one NAV operated sewerage pumping station with utilised capacity of 10kW
- The site has 1 water bulk meter

Each relevant sheet of the calculator will be examined in turn.

Cover sheet

Cover sheet

Note: This calculator is designed to give an indication of the charges at a NAV site. Charges will be applied by Wessex Water in line with Company Bulk Charges for NAVs policies.

Key

Input cell

Version history

Version number	Version name	Publication date
1.0	Indicative charges 2023-24	01/12/2022
1.1	Final charges 2023-24	01/02/2023
1.2	Final charges 2023-24 - usability updates	22/02/2023
1.3	Indicative charges 2024-	28/11/2023
2.0	Final charges 2024-25	01/02/2024
3.0	Indicative charges 2025-	28/11/2024
3.1	Final charges 2025-26	31/01/2025

Further information

Further information and associated bulk charges for NAVs documents can be found on our website at the following links:

<https://corporate.wessexwater.co.uk/our-performance/our-charges>

<https://www.wessexwater.co.uk/services/building-and-developing/new-appointments-and-variations>

This sheet has a key, version history for the document and details of where further information can be obtained.

²⁶ <https://corporate.wessexwater.co.uk/our-performance/our-charges>

Instructions

1	Instructions																	
2																		
3	1)	Familiarise yourself with the sheets in the spreadsheet. The only sheet that requires any input is "Inputs NAV".																
4	2)	Answer the questions at the top of the "Inputs NAV" sheet.																
5	3)	The calculator will grey out any inputs that are not required based upon your answers.																
6	4)	Certain inputs are required as a minimum to use the calculator - enter these (use the notes in the sheet to help if needed). If only a wastewater service is provided but wastew																
7	5)	Inputs are summarised in the "Summary of inputs" sheet - directly from Inputs NAV and applying leakage and return to sewer adjustments if needed for wastewater volume.																
8	6)	The Summary of inputs feed into the relevant calc sheet.																
9	7)	Check over the relevant sheets.																
10	8)	The "Outputs summary" sheet summarises the charges, avoided costs and final NAV tariff.																
11	9)	The "Bulk charges for NAVs method statement" document gives an example if you need further guidance - this document along with this calculator can be found on our websit																
12																		
13	Assumptions																	
14																		
15	With	reference to item 4 if wastewater volume is not known, the calculator will provide a forecast using water volume with the leakage adjustment (5.5%) deducted and the return																
16	If	you provide wastewater volume for a site we do need not apply the leakage adjustment or return to sewer percentage.																
17	If	you have a water booster or sewerage pumping station but do not know the utilised capacity, an estimate based upon the water or wastewater volume on site will be used.																
18	This	calculator is designed for a typical NAV site and may not be cover all possibilities. Please do not hesitate to get in touch with if us if you need any assistance: wholesalefina																
19																		
20																		
21																		
22																		
23																		
24																		
25																		
26																		
27																		
28																		
29																		
30																		
31																		

This sheet provides instructions on how to use the calculator. It also details the assumptions made within the calculator.

Inputs NAV

	A	B	C	D	E	F	G	H
1	Inputs NAV							
2								
3	Site information	Unit	Value	Notes				
4								
5	Which of the following water services does the NAV provide on site?							
6	Water household service		Yes					
7	Water non-household service		Yes					
8	Water booster pumping station		Yes					
9								
10	Which of the following wastewater services does the NAV provide on site?							
11	Wastewater household service		Yes					
12	Wastewater non-household service		Yes					
13	Sewerage pumping station		Yes					
14								
15	Do you know the wastewater discharge volume on site?							
16	Wastewater household		No	If you do not have a wastewater volume we will need a water volume to calculate wastewater volume.				
17	Wastewater non-household		No	If you do not have a wastewater volume we will need a water volume to calculate wastewater volume.				
18								
19	Do you know the utilised capacity of the pumping station on site?							
20	Water booster pumping station		Yes	If you do not know the utilised capacity of the pumping station this will be estimated based on property nu				
21	Sewerage pumping station		Yes	If you do not know the utilised capacity of the pumping station this will be estimated based on property nu				
22								
23	Water							
24								
25	Household properties	nr	400					
26	Household volume per year	m ³	37,980	If you do not have a wastewater volume we will need a water volume to calculate wastewater volume. The				
27	Non-household properties	nr	10					
28	Non-household volume per year	m ³	1,000	If you do not have a wastewater volume we will need a water volume to calculate wastewater volume. The				
29	Utilised capacity of water booster pumping stations	kW	5					
30	Bulk meters	nr	1	If you have one bulk meter that measures volumes for water and wastewater, only include one on water - I				
31								
32	Wastewater							
33								
34	Household properties connected for Surface Water Drainage	nr		If you offer this service you will need to populate this input (even if you have already populated the corres				

The questions on the NAV input sheet are required and once answered will inform the remaining inputs required for the site. The calculator will grey out any inputs that are not required.

Inputs that are not greyed out will require you to input data, the notes column should help with clarity. If only a wastewater service is provided but wastewater volume is not known, a water volume will be required to calculate wastewater volume.

Summary of inputs

	A	B	C	D	E	F	G	H	I	J
1	Summary of inputs									
2										
3	Site information		Unit	Value	Notes					
4										
5	Which of the following water services does the NAV provide on site?									
6	Water household service		Yes							
7	Water non-household service		Yes							
8	Water booster pumping station		Yes							
9										
10	Which of the following wastewater services does the NAV provide on site?									
11	Wastewater household service		Yes							
12	Wastewater non-household service		Yes							
13	Sewerage pumping station		Yes							
14										
15	Do you know the wastewater discharge volume on site?									
16	Wastewater household		No							
17	Wastewater non-household		No							
18										
19	Do you know the utilised capacity of the pumping station on site?									
20	Water booster pumping station		Yes		If you do not know the utilised capacity of the pumping station this will be estimated based on property numbers on site.					
21	Sewerage pumping station		Yes		If you do not know the utilised capacity of the pumping station this will be estimated based on property numbers on site.					
22										
23	Water									
24										
25	Household properties	nr	400		Feeds from Inputs NAV					
26	Household volume per year	m³	37,980		Feeds from Inputs NAV. The leakage adjustment is applied later in the Water calc sheet.					
27	Non-household properties	nr	10		Feeds from Inputs NAV.					
28	Non-household volume per year	m³	1,000		Feeds from Inputs NAV. The leakage adjustment is applied later in the Water calc sheet.					
29	Utilised capacity of water booster pumping stations	kW	5		Feeds from Inputs NAV.					
30	Bulk meters	nr	1							
31										
32	Wastewater									
33										
34	Household properties connected for Surface Water Drainage	nr	-		Feeds from Inputs NAV.					
35	Household properties not connected for Surface Water Drainage	nr	400		Feeds from Inputs NAV.					
36	Household discharged volume per year	m³	34,097		If wastewater volume is known this feeds from Inputs NAV. If wastewater volume is not known the water volume is used with the leakage adjustment.					

This sheet summaries the inputs relevant to the site as entered in the “Inputs NAV” sheet. If, as in this instance, wastewater volume is not known the calculator will estimate wastewater volume by applying the leakage adjustment (5.5%) and the return to sewer percentage (95%) to the water volume.

Charges schedule

	A	B	C	D	E	F	G	H
1	Charges schedule							
2								
3	Household wholesale charges - to inform wholesale starting point							
4								
5	Water							
6								
7	Description	Unit	Charge					
8	Meter Charge*	£ per annum	5					
9	Volume Charge	£ per m ³	2.9088					
10								
11	Wastewater							
12								
13	Description	Unit	Foul	Surface Water Drainage**	Highway Drainage			
14	Drainage Charge*	£ per annum		27	25			
15	Volume Charge	£ per m ³	2.5169					
16	*For the purposes of simplicity when charging we make the assumption that all meters are the size of a standard meter of <25mm.							
17	**Only payable where the property is connected for Surface Water Drainage							
18								
19	Non-household wholesale charges - to inform wholesale starting point							
20								
21	Water							
22								
23	Description	Unit	Charge					
24	Meter Charge*	£ per annum	5					
25	Volume Charge	£ per m ³	2.9569					
26								
27	Wastewater							
28								
29	Description	Unit	Foul	Surface Water Drainage**	Highway Drainage			
30	Drainage Charge*	£ per annum		27	25			
31	Volume Charge	£ per m ³	2.5524					
32	*For the purposes of simplicity when charging we make the assumption that all meters are the size of a standard meter of <25mm.							
33	**Only payable where the property is connected for Surface Water Drainage							
34								

This sheet details our wholesale charges and avoided costs applicable to NAVs.

Water and Wastewater Calc

	A	B	C	D	E	F	G	H	I	J
1	Water calc	Unit	Value	Notes						
2	Weighted average wholesale tariff									
79										
80	Avoided costs									
106										
107	Final NAV tariff									
108										
109	Weighted average wholesale tariff water	£ per m ³	2.9672							
110	Volumetric avoided cost water	£ per m ³	0.4671							
111	Final NAV tariff water	£ per m ³	2.5001							
112										
113										
114										
115										
116										
117										
118										
119										
120										
121										
122										
123										
124										
125										
126										
127										
128										
129										
130										
131										
132										
133										
134										
135										
136										
137										
138										
139										

This sheet calculates a water weighted-average wholesale tariff and the avoided costs for the NAV site in the corresponding sections (which expand outwards to show detailed calculations). The “Final NAV tariff” section summarises the final tariff that will be applied on site. The “Wastewater calc” sheet works on a very similar basis.

Outputs summary

	A	B	C	D	E	F	G	H	I
1	Outputs summary	Unit	Water	Wastewater	Notes				
2									
3	Weighted average wholesale charge								
4	Total wholesale fixed charge	£	2,106	10,250					
5	Total wholesale volume charge	£	107,194	88,109					
6	Total wholesale charge	£	109,300	98,359					
7									
8	Total wholesale charge	£	109,300	98,359					
9	Total volume (after leakage adjustment)	m ³	36,836	34,994					
10	Weighted average wholesale charge	£ per m ³	2.9672	2.8107					
11									
12	Avoided costs								
13	Avoided costs - main pipes, wastewater sewers, communication pipes & meters	£	16,047	5,273					
14	Avoided costs - pumping stations	£	1,158	5,452					
15	Total avoided costs	£	17,206	10,725					
16									
17	Total avoided costs	£	17,206	10,725					
18	Total volume (after leakage adjustment)	m ³	36,836	34,994					
19	Total avoided costs	£ per m ³	0.4671	0.3065					
20									
21	Expected charge for the site								
22	Total wholesale charge	£	109,300	98,359					
23	Total avoided costs	£	17,206	10,725					
24	Expected NAV charge for the site	£	92,095	87,634	This is how much we expect to charge the NAV for the site based on the numbers input				
25									
26	Final NAV tariff	£ per m³	2.5001	2.5042	Our final charge is on a £ per m ³ basis				
27									
28									
29									
30									
31									
32									
33									

This sheet summarises the NAV tariff for both water and wastewater.