

BULK CHARGES FOR NAVS

2026/27



INTRODUCTION

Northumbrian Water Limited (NWL) operates in the North East of England where it trades as Northumbrian Water (NW), and in the South East of England, where it trades as Essex & Suffolk Water (ESW). Northumbrian Water provides both water and wastewater services whereas Essex & Suffolk Water provides water supply services only.

NEW APPOINTMENTS AND VARIATIONS (NAV)

- (1) New Appointments and Variations were introduced under the Water Industry Act 1991 to provide a mechanism to facilitate new entrants into the water and wastewater sector.

A new appointment is made where a limited company is appointed by Water Services Regulation Authority (Ofwat) to provide water and/or wastewater services for a specific geographic area.

A variation is where an existing appointed company (an appointee) asks Ofwat to vary its appointment so it can extend the areas it provides services to.

A new appointee has the same duties and responsibilities as the previous statutory water company. Currently the level of service that we provide to developers and Self-Lay Providers is measured against a number of quantitative metrics that are reported to Water UK. We offer equivalent levels of service to NAVs with qualitative measures set out by Ofwat in the D-MeX metrics.

As at the end of calendar year 2025 we had 142 bulk water supply agreements and 36 bulk discharge agreements with NAVs. The NAV market in our region is clearly thriving (it has doubled in two years) and we expect it will continue to expand in 2026 and beyond.

- (2) In November 2025, Ofwat issued the final rules 'Rules for Bulk Charges for New Appointments and Variations (English Undertakers)¹'. Ofwat also published 'Decision document: rules for bulk charges for new appointments and variations (English Undertakers)²'.
- (3) Information Note 25/04 set out Ofwat's expectations for 26/27 Bulk Charging for NAVs.³

Extract from IN25/04: 2.3 Bulk charging for new appointments and variations

Incumbent water companies should publish bulk supply and discharge charges for new appointees so that they are transparent, accessible and up to date. The information should allow prospective new appointees to confidently estimate their bulk charges when seeking to serve new sites. Published charges should be updated at least annually and published no later than 1 February 2026.

¹ <https://www.ofwat.gov.uk/wp-content/uploads/2025/09/Rules-for-bulk-charges-for-new-appointments-and-variations-English-Undertakers.pdf>

² <https://www.ofwat.gov.uk/wp-content/uploads/2025/09/Decision-Document-Rules-for-bulk-charges-for-new-appointments-and-variations-English-Undertakers.pdf>

³ <https://www.ofwat.gov.uk/publication/in-25-04-expectations-assurance-and-information-requirements-for-water-company-charges-for-2026-27/>

This year we have consulted on and decided that we will introduce Charging Rules for Bulk Supply and Discharges Services (English Undertakers). In September 2025 we issued a statutory consultation on the form of those rules, which closed out on 3 October 2025. We plan to publish a decision document and the rules themselves as soon as is practicable, and incumbents should note that their bulk charges for new appointments and variations for 2026-27 must comply with the new rules.

Charging Rules: Principles	NWL position
Charges that are predictable, consistent and transparent	Our 26-27 charges are an evolution of our 25-26 ones, with a consistent overall approach. We retain our simple 'per property' approach to the calculation of avoidable costs to minimise NAV workload and tariff complexity and to maintain incentives for water efficiency.
Applying wholesale minus approach	Our NAV charges are based on a wholesale minus approach: Household tariffs less avoidable costs. We do not have any NAVs on large user tariffs and we do not offer these for new NAVs.
Characteristics of individual sites	Our NAV charges are based on a per household property basis, with separate calculations for larger non households based on volumes. We maintain our bespoke approach to pumping station costs where they occur.
Cost reflective charging	Our approach is a bottom up one based on avoidable network function costs.
Environmental incentives – incentivising water efficiency	Our avoided costs are applied on a per property basis and applied to the fixed household charges. Thus, if a NAV is water efficient, these allowances are unaffected and so incentives are maintained. We offer NAVs discounted infrastructure charges for water efficiency and separation of surface water.
Publishing bulk charges – menu of charges	We publish our bulk supply charges on a menu basis that allow NAVs to consider their own mix of household and non-household customers. For ease of use, we allow NAVs to identify low volume non households (eg SMEs) as being similar to households where appropriate. We now have an online charges calculator for NAVs to use which should improve transparency and ease of use.
Avoided cost changes of more than 10%	The avoided costs for the NWL Water Service have increased by more than 10%, due to new data for NWL on site leakage.

Calculation of avoided costs

- (4) Our 2026/27 avoided costs are based on a bottom-up analysis of avoided costs. Our approach is based on network function costs, so it ensures that all costs associated with network maintenance are considered.
- (5) In our view, this is a more accurate approach than an assessment of the individual unit cost of each productive network activity as it ensures that the avoided costs include non-productive departmental costs such as travel time, training, annual leave, absence and abortive visits. These costs are unlikely to be picked up in a simple 'cost per activity' approach that assumes that all working time is productive.
- (6) It further allows for a reconciliation of the avoidable costs to the network costs in the published, assured APR tables. This is important as a reality check of the costs avoided against the entirety of the costs used by Ofwat in setting wholesale revenue allowances.

PURPOSE

- (7) Ofwat have stated their aim to 'contribute to the creation of a level playing field in the provision of developer services and the provision of water services to the end-customers in new developments' and the delivery of 'our strategy of ensuring trust and confidence in the sector'. We are committed to supporting a level playing field for developer services and this document is intended for use by NAVs who wish to secure a bulk supply/discharge agreement which involves the trading of water and/or wastewater for any site designated as a NAV under the relevant legislation. Water companies can also contract for bulk services with another incumbent water company, it should be noted that the charges included in this document do not apply to this type of bulk supply.

As Ofwat note in their guidance, NAVs can be appointed under the following criterion:

- the **unserved** criterion – the site is not connected to the water and/or sewerage infrastructure of an existing water company;
- the **consent** criterion – an existing water company consents to the application; or
- the **large user** criterion – the premises comprising the site use at least 50MI in any year in England or 250MI in Wales and the customer(s) consent(s).

- (8) These NAV charges will only apply where there are avoided costs for the incumbent when the NAV is awarded. As such, it will typically apply to new unserved sites. They do not apply under the large user criterion, where the user premises are already supplied by the incumbent and there are no avoided costs.
- (9) We appreciate that the types of services a NAV may need from us can vary depending on the approach being adopted at a particular site along with the local circumstances. We will therefore look at each NAV on a case by case basis before finalising any bulk supply/discharge agreements. However, we believe

the information contained within this document can be used by NAVs to estimate their bulk charges. Surface water drainage and highway drainage costs will be calculated on a property type basis.

- (10) The aim of this document is to provide you with clear and transparent information about both our service and our charges relating to NAVs.
- (11) In this document “we” or “us” refers to NW in the North East of England and ESW in the South East. Words in the singular shall include the plural and vice-versa except where the context otherwise requires.
- (12) This document should be read in conjunction with our developer [Charging Arrangements](#) for 2026/27.

GENERAL CHARGING PRINCIPLES

- (13) One of the key principles that we have used to build these charges is a ‘wholesale-minus’ approach.
- (14) The relevant wholesale tariff will effectively be based on the appropriate weighted average combination of household and non-household standard tariffs, depending upon the specifics of the site.
- (15) For any bulk supply agreement entered in to from 1 April 2018 to 31 March 2020, an income offset was applied (in accordance with our Charging Arrangements). Therefore, the deduction from our wholesale tariffs will be for on-site ongoing costs only, as the income offset will cover the asset value (and thus WACC and depreciation).
- (16) Since 1 April 2020 we no longer offer an income offset for bulk supply agreement charges. This is because, under the new Ofwat charging rules for developer charging, income offsets no longer apply for requisitions.
- (17) The avoided costs used in our calculations are based on the average costs of reported APR data. Components such as leakage and assumed household consumption volumes will be updated at least every 5 years.
- (18) For 2026/27, we have increased our leakage allowance to 14% for Northumbrian & 11% for Essex & Suffolk. These are calculated using average NWL leakage rates for local network sites, as per the Ofwat guidance. We have applied this as a volumetric discount, as per the guidance⁴. This change increases the overall avoided costs for both NWL and ESW.
- (19) For pre 1 April 2018 NAVs, the additional deductions for Weighted Average Cost of Capital (WACC) and Depreciation will apply.
- (20) For 2026/27 we have used the WACC used by Ofwat for the PR24 Final Determination, as per the Decision document Rule 6 notes.

⁴ Bulk charges for new appointees – guidance on our approach and expectations, Section 2.3

(21) These charges have also been set within the Ofwat charging rules of:

- Fairness and affordability;
- Environmental protection;
- Stability and predictability; and
- Transparency and customer-focused service.

EXPLANATION OF CHARGE DERIVATION FOR NAVs

General

(22) Our NAV charges are based on our standard household (HH) and non-household (NHH) wholesale charges from our [Wholesale Charges scheme](#). This includes both the fixed and variable components. Large user based tariffs are not applicable. From this we then deduct the avoided costs. The calculations are either based on a per property basis for HH properties or per cubic metre basis for NHH properties. This paragraph is provided for explanatory purposes only.

Calculation of the avoided costs

The following paragraphs summarise our approach to the calculation of avoided costs for our water supply and wastewater services.

(23) Water supply

- We extracted the 24-25 full bottom-up departmental costs of network related functions.
- We split those costs between directly attributable to local and trunk mains.
- We allocated the shared function costs between local and trunk mains using proportions based on discussions with departmental heads.
- We added general and support costs (company overheads) using a Full Time Equivalent employee cost driver.
- We excluded Cumulo Rates as an avoidable cost as they relate to profitability, which in turn is based on an RCV value. With full cost recovery from developers for requisitions, there is no effect on RCV, so no change in Cumulo rates.
- We excluded any expenditure on water pumping stations. We have a separate allowance for WPS avoidable costs, which is available on request.
- We ensured that the total operating costs analysed reconciled to the 2025 APR costs. This is important as a reality check of the costs avoided against the costs used by Ofwat in setting wholesale revenue allowances.
- To calculate avoided capital replacement costs, we used the infrastructure maintenance expenditure, thus excluding any expenditure on water pumping stations, which we will make allowances for on an as required basis.
- We divided the total avoidable costs by the total numbers of properties in APR Table 4R to arrive at an avoided cost per property.
- We then inflated this to 26/27 average prices.

- We deducted the avoided cost per property from the household fixed charge to arrive at the adjusted NAV fixed charge per property.

Reconciliation of avoidable operating costs to reported network costs for 24-25.

£m, 24-25 values	Trunk mains	Local mains	Total	Comments
Directly attributable	4.4	3.8	8.2	Departments that wholly cover either trunk or local mains
Direct, Allocated	9.5	31.9	41.4	Allocated using department head assessments of costs between trunk & local
General and Support allocations	3.5	21.4	24.9	Includes insurance, central costs such as HR, communications, information services, regulation
2025 APR	17.4	57.1	74.5	Table 4J line 4,5,6,11 – other distribution costs

(24) Wastewater service

- We extracted the 24-25 full bottom-up departmental costs of network related departments. These were split between foul, surface water and highway drainage.
- For the avoided operating costs, we excluded costs relating to the off site network, storm overflow and pumping stations. We assumed all other costs were avoidable.
- We ensured that the total operating costs analysed reconciled to the 2025 APR costs. This is important as a reality check of the costs avoided against the costs used by Ofwat in setting wholesale revenue allowances.
- We have completed the NAV charging working group template as a checklist to confirm that all relevant avoidable costs have been considered.
- For avoided capital replacement costs, we used the infrastructure maintenance expenditure.
- We excluded any expenditure on wastewater pumping stations. If a NAV believes that a site warrants on site pumping, we will consider an additional allowance.
- We deducted the avoided cost per property from the household fixed charge to arrive at the adjusted NAV fixed charge per property.

(25) Updating the NAV Tariffs

- For the fixed charge, the starting wholesale tariffs will be updated annually in accordance with the wholesale charges scheme.
- Components such as leakage and household volumes will be updated at least every five years.
- The WACC used for legacy NAVs is in line with the wholesale WACC used by Ofwat for the PR24 Final Determination.

BULK CHARGES FOR NAVs 2026/27

(26) The following tables contain our Bulk Charges for NAVs for 2026/27.

Water NAV tariff	North	South	North	South
	Household	Household	Non-household	Non-household
Water supply	£	£	£	£
Post 1 April 18 NAVs				
Fixed charge £/property/year	-27.96	-27.96	Sum of individual NHH Fixed Charges	Sum of individual NHH Fixed Charges
Volumetric charge £/m3	1.3676	1.7041	1.0765	1.5004
Pre 1 April 18 NAVs				
Fixed charge £/property/per year	-56.90	-60.03	n/a	n/a
Volumetric charge £ per m3	1.3676	1.7041	0.8421	1.2233

Wastewater NAV tariff	North	North	North	North
	Household	Household	Non-household	Non-household
	Foul Only	Foul & SW	Foul Only	Foul & SW
Wastewater service	£	£	£	£
Fixed Charge	10.89	65.26	Sum of individual charges for each NHH property	Sum of individual charges for each NHH property
Volumetric charge £ per m ³	1.2789	1.2789	1.4751	1.4751

Applicability

(27) The charges above are for what we consider is a standard or normal site. We would envisage that this approach will cover the majority of sites, however, due to the potential for significant variations to the services required at each site, our bulk NAV charges may need to be negotiated on a case by case basis where bespoke charges will be calculated to reflect the site's specific features. For example where any NHH premise within a NAV meets the requirement for a large user tariff in its own right. Any bulk charges agreed under such an approach would be integrated into the following year's Wholesale Charges scheme. It is considered that this would only occur in exceptional circumstances.

Worked Examples from Ofwat's: Common Terms and Worked Examples – Bulk Charges for New Appointments and Variations (CTWEBC)⁵

The example below is provided for guidance purposes.

(28) Table 4 of the Ofwat Information Requirements sets out the parameters for the two worked examples:

	Example 1	Example 2	NWL Comments
Customer numbers - Households	50	200	Used as the only cost driver
Customer numbers - Non Households	0	5	Not used - see volume
Property Characteristics	Semi detached, 15mm meters, 25 mm pipes		Not used
Services provided	Water	Water	
Assumed occupancy	100%	100%	Not used
Mains length per property	8m	6m/5m	Not used
Size of the water meter for the bulk supply	100mm	100mm	Not used
Volume of water used/property - Households	96	96	Not used as cost driver
Volume of water used - Non Households	0	2,500	Used as the only cost driver
Assumed leakage	10%	10%	Higher values used for NWL/ESW
Special characteristics	None	None	
Volume of water used by end customers	4,800	19,200	Households only
Volume of water recorded on the bulk meter HH	5,333	21,333	Households only - bulk meter
Volume of water recorded on the bulk meter NHH	0	2,778	Non Household - bulk meter
Volume of water used by end customers	4,800	21,700	Households & Non Households
Volume of water recorded on the bulk meter	5,333	24,111	Volume pre leakage

(29) Under the NAV charges for 26//27 the amounts payable would be:

Total NAV Charge £	Northumbrian	Essex & Suffolk
Example 1		
50 Households		
Water Supply NAV Charges		
Fixed Charge	-1,398	-1,398
Volume used	7,294	9,089
Total Charge	5,896	7,691

Total NAV Charge £	Northumbrian	Essex & Suffolk
Example 2		
200 Households		
Water Supply NAV tariff		
Fixed Charge	-5,592	-5,592

⁵ <https://www.ofwat.gov.uk/wp-content/uploads/2025/09/Responses-to-our-draft-CTWEBC.pdf>

Volume used	29,175	36,355
Total Charge	23,583	30,763
5 Non Households		
Water Supply NAV tariff		
Fixed Charge	125	125
Volume used	2,990	4,168
Total Charge	3,115	4,293
Total NAV Charges		
Fixed Charge	-5,467	-5,467
Volume used	32,165	40,523
Total Charge	26,698	35,056

FINANCIAL AND OTHER ASPECTS

- (30) To ensure consistency between household and small non household properties with similar characteristics, we allow NAVs with non household SMEs with consumption of less than 200m³/yr to identify these as households in the NAV tariff calculations. The household discounts are larger than the non household ones for properties up to this volume, so there are larger avoidable costs for the NAV in doing this.
- (31) The NAV will be required to provide meter readings for all NHH meters within the NAV area. In the absence of submitted actual meter reads NWL will use its own estimates for NHH consumption. Adjustments will then be made in the next regular invoice to reflect actual reads.
- (32) The NAV will also be required to provide details of actual connected property numbers within the NAV area quarterly. In the absence of actual connected property numbers NWL will be unable to provide deductions for avoidable costs, or income offset payments where applicable.
- (33) A bulk supply and/or bulk discharge agreement will be entered into at the start of each NAV. Bills will be raised retrospectively on a quarterly basis and payment will fall due 21 days from the date of the invoice. NWL reserves the right to impose a more frequent billing arrangement dependent upon the individual characteristics of the site. Also, by agreement, an average monthly position can be agreed with each NAV and an annual truing up or adjustment carried out at the end of the charging year.
- (34) As we provide avoided cost discounts on a fixed basis per property to incentivise water efficiency, there can be unintentional scenarios where the total charge to a site can become negative. This is temporary, due to properties being connected but not occupied, thus attracting the negative fixed charge without the offsetting volumetric charges. In such scenarios, we will cap the total boundary site charge at zero, to ensure we are never effectively paying a NAV to take a water supply to the detriment of existing NWL customers.
- (35) We will not charge for access to data logger information through our existing portals, where we have fitted our own data logging equipment for the purpose of network monitoring. This is on the grounds that the low costs are uneconomic to

charge. All other logger requests would fall under our [non-household data logging & other equipment meter policy](#).

VAT

- (36) All charges published in this scheme exclude VAT. VAT will be added to the published charge at the appropriate rate where required.

