

WHOLESALE CHARGES SCHEDULE 2026/27

Board Statement of Assurance

NORTHUMBRIAN WATER LIMITED

BOARD STATEMENT OF ASSURANCE FOR WHOLESALE CHARGES 2026/27

The Northumbrian Water Limited (NWL) Board has overseen the development of customer charges for 2026/27.

The latest wholesale charging rules, issued under sections 66E and 117I of the Water Industry Act 1991, were last published by Ofwat in October 2025.

The wholesale charging rules state that each undertaker should publish an assurance statement no later than the time of publication of its wholesale charges confirming that, using the best available information available at this time:

- a) the company complies with its legal obligations relating to the wholesale charges it has published;
- b) the Board has assessed the effects of the new charges on water supply and sewerage licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying eligible premises (as a whole or in groups) and approves the impact assessments and handling strategies developed in instances where bill increases for licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying eligible premises (as a whole or in groups) exceed 5%;
- c) the company has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published about its wholesale charges is accurate;
- d) the company has consulted with relevant stakeholders in a timely and effective manner on its wholesale charges; and
- e) where final wholesale charges are significantly different from the indicative wholesale charges published for the same period, the Board has considered the reasons why those changes occurred and has issued a statement explaining why those changes were not anticipated and/or mitigated. For these purposes 'indicative Wholesale Charges' means the information referred to in Annex A3 of the Wholesale Charging rules and charges are 'significantly different' if a reasonable person would consider the changes to be material.

The purpose of this statement is to clearly demonstrate that NWL has satisfied these requirements.

Governance and Assurance

We closely monitor the rules published by Ofwat and ensure that all changes are incorporated into our charges publications. In order to do this, we have strong governance arrangements and assurance processes which have been applied to the development of these charges throughout the year and are summarised below:

- A specific quality assurance procedure sets out the process to be followed in setting charges each year and is reviewed annually to ensure that any necessary changes to the approval process are incorporated. This assurance builds on the work and recommendations previously carried out on our charges model by our external advisors.
- The NWL Internal Audit department confirmed that input data from Company systems and the calculation of allowed revenues are robust.
- NWL have previously engaged Ernst & Young LLP (EY) to perform testing of the logical operation of certain financial models prepared by, or on behalf of, NWL to generate its tariffs. The scope of EY's work was determined by NWL and EY is only responsible to NWL for their work. This model has been used to generate tariffs published for 2026/27.
- The Charging and Markets Leadership Group (CMLG) is a sub-group of the Executive Leadership Team (ELT) and discusses charging issues and the annual charge setting process for NWL, in addition to promoting and monitoring market arrangements across NWL. The CMLG is chaired by the Chief

Financial Officer and includes the Director of Customer and Corporate Services and the Regulation & Assurance Director along with senior managers from various disciplines within the business. The group met several times in the year to discuss charging policy, external markets, strategy and governance. Any significant decisions and matters arising have been reported to the ELT and, as required, to the Board.

- Charges movements were reviewed by the CMLG
- The Consumer Council for Water (CCW) has been consulted to discuss the proposed charges and the impact on bills.

More information on our overall Assurance Plan can be found at <https://www.nwg.co.uk/about-us/nwl/governance2/assurance/>.

Development of charges

We have a well-established timetable for the production and approval of our tariffs and charges schemes and schedules and this is incorporated into our Assurance Plan for the year. The charges have been developed through the following process:

DEVELOPMENT OF CHARGES

| 2025 | | | | | | | | | | | 2026 |
|---|--------------|-----|-----|------|--------------|-----|--|--|--|--|--|
| Feb | Mar | Apr | May | June | July | Aug | Sept | Oct | Nov | Dec | Jan |
| Agree charges setting and Assurance timetable | CMLG meeting | | | | CMLG meeting | | CMLG meeting | Consult with CCW re indicative primary wholesale charges | Communications planning for potential bill increases | CMLG meeting | Internal audit assurance |
| RWG Good Practice Guide published (NHH Charges) | | | | | | | Update NWL Audit Committee noting governance and Assurance processes for 2026/27 charges | Internal audit assurance | Developer Services Day held | Final November indexation published Ofwat Final Determination for BYA published | Update Board with final charges |
| | | | | | | | Update NWL Board with draft charges for 2026/27 | Publish indicative primary wholesale charges | Ofwat Final Determination for ODI payments 2024/25 published | Ofwat workshop: Water efficiency and business user charges | Consult with CCW regarding final charges and handling strategies |
| | | | | | | | Ofwat call re Unmeasured charges and | Communications planning for potential bill increases | | Developer Services consultation sessions | Notify Ofwat of average and typical bill increases |
| | | | | | | | | Ofwat Final Determination for BYA published | | Communications planning for potential bill increases | Finalise and publish tariffs and associated documents in accordance with Ofwat timetable |

Competition and Markets Authority referral

On 18 February 2025, NWL formally rejected the Final Determination (FD24) published by Ofwat in December 2024 and requested Ofwat to refer it to the Competition and Markets Authority (CMA) for redetermination in accordance with the procedures under the Water Industry Act 1991 and our Licence. Ofwat referred our FD24 to the CMA on 18 March 2025 and we submitted our Statement of Case on 21 March 2025. We received our draft redetermination from the CMA on 9 October 2025.

The final outcomes from the CMA redetermination of the FD24 are not due for publication until March 2026, at the latest, the charges for 2026/27 have therefore been set using the FD24 to ensure we meet our charges publication deadlines.

More information about our referral can be found [here](#).

Forecasts

Following several years of reduced average consumption we observed a recovery throughout 2024, and this continues into the current year. The modelled volumes have therefore been increased to reflect the average of the last 12 months less a small reduction for water efficiency improvements. The net position is still higher than the 2024/25 assumptions. There could of course be further variation for other impacts such as the cost of living or smart metering.

Indexation

Our charges incorporate the November 2024 CPIH rate which was 3.57%.

Indicatives variance

The indicative charges published on 13 October 2024 were based on FD24, adjusted by the draft determinations of in-period adjustments and blind year adjustments for 2024/25 performance.

We have updated our modelling and forecasts since publishing the indicatives, including:

- Final indexation
- Consumption and volume levels
- Vacancy assumptions
- Third-party price control revenue (e.g. significant one-off water diversions)
- Final determination of in-period adjustments and blind year adjustments

The impact of the changes above are reflected in our final Allowed Revenue to be recovered from Primary Charges. All our wholesale water charges are lower than anticipated in October. However, for wastewater, our revised forecasts have delivered small increases in sewage charges and around 5.8% increase in Trade Effluent charges.

Impact assessments and handling strategies

The impact of the higher K factors combined with indexation means our indicative charges are increasing by greater than 5% from 2025/26 charges, assuming a similar level of consumption.

Our Wholesale Services team will contact retailers individually to advise of any anticipated tariff changes relating to the consumption threshold changes and discuss the price increases.

Summary

The strong governance and assurance arrangements that have been applied in the development of the charges provide the Board with a sound basis to confirm that:

- a) NWL's charges for 2026/27, as set out in its published wholesale charges schedule, comply with our legal obligations;
- b) we have assessed the effects the new charges have on water supply and sewerage licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying eligible premises (as a whole or in groups) and can confirm that there are instances where bill increases to licensees (as a whole or in groups) who are retailing wholesale services exceed 5% and we approve the impact assessments and handling strategies developed;
- c) NWL has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published in the wholesale charges schedule is accurate;
- d) NWL has consulted with relevant stakeholders in a timely and effective manner on its wholesale charges; and
- e) where final wholesale charges are significantly different from the indicative wholesale charges published for the same period, the Board has considered the reasons why those changes occurred and has issued a statement explaining why those changes were not anticipated and/or mitigated. For these purposes 'indicative Wholesale Charges' means the information referred to in Annex A3 of the Wholesale Charging rules and charges are 'significantly different' if a reasonable person would consider the changes to be material.

Signed on behalf of the NORTHUMBRIAN WATER LIMITED Board

A handwritten signature in black ink, appearing to read 'M. A. Williams'.

Matt Williams
Chief Financial Officer