

## **NORTHUMBRIAN WATER LIMITED**

### **Statement of significant changes to primary wholesale charges 2022/23**

In accordance with the Wholesale Charging Rules issued by the Water Services Regulation Authority (Ofwat) under sections 66E and 117I of the Water Industry Act 1991, this notice is to update stakeholders on the scope of any proposed significant changes to our primary wholesale charges for 2022/23.

Wholesale charges, as defined by Ofwat in the Wholesale Charging Rules, relate to the charges water and sewerage undertakers can impose on retailers for wholesale water and wastewater services.

We do not intend to change the structure of our charges or the methodology for calculating primary wholesale charges at this time. We continue to prefer to provide stability and consistency for our end customers and retailers.

### **Simplification and standardisation of wholesale tariffs**

We are actively participating in the RWG project on simplification and standardisation of wholesale tariffs. We will monitor feedback from this group however we do not anticipate any significant changes to be made in time for 2022/23 charges. However, we do plan to take some initial steps within the Central Market Operating System (CMOS) by reducing the number tariff codes within the market where they are the same tariff. Specifically, this is the harmonisation of the CMOS tariff codes in our Essex & Suffolk operating areas.

### **Measured vacant consumption**

As part of our vacant property management strategy, we have previously created an exercisable option to charge for consumption recorded at vacant non-household premises however our previous timetable was impacted by the Covid-19 pandemic. We now intend to consult on exercising this option and commence charging retailers with effect from 1 April 2022. As part of this consultation we will also consult on a longer-term aspiration to charge for vacant premises that are benefitting from the ongoing provision of foul sewage connections, and surface water drainage and highway drainage services.

### **Final Determination**

As we have previously highlighted, on 14 February 2020, NWL formally rejected the Final Determination (FD19) published by Ofwat in December 2019 and requested Ofwat to refer it to the Competition and Markets Authority (CMA) for redetermination. Ofwat referred our FD19 to the CMA on 19 March 2020 and we submitted our Statement of Case on 2 April 2020. We received a draft redetermination from the CMA on 29 September 2020.

The final outcomes from the CMA's redetermination of the FD19 price review were published in March 2021. The timing of this did not allow us to incorporate these changes into our 2021/22 charges, we will implement the decision in our charges from 2022/23 through to 2024/25, this means we will effectively see the impact across three years of charges rather than five so we anticipate charges will rise, the extent of this increase will be included in our indicative charges publish in October 2021.

July 2021