

## **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 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.

### **Final Determination**

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 that the impact will be across three years of charges rather than five. We have consulted with various stakeholders regarding this situation including Ofwat, CCWater, retailers and NAVs

### **Indexation**

Final charges published in January 2022 will incorporate the published November CPIH inflation rate. For the indicative charges we have published today we have estimated the November CPIH rate at 4% based on the latest published forecasts by the Bank of England (Monetary Policy Report – August 2021).

### **Impact assessment and handling strategies**

The combined impact of the CMA redetermination, the three-year spread and the high inflation rate means our charges are increasing by greater than 5% from 2021/22 charges. We have analysed the impact of this increase on our charges, our standard non-household primary wholesale tariffs will see increases ranging between 4% and 12%. Our Wholesale Services team will contact retailers in the near future for discussions around our charges.

### **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 have the same tariff value. Specifically, this is the harmonisation of the CMOS tariff codes in our Essex & Suffolk operating areas. Additionally, for clarity we will add the CMOS tariff codes to our detailed charges information which we will issue to retailers.

### **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. Subject to consultation we will 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. For clarity this longer-term aspect is a possible future year's consideration.

**October 2021**