

NORTHUMBRIAN WATER LIMITED

Statement of significant changes to primary wholesale charges 2023/24

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 any proposed significant changes to our primary wholesale charges for 2023/24.

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 standard charges or the methodology for calculating primary wholesale charges currently. We continue to prefer to provide stability and consistency for our end customers and retailers.

Trade Effluent (TE) Charges

We are reviewing the structure of our published TE charges with a view to incorporating a standard ammonia charge. This charge will apply to new large industrial discharges and to our Special Agreements when current contracts end, where effluent has an ammonia content which breaches the threshold set by NWL. We therefore do not consider handling strategies are required for this change at this stage.

Simplification and standardisation of wholesale tariffs

We have actively participated in the Retailer Wholesaler Group project on simplification and standardisation of wholesale tariffs. We are closely monitoring feedback and the good practice guidance from this group however we do not anticipate any significant changes to our primary wholesale charges structures be made in time for 2023/24 charges.

Vacant premises

We have the highest vacancy rate in the non-household market. 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. We have not yet exercised this option to charge but we continue to reserve the right to consult on this matter in the future.

Forecasts

Since the start of the Covid-19 pandemic we have experienced changing patterns in consumption in both our household and non-household customer base. We have therefore based our model assumptions and consumption forecasts on the best information we have available at this point however the situation continues to evolve. We will refresh our assumptions prior to publishing the final charges next year.

We have reviewed latest published forecasts by various institutions to help us forecast the November CPIH rate at 9.5%. The economy is experiencing exceptional volatility at this time, and we will highlight any significant variances in our forecasts in the final Board statement of Assurance for 2023/24 charges.

The indicative charges reflect the consultation on the draft determination of in-period outcome delivery incentives for 2021/22, issued by Ofwat on 3 October 2022. We will respond to this consultation in due course.

13 October 2022