Affinity Water

Statement of Significant Change
- Indicative Primary Wholesale Charges 2026/27

13th October 2025

1. Background

1. The purpose of this Statement of Significant Changes is to provide our stakeholders with information about the changes we intend to make to our primary wholesale charges in 2026/27. It sets out our assessment of the impact of those changes and information about our handling strategy.

2. Primary wholesale charges are the charges we make for providing wholesale water supplies to retailers operating in the competitive market, but wholesale charges also form a significant component of the tariffs we charge to household customers.

3. Wholesale activities include water abstraction, raw water transport, treatment and distribution and typically make up about 90% of end customers' water bills.

4. Ofwat regulate primary wholesale charges through enforceable limits to the total amount of wholesale revenue that we may recover in any year. We calculate our charges so that the revenue we expect to recover from those charges does not exceed the amounts allowed by the revenue limit. In setting primary wholesale charges, we must also follow charging rules published by Ofwat that contain guidelines and principles for charging.

5. The charging rules require that if we need to make significant changes to charges, we should publish a Statement of Significant Changes setting out:

    i. what changes are expected.
    ii. how water supply and sewerage licensees (as a whole or in groups) and customers occupying Eligible Premises (as a whole or in groups) are likely to be affected; and
    iii. the handling strategies that may be adopted by the undertaker or why the undertaker considers that no handling strategies are required.

6. The following sections provide detailed information on these items.

2. Summary of Changes to Charges

7. Our primary wholesale charges vary according by region as shown in the diagram below. In our Central Region there are currently two sub-regions for unmetered rateable value charges, Lee Valley and elsewhere. Next year we propose to change this so that there is a single rateable value charge across the whole Central Region.

8. In 2026/27 we project that we will need to increase our primary wholesale charges by 11.9% on the average typical bill. This means that most customers across assessed, measured and rateable value will experience a tariff increase greater than 5%. The main drivers of the change in charges are:

    - Our wholesale K factor, net of performance related rewards and penalties, +7.7% for next year's charges.
    - Our forecast of CPIH inflation, +3.57%.
    - Changes to the charging base over which we recover our charges.

9. In addition to the drivers of bills noted above, we propose this year to set a differential between measured and unmeasured tariffs, after removing it in 2025/26, and to continue with updates to our tariff structure from last year. These changes, in combination with inflation and K factor adjustments, result in significant changes to the Central area measured and unmeasured rateable value charges of > 5%. The changes we propose to our tariffs are summarised below.

    - freeze volumetric rates in our East and Southeast regions but allow the rate in the Central area to increase.
    - freeze the household metered fixed charge and recover the revenue effect of this through the volumetric rate instead.
    - simplify the rateable value tariffs from 3 to 2, which means that there will be a single rateable value tariff in our Central area, and another applicable to our East and Southeast areas

- updated the metering costs used in the tariff differential calculation, that keeps unmetered and metered bills within cost reflective balance, to reflect our transition to smart metering technology.
- set a tariff differential of £12 to phase in rateable value bill increases in the Central area which is to be unwound over two years.
- remove the 5% mid-user discount for 5-50Ml customers, which means that across all regions there is one standard tariff rate for 0-50Ml customers or a large user tariff rate for over 50ML customers.
- reduce the large user over 50ML tariff discount by approximately 50%.
- remove supplementary fixed charges and recover the revenue effect of this through the volumetric rate instead.

10. We are freezing volumetric rates in our East and Southeast regions but allowing the rate in the Central area to increase. This narrows the spread in rates between regions and sharpens the volumetric incentives in the region with the highest per capita consumption. We are also mindful that a key driver of bill increases is enhancement investment, the benefits of which are concentrated in our Central area. As a result, the measured rate in the central area is projected to increase by +9.6% where it is 0.0% in our East/Southeast regions.

11. We are freezing the fixed charge for household customers and recovering the revenue effect of this through the volumetric rate instead. This sharpens incentives towards careful water use whilst assisting with bill affordability for low water users and single occupiers.

12. Different increases are applied to the measured and unmeasured tariffs with aim of keeping them within cost reflective balance. A 9.6% increase is being applied to measured customers and 17.2% to unmeasured customers. Based on these increases, and to limit the impact of bill increases on unmeasured customers, a tariff differential of £12 has been allowed to develop for 2026/27. This tariff differential will be unwound over two years with the aim of restoring the cost reflective balance between the tariffs. We have updated the metering costs used in the tariff differential calculation to reflect our transition to smart metering technology. The East and Southeast area rateable value tariff rates are being reduced by 5% to narrow the gap to the Central regions in line with our strategy as the number of unmeasured customers has fallen away with compulsory metering. Therefore, it is the 230,000 Colne, Rickmansworth and North Surrey customers that are impacted by the increase.

13. Based on MOSL (Market Operator Services Limited) recommendations on tariff simplification and harmonization, which we have been implementing over 3 years, and more recent Ofwat guidance on the efficient use of water, we are making further adjustments to our wholesale tariffs to business retailers in 2026/27. This is taking the form of moving towards flatter tariff rates across consumption bands and

away from the falling block tariff effect of discounted volumetric rate for mid and large users. As such, we are removing the 5% mid-user discount for 5-50Ml customers, which means that across all regions there is one standard tariff rate for 0-50Ml customers or a large user tariff rate for over 50ML customers. We are also reducing the large user over 50ML tariff discount by approximately 50% and completely removing supplementary fixed charges with the aim to recover the revenue effect of this through the volumetric rate instead.

14. We have projected our indicative charges using the latest information available to us and our current view of prospects for 2026/27, informed for example by projections of inflation published by external bodies. Our demand forecasts were also scrutinised by Atkins, our external assurance provider.

3. Wholesale charges for Non-Household customers

15. Our primary wholesale charges to retailers operating in the competitive market typically comprise a fixed charge per customer (that varies according to meter size) and volumetric charges that vary according to consumption. Retailers pay wholesale charges to us based on the applicable fixed charges and consumption aggregated across all the customers they supply. By studying the impacts on typical customer bills across a range of customer size, types, and regions, we can assess by how much aggregated charges to retailers are likely to change.

16. Table 1 sets out the impact of our indicative charges on typical small business customers in each of our 3 charging regions. The table assumes that consumption is held constant at the levels indicated and that small business customers use a 25mm meter. The East and Southeast regions have had their volumetric tariffs frozen to the prior year.

Table 1. Typical Bills to Measured Small Business Customers £/year and % Change

	Typical Consumption (m3/year)	Typical Bill 2025/26 (£/year)	Typical Bill 2026/27 (£/year)	Change (%)
Central region	488	689.55	755.91	9.6%
East region	303	713.30	714.95	0.2%
Southeast region	385	900.95	902.55	0.2%

17. Table 2 sets out the impact of our indicative charges on typical medium business customers. For the purposes of comparison, the table assumes that consumption is held constant at 5,000m3/year and that medium business customers use a 40mm meter. Mid-user tariffs for each region have been equalised to the standard tariffs for that region resulting in different increases in typical bills by region.

Table 2. Typical Bills to Measured Medium Business Customers £/year and % Change

	Typical Consumption (m3/year)	Typical Bill 2025/26 (£/year)	Typical Bill 2026/27 (£/year)	Change (%)
Central region	5,000	6,539.34	7,601.94	16.2%
East region	5,000	10,240.63	11,537.36	12.7%
Southeast region	5,000	10,879.65	11,545.64	6.1%

18. We offer large user tariffs for customers using in excess of 50,000m3 per year who meet eligibility criteria.

19. Our large user tariffs currently offer lower volumetric rates than standard, based on differential use of network infrastructure by large users but an additional fixed charge. For the charging year 2026/27 the additional fixed charge has been set to zero, and revenue collection redirected though the volumetric rate by halving the large-user volumetric rate discount to the standard rate for both the Central and East regions. The Southeast region does not have the additional fixed charge, and we have reduced the difference between the large user and standard rate In addition to changes in expected bills driven by inflation and K factor and as noted earlier, the changes we propose rebalance our tariffs away from the fixed element of charges and towards the volumetric rate.

20. Table 3 sets out the impact of our indicative charges on typical large business customers. The table assumes that consumption is held constant at 50,000m3/year and that large business customers use a 100mm meter.

Table 3. Typical Bills to Measured Large Business Customers £/year and % Change

	Typical Consumption (m3/year)	Typical Bill 2025/26 (£/year)	Typical Bill 2026/27 (£/year)	Change (%)
Central region	50,000	65,357.97	64,175.00	-1.8%
East region	50,000	95,642.52	86,125.00	-10.0%
Southeast region	50,000	108,282.15	114,892.64	6.1%

21. Table 4 shows the impact of our indicative charges on extra-large customers, assuming that extra-large business customers use 500,000m3 per year and are supplied on large user tariffs using a 150mm meter. As noted above, we propose to

set the additional fixed charge to zero and redirect revenue collection though the volumetric rate by halving the large-user volumetric rate discount to the standard rate for both the Central and East regions. The Southeast region does not have the additional fixed charge, and the large-user volumetric rate discount to the standard volumetric rate has been halved. These changes continue to strengthen the tariff incentives towards efficient water use for large business customers. The changes means that wholesale bills for the largest customers will increase by a greater percentage than for other large users, because we are increasing the contribution of volumetric use towards bills. The different rates of change for wholesale bills for large and extra-large customers can be seen by comparing the percentage bill increases between Table 3 and Table 4.

Table 4. Typical Bills to Extra Large Business Customers £/year and % Change

	Typical Consumption (m3/year)	Typical Bill 2025/26 (£/year)	Typical Bill 2026/27 (£/year)	Change (%)
Central region	500,000	496,952.97	641,750.00	29.1%
East region	500,000	701,860.61	861,250.00	22.7%
Southeast region	500,000	871,757.15	1,004,862.64	15.3%

22. For unmeasured customers, we charge retailers a fixed charge per property and a rateable value element that varies according to the rateable value of each property supplied. The rateable value element of tariffs varies by region reflecting historical company boundaries.

23. As noted above, different increases have been applied to the measured and unmeasured tariffs. The Lee area rateable value rate has been equalised to the Central area rate, and the Folkestone area rateable value rate has been reduced by 5% to narrow the gap to the Central regions in line with our strategy as the number of unmeasured customers has fallen away with compulsory metering.

Table 5. Typical bills to unmeasured business customers £/year and % change

	Typical Rateable Value (£/RV)	Typical Bill 2025/26 (£/year)	Typical Bill 2026/27 (£/year)	Change (%)
Central area	580	589.81	691.34	17.2%
Colne area	638	644.48	755.43	17.2%
Lee area	494	586.06	596.32	1.8%
North Surrey area	542	553.99	649.36	17.2%
Folkestone area	376	714.41	688.27	-3.7%

4. Wholesale charges for Household customers

24. There are two broad categories of household customers, metered and unmetered. Metered customers pay a fixed charge and a volumetric charge depending upon usage. Unmetered customers pay a fixed charge that does not vary with water use but varies according to the rateable value of the property they occupy. Broadly this means that unmetered customers who occupy larger properties pay a higher unmetered water bill than those occupying smaller properties.

25. Household customer bills comprise two components, wholesale and retail. The wholesale element recovers our costs of activities including water abstraction, raw water transport, water treatment and distribution. The retail element recovers our costs of billing, revenue collection, customer service and meter reading. This statement is concerned with the impacts of changes to the wholesale element of household bills, which makes up about 90% of the final bill charged to household customers. It does not include the retail element.

26. Table 6 shows the impact of our indicative charges on the wholesale element of metered household bills. As noted above, we are freezing volumetric rates in our East and Southeast regions but allowing the rate in the Central area to increase. The table assumes that consumption is held constant at the levels indicated.

Table 6. Typical wholesale element of bills to measured household customers £/year and % change

	Typical Consumption (m3/year)	Typical Wholesale Bill 2025/26 (£/year)	Typical Wholesale Bill 2026/27 (£/year)	Change (%)
Central region	118	181.30	198.77	9.6%
East region	82	207.95	209.99	1.0%
Southeast region	98	244.45	246.49	0.8%

27. Table 7 shows the impact of our indicative charges on the wholesale element of unmetered household bills. The table assumes that rateable value is held constant at the levels indicated. The process of converging the Lee area rateable value tariff with the tariffs for Colne, Rickmansworth and Southern region that we have been conducting over a period of three years has been completed. We are left with two rateable value tariffs, Central areas and the East area, whose rateable value tariff has been reduced by 5% to align more closely with the Central regions.

Table 7. Typical wholesale element of bills to unmeasured household customers £/year and % change

	Typical Rateable Value (£/RV)	Typical Wholesale Bill 2025/26 (£/year)	Typical Wholesale Bill 2026/27 (£/year)	Change (%)
Rickmansworth area	248	302.14	354.15	17.2%
Colne area	278	333.47	390.88	17.2%
Lee area	251	344.45	357.82	3.9%
North Surrey area	249	303.18	355.38	17.2%
East area	184	375.05	365.86	-2.5%

28. The indicative percentage increase for unmetered customers is larger than for metered customers. This is necessary to keep metered and unmetered bills in cost reflective balance. We accomplish this balance by adjusting tariffs so that unmetered customers pay a charge that reflects the level of water used by unmetered customers but because they do not have a meter, do not have to contribute towards the additional costs of operating metered accounts.

29. Since 2020/21 we have observed water use per unmeasured property to have increased faster than seen in metered properties. To remain in cost reflective balance, unmetered tariffs need to be higher in relation to metered tariffs than they have been in prior years, to reflect this additional water use in bills. We propose to spread the adjustments over two years to smooth the effects on bills for our unmetered customers.

5. Impact Assessment and Handling Strategy Household Customers

30. We understand that we are proposing significant changes to our water charges at a time when our customers are already experiencing significant cost of living pressures. Whilst our water bill accounts for a smaller proportion of household expenses than other services such as gas and electricity, we recognise that it will nevertheless add to pressures on household budgets. Therefore, we are developing on the handling strategy delivered over the last three years, to mitigate the effects of bill changes on our customers and manage the implementation of changes to charges.

31. In setting our tariffs for next year, we propose initiatives designed to mitigate the impact of household bill changes. Firstly, we will continue to promote our social tariff to approximately 132,000 customers likely to be eligible by 31 March 2026, similar to the number of customers we already supply on these terms. This reflects the net effects of new switchers joining the tariff with removals of customers no

longer eligible. We cap the bills of social tariff customer bills at a level that represents a 40% discount to the average household bill and also offer an enhanced discount, 60% for customers in greatest need of support.

32. In 2023/24 we developed a scheme to target the way we return revenue over recovery amounts towards customers at greatest affordability risk. We assist customers at risk in the form of a credit of £50 against their water bills. In 2025/26 £3.0m was allocated to 60,000 customers at greater affordability risk. In 2026/27,compared to prior years, a greater proportion of social tariff customers are eligible for enhanced support, 60% discount compared to the standard 40%. To remain within allowed cross-subsidy we have calibrated (halved) the number of £50 cost of living assistance bill credits from 60,000 customers this year to 29,000 customers next year and allocated £1.5m. This amount corresponds with the un-used capacity for cross subsidy supported by a majority of customers in customer research. We identify customers in need of social tariff assistance both proactively and reactively, alongside customer cases referred to us by third party agencies.

33. In addition to the tariff assistance approaches described above, we are also analysing the impact of water bill changes on different customer groups. As in 2025/26, we intend to use the results to tailor our customer communications around next year's charges. The principal features of our strategy are:

    - Affordability assessments, to model the effect of bill changes on customer affordability, bad debt risk and vulnerable customers, and use the insights to understand and plan how these effects can be mitigated.

    - Deciding our approach to customer communication, determining the different requirements of different customer groups, the appropriate communication channels and the content and timing of our communications.

    - Determine how we will make customers aware of and signpost the support available to them.

    - Determining our internal communication plans so that our personnel are well briefed and in position to assist customers in the run up to and after tariff changes.

    - Producing our engagement plan for regulators, stakeholder groups and third-party agencies to determine key messages and optimal timings for communications and consultations.

6. Impact Assessment Non-Household Customers

34. In addition to record levels industry investment during the years of AMP8 (2025-30) to futureproof water resources in the face population growth, Ofwat has set

stretching targets for companies to reduce business demand in its PR24 Final Determination. Affinity Water has a Performance Commitment Level (PCL) to reduce business demand by 11% in 2029-30, based on a 3-year average percentage reduction from a 2019-20 baseline.

35. Large users over 50ML per year currently pay volumetric rates that are significantly lower than the volumetric rates offered to household customers. The discounted rates are offered across the industry and have been in place for a number of years. They were introduced on the basis that larger users do not use the smaller distribution network and are therefore cheaper to serve than household customers. This cost reflectivity principle in relation to tariffs is set out in the Charging Rules. In addition to the volumetric rate, large users pay a supplementary fixed charge. The lower volumetric rate offered to larger users creates the perverse incentive that the more water consumed, the lower the average cost per m^3 unit of water compared to standard users.

36. Through our preparatory tariff adjustments in prior years, we have been amongst the leaders in the industry in implementing MOSL (Market Operator Services Limited) recommendations on tariff simplification and harmonization, as outlined in its Good Practice Guide[1] of February 2025. The recommendation was to harmonise the business retail market down to an Option 2 tariff basket structure of four thresholds set at 0.5ML, 5ML, 100ML and 250ML. Alternatively, an Option 1 0-0.5ML, 0.5-5.0ML and 50+ML could also be accommodated within Option 2 should companies opt for a more simplified basket structure. Ofwat issued an Open Letter [2] on 9 October 2024 stating that cost reflectivity should not be a barrier to harmonising and simplifying tariff structures and highlighting that under S93A of the Water Industry Act, water undertakers are required to promote the efficient use of water. The Independent Water Commission (IWC) Cunliffe Report[3] published 21 July 2025, also included the following: "Recommendation 38: Tariff structures should be changed to incentivise water efficiency. This could involve removing falling block tariffs for non-household consumption". The Government is due to issue their response to the recommendation to the report later this year. Finally, Ofwat issued a consultation on water efficiency [4] in August 2025 that closed on 1 October 2025, looking at the role of tariffs in non-household water efficiency and the introduction of rising block tariffs for business customers. In the consultation Ofwat stated, "our existing (Wholesale Charging Rules) WCRs should not be a barrier to phasing out or reforming (Large user tariffs) LUTs or having more harmonised charging structures in the sector".

[1] https://mosl.co.uk/document/groups-and-committees/retailer-wholesaler-group/rwg-guidance-1/9208-simplification-and-harmonisation-of-metered-consumption-bands-good-practice-guide/file
[2] https://www.ofwat.gov.uk/wp-content/uploads/2024/10/2024-10-09-Open-letter-to-wholesalers_Final.pdf
[3] Independent Water Commission Final Report
[4] Promoting-water-efficiency-in-wholesale-charges-for-business-customers-–-a-consultation-REVISED-5-Sep-2025.pdf

37. We propose setting charges for business retail customers for 2026/27 based on the understanding that the Charging Rules allow the reform of large user tariffs. The objective is driving water efficiency and aid the achievement of our business demand PCL. As detailed above, we propose to equalise the 5-50ML mid-user tariffs to the standard tariffs and reduce the large-user over 50ML tariff discount to the standard tariff by approximately 50%. Further, we propose to remove the supplementary fixed charges applied to mid and large users.

38. The proposed changes to large-user tariffs are being undertaken in conjunction with our smart metering programme and the water efficiency support we offer to businesses. We have a target to install 20,000 smart meters for non-household customers by 2030 which will allow greater control of water use and bills. The water efficiency support [5]that we offer businesses can be accessed on our website and involves a site visit, preparing a Water Efficiency Report with recommendations on potential savings and a Water Efficiency Certificate upon implementation of the findings. We work closely with businesses and retailers to deliver water efficiency. During 2025-26 we have started our roll out of visits to multiple industries and collaboration with retailers to raise awareness of our service. These are businesses that are proactively approached, but also those that submit their interest through the application process on our website. Alongside our rollout of water efficiency visits we are conducting a trial using software to identify businesses within specific sectors and regions that could have high water saving potential. These are including, but not limited to educational buildings, leisure centres and care homes. The trial will include visits to review the types of fittings and possibly retrofit or repair if any water wastage is identified to help make premises more water efficient. Once we have trialled this software and evaluated the results, it may be deemed successful enough to branch out to other industry sectors and Affinity Water regions to achieve water savings.

39. Figure 1 shows that the restructuring of the proposed large-user tariffs is projected to be revenue neutral based on recent usage forecasts for large-users should consumption behaviour remain unchanged. On that basis, in 2026/27 we predict that large users will consume 24% of business retail water and generate 21% of the revenue. There would potentially be only a 1% shift of revenue collected from standard/mid-users to large users overall. However, we would also anticipate there to be a demand effect as the very largest users experience significant tariff increases. The elasticity of demand will vary by industry and individual business, whether consumption can be moderated in the short term or investment is required to improve water efficiency. In addition, some businesses may not consider water costs to be a significant portion of overall costs, whilst others may pass higher costs onto customers which may itself indirectly lead to moderated water consumption. It is only by moving from a falling block type tariff structure to a flatter tariff structure, and potentially a rising block tariff over a few charging years will the

[5] https://www.affinitywater.co.uk/retailers/help-guidance/business-efficiency

elasticity of demand become clearer. Further, there are a significant number of data centres under planning consideration within our regions. Water use and efficiency can vary considerably by size of data centre and technology employed, but we would anticipate a marked shift in usage patterns towards larger users. It is important that we have suitable charging structures in advance of a significant number of data centres coming on steam to influence investment decisions and consumption behaviour.

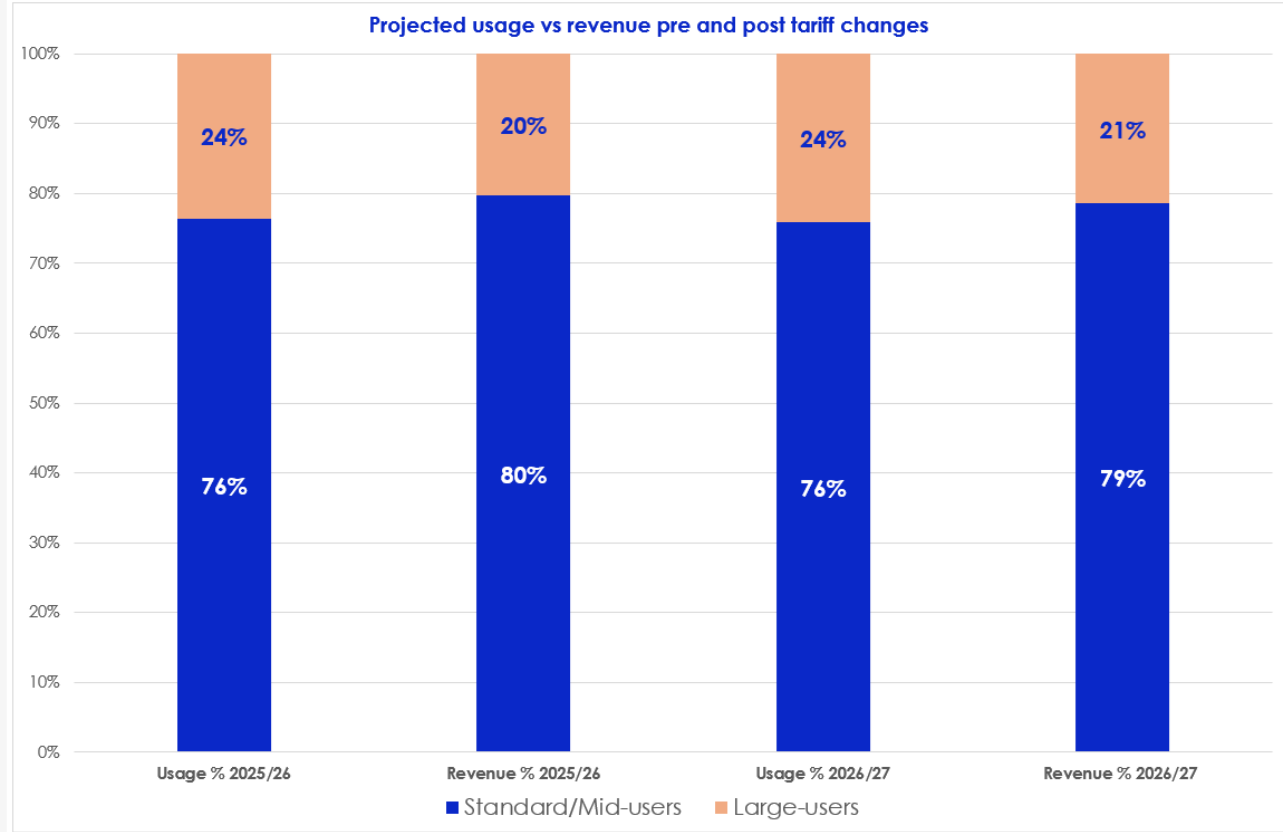

Figure 1-Projected water usage versus projected revenue split by standard/mid-user customers combined and large-users, for 2025/26 prior to tariff changes, and 2026/27 with tariff changes.

40. As part of the overall tariff strategy over the last few years, we have been rebalancing large user tariffs away from fixed charges and towards the volume rate to create fairer charging structures and support non-household demand reduction. Our advance work has led us to propose removing large user fixed charges entirely next year, which in turn means that the average price paid by large users will no longer fall as consumption increases. This effect can be seen in Figure-2, which shows the average cost as consumption increases across a range of consumption levels, combined with either a fixed charge, zero fixed charge or a negative fixed charge. Under the current structure for mid and large users within their respective consumption bands, a supplementary fixed charge combined with a volumetric rate result in a falling average cost as the fixed cost is spread over

more units of consumption. This within consumption band effect of a falling average cost, is in addition to the mid user consumption band having a lower average cost than the standard consumption band, and likewise the large user consumption band to the mid user consumption band. This is because each of these consumption bands has a lower volumetric rate based on the large user discount. Both effects combined, within consumption band and large user discount mimic a falling block tariff (FBT). In the case of removing the fixed charge entirely, the average cost remains constant as consumption increases, thereby removing the economic disincentive to water efficiency. The FBT effect would have been removed. A negative fixed charge would mimic the effect of a rising block tariff (RBT), as with consumption increases the negative fixed charge is spread over greater consumption units and the average cost increases . For 2026/27 we have opted for a constant average cost for mid and large users by removing the supplementary fixed charge. Water consumption is directly correlated to the volumetric rate in generating bills, and therefore the volumetric rate provides an economic signal to moderate consumption. This economic signal has been strengthened by equalising the mid-user volumetric rate to the standard rate and approximately halving the discount of the large user rate against the standard rate.

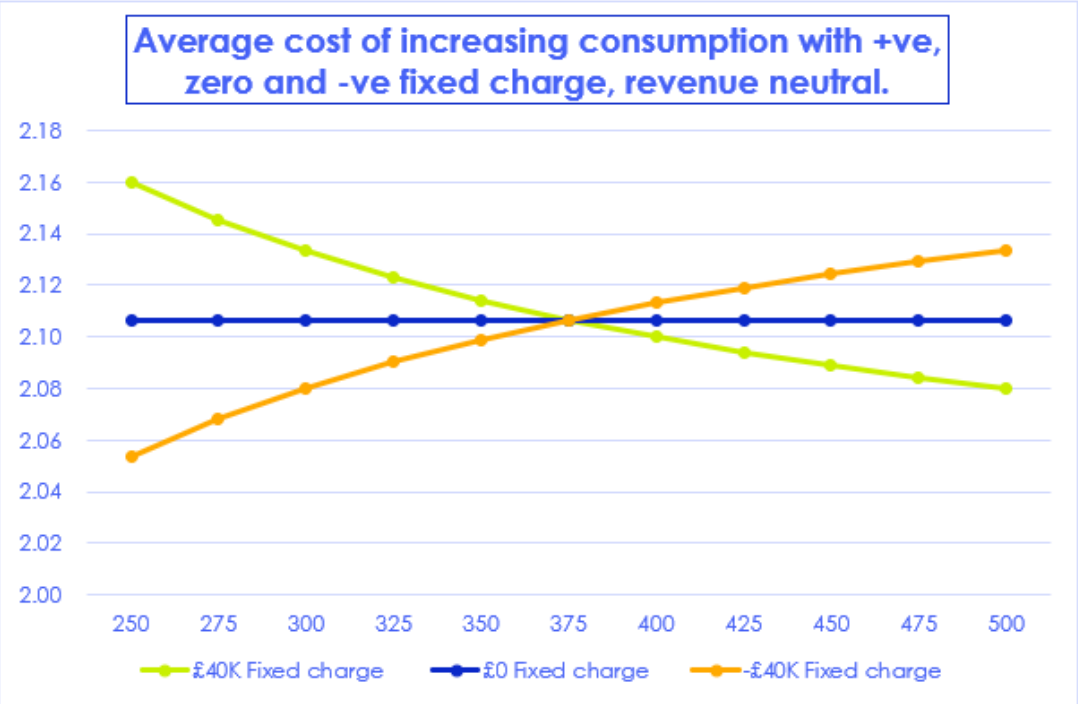

Figure 2-Fixed charge discount scenarios with flat volumetric rate and revenue neutrality, see Appendix 1 table for figures

41. The customer effects of this differ according to usage as it rebalances charges onto the very largest users and away from more moderate users. Figure-3 shows the counterfactual additional percentage bill increase over and above the bill increases had the tariff changes not been made by volume for the top 50 customers only. Out of the top 50 customers, 10 have been identified as having a potential bill increase greater than 10% over the counterfactual. Compared to the counterfactual of 12-13% bill increase representing continuation of our previous approach, customers using 50,000m3 would see a bill -15.3% lower than that, but customers using 500,000m3 +17.2% more. Of our top 50-meter supply points by volume, 19 will pay 0-10% less than the counterfactual, 21 will pay between 0-10% more, and 10 pay 10%-20% more than the counterfactual. The breakeven consumption point is 121,000m3/year meaning that across all our 66 large user premises, we project that 31 would pay more than otherwise, 35 less.

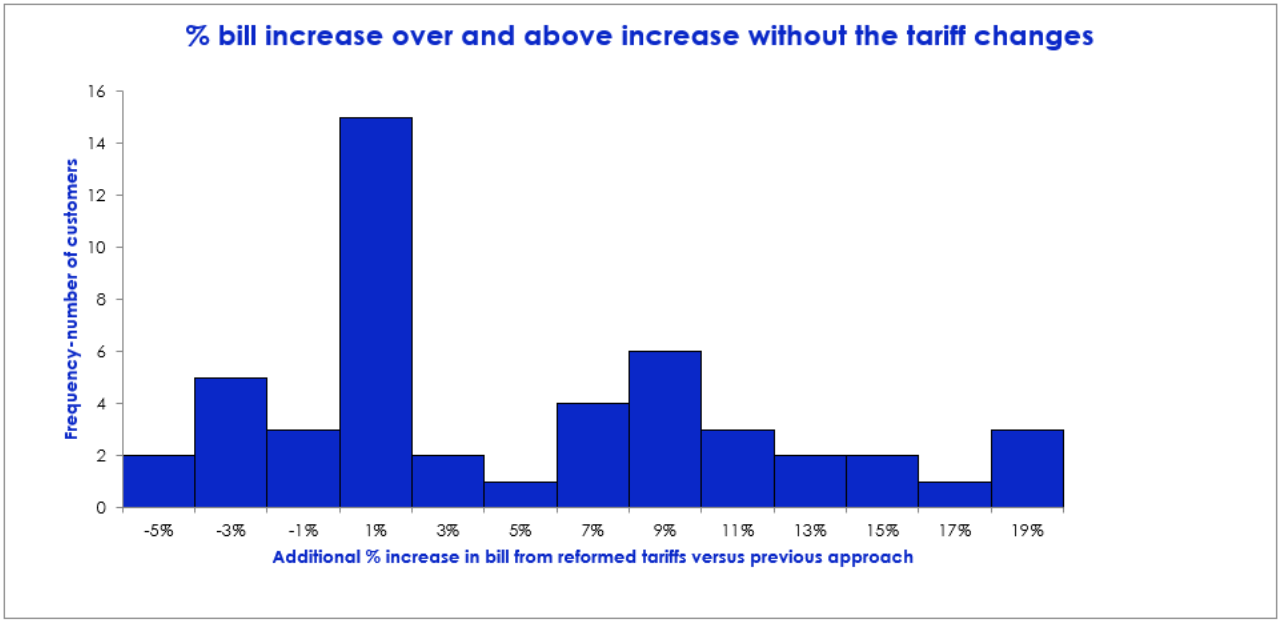

Figure 3-% bill increases for top 50 customers over and above the counterfactual of the bill increases had the tariff changes not been made

42. As illustrated in Figure-4, most of the large customers that would be impacted by a bill increase of 10% greater than the counterfactual of had the changes not been implemented, are heavily represented in three sectors. Firstly, the highest quantity of customers represented are in the logistics and transportation sector, comprising airports and ports. Secondly, energy, processing and manufacturing industries, comprising large food processors, pharmaceuticals and energy generators. Thirdly, health and secure facilities, comprising mainly NHS Trusts and public sector premises. Across the top 50 customers, some such as airports and universities have multiple sites, some of which would face higher increases against the counterfactual than others, meaning that averaged out, the overall increase would be somewhat mitigated.

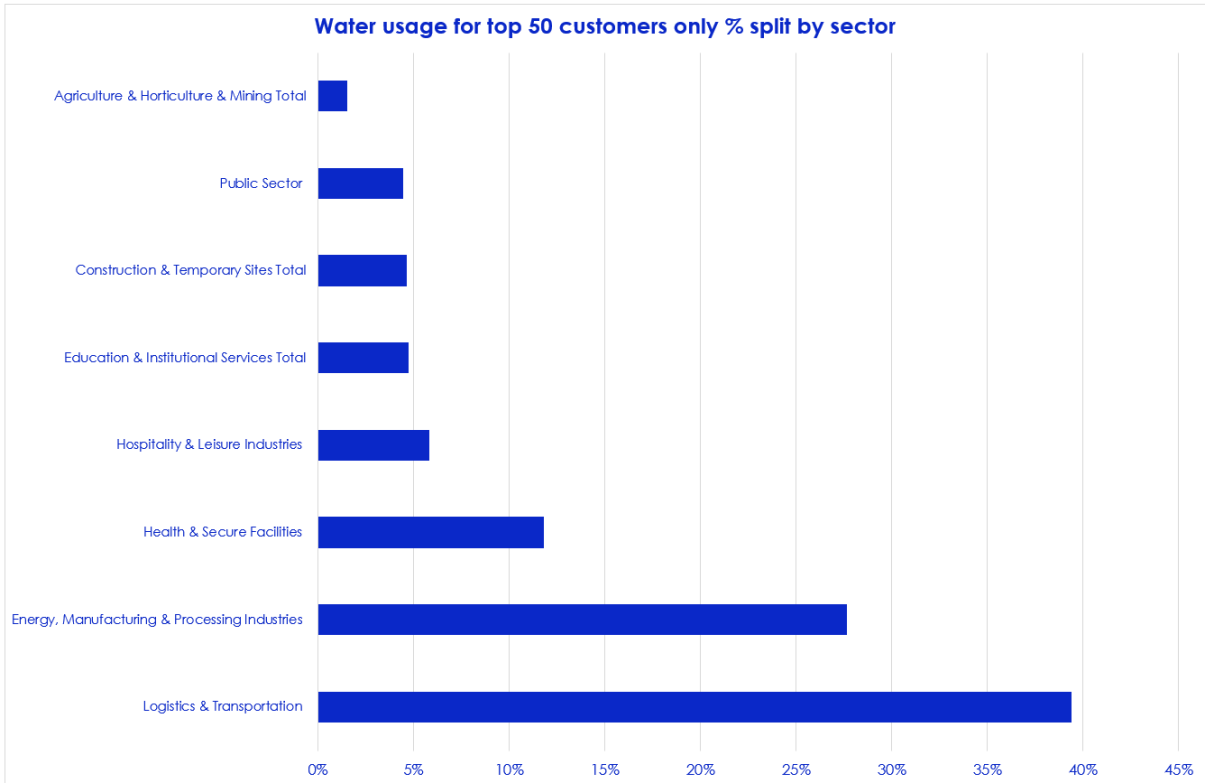

Figure 4-Top 50 non-household water usage only % split by sector

43. In summary, the proposal for 2026/27 business retail charges is that we adjust the structure of the tariffs to drive water efficiency to support stretching PR24 PCLs. The need to do this has been identified by multiple industry related publications, which principally note the requirement to take steps to remove the discounts for large users. We propose moving to a flatter tariff structure by aligning mid-user tariffs to the standard tariff rate, and reduce the discount applied to large user tariffs against the standard rate. This will strengthen the economic signal of the volumetric rate, and by removing the supplementary charge for mid and large users, we ensure that the average cost within a consumption band does not decrease as consumption increases. The very largest users within the top 50 customers will see their bills increase by over 10% above the counterfactual of the tariff changes having not been made, but overall, for large users the changes proposed would be revenue neutral based on current consumption behaviour. As noted above, we have a comprehensive programme to support business customers in improving their water efficiency and therefore manage costs.

7. Next Steps

44. We seek feedback from our stakeholders about our proposals for charges next year, including the measures we have proposed to mitigate the impacts of bill changes. Following consultation, we will refine and finalise our handling strategy and charges and expect to publish our final wholesale charges in mid-January 2026.

Appendix 1

Table of average costs for annual water usage of 250ML to 500ML based upon flat volumetric rates, positive, negative or zero fixed charges, and revenue neutrality.

Annual water use (ML)	Annual water use (m3)	Volumetric rate (£/m3)	Fixed charge (£)	Total water bill (£)	Average cost
250	250,000	2.00	40,000	540,000	2.16
275	275,000	2.00	40,000	590,000	2.15
300	300,000	2.00	40,000	640,000	2.13
325	325,000	2.00	40,000	690,000	2.12
350	350,000	2.00	40,000	740,000	2.11
375	375,000	2.00	40,000	790,000	2.11
400	400,000	2.00	40,000	840,000	2.10
425	425,000	2.00	40,000	890,000	2.09
450	450,000	2.00	40,000	940,000	2.09
475	475,000	2.00	40,000	990,000	2.08
500	500,000	2.00	40,000	1,040,000	2.08
			Total	**8,690,000**	
250	250,000	2.21	- 40,000	513,333	2.05
275	275,000	2.21	- 40,000	568,667	2.07
300	300,000	2.21	- 40,000	624,000	2.08
325	325,000	2.21	- 40,000	679,333	2.09
350	350,000	2.21	- 40,000	734,667	2.10
375	375,000	2.21	- 40,000	790,000	2.11
400	400,000	2.21	- 40,000	845,333	2.11
425	425,000	2.21	- 40,000	900,667	2.12
450	450,000	2.21	- 40,000	956,000	2.12
475	475,000	2.21	- 40,000	1,011,333	2.13
500	500,000	2.21	- 40,000	1,066,667	2.13
			Total	**8,690,000**	
250	250,000	2.11		526,667	2.11
275	275,000	2.11		579,333	2.11
300	300,000	2.11		632,000	2.11
325	325,000	2.11		684,667	2.11
350	350,000	2.11		737,333	2.11
375	375,000	2.11		790,000	2.11
400	400,000	2.11		842,667	2.11
425	425,000	2.11		895,333	2.11
450	450,000	2.11		948,000	2.11
475	475,000	2.11		1,000,667	2.11
500	500,000	2.11		1,053,333	2.11
			Total	**8,690,000**	