



AMP8 Wholesale Price Rises NHH Customers - Additional Information 2025/26

28th February 2025



Transparent Information on Expected Price Increases for NHH Wholesale Customers in 2025/26 and Over AMP8

Background

1. The RWG Tariff Group has requested that wholesalers provide NHH customers transparent information on the reasons for the expected price increases they face based on PR24 Determinations and how these price increases are expected to be phased over the five years of AMP8.
2. This information is intended to:
 - Help retailers to explain the price rises to their customers and/or to answer their questions.
 - Help customers to plan, and/or to take action to manage the impact of increased bills; and
 - Help to rebuild trust in the sector.
3. What information?
 - The main components of 2025/26 prices, including Ofwat's final determinations, inflation and other significant elements.
 - Key areas of investment in the region, especially in the coming year, and likely benefits that this will deliver.
 - The support available to customers from wholesalers to help them reduce their demand.
 - A general indication as to how prices are likely to move over the period of AMP8.

Main Components of 2025/26 Charges

4. Our charges vary according by region as shown in the diagram below. In our Central Region, there are also four sub-regions for unmetered rateable value charges: Colne Valley, Lee Valley, Rickmansworth and North Surrey which reflect historical company boundaries.



5. In 2025/26 we project that we will need to increase our primary wholesale charges by 25.6% on the average typical bill. The average typical bill increase for 2025/26 is 19.3% for measured customers and 29.4% for unmeasured customers. This means that all 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, +12.88% for next year's charges.
- CPIH inflation of +3.54%.
- Changes to the charging base over which we recover our charges.

6. In addition to the drivers of bills noted above, we propose this year to remedy the differential between measured and unmeasured tariffs 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 unmeasured rateable value charges of > 5%. The changes we propose to our tariffs are summarised below.

- increase rateable value unmeasured tariffs greater than measured tariffs to remove the cost reflective differential built up over previous few years.
- continue the process of adjusting our large user tariffs to place more weight on the volume element and less on the fixed element.
- equalise the volumetric charges for the east and southeast regions.

- carry out further alignment of the east region large user meter tariff structure with the aim of eventual alignment with our other regions.
 - converge the rateable value tariffs for Colne, Rickmansworth and Southern region with the Lee region over a period of three years.
 - an additional 5% increase has been applied to the competitive market over 100MI volumetric charge to rebalance the charge away from the fixed charge. In addition, in the east region, we have equalised the 50-100MI volumetric charge and the over 100MI volumetric charge to simplify the structure of large user tariffs
7. Remedy the cost reflective tariff differential built up over the last few years between metered and unmetered tariffs, a 17.6% increase has been applied to measured customers and 23.0% to unmeasured customers. This will result in correcting the £10 differential from 2024/25 between measured and unmeasured tariffs and the restoration of cost reflective balance between the tariffs.
 8. As of 2024/25 there is a single uniform tariff in the Colne, Rickmansworth and North Surrey areas. An additional 5% has been added to the tariff with a view to converging with the Lee region over a period of three years.
 9. Our large user tariffs apply to customers using more than 50,000m³ per year. Typically, they set a volumetric rate that is lower than the standard tariff rates and a supplementary fixed charge. By applying an additional 5% increase to the volumetric element we plan to re-balance the tariff to place greater weight on the volumetric element and less weight on the fixed charge element. Over time, rebalancing the tariff in this way will produce a tariff structure that is common across our 3 regions. Further, by placing more weight on the volumetric element of charges rather than fixed, we increase the economic incentives in our charges towards efficient water use.
 10. 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.
 11. Table 4 sets out the effect of our 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. Equalising the tariff (see later) between the East and Southeast regions has resulted in the Southeast region having a slower rate of increase.

Whilst the headline rate of increase is significantly ahead of general inflation, for a typical small business customers this translates to a change in wholesale water bills of a little under £2 per week on average.

Table 4. Typical Wholesale Bills to Measured Small Business Customers £/year and % Change

	Typical Consumption (m3/year)	Typical Bill 2024/25 (£/year)	Typical Bill 2025/26 (£/year)	Change (%)
Central region	488	586.73	689.84	17.6%
East region	303	606.62	713.15	17.6%
Southeast region	385	814.36	901.23	10.7%

12. Table 5 sets out the effect of our 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.

Table 5. Typical Wholesale Bills to Measured Medium Business Customers £/year and % Change

	Typical Consumption (m3/year)	Typical Bill 2024/25 (£/year)	Typical Bill 2025/26 (£/year)	Change (%)
Central region	5,000	5,561.37	6,538.02	17.6%
East region	5,000	8,711.24	10,241.28	17.6%
Southeast region	5,000	7,460.80	8,771.48	17.6%

13. We offer large user tariffs for customers using more than 50,000m3 per year who meet eligibility criteria.
14. 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. In addition to changes in expected bills driven by inflation and K factor and as noted earlier, we continue to rebalance our large user tariffs away from the fixed element of charges and towards the volumetric rate. This enhances incentives towards efficient water use and supports environmental objectives towards reducing business demand.
15. Table 6 sets out the effect of our 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 6. Typical Wholesale Bills to Measured Large Business Customers £/year and % Change

	Typical Consumption (m3/year)	Typical Bill 2024/25 (£/year)	Typical Bill 2025/26 (£/year)	Change (%)
Central region	50,000	54,590.00	64,905.00	18.9%
East region	50,000	79,802.44	95,642.52	19.8%
Southeast region	50,000	74,191.30	87,224.48	17.6%

16. Table 7 shows the effect of our charges on extra-large customers, if 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 continue the re-balancing of our large user tariffs so that a greater proportion of revenue is derived from the volumetric element of our tariffs and less from fixed charges. This change continues to strengthen the tariff incentives towards efficient water use for large business customers. The change 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 6 and Table 7.

Table 7. Typical Wholesale Bills to Extra Large Business Customers £/year and % Change

	Typical Consumption (m3/year)	Typical Bill 2024/25 (£/year)	Typical Bill 2025/26 (£/year)	Change (%)
Central region	500,000	406,715.00	496,500.00	22.1%
East region	500,000	577,492.40	701,117.52	21.4%
Southeast region	500,000	741,496.30	871,754.48	17.6%

17. 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.

Table 8. Typical wholesale bills to unmeasured business customers £/year and % change

	Typical Rateable Value (£/RV)	Typical Bill 2024/25 (£/year)	Typical Bill 2025/26 (£/year)	Change (%)
Central area	580	462.05	589.81	27.6%
Colne area	638	504.76	644.48	27.7%
Lee area	494	476.34	586.06	23.0%
North Surrey area	542	434.07	553.99	27.6%
Folkestone area	376	580.69	714.41	23.0%

Key Areas of Investment

18. Affinity Water has unveiled one of the most ambitious investment programmes in its history, committing £254 million in 2025/26 and £2.3 billion over the next five years to secure a sustainable, reliable water supply while tackling the dual challenges of climate change and rapid population growth. These essential upgrades to infrastructure, environmental protection measures, and customer-focused innovations, will increase water bills to reflect the scale of work needed to safeguard the region's water resources for future generations.

19. Examples of the investments we are making are:

- £111 million in 2025/26 and £417 million over the AMP in securing future water supplies by investing:
- £5 million in 2025/26 and £19 million over the AMP in the Grand Union Canal Transfer project due for completion in 2032/33 which will deliver a sustainable and reliable water supply to our customers by way of the canal network from Birmingham to a new water treatment works near Milton Keynes.
- £7 million in 2025/26 and £35 million over the AMP in the SESRO project which will deliver the additional water required once we have reduced groundwater abstraction from the Chalk aquifer
- £23 million in 2025/26 and £60 million over the AMP at two of our largest treatment works (Egham and Iwer) to upgrade the treatment in order to supply the required volumes of water with minimal interruptions
- £25 million in 2025/26 and £153 million over the AMP in environmental improvements that will reduce water taken from the Chalk aquifer by 35 million litres per day (including licence relocation volumes) and deliver a programme of river restoration and catchment management.

- £15 million in 2025/26 and £75 million over the AMP investment in leakage reduction measures resulting in a reduction of 30% by 2029-30 against a 2020 baseline.
- £30 million in 2025/2026 and £124 million over the AMP to install 20,000 smart meters for non-household customers and 280,000 smart meters for household customers. This will cover one third of all measured business and household customers by 2030, which will help customers spot leaks, save money by reducing consumption, and protect the environment. This represents our largest investment in non-household metering.
- £8 million in 2025/26 and £88 million over the AMP for the treatment upgrades required in some of our sources to maintain wholesome water supplies to all our customers.

Support Available to Customers

20. We understand that we are proposing significant changes to our wholesaler water charges at a time when many business customers are facing challenging conditions in their own markets. We know that some will find it difficult to recover increases in costs from their customers. Whilst for many business customers our water bill accounts for a much smaller proportion of their business expenses than other items such as wages, business rates, employers' national insurance and cost of sales, we recognise it will nevertheless add to cost pressures. Therefore, we are further developing our handling strategy to mitigate the effects of bill changes on business customers and retailers.
21. Firstly, we project that we will upgrade 20,000 business customers' meters to smart meters over the next 5 years to allow customers greater control of their water use and bills. Smart meters can also bring benefits such as easier identification of leakage and plumbing losses. The smart meter roll-out will commence during the summer of 2025 and will be undertaken geographically covering all meter sizes.
22. Demand reduction is the most effective way for NHH customers to mitigate the impact of the price control increases. In AMP7 Year 5, we began trials in the Business Demand area using knowledge of where water efficiency can be made in specific industries, as well as what opportunities there are in others. In AMP8 we plan to expand the reaches of the trial to target industries and customers that currently might have the highest water wastage and therefore the greatest potential savings.
23. In addition, from the beginning of AMP8, we will be conducting a trial using software to identify businesses within specific sectors and region that could have high water saving potential. The businesses include, but are not limited

to, educational buildings, leisure centres and care homes. The trial will involve visits to review the types of fittings and possibly retrofit or repair if any water wastage is identified to help make more water efficient. Upon completion of the trial and evaluation of the results, it may be extended to further industry sectors and Affinity Water regions.

24. We have introduced a Deferral Scheme as an optional temporary measure to assist Retailer cashflow during the first 3 months of the 2025-26 financial year, deferring 15% of the R1 value to the R2 due date. This scheme will be monitored closely, with the potential for similar schemes to be offered in the future. Details of the scheme can be found here:

<https://www.affinitywater.co.uk/docs/policies/2025/Non-household-deferral-scheme.pdf>.

25. During 2024/25 we put in place alternative payment arrangements which are available to any retailer operating in our area. These arrangements allow retailers to move their R2-RF invoice due date to the end of the month, roughly an extra 10 days of credit, the benefits of which can be shared with customers to mitigate bill changes.

26. In November 2024 we consulted on Alternative Eligible Credit Agreements (AEC) with business retailers. Details of the scheme can be found here: <https://www.affinitywater.co.uk/docs/Retailers/2024/AW-Alternative-Eligible-Credit-2025.pdf>. Our proposals, which we plan to introduce from April 2025, increase the AEC discounts available to retailers up to a maximum of £150,000 and are available to any retailer operating in our area. The benefits of these alternative terms could be shared with customers to mitigate bill changes.

27. Our charges for 2025/26 complete the alignment of small business wholesale tariffs in our Southeast and East regions, which mitigates the rate of tariff increase for those customers in our most expensive charging area. This can be seen in table 4 above where bills are increasing at a slower rate in our Southeast area.

28. In 2024/25 we revised our leak allowance policy for business customers. Details of the scheme can be found here: <https://www.affinitywater.co.uk/docs/Retailers/2024/NHH-LeakAllowance-24-25.pdf>.

29. We anticipated industry proposals for wholesalers to align volumetric bands and commenced changes two years ago. This means we are spreading necessary tariff adjustments over a longer period than others and our early movement means that we are mitigating the bill effects associated with tariff simplification. Details of industry proposals can be found here:

<https://mosl.co.uk/documents-publications/8314-rwg-tariff-sub-group-metered-consumption-bands-consultation-report/file>.

General Indication of Price Increases During AMP8

1. We want to be transparent about the prospects for water bills to help business customers and retailers to plan their businesses. We have included indicative bills for a range of typical customers to 2030 in Table 10. The projections in this table include CPIH inflation at 2% per year. They represent our current view of the prospects for typical business customer wholesale water bills but actual bills could vary from the projections shown. For instance, inflation may turn out differently to our assumption, regulatory performance-related rewards and penalties may be incurred during the projection period and there may be differences in the charging base over which we recover our allowed revenue compared to our current view. Changes in these factors may mean that actual bills differ from those projected at this time.

Table 10. Projection of Indicative Wholesale Water Bills for Typical Non-Household Customers

Indicative Typical Wholesale Water Bill £/year (nominal)	2025/26	2026/27	2027/28	2028/29	2029/30
Average Measured contestable Small Business Customer Central Region	690	753	784	826	871
Average Measured contestable Small Business Customer East Region	713	779	811	855	901
Average Measured contestable Small Business Customer Southeast Region	901	984	1,025	1,080	1,138
Typical non-household contestable medium customer Central Region	6,538	7,140	7,434	7,834	8,258
Typical non-household contestable medium customer East Region	10,241	11,184	11,645	12,271	12,935
Typical non-household contestable medium customer Southeast Region	8,771	9,579	9,974	10,511	11,080
Typical non-household contestable large customer Central Region	64,905	70,881	73,802	77,772	81,979
Typical non-household contestable large customer East Region	95,643	104,448	108,752	114,603	120,803
Typical non-household contestable large customer Southeast Region	87,224	95,255	99,180	104,516	110,170
Typical non-household contestable extra-large customer Central Region	496,500	542,211	564,554	594,926	627,110
Typical non-household contestable extra-large customer East Region	701,118	765,666	797,217	840,107	885,555
Typical non-household contestable extra-large customer Southeast Region	871,754	952,013	991,243	1,044,571	1,101,080
Average Unmeasured RV contestable business customer Rickmansworth Region	590	644	671	707	745
Average Unmeasured RV contestable business customer Colne Region	644	704	733	772	814
Average Unmeasured RV contestable business customer Lee Region	586	640	666	702	740
Average Unmeasured RV contestable business customer North Surrey Region	554	605	630	664	700
Average Unmeasured RV contestable business customer Folkestone Region	714	780	812	856	902