

Thames Water Utilities Limited (TWUL) Wholesale

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Version 1.0



Wholesale charges 2025/26 and AMP8 information document

Introduction

1. The purpose of this document is to set out additional information relating to the increases in our wholesale charges for 2025/26 and for the rest of the 2025 – 2030 period known as AMP8.
2. This document has been prepared according to the requirements set out in the request issued by the Retailer Wholesaler Group (“RWG”) Tariffs Subgroup on 7 February 2025¹. The following topics are therefore covered in this document:
 - i. The main components of 2025/26 wholesale price rises;
 - ii. Key areas of expenditure and investment and the benefits that this will deliver;
 - iii. How wholesale prices are likely to move over the period of AMP8; and
 - iv. The support available to non-household (“NHH”) customers from wholesalers to help them reduce their demand.
3. Table 1 summarises the typical increases in wholesale charges for NHH customers for 2025/26.

Table 1: Typical non-household wholesale bill increases for 2025/26

	Unmeasured bills	Metered bills
Water-only increase (%)	29.2%	29.2%
Waste-only increase (%)	34.2%	34.2%
Combined bill increase (%)	31.2%	31.3%

4. The sections that follow address the topics set out in paragraph 2.

Components of wholesale price rises 2025/26

5. In Table 2, we set out the movements in our wholesale water and wholesale wastewater allowed revenues between 2024/25 and 2025/26.
6. As can be seen from the final column in the table, the majority of the increase in our allowed revenues is attributable to the underlying increases set out in the PR24 Final Determination (“FD”). This recognises the significant and ambitious investment that is needed in our network to deliver improved services to our customers and to protect the environment, as set out in our PR24 Business Plan².
7. More detailed and technical explanations for the other categories used in the table are set out in Appendix 1.

¹ [‘2025/26 Wholesale Price Rises: Increasing Transparency for NHH Customers’](#), RWG Tariff Subgroup, February 2025

² [PR24 Draft Determination response – Strategic Narrative](#), Thames Water, August 2024

Table 2: Wholesale allowed revenue bridge from 2024/25 to 2025/26 (outturn prices)

	Water	Waste	Total	Movement
	£m	£m	£m	%
Allowed revenue 2024-25	1,173.5	1,412.7	2,586.2	
Uplift for inflation (CPIH)	39.7	46.2	85.8	3.3%
Movement in ODI payments	50.6	-18.4	32.3	1.2%
Movement in RFI	-14.9	-9.9	-24.9	-1.0%
Movement in BYA	-13.8	-8.2	-22.0	-0.9%
Movement in TTT IP charge	0.0	0.6	0.6	0.0%
Impact of PR24 FD	265.7	509.1	774.7	30.0%
Allowed revenue 2025-26	1,500.7	1,931.9	3,432.7	32.7%

8. Note that 'ODI payments' represent the rewards and penalties relating to Outcome Delivery Incentives, the 'RFI' is the Revenue Forecasting Incentive, the 'BYA' is the Blind Year Adjustment and the 'TTT IP' charge relates to the Thames Tideway Tunnel Infrastructure Provider.

Key areas of investment and the associated benefits

9. We have the oldest and most complex assets of any company in the sector and yet our bills have been below the industry average for the vast majority of the period since privatisation. Half of our network in London is circa 100 years old and the average age of our pipes is 86 years.
10. Population growth and climate change continue to have a huge impact on our assets. Without action, we are likely to have a supply that is roughly 30% below water demand by 2050.
11. The additional funds generated by the wholesale price increases permitted in the PR24 FD will be spent on tackling these challenges during AMP8. We will therefore be:
- Investing in our network to maintain safe, high-quality drinking water.
 - Fixing leaky pipes and the ageing mains network so we can reduce wasted water.
 - Investing in upgrading our sewage works that will help improve river health.
 - Further reducing pollution incidents and storm overflows.
 - Readying the water network for population growth and climate change.
 - Safeguarding a clean, sustainable drinking water supply for generations to come.
 - Installing more smart meters than ever before, to households and businesses alike.

12. The money we raise won't be used to pay off our debt or external dividends. We're also following Ofwat's guidelines on bonuses. We won't use customer bills for executive bonuses unless our performance meets expectations.

Wholesale price increases for AMP8

13. In Table 3, we set out the movements in our AMP8 wholesale allowed revenues as set out in the PR24 FD. Note that these figures are in outturn prices, that is that we have already factored in the effects of inflation. We have used the latest inflation forecasts available rather than those included within the PR24 FD.

Table 3: Movement in AMP8 wholesale allowed revenue per PR24 FD (outturn prices)

	2025-26	2026-27	2027-28	2028-29	2029-30
Allowed revenue – wholesale (£m)	£3,433m	£3,495m	£3,652m	£3,881m	£4,123m
Movement in allowed revenue (%)	32.7%	1.8%	4.5%	6.3%	6.2%

14. At present, we can't say with any certainty what our price rises may be for the remainder of AMP8, however we do know that they will be a lot lower than the increases being applied for 2025/26.
15. The table shows our wholesale allowed revenues in outturn prices as set out in Ofwat's PR24 FD, using the latest inflation forecasts.
16. Note that the figures for 2026/27 onwards are still subject to change for regulatory mechanisms such as ODI payments that may apply during AMP8 and for revenue adjustments to account for over or under-recoveries in previous years.
17. The movements in these allowed revenue figures should give an indication of the direction of travel for future wholesale price rises but will be superseded by indicative prices published in the October and final prices published in the January before the start of each charging year.

Support available to non-household customers from Thames Water

18. We will install approximately 25,000 smart meters each year on NHH properties giving customers better, more reliable and timely information about their water use. By 2030 all meters at NHH properties in the Thames area will be smart.
19. Utilising the data from these smart meters, we will continue to send monthly notifications to retailers and letters to NHH customers to notify them of a continuous flow on the property and encourage a self-fix to reduce wasted water. A continuous flow is flagged when there is one litre of water flowing through the meter 24 hours a day for fourteen

consecutive days. We currently send out approximately 1,000 letters per month, with this number due to increase with further smart meter installation.

20. We have made a big increase to our water efficiency incentive offer to retailers going into AMP8, to reward evidenced water efficiencies that you enable your non-household customer to deliver. This will reward the retailer directly for water efficiency interventions with a one-off payment of £0.24 per litre saved per day (up from £0.09).
21. We will also work with retailers to deliver around 3,000 Smarter Business Visits (SBVs) per year. These visits are delivered to NHH customers by qualified plumbers and focused on domestic water use within the business and save on average 3,500 litres per visit per day. The plumbers will install water saving devices such as urinal controls, tap inserts and showerheads where appropriate. They will also find and fix internal wastage events e.g. leaky loos.

Appendix 1: Explanations of regulatory movements in allowed wholesale revenue 2025/26

The more technical explanations below relate to the regulatory mechanisms used in Table 2.

- **Movement in ODI payments**

Outcome Delivery Incentive (“ODI”) payments relate to the rewards and penalties applied by Ofwat for our operational performance from prior years. They are applied with a two-year lag. Our 2024/25 allowed revenue was impacted by our performance in 2022/23 whilst our 2025/26 allowed revenue is impacted by our performance in 2023/24.

As our operational performance improved between 2022/23 and 2023/24 (i.e. our ODI net penalties reduced between these two years), this contributed an increase in our allowed revenues between 2024/25 and 2025/26 as the ODI penalties partially unwound.

- **Movement in RFI**

The Revenue Forecasting Incentive (“RFI”) mechanism set by Ofwat adjusts our wholesale allowed revenues to correct for over and under-recoveries against allowed revenues in prior years. It is applied with a two-year lag as for ODI payments, as set out above.

As we recorded a smaller under-recovery of wholesale allowed revenue in 2023/24 than we did in 2022/23, the revenue true-up adjustment in 2025/26 is smaller than that which was applied in 2024/25. As such, the movement in the RFI adjustment reduced our allowed revenues between 2024/25 and 2025/26.

- **Movement in BYA**

The Blind Year Adjustment (“BYA”) relates to an Ofwat mechanism to correct for the actual operational and revenue recovery performance in the final year of the prior price control period that was not known at the time that the Final Determination was published. This adjustment therefore relates to our performance from 2019/20.

The BYA that related to 2019/20 was applied wholly as an increase to our 2024/25 allowed revenues but it does not feature in our 2025/26 allowed revenues. As such, the movement in the BYA reduced our allowed revenues between 2024/25 and 2025/26.

- **Movement in TTT IP charge**

The Thames Tideway Tunnel (“TTT”) Infrastructure Provider (“IP”) charge is an additional price control that applies only to Thames Water. It enables Tideway, the company delivering the construction of the TTT, to recover the revenues needed to fund the project. Thames Water recovers this revenue from its household and non-household wastewater customers and passes it on to Tideway in accordance with the price control agreed between Ofwat and Tideway.

The TTT IP charge for 2025/26 is marginally higher than the charge for 2024/25. As such, the movement in the TTT IP charge increased our allowed revenues between 2024/25 and 2025/26.