

Thames Water Utilities Limited (TWUL) Wholesale
Published date: 13 October 2023



Statement of Significant Change

2024/25

Indicative wholesale charges for the supply of
water and wastewater services

Statement of Significant Change for indicative non-household wholesale charges 2024/25

Introduction

1. The purpose of this Statement of Significant Change is to provide our stakeholders with information as to the significant changes we are making to our primary wholesale charges (the “Charges”) for the 2024/25 charging year, compared with the 2023/24 charging year.
2. This statement is made in accordance with Ofwat Information Notice IN23/09 (‘Expectations, assurance and information requirements for water company charges for 2024-25’) published on 13 September 2023 and section A4 of the Annex to the Wholesale Charging Rules published by Ofwat on 20 October 2021. It confirms:
 - 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 approach (“handling strategies” as referred to by Ofwat) that, if appropriate, we may adopt to mitigate impact on customer bills.
3. The Wholesale Charging Rules require that the Board of Thames Water Utilities Limited (“the Company”) evaluates our impact assessment of any bill increases for Retailers or customers occupying Eligible Premises exceeding five per cent. The Board must also assess any approach developed to mitigate significant bill increases.
4. The Charges covered by this statement have been set based on the allowed revenues as published by Ofwat in the PR19 Final Determination (“FD”) and the Blind Year Adjustment (“BYA”) that relates to the true-up for our actual 2019/20 Outcome Delivery Incentive (“ODI”) performance.
5. Ofwat published the draft in-period determination for consultation on 26 September 2023. The tariff modelling that set the Charges had been finalised earlier in September and assumed that a 0% marginal tax rate would be applied to our ODI payments for 2022/23 performance. Ofwat’s draft in-period determination uses a 25% marginal tax rate which reduces our total allowed revenues in 2024/25 by £43m. We will be making further representations to Ofwat as a part of the in-period determination process. The final in-period determination reflecting actual 2022/23 ODI performance payments will be published by Ofwat in November 2023 and so will be reflected in our final Charges due for publication in January 2024.

Our Charges

6. Our Charges generally include an annual standing charge and/or a variable charge (reflecting the rateable value (‘RV’) of our customer’s property or the volume of consumption) that relate to the supply of water services and the supply of sewerage services, on an enduring or temporary basis.
7. Our Charges also include services provided under a special agreement (as notified to Ofwat under section 142(6A) of the WIA91).

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Information about changes to our Charges for 2024/25

8. There are no significant changes in charging policy from the previous year. However, the Retailer Wholesaler Group (“RWG”) project looking at the potential for simplifying and aligning non-household wholesale tariff structures across the industry continues, so we will consider any further output from the RWG when finalising our primary wholesale charges for 2024/25.
9. Further details will be made available through the RWG, who continue to engage with all market participants through consultations to obtain feedback on proposals and the timescales over which changes may plausibly be made.
10. Based on our modelling for 2024/25 charges, we anticipate that year-on-year bill increases will exceed five per cent when compared to 2023/24 for sewerage licensees and for wastewater service customers occupying Eligible Premises. We do not anticipate that year-on-year bill increases will exceed five per cent when compared to 2023/24 for water supply licensees or for water service customers occupying Eligible Premises.
11. For the purposes of our indicative charges publication, we are using an inflation (CPIH) forecast¹ of 4.3%. Our final Charges due for publication in January 2024 will be based on November 2023 CPIH, due to be published by the Office for National Statistics on 20 December 2023.
12. We continue to rebalance our wholesale wastewater fixed charges to ensure that all charges levied by pipe/meter size are set such that the relative values of the charges are consistent with factors derived from the cross-sectional area of each pipe/meter. To limit the bill impact for our customers, this rebalancing exercise is being phased over a number of charging years.

Impact of our Charges for 2024/25 on customer bills

13. In Table 1 below we set out the maximum wholesale bill increases for non-household customers relative to 2023/24 bills.

Table 1: Maximum indicative bill increases for non-household customers 2024/25

	Customer type		
	Water-only	Wastewater-only	Dual service
Maximum indicative wholesale bill increases 2024/25	1.8%	10.4%	8.2%

Source: Thames Water tariff model 2024/25 draft v2.1

14. Appendix 1 shows a range of typical non-household bill movements for 2024/25 relative to 2023/24 bills.

¹ Our CPIH consensus uses an average of forecasts from Barclays, HSBC, Morgan Stanley and Natwest Markets.

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15. The figures in Table 1 showing maximum wholesale bill movements and our impact assessment of all customer groups seen in Appendix 1 indicate that waste-only and dual service customers will experience bill increases in excess of five per cent for 2024/25.
16. Increases for wastewater are higher than for water due to relative ODI performance in 2021/22 and 2022/23. A small net reward position for wholesale water in 2021/22 has been followed by a significant penalty in 2022/23. The resultant impact on 2024/25 allowed revenues is a significant decrease relative to 2023/24 allowed revenues.
17. The opposite is true for wholesale wastewater as a large net penalty position in 2021/22 has been followed by a significantly reduced penalty position in 2022/23. The resultant impact on 2024/25 allowed wholesale wastewater revenues is a significant increase relative to the 2023/24 position.

Approach to address significant changes to our Charges for 2024/25

18. The Board recognises that the Charges will increase the wastewater prices included within customer bills by more than five per cent and that the effect on a combined bill will also exceed a five per cent year-on-year increase for dual service customer groups.
19. An additional driver of the significant bill increases for 2024/25 is high inflation. The Board recognises the wider cost-of-living crisis, and therefore appreciates the need to identify actions to mitigate against significant price rises for our customers. The scope of these actions will, however, be limited by the inflationary cost pressures faced by the Company and indeed the industry as a whole, in particular those relating to wage and energy-related costs the Company incurs. These additional costs are already being incurred.
20. As such, we continue to consider what mitigating actions can be taken to minimise price increases as we approach the publication of our final wholesale charges for 2024/25 in January 2024.
21. Our indicative wholesale charges for 2024/25 as published do not include any such mitigating action, however we will communicate any approach that has been implemented at the time of publishing our final wholesale charges for 2024/25.
22. We will be publishing on our website information for customers on price rises for 2024/25 for each tariff type (metered and unmeasured) along with the reasons for the increases. Links to the relevant webpages will be shared with Ofwat and the Consumer Council for Water (“CCW”) as set out in the requirements of Information Notice IN23/09.

Stakeholder engagement on changes to our Charges for 2024/25

23. We are in regular contact with our Retailers and engage with them via various channels to gain insight on a range of topics. We participate in the RWG project to review non-household tariff structures (see paragraphs 8 and 9 above), so will also continue to engage with Retailers in this way regarding potential changes to wholesale charges.
24. We have had discussions with CCW regarding the proposed approach to our Charges. Acknowledging the possible mitigating action being considered, as discussed above, and

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the unavoidable impact of inflation on customer bills, so far, no concerns have been raised by CCW. As required by the Wholesale Charging Rules, we will consult with CCW further in advance of publishing our Wholesale Tariff Document 2024/25 in January 2024.

Declaration

25. In satisfying the requirements of the Wholesale Charging Rules, we confirm, on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and considering the potential approach that we may adopt to mitigate impact on customer bills, as discussed in this Statement of Significant Change. This was achieved through a series of meetings of the Executive Committee and the Board of the Company.
26. At the Board meeting on 27 September 2023, Cathryn Ross (Interim Co-CEO), Alastair Cochran (Chief Financial Officer and Interim Co-CEO) and Nick Land, our Senior Independent Non-Executive Director and Chair of our Audit and Risk Committee, were authorised to sign the Statement of Assurance on the Board's behalf.
27. In order for them to do this they must be able to confirm a review has taken place of whether any customer groups will experience bill increases in excess of five per cent and that any relevant mitigating actions have been appropriately reviewed and approved. This Statement of Significant Change provides the review required and confirms that mitigating actions have been considered but are not being implemented for the purposes of our indicative wholesale charges for 2024/25. As such, this document is also being signed by the same three directors on behalf of the Board.

Dated: 4 October 2023

Signed 
Nick Land
Senior Independent Non-Executive Director

Dated: 2 October 2023

Signed 
Alastair Cochran
Chief Financial Officer and Interim Co-CEO

Dated: 3 October 2023

Signed 
Cathryn Ross
Interim Co-CEO

For and on behalf of Thames Water Utilities Limited

Appendix 1: Non-household 2024/25 typical bill movements

Table 2 - Typical bill values of non-household customers

	2023-24	2024-25	Change
	(£)	(£)	(%)
NHH unmeasured bill water - area 4 £500 RV	573	584	1.8%
NHH unmeasured bill wastewater - area 4 £500 RV	1,241	1,370	10.4%
Combined bill - unmeasured (area 4 £500 RV)	1,814	1,954	7.7%
NHH metered bill water - 8,000m ³	14,208	14,466	1.8%
NHH metered bill wastewater - 8,000m ³	8,527	9,413	10.4%
Combined bill - metered (40mm pipe)	22,735	23,879	5.0%
NHH metered bill water - 25,000m ³	43,645	44,439	1.8%
NHH metered bill wastewater - 25,000m ³	27,094	29,910	10.4%
Combined bill - metered (80mm pipe)	70,739	74,349	5.1%
NHH metered bill water - 150,000m ³	217,470	221,424	1.8%
NHH metered bill wastewater - 150,000m ³	148,452	163,867	10.4%
Combined bill - metered (150mm pipe)	365,922	385,291	5.3%
NHH metered bill water - 500,000m ³	617,070	628,294	1.8%
NHH metered bill wastewater - 500,000m ³	443,532	489,583	10.4%
Combined bill - metered (1 x 250mm pipe)	1,060,602	1,117,877	5.4%
Bus assessed - water - 3,000m ³	5,328	5,425	1.8%
Bus assessed - wastewater band - 3,000m ³	3,362	3,711	10.4%
Combined bill - business assessed (30mm pipe)	8,690	9,136	5.1%
TRADE EFFLUENT			
R (m ³)	479	528	10.4%
V (m ³)	560	618	10.4%
B (kg)	752	830	10.4%
S (kg)	341	376	10.4%
Wholesale fixed charge	-51	-51	0.0%
Total TE bill (3,000m ³)	2,080	2,301	10.7%
R (m ³)	25,920	28,620	10.4%
V (m ³)	29,920	33,020	10.4%
B (kg)	21,540	23,780	10.4%
S (kg)	32,778	36,186	10.4%
Annual large user charge	21,557	23,797	10.4%
Total TE bill (200,000m ³)	131,715	145,403	10.4%

Source: Thames Water tariff model 2024/25 draft v2.1