

### 1. INTRODUCTION

This document provides information on significant changes to our primary wholesale charges as required in “Wholesale charging rules issued by the Water Services Regulation Authority under sections 66E and 117I of the Water Industry Act 1991” section A2.

### 2. UNDERLYING CHANGES

The changes in our primary wholesale charges for 2018/19 detailed below are in addition to the following underlying factors which are anticipated to impact primary wholesale charges for 2018/19:

- November 2017 RPI – Current forecasts estimate this to be around 4%;
- Changes in allowed revenue – Our final determination for the period to March 2020 allows for wholesale revenue for the water service and the wastewater service to increase by 0.8% and 0.9% respectively in 2018/19;
- Movements in the adjustments resulting from the wholesale revenue forecasting incentive mechanism for 2016/17, compared to the adjustments made to 2017/18 wholesale revenue; and,
- Updated information on the costs associated with providing services, changes in anticipated customer numbers, and associated consumption.

### 3. ADDITIONAL CHANGES

We are expecting the following significant changes in our primary wholesale charges for 2018/19:

- Surface water drainage and highway drainage
  - We will be introducing a new concessionary scheme applicable to schools only for 2018/19 for surface water drainage and highway drainage charges. Customers will be eligible for the concession where they fall within the scope of the following definition:  
**An educational establishment which:**
    - Is used exclusively or nearly exclusively for delivering education and tuition of students for any or all of Key Stages 1-5 or equivalent; and also
    - Has a playground facility attached.
  - Under this concession there will be the introduction of 15 site area bands for surface water drainage and 15 site area bands for highway drainage. The site area band sizes will be the same bands as under the 2017/18 charging structure. The expectation is that the charges for the site area bands applicable to schools will be approximately 50% of the non-concession surface water drainage and highway drainage site area charges, with the exception of band 1, which will be equal to the non-concessionary band 1 surface water drainage and highway drainage charge.
- Unmeasured places of worship – These customers, which are not metered, currently pay an annual charge (for water and sewerage services) of £116.10 (2017/18 wholesale charge). It is expected that this charge will increase by more than 5%, but less than 15%. These customers currently pay significantly less than other customers for wastewater services. The increase expected in 2018/19 is

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part of a phased approach to bring them in line with the concessionary scheme applicable to places of worship for a surface water drainage customer which consumes a similar amount of water. To mitigate the customer impact, based on the current approach, this phasing is expected to take around 11 years. This is consistent with the approach taken in 2017/18.

We do not anticipate any other changes to the structure of our primary wholesale charges for 2018/19.

### **4. CHANGES TO CHARGES FOR NEW CONNECTIONS**

Charges in relation to new connections and infrastructure charges for 2018/19 are currently under review in line with Ofwat's publication "Charging Rules for New Connection Services (English Undertakers)" and the Infrastructure charges section of the "Charges Scheme Rules".