

Statement of Significant Changes in relation to 2026-27 Household Charges

Under Condition A2 of Ofwat's Charges Scheme Rules, we are required to publish a statement setting out any significant changes to the charges published in our Charges Scheme. The statement must include:

- (a) Confirmation of whether the undertaker is expecting there to be any bill increases of more than 5% from the previous year (for a given customer type assuming a constant level of consumption) and, if such increases are expected:
 - a. what size increase is expected;
 - b. which customer types are likely to be affected; and
 - c. the handling strategies adopted by the company or why the company considered that no handling strategies are required.
- (b) Details of any significant changes in charging policy by the company from the previous year

Changes to charging policy

Balance between fixed and variable charges

Charges for household customers currently consist of a fixed charge to reflect Retail (customer service) costs, and fixed and variable charges to reflect Wholesale costs. To simplify our charges, we propose that, for most customers (household and non-household), we should remove the fixed element of Wholesale charges. This simplification will also increase the incentive for our metered customers to use water efficiently. To begin this process, we have reduced all Wholesale fixed charges by 10% for 2026-27.

Balance between measured and unmeasured charges

Analysis of consumption levels and charges for a typical unmeasured customer demonstrate that there may currently be an imbalance between the level of unmeasured and measured charges. Based on average unmeasured consumption the level of unmeasured charges should be higher relative to measured charges. To begin to address this imbalance higher increases have been applied to unmeasured charges than measured charges for 2026-27.

Large user discounts

We currently offer discounted charges for large and intermediate users, comprising a lower volumetric rate and a fixed 'site charge'. Historically these charges were set to recognise that larger users did not make use of the local distribution network.

Ofwat has signalled that it no longer believes reduced volumetric charges for large users are consistent with promoting water efficiency. We agree and propose that we should begin to phase out our large user discounts, beginning this year. Within our Wholesale charges we have reduced the level of volumetric discounts for our Intermediate and Large user charges, with a corresponding reduction in the associated site fee. Alongside this, we are looking at options for incentivising reduced non-household consumption.

The Board has considered the need for handling strategies to minimise the impact on customers of these changes in charging policy and has determined that phasing in these changes over time is appropriate. This phasing-in approach has been reflected in the 2026-27 charges and the bill impact analysis described below.

Assessment of bill increases

From 2026 we are changing the start of our billing period from July to April. We have therefore conducted our bill analysis based on the change in prices between those applying for the period from 1 July 2025-31 March 2026 and 1 April 2026-31 March 2027.

Why bills are rising

The total revenue that we can recover from customers is limited by price controls set by Ofwat, which reflect the underlying costs of operating, maintaining and investing in our services. The regulatory price formula also allows for prices to increase each year by general inflation, as measured by CPIH. In addition, revenues can be adjusted to reflect operational performance, with additional revenue being earned for outperforming regulatory targets and reductions in revenues for not meeting targets. The overall increase in allowed revenues for 2026-27 compared with 2025-26 is 8.4%.

The increase attributable to inflation is 3.6%, reflecting the figure published by the Office for National Statistics for the month of November. Prices for all customers were capped at 2% below the allowed level in 2025-26 and the removal of this rebate contributes to the increase for 2026-27. Additional investment allowed for as part of Ofwat's price review increases bills by c.4.1%. Finally, adjustments for performance in prior years reduces bills by c.1.3%.

The impact of these increases, and the changes in charging policy for different types of customers are set out below.

Household

Our final charges analysis indicates that while measured customers will see modest increases in-line with inflation, unmeasured customers will experience higher adjustments due to changes in charging policy and inflation. Specifically:

- (i) **Measured household customers** – Bills will rise by a maximum of **3.5%**, broadly in line with CPIH, and in some cases less.
- (ii) **Unmeasured household customers** – Bills will increase by **7–9%**, with the top of the threshold driven by the Rateable Value (RV) of the property.
- (iii) **Customers on Assessed charge 2** – These are households where a meter cannot be installed, and the property is larger than single-bedroom or single-occupancy. Historically, we assumed very low average water use for these customers, which understated their charges. For 2026–27, we have corrected this by aligning assumed consumption with the average usage of metered households. As a result, assessed charges have increased by **around 12%** to reflect a more realistic level of water consumption.

Table 1. Bill impact analysis: Household

Household	2025-26 Annual bill (£)	2026-27 Annual bill (£)	Variance (£)	Variance (%)
Unmeasured Household RV 150	129.42	138.51	9.09	7.0%
Unmeasured Household RV 220	170.11	184.09	13.98	8.2%
Unmeasured Household RV 300	216.61	236.17	19.56	9.0%
Licence Charge	171.59	182.22	10.63	6.2%
Minimum Charge	123.58	128.75	5.17	4.2%
Assessed Charge 1	106.98	106.31	- 0.67	-0.6%
Assessed Charge 2	153.70	172.03	18.33	11.9%
Measured Household 0.5" meter (50m3/a)	100.00	101.33	1.33	1.3%
Measured Household 0.5" meter (120m3/a)	178.44	183.81	5.37	3.0%
Measured Household 0.5" meter (150m3/a)	212.05	219.16	7.11	3.4%
Measured Household 0.75" meter (60m3/a)	111.20	113.11	1.91	1.7%
Measured Household 0.75" meter (90m3/a)	144.82	148.46	3.64	2.5%
Measured Household 0.75" meter (120m3/a)	178.44	183.81	5.37	3.0%
Watersure Tariff (metered)	158.61	162.82	4.21	2.7%

Non-household

Also, our final charges analysis indicates that while some measured non-household customers will see modest increases broadly in line with inflation, others - particularly unmeasured customers and large users with historic discounts - will experience higher adjustments due to changes in charging policy and inflation. Specifically:

- (i) **Unmeasured non-household customers** - Bills will increase by between **9% to 11%**, driven by rebalancing between measured and unmeasured tariffs and updated consumption assumptions.
- (ii) **Measured non-household customers with low consumption (<10MI)** – Bill increases are between **3% and 5%**, reflecting inflation and minor adjustments to fixed charges.
- (iii) **Measured non-household customers with higher consumption (>10MI)** - Customers in this category will see increases between **5% and 6%**, as part of the phased removal of volumetric discounts and site fee adjustments.
- (iv) **Measured non-household customers with very high consumption (>50MI)** - Historically benefiting from significant discounts, bills for these customers will increase by **up to 9%**, reflecting the progressive phasing out of large user discounts to ensure all customers face the same incentives to use water efficiently.

Table 2. Bill impact analysis: Non-Household

Non-Household	2025-26 Annual bill (£)	2026-27 Annual bill (£)	Variance (£)	Variance (%)
Unmeasured Non-Household RV 170	113.76	124.13	10.38	9.1%
Unmeasured Non-Household RV 500	305.58	339.00	33.42	10.9%
Unmeasured Non-Household RV 800	479.96	534.33	54.37	11.3%
Licence Charge	141.07	154.82	13.75	9.7%
Minimum Charge	93.41	101.34	7.93	8.5%
Measured Non-HH <10MI 0.5" meter	315.13	328.51	13.38	4.2%
Measured Non-HH <10MI 0.75" meter	437.43	456.97	19.55	4.5%
Measured Non-HH <10MI 1.5" meter	4,182.53	4,354.97	172.44	4.1%
Measured Non-HH <10MI 1.5" meter	5,865.55	6,122.84	257.29	4.4%
Measured Non-HH <10MI 0.5" meter	128.87	132.86	3.99	3.1%
Measured Non-HH >10MI and <50MI 0.75"	11,236.84	11,800.84	564.00	5.0%
Measured Non-HH >10MI and <50MI 1.0"	20,035.38	21,158.33	1,122.95	5.6%
Measured Non-HH >10MI and <50MI 2.0"	22,364.85	23,614.55	1,249.70	5.6%
Measured Non-HH >10MI and <50MI 3.0"	23,794.37	25,080.97	1,286.59	5.4%
Measured Non-HH >10MI and <50MI 4.0"	44,483.88	47,118.67	2,634.79	5.9%
Measured Non-HH >50MI 0.75"	96,218.85	104,611.34	8,392.50	8.7%
Measured Non-HH >50MI 0.5" & 3.0"	129,341.89	140,711.70	11,369.81	8.8%
Measured Non-HH >50MI 0.5" & 8.0"	146,136.63	158,522.51	12,385.88	8.5%
Measured Non-HH >50MI 0.75" & 12.0"	243,567.55	265,079.18	21,511.63	8.8%