

STATEMENT OF SIGNIFICANT CHANGES IN RELATION TO THE WHOLESALE CHARGING STRUCTURES

2021-2022

Primary Wholesale Charges 2021-2022

This statement of significant changes is published in line with the “Wholesale charging rules issued by the Water Services Regulation Authority under sections 66E and 117I of the Water Industry Act 1991” section A2.

We are required, no later than six months before publishing our final Wholesale Charges, to inform stakeholders if we intend to make any significant changes to our Primary charges.

As defined by Ofwat in the Wholesale Charging Rules, Wholesale Charges relate to the charges water and sewerage undertakers can impose on retailers for wholesale water and wastewater services.

We do not intend to make any changes to the wholesale charging structure or methodology for calculating such charges for 2021-2022.

We would like to highlight the potential impact of the timings of the ongoing Competition and Market Authority (CMA) redetermination of our Price Review (PR19) Final Determination (FD) and the developments of the ongoing Covid-19 situation.

The CMA has been granted a 6 month extension to the normally prescribed timetable, however it has set a timetable that aims to provide a provisional determination in September 2020 and has targeted to send its final determinations to Ofwat in December 2020 to allow the redetermination to be used in the charges for 2021-2022.

As the Covid-19 situation is still ongoing and the full impacts will not be fully understood in the short term we will include assumptions within our forecasts based on the best information we have to date with regards to customer and consumption forecasts.

We will endeavour to set our Indicative Wholesale Charges, which will be published in October 2020, using a reasonable expectation of the allowed revenues that we will receive in the redetermination of our FD and the most up to date understanding of the impact of Covid-19 on our customers. However, we would anticipate that the Final Wholesale Charges, which will be published in January 2021, will differ by more than an indexation variance to the Indicative Wholesale Charges.

As per the Wholesale Charging guidance we will publish the explanation of movements within the Board Assurance Statement, which will accompany the Final Wholesale Charges.

Gap Sites and Vacant Premises Initiatives

The Gap Site and Vacant Premises initiatives planned for introduction in April 2020, which included a combination of wholesale new ways of working and retailer incentive schemes, have been put on hold due to Covid-19. We aim to introduce these now from 1 April 2021 which will allow time for wholesalers and retailers to complete a review of Covid-19 vacancies following the intervention by Ofwat/MOSL and the associated market code changes.