

## *Wessex Water Services Limited*

### Notification of expected changes to 2020-21 wholesale charges

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#### **Introduction**

This statement sets out the expected changes to Wessex Water's wholesale charges for 2020-21.

Ofwat's Wholesale Charging Rules published in November 2016 requires undertakers to publish information that informs stakeholders of the scope of any significant proposed changes to its charges six months before publishing its wholesale charges.

For the purposes of this document we provide information on wholesale charges defined by Ofwat in its Wholesale Charging Rules.

The content of this document (and the draft wholesale charges that will be published in October) are subject to the review and approval of the Wessex Water Services Board, which will approve wholesale charges for 2020-21 in advance of the new charging year commencing 1 April 2020.

We provide details of expected changes to wholesale charges in the following sections.

#### **Primary charges**

No major changes or any new tariffs are expected that will alter the charging structures for primary charges or create major incidence effects.

Our revenue allowance for 2020-21 will not be confirmed until December 2019. As a result, we make this statement based on our submitted business plan and reasonable expectations of the conclusion of the price review process. There is greater uncertainty around the final level of charges than in most years.

#### ***Phasing of changes to trade effluent tariffs in preparation for the bioresources market***

The regulatory arrangements to introduce the bioresources market from 1 April 2020 will change the balance of costs within the waste water value chain. This changes the balance of charges, impacting trade effluent customers who pay separate charges for the different waste water services that make up the Mogden charge.

In order to avoid any material one-year incidence effects for customers, we have been phasing in these changes over three years, in advance of 1 April 2020. The result of the changes is that:

- the "S" charge that remunerates the treatment and recycling of bioresources has been proportionately increasing, and
- the other elements of the Mogden charge that remunerate reception and conveyance (R), primary treatment (V), and secondary treatment (B) have been proportionately decreasing.

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Bill changes for all trade effluent customers are expected to remain below the +5% threshold of incidence stated in Ofwat's charging rules.

### **Non-primary charges**

We do not envisage any significant changes to our non-primary charges at this time.