

## Statement of significant changes

### 2021-22 Wholesale Non-Household Charges

We expect that the vast majority of our non-household charges to increase by a modest amount next year. You can read more about [why bills are changing](#) and the steps we have taken to reduce the impact on customers this year ([mitigation](#)) further on in this document.

### Illustrative bills – wholesale non-household

Typical customers will see different bill changes depending on whether they are metered or unmetered and the amount of water they use. Illustrative bill changes for a range of customers are set out below.

#### Wholesale bills for typical customers in Powys and Monmouthshire

Wholesale <sup>1</sup>	20-21 Water	Waste <sup>2</sup>	Total	21-22 Water	Waste <sup>2</sup>	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£63	£84	<b>£146</b>	£73	£77	<b>£151</b>	2.9%	+£0.25
Average	£140	£172	<b>£312</b>	£164	£167	<b>£332</b>	6.2%	+£1.50
High	£217	£261	<b>£478</b>	£255	£257	<b>£513</b>	7.2%	+£2.75
<i>Metered</i>								
V Small (60m3)	£94	£156	<b>£250</b>	£102	£162	<b>£264</b>	5.4%	+£1.25
Small (120m3)	£236	£254	<b>£490</b>	£254	£262	<b>£516</b>	5.4%	+£2.25
1,000m3	£1,431	£1,231	<b>£2,662</b>	£1,538	£1,257	<b>£2,796</b>	5.0%	+£11.25
5,000m3	£7,113	£6,749	<b>£13,862</b>	£7,651	£6,860	<b>£14,511</b>	4.7%	+£54.00
25,000m3	£30,836	£29,817	<b>£60,653</b>	£34,815	£30,362	<b>£65,177</b>	7.5%	+£377.00
75,000m3	£76,930	£87,049	<b>£163,979</b>	£87,853	£88,676	<b>£176,529</b>	7.7%	+£1045.75
<i>Trade effluent</i>								
Small (120m3)	£236	£250	<b>£486</b>	£254	£256	<b>£510</b>	5.0%	+£2.00
1,000m3	£1,431	£921	<b>£2,352</b>	£1,538	£933	<b>£2,472</b>	5.1%	+£10.00
5,000m3	£7,113	£4,981	<b>£12,094</b>	£7,651	£5,021	<b>£12,672</b>	4.8%	+£48.25
25,000m3	£30,836	£20,758	<b>£51,593</b>	£34,815	£20,949	<b>£55,764</b>	8.1%	+£347.50

- Note that these are all **wholesale bills** for retailers. Final bills for customers will depend on retailer charges.
- Only water services for customers using more than 50,000m<sup>3</sup> per year are eligible for competition in Wales. No wastewater charges are included within the market.

We also provide water services in the Wrexham area. We don't provide sewerage services there, so the wastewater charges for these customers will usually be set by Dŵr Cymru Welsh Water (DCWW). We've estimated overall bills in Wrexham including DCWW wastewater bills.

## Wholesale bills for typical customers in the Wrexham area

Wholesale <sup>1</sup>	20-21 Water	Waste <sup>2</sup>	Total	21-22 Water	Waste <sup>2</sup>	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£120	£224	£344	£129	£225	£355	3.2%	+£1.00
Average	£211	£371	£582	£237	£373	£609	4.8%	+£2.25
High	£283	£488	£772	£322	£491	£813	5.4%	+£3.50
<i>Metered</i>								
V Small (60m3)	£76	£171	£247	£81	£172	£253	2.4%	+£0.50
Small (120m3)	£187	£337	£524	£198	£339	£537	2.5%	+£1.00
1,000m3	£1,152	£2,013	£3,165	£1,207	£2,024	£3,231	2.1%	+£5.50
5,000m3	£5,662	£8,816	£14,478	£5,961	£8,865	£14,826	2.4%	+£29.00
25,000m3	£27,936	£42,393	£70,328	£29,494	£42,627	£72,122	2.5%	+£149.50
75,000m3	£83,569	£126,553	£210,121	£88,298	£127,252	£215,550	2.6%	+£452.50

1. Hafren Dyfrdwy bills are wholesale – DCWW bills are based on end-customer charges as DCWW wastewater services are not open to competition.
2. Estimate based on applying a uniform increase to Dŵr Cymru charges.
3. Only water services for customers using more than 50,000m<sup>3</sup> per year are eligible for competition in Wales. No wastewater charges are included within the market.

Dŵr Cymru sewerage bills for 2021-22 are estimates because we didn't have their final charges at the time of publication. We've taken their charges from last year, adjusting for inflation and public information from [Ofwat](#)'s final decisions on their prices next year.

## Why bills are changing

Each year the revenue controls set by [Ofwat](#) (our regulator) allow us to recover a fixed amount of revenue from our customers. This covers the cost of treating water, running and maintaining our network and cleaning wastewater before it is discharged to the environment (you can read more about what your bill pays for [here](#)). For most of our charges this is modified by inflation, adjustments for performance and any past over or under-recovery in previous years.

This year:

- Inflation as measured by the Consumer Prices Index with Housing (CPIH) was 0.6%;
- [Ofwat](#) set an effective real wholesale increase of +2.8% for water and +1.4% for wastewater;
- There are no additional adjustments this year for Outcome Delivery Incentives ([ODIs](#));
- There is a small upward [Revenue Correction](#) for the wastewater service relating to forecasting differences from 2019-20.

The level of charges is also influenced by volume. When we set our charges, we divide our allowed revenue over the properties we serve and the volume we expect them to use. When the volume increases, this lowers our average charges and if it falls then we need to increase charges to raise the same level of revenue.

There has been an impact on demand this year as a result of the Covid-19 pandemic. While we expect the economy to recover during 2021-22, we think the process will be gradual and we do not expect demand to reach the same levels as we saw before this year.

## Stakeholder views

Our research tells us that household customers would be concerned if their overall bill increased by more than £2 per month, which is equivalent to around 8% of an average household bill in our area. Non-households are much more varied in size so there is no “average” non-household, but small business customers (the vast majority, by number) have usage similar to households. We now conduct a survey on this topic each year as part of our “customer tracker”; the results are very consistent from year to year.

The change in water bills is different to the movement in wastewater charges, but we don’t expect significant increases for the majority of our non-household customers (who are metered). There will be higher increases for unmetered customers, but they have the option of changing the way they are charged as we discuss in the [section below](#). As we don’t provide sewerage services in the Wrexham area, we’ve estimated the overall bill impact with indicative figures for Dŵr Cymru Welsh Water bills. Our assessment is [here](#).

We showed a draft view of our charges to [CCW](#), who represent the views of water customers. We’ve taken account of their views and have rebalanced our charges to limit the higher increases wherever we can.

Our discussions with CCW were based on indicative charges in October. There is always some variation when we publish our final charges, because we don’t know what the final inflation figure will be until December. Forecasts for inflation and demand have been more uncertain than usual because of the Covid-19 pandemic. At the time we prepared our indicative charges, we forecasted lower inflation and did not anticipate a second national lockdown. However, taken together these two factors have changed our expected charges by less than 2%. We’ve kept CCW informed about changes between indicative and final charges.

Our retail account managers also engage with retailers directly, particularly regarding the way our charges are structured in CMOS<sup>1</sup> and we are simplifying our tariff structure within the system. Note that only wholesale water charges that could apply to non-households using more than 50,000m<sup>3</sup> of water per year are included within CMOS for Hafren Dyfrdwy.

## Managing changes in wholesale bills

Next year the increases in prices are modest. Where we are introducing new charges, or different forms of charging, we do this gradually:

### *Seasonal charges*

We started to phase out seasonal charges for intermediate and large users last year. This year we have completed the process by removing seasonal charges entirely.

There are no other changes which impact on charges for customers in the market.

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<sup>1</sup> Central Market Operating System

## Glossary

### Revenue correction

We are regulated by Ofwat, which sets our revenue controls. We are allowed to collect a fixed overall amount to cover the cost of running the network, supplying water, collecting waste water and treating sewage. When we set charges, we try to make sure that they will recover the correct amount in the next charging year, but we need to forecast – for example, we don't know exactly how much water customers will use in advance. If we collect more than Ofwat allowed, we return this to customers by reducing future charges and vice versa.

[Go back](#)

### Outcome Delivery Incentives (ODIs)

When Ofwat sets our revenue controls, we also agree a set of Performance Commitments with our regulator and other stakeholders. These are things that our customers tell us are important to them such as reducing bursts, leakage and sewer flooding. If we don't hit our targets then customers get a reduction in their bills; if we do really well and exceed the target then we are allowed to collect a little more revenue. Overall, ODIs are a small proportion of the average bill. You can read more about what your bills pay for on our website [here](#).

[Go back](#)