

Statement of significant changes

2023-24 Non-Household Scheme of Charges

There will be some significant increases in non-household charges next year, which are primarily due to the high rate of inflation. 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 – 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.

Bills for typical customers in Powys and Monmouthshire

Customer bills	22-23			23-24			Incr	£ per
	Water	Waste ¹	Total	Water	Waste	Total	%	month
<i>Unmetered</i>								
Low	£92	£113	£205	£111	£143	£254	23.7%	+£4.00
Average	£159	£183	£342	£181	£230	£412	20.3%	+£5.75
High	£184	£210	£395	£209	£264	£472	19.6%	+£6.50
<i>Metered</i>								
V Small (60m3)	£137	£215	£352	£144	£253	£397	12.9%	+£3.75
Small (120m3)	£332	£348	£680	£351	£402	£753	10.7%	+£6.00
1,000m3	£1,670	£1,412	£3,082	£1,762	£1,621	£3,384	9.8%	+£25
5,000m3	£8,202	£7,434	£15,636	£8,667	£8,644	£17,311	10.7%	+£140
25,000m3	£36,704	£33,137	£69,841	£38,667	£37,989	£76,656	9.8%	+£568
75,000m3	£96,384	£95,831	£192,214	£101,252	£109,896	£211,148	9.9%	+£1,578
<i>Trade effluent</i>								
Small (120m3)	£332	£325	£657	£351	£380	£731	11.2%	+£6.00
1,000m3	£1,670	£1,087	£2,757	£1,762	£1,317	£3,080	11.7%	+£27
5,000m3	£8,202	£5,557	£13,759	£8,667	£6,866	£15,533	12.9%	+£148
25,000m3	£36,704	£23,591	£60,296	£38,667	£28,993	£67,660	12.2%	+£614

- For some customers, wastewater services will be provided by Dŵr Cymru Welsh Water; DCWW also bill some of our wastewater-only customers on our behalf.

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.

Bills for typical customers in the Wrexham area

Customer bills	22-23 Water	Waste ¹	Total	23-24 Water	Waste ¹	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£157	£315	£472	£172	£350	£522	10.7%	+£4.25
Average	£261	£470	£731	£290	£514	£804	10.0%	+£6.00
High	£344	£596	£940	£384	£648	£1,032	9.8%	+£7.75
<i>Metered</i>								
V Small (60m3)	£140	£236	£376	£147	£283	£430	14.2%	+£4.50
Small (120m3)	£276	£428	£705	£291	£490	£782	10.9%	+£6.50
1,000m3	£1,433	£2,180	£3,613	£1,509	£2,385	£3,894	7.8%	+£24
5,000m3	£6,915	£9,778	£16,693	£7,306	£10,679	£17,984	7.7%	+£108
25,000m3	£34,248	£46,985	£81,233	£36,241	£51,264	£87,506	7.7%	+£523
75,000m3	£102,759	£138,636	£241,395	£108,833	£151,245	£260,079	7.7%	+£1,557

1. Estimate based on information shared by Dŵr Cymru with an adjustment for the actual value of inflation.

Dŵr Cymru sewerage bills for 2023-24 are estimates because we didn't have their final charges at the time of publication. We've based these values on information they have shared with us, adjusting for the final value of inflation which was not available at the time.

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 9.3%;
- [Ofwat](#) set an effective real increase of +5.4% for our wholesale water service and an increase of +10.2% for wholesale wastewater revenue;
- There was [Revenue Correction](#) adding +3.2% to charges this year – we had less revenue than we expected in 2021-22 due to the uncertainty over business demand in the wake of the pandemic; and
- We did not fully achieve some of our performance commitments leading to some penalties ("[Outcome Delivery Incentives](#) or "ODIs") – these reduced charges by -2.0%.

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.

Forecasting business demand has been difficult since the pandemic, with lockdowns and recovery making this more uncertain. Business demand has been lower than we expected this year, leading to a lower contribution to the cost of running the services we provide and upward pressure on bills for all customers. We now expect the economy to move into recession during 2023-24 and do not expect demand to reach the same levels as we saw before the pandemic.

Stakeholder views

Our research tells us that household customers become concerned if their overall bill increases by more than £2 per month, which is equivalent to around 7.2% 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.

Unfortunately, due to the current high level of inflation bill increases will be higher this year. We know that inflation affects our customers – it also affects our costs, and this is why our charges are linked to the rate of CPIH. Our underlying revenue controls also allowed for some increases to fund the continuing investment that we need to provide the service customers expect.

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 took place before we had finalised our charges. 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 have been rising and demand has been more uncertain than usual because of the continuing fallout from the Covid-19 pandemic.

Our retail account managers also engage with retailers directly, particularly regarding the way our charges are structured in CMOS¹ 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 50,000m³ of water per year are included within CMOS for Hafren Dyfrdwy.

Managing changes in bills

The change in most non-household bills is a little above the rate of inflation this year for the reasons set out in the [section above](#). There will be changes for some groups of customers and we try to bring these in gradually, as set out below:

Fixed charges for unmetered customers

Some customer bills are still linked to the [Rateable Value](#) (RV) of their property and these bills will increase by more than metered customers. This is because – in general – unmetered customers use more water. We are gradually reducing the proportion of unmetered bills that is linked to RV and replacing this with fixed charges. We introduced a fixed charge for unmetered water in 2020-21, and did the same for wastewater in 2021-22. We’re making very gradual changes to these charges, taking account of the other pressures on customers next year through higher inflation.

In Wrexham we are holding the fixed charge broadly flat, which will help keep bills down for the smallest customers. However, it does mean that charges based on [Rateable Value](#) will increase and other unmetered

¹ Central Market Operating System

businesses will pay more. Larger premises can often save money by having a meter installed, and if it is practical to install a meter we will do this free of charge – see our [website](#) for details. If we can't fit a meter, customers can request an assessed charge – this will be based on an estimate of water consumption.

Non-return to sewer allowances (metered customers)

Historically we have always set wastewater charges based on the volume of clean water as measured by the customer's meter. In next year's charges we will be applying an explicit allowance for "normal losses" such as evaporation, watering of gardens and other water that is not returned to the sewer. In future we will set wastewater charges based on 95% of the volume of water consumed. This will make no difference to the charge that customers actually pay because the unit rate for our charges always took account of "normal losses".

For example, if a customer used 100m³ of clean water last year they would have paid £111.25 in volumetric charges.

- Volumetric rate of 1.0787 £/m³ x 100m³ = £107.87 ("water out" = "water in").

If we had applied this system to last year's charges we would have taken account of the volume allowance within the unit rate as set out below:

- Volumetric rate of **1.135** £/m³ x **95**m³ = £107.87 ("water out" = 95% of "water in").

This change simply brings Hafren Dyfrdwy's approach into line with other companies in the industry and will have no impact on customer charges.

Bills for sewerage only customers

We have a small number of wastewater customers on the borders of our area that are billed on our behalf by Dŵr Cymru Welsh Water (DCWW). Water bills for these customers will be different from ours, but we would not expect a significant increase in their bills relative to the customers we bill directly.

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](#)

Rateable Value

The District Valuer originally assessed rateable values on behalf of the Inland Revenue. They were based on the size of the property, the number of rooms inside the property, the amenities available and the overall location. No new rateable values have been set since March 1990 following the introduction of the Poll Tax. Water companies are still legally entitled to use rateable value as the basis for charges, but we are not able to use council tax banding. New properties built since 1990 do not have a rateable value and are metered

[Go back](#)