

Statement of significant changes

2019-20 Non-Household Scheme of Charges

We expect that the vast majority of our household charges will increase by less 5% next year because we've taken steps to keep our average bills down. 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 customers

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

	18-19			19-20			Incr	£ per
	Water	Waste	Total	Water	Waste	Total	%	month
<i>Unmetered</i>								
Low	£87	£101	£188	£77	£110	£187	-0.4%	-£0.75
Average	£196	£211	£407	£175	£224	£399	-2.0%	-£1.75
High	£283	£299	£583	£253	£316	£569	-2.4%	-£2.50
<i>Metered</i>								
V Small (60m3)	£143	£216	£359	£139	£223	£362	0.8%	-£0.50
Small (120m3)	£235	£276	£511	£226	£281	£507	-0.8%	-£0.75
1,000m3	£1,584	£1,298	£2,882	£1,513	£1,268	£2,781	-3.5%	-£6.00
5,000m3	£9,217	£7,952	£17,169	£8,771	£7,876	£16,647	-3.0%	-£37.00
25,000m3	£33,111	£30,864	£63,975	£31,491	£30,530	£62,021	-3.1%	-£135.00
75,000m3	£81,818	£87,711	£169,528	£77,516	£85,745	£163,261	-3.7%	-£358.50
<i>Trade effluent</i>								
Small (120m3)	£183	£209	£392	£174	£233	£407	3.8%	+£1.25
1,000m3	£1,470	£1,013	£2,483	£1,399	£966	£2,365	-4.7%	-£9.75
5,000m3	£8,759	£5,597	£14,356	£8,334	£5,248	£13,583	-5.4%	-£64.50
25,000m3	£31,692	£23,848	£55,540	£30,136	£21,840	£51,976	-6.4%	-£297.00
<i>Band T</i>								
1,000m3	£1,470	£1,122	£2,592	£1,399	£1,128	£2,528	-2.5%	-£5.25
5,000m3	£8,759	£4,962	£13,721	£8,334	£4,798	£13,133	-4.3%	-£49.00

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 Dwr Cymru Welsh Water (DCWW). We've estimated overall bills in Wrexham including DCWW wastewater bills.

Bills for typical customers in the Wrexham area

	18-19			19-20			Incr	£ per
	Water	Waste	Total	Water	Waste*	Total	%	month
<i>Unmetered</i>								
Low	£140	£236	£375	£136	£240	£376	0.2%	-£0.25
Average	£237	£333	£570	£234	£339	£573	0.5%	-£0.25
High	£265	£492	£757	£262	£501	£763	0.8%	-£0.25
<i>Metered</i>								
V Small (60m3)	£105	£186	£291	£107	£189	£297	2.0%	+£0.25
Small (120m3)	£176	£297	£474	£177	£303	£480	1.3%	<£0.25
1,000m3	£1,273	£2,234	£3,507	£1,235	£2,274	£3,509	0.1%	-£3.25
5,000m3	£6,111	£9,845	£15,956	£5,930	£10,023	£15,952	-0.0%	-£15.00
25,000m3	£29,884	£47,392	£77,276	£29,191	£48,247	£77,438	0.2%	-£57.75
75,000m3	£87,796	£141,509	£229,305	£87,799	£144,062	£231,861	1.1%	+£0.25

*estimate

Dwr Cymru sewerage bills for 2019-20 are estimates because we didn't have their final charges at the time of publication. We've taken their charges from last year and increased them for inflation and an adjustment for their previous [revenue recovery](#). We think customers in Wrexham will see modest increases or reductions in their overall bill.

Why bills are changing

Each year the revenue controls set by our regulator, [Ofwat](#), allow us to recover a fixed amount of revenue from our customers. 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 in the Retail Price Index (RPI) was 3.2%;
- There is some upward pressure on wastewater bills because of [revenue correction](#) (catching up on revenue we didn't collect in previous years);
- The opposite is happening on water bills, which are being reduced because we over-collected before;
- Wastewater charges are increasing because we performed really well on some [Outcome Delivery Incentives](#) (ODIs), especially preventing sewer flooding; but
- Water charges are reducing because we did not deliver the service customers expected on other measures such as interruptions.

Please note that ODI-based changes will not apply to customers in the Wrexham area this year – only to customers that had a water or wastewater service from Severn Trent before 1 July 2018.

Customer views

Our research tells us that household customers would be concerned if their overall bill increased by more than £2 per month¹, which is equivalent to around 8% of an average household bill in our area. Non-household

¹ Hafren Dyfrdwy is part of the Severn Trent group; this research was carried out by the ST group through customer surveys and focus groups involving customers billed directly by Severn Trent and households billed for ST sewerage by another water company.

customers 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.

Because changes in our bills affect some customers that receive either water or sewerage services from another company, we made sure that we included some single-service customers in our research. We also showed a draft of this statement to an online panel of customers and have taken account of their views regarding the way we communicate bill changes.

Our waste water bills are rising more quickly than our water bills, but we don't expect significant increases for the majority of our customers; many will see reductions. As we don't provide sewerage services in the Wrexham area, we've estimated the overall bill impact with indicative figures for Dwr Cymru Welsh Water bills. Our assessment of the impact on is [here](#).

We showed a draft view of our charges to [CCWater](#), who represent the views of water customers. Given the level of change in bills for most customers, CCWater did not raise any significant concerns about the increases we proposed for households.

Our discussions with CCWater were based on indicative charges in October. There can be some variation when we publish our final charges – mainly because we don't know what the final inflation figure will be until December. There have been no significant changes since then – the RPI is 0.1% lower than our forecast and no customer charges are now increasing by a significant amount as a result of the changes we have made.

Managing changes in customer bills

To keep bill rises down, we can defer some charges to smooth the impact on customer bills. We've discussed our overall approach to managing [Outcome Delivery Incentives](#) and bill smoothing with [CCWater](#), which we have established over several years. We try to include ODI rewards when the overall effect on customer bills can be kept to a reasonable level – for example, when inflation is low or when there are other downward adjustments which offset any rewards we may have earned.

This year we have only included around one third of the amount that we could have claimed for [Outcome Delivery Incentives](#) to smooth the impact this has on customer bills. You can read more about our ODI performance and Ofwat's determination on their [website](#).

Without ODI small business customers would have seen bill increases of around 3% on a combined bill this year. As a result of ODI smoothing, they'll be reducing slightly overall. However, there will be increases for some groups of customers as set out below:

Trade effluent

When we introduced fixed charges in 2016 -17, we withdrew the minimum Trade Effluent (TE) charge which had previously applied because we did not want to make our charges any more complex. We have been progressively raising the fixed charge for TE to reflect the basic costs of administering a TE consent. While bills for smaller TE customers are rising as a result, the TE fixed charge remains lower than the £171.39 minimum charge that customers paid four years ago.

There are very few trade effluent customers in the Hafren area and we don't think any of them are small enough for this change to represent a large proportion of their overall bill.

We're also increasing the "S" charge, which covers the treatment and disposal of sewage sludge. The change reflects the cost of operating this element of our service in Wales. We're doing this to prepare for the separate control Ofwat is introducing for the "Bioresources" function in 2020-21. At the same time we're reducing the charges for the other components of the TE charge, so this will balance out for almost all customers.

Band T (Transitional Surface Water Drainage)

In 2016-17 Severn Trent introduced a transitional scheme for some customer groups which had previously been charged a concessionary rate for surface water drainage – primarily nursing homes, care homes and day care centres. Under Government guidance these did not qualify as "community premises".

Hafren Dyfrdwy is continuing to implement this transition, to bring the surface water drainage (SWD) charge for these customers into line with other non-households. While the SWD charge is increasing, we think it is more likely that these customers will see bill reductions overall as shown in the [indicative bills](#) above.

Bills for sewerage only customers

We have a small number of sewerage customers on the borders of our area that are billed on our behalf by Dwr Cymru Welsh Water (DCWW). Water bills for these customers will be different from ours, and will not be reduced by the [ODI penalty](#) included in our charges. However, given the level of inflation we would not expect there to be a significant increase in their combined bills.

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.

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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 some 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](#).

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