

Statement of significant changes

2023-24 Wholesale Non-Household Scheme of Charges

For non-households, we expect that the majority of bills for combined service will increase by 12-14% next year. Charges for most water-only customers will increase by 10-11% but the overall charges bill will depend on the wastewater service (which is generally provided by Dŵr Cymru Welsh Water). You can read more about [why bills are changing](#) 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 in our water and wastewater areas are set out below.

Wholesale bills for typical customers in Powys and Monmouthshire

| Wholesale ¹ | 22-23 Water | Waste ² | Total | 23-24 Water | Waste | Total | Incr % | £ per month |
|------------------------|----------------|--------------------|-----------------|----------------|----------|-----------------|-----------|----------------|
| <i>Unmetered</i> | | | | | | | | |
| Low | £74 | £90 | £163 | £94 | £117 | £211 | 29.3% | +£4.00 |
| Average | £156 | £176 | £332 | £183 | £222 | £405 | 22.1% | +£6.00 |
| High | £238 | £262 | £500 | £272 | £327 | £599 | 19.8% | +£8.25 |
| <i>Metered</i> | | | | | | | | |
| V Small (60m3) | £106 | £170 | £276 | £118 | £205 | £324 | 17.2% | +£4.00 |
| Small (160m3) | £296 | £299 | £595 | £329 | £347 | £676 | 13.6% | +£6.75 |
| 1,000m3 | £1,597 | £1,333 | £2,930 | £1,771 | £1,511 | £3,282 | 12.0% | +£29.25 |
| 5,000m3 | £7,950 | £7,204 | £15,154 | £8,820 | £8,275 | £17,095 | 12.8% | +£161.75 |
| 25,000m3 | £36,065 | £32,133 | £68,198 | £39,948 | £36,307 | £76,255 | 11.8% | +£671.50 |
| 75,000m3 | £93,142 | £94,013 | £187,155 | £102,890 | £105,806 | £208,696 | 11.5% | +£1,795.00 |
| <i>Trade effluent</i> | | | | | | | | |
| Small (120m3) | £296 | £272 | £569 | £329 | £323 | £652 | 14.7% | +£7.00 |
| 1,000m3 | £1,597 | £1,015 | £2,613 | £1,771 | £1,225 | £2,996 | 14.7% | +£32.00 |
| 5,000m3 | £7,950 | £5,399 | £13,349 | £8,820 | £6,627 | £15,447 | 15.7% | +£174.75 |
| 25,000m3 | £36,065 | £22,891 | £58,956 | £39,948 | £27,849 | £67,797 | 15.0% | +£736.75 |
| <i>Band T</i> | | | | | | | | |
| 1,000m3 | £1,597 | £1,512 | £3,110 | £1,771 | £1,746 | £3,517 | 13.1% | +£34.00 |
| 5,000m3 | £7,950 | £5,824 | £13,774 | £8,820 | £6,467 | £15,287 | 11.0% | +£126.00 |

- 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 50,000m³ per year are eligible for competition in Wales. No wastewater charges are included within the market.

For non-households with very low [Rateable Values](#) (RVs), bills will rise by higher percentages, but starting from a low base; in monetary terms this represents an increase of around £4 per month.

We 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 ¹ | 22-23 Water | Waste ² | Total | 23-24 Water | Waste* | Total | Incr % | £ per month |
|-----------------------------|----------------|--------------------|----------|----------------|----------|----------|-----------|----------------|
| <i>Unmetered</i> | | | | | | | | |
| Low | £138 | £233 | £371 | £159 | £266 | £424 | 14.3% | +£4.50 |
| Average | £242 | £358 | £600 | £285 | £407 | £692 | 15.2% | +£7.50 |
| High | £326 | £483 | £809 | £386 | £548 | £934 | 15.5% | +£10.50 |
| <i>Metered</i> | | | | | | | | |
| V Small (60m ³) | £91 | £176 | £267 | £100 | £199 | £299 | 12.3% | +£2.75 |
| Small (160m ³) | £222 | £348 | £570 | £246 | £389 | £635 | 11.4% | +£5.50 |
| 1,000m ³ | £1,341 | £1,977 | £3,318 | £1,476 | £2,194 | £3,669 | 10.6% | +£29.25 |
| 5,000m ³ | £6,653 | £9,120 | £15,773 | £7,338 | £10,103 | £17,442 | 10.6% | +£139.00 |
| 25,000m ³ | £33,004 | £43,895 | £76,899 | £36,475 | £48,581 | £85,056 | 10.6% | +£679.75 |
| 75,000m ³ | £93,142 | £131,055 | £224,197 | £102,890 | £145,027 | £247,917 | 10.6% | +£1,976.75 |

1. Hafren Dyfrdwy bills are wholesale – DCWW bills are based on end-customer charges as DCWW wastewater services were not open to competition in 2022-23.
2. Estimate based on applying a uniform increase to Dŵr Cymru charges.
3. Only water services for customers using more than 50,000m³ per year are eligible for competition in Wales. No wastewater charges are included within the market.

Overall bill increases for customers in Wrexham will depend on Dŵr Cymru sewerage bills – the values for 2023-24 are estimates because we don't have their final charges at the time of publication. We've taken their charges from last year, adjusting for inflation and our estimate of in-period adjustments that could apply.

The change in the charge for customers eligible for the market (those using more than 50,000m³) is 10.6%. Increases for in HD water charges for smaller customers will be over 5%; in money terms this could represent between £4 and £7 per month for those using less than 1,000m³.

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. For most of our charges this is modified by inflation, adjustments for performance and any past over or under-recovery in previous years.

For 2023-24:

- We forecast inflation on the Consumer Price Index with Housing (CPIH) of 11.0%.
- Revenue controls set by [Ofwat](#) allowed for a real increases of +5.4% for wholesale water and a +10.2% for wholesale wastewater to fund investment and improve our service.
- The [revenue correction](#) was equivalent to a +1.3% increase, driven by revenue shortfalls in 2021-22. For the wastewater service, this was offset by lower volumes of sludge in our [Bioresources](#) control, which reduced allowed revenue by around -9%.
- While the company incurred -£0.6m in penalties for [Outcome Delivery Incentives](#) (ODIs), this was smaller than the -£1m from 2022-23. This leads to an effective increase of 1.7% in total revenue.

Stakeholder 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 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.

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.

Unfortunately, due to the high level of inflation, it has not been possible for us to keep bill rises below £2 per month for small business customers with a combined bill. Our single service customers in Wrexham are also likely to see increases above £2 per month. 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 of the impact is [here](#).

We showed a draft view of our charges to [CCW](#), who represent the views of water customers. Our retail account managers also engage with retailers directly, particularly regarding the way our charges are structured in CMOS² and we are simplifying our tariff structure within the system wherever we can do this without a significant effect on customers. 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 wholesale bills

[Ofwat](#) has set revenue controls for the 5 years 2020-25 and we try to manage bill changes within this envelope, taking account of the annual level of inflation and in-period adjustments. As noted above, there are a number of adjustments for [revenue correction](#) and [ODIs](#) next year and we try to manage these so as to avoid bill volatility wherever we can. We’ve discussed our overall approach to managing these effects with [CCW](#).

Unmetered customers

There are few business customers that still have unmetered bills as we encourage all non-households to have a meter fitted. Charges for unmetered business customers are tied to the wholesale bill for residential customers and these are rising by more than the average rate because unmetered customers tend to use more water.

In 2020-21 we introduced a fixed charge for water and a separate highway drainage charge for wastewater. Since then we have been progressively increasing these fixed charges, and reducing the element of the bill that is tied to [RV](#). We encourage non-households to opt for a meter. If a meter cannot be fitted we can offer an assessed charge based on the characteristics of their business or organisation.

¹ Results from Hafren Dyfrdwy annual customer survey .

² Central Market Operating System

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 is continuing to implement this transition, to bring the surface water drainage (SWD) charge for these customers into line with other non-households. This contributes to a higher increase than an equivalent business on regular charges, as shown in the [indicative bills](#) above. Most of the smaller sites have already moved onto regular charges and any Band T property with a surface area between 500m² and 750m² should migrate to a regular Band 6 surface water drainage charge in 2023-24.

Wrexham area

Wholesale water bills in the Wrexham area which were previously served by Dee Valley Water will rise more quickly than the rest of the region. The overall outcome will be heavily dependent on Dŵr Cymru wastewater charges, which comprise around two thirds of the combined bill for most customers.

Bills for sewerage only customers

We have a small number of sewerage customers on the borders of our Powys area that are billed on our behalf by Dŵr Cymru Welsh Water (DCWW). Most small business customers will see increases of 12-14% in their wastewater bills, although these are the lowest in Britain. The total bill will depend on changes in Dŵr Cymru water 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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Bioresources

This is the name given to the part of our wastewater business that deals with sewage sludge. Ofwat’s revenue control for the Bioresources business is adjusted for the amount of sludge that we produce. This is different from the other wholesale revenue controls, where the total allowed revenue is fixed in advance, irrespective of how much water we put into supply or how much wastewater we collect.

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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 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](#).

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Rateable Values (RVs)

A property's rateable value was originally assessed by the District Valuer on behalf of the Inland Revenue. The value was based on the size of the property, the number of rooms, the amenities available and the overall location. No new rateable values have been set since March 1990 following the introduction of the "Poll Tax" (Community Charge) which has since replaced by Council 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. If you have a property with rateable values you can apply for a water meter, which could save you money..

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