

Statement of significant changes to charges – Retail

(Published January 2023)

Introduction

This statement of significant changes is made under Ofwat's charges scheme rules (rule A2) <https://www.ofwat.gov.uk/publication/charges-scheme-rules/>. It sets out changes we are making to our charges in the 2023-24 charging year for residential customers.

This statement does not discuss the increase in the total bills (i.e. wholesale charges plus retail charges) for business customers, because we exited the business customer retail market with effect from 1 April 2017. Information about significant changes to our non-household wholesale charges can be found in our Statement of significant changes published in October 2022 https://www.southernwater.co.uk/media/7495/statement-of-significant-changes_2023-24.pdf

This statement does not discuss the year-on-year change in infrastructure charges. Information about our infrastructure charges can be found in our Infrastructure Charges Scheme and Charging Arrangements document <https://www.southernwater.co.uk/developing-building/connection-charging-arrangements>

(a) Bill increases of more than 5% from the previous year (for a given customer type assuming a constant level of consumption)

Residential customers

Due to high inflation, all groups of residential customers will experience an increase in their total charges (i.e. wholesale plus retail) of more than 5% from the previous year. The average household bill is expected to increase in line with inflation.

Details of the additional steps we are taking to mitigate the impact of the bill increases for household customers are provided in the Statement regarding the Board's assessment of bill increases section of the 2023-24 Board Assurance Statement.

(b) Details of significant changes in charging policy from the previous year

Residential customers

Social tariff update

To continue to support our customers we have increased our social tariff from £6.00 to £8.50. This will allow us to increase the minimum discount offered from 20% to 45% and will support a further 21,000 customers in addition to the 107,000 customers already in receipt of this discount.

Business customers

Structure of wholesale charges for business customers

In 2017-18, we introduced a new transitional fixed wholesale charge for non-household customers. This was intended to help smooth the transition to the opening of the non-household retail market and reduce the risk of bill increases for larger customers. When we introduced these fixed wholesale charges, we made clear that they were temporary and that they would be phased out over time.

We removed the fixed wholesale charge for our wastewater charges in 2020-21 and reverted to fully volumetric charges. We intend to phase out and remove our water fixed wholesale charges over the current five-year price control period but are committed to doing so in a way that does not lead to significant bill changes for customers. For the 2023-24 charging year we are proposing to delay the further phasing out of the water fixed wholesale charges, due to significant increases in water charges arising from inflation. We expect to continue the phasing out of these wholesale charges in future years.

New ammonia charge

We introduced a separate wholesale charge 2021-22 for ammonia within the Mogden formula in that is used to determine trade effluent charges. This has provided more clarity for businesses on the costs of treating their ammonia discharges, enabling them to respond to these price signals. This change means our wholesale charges partly reflect the amount of ammonia discharged into the sewerage system and translates into lower wholesale charges for customers with a low ammonia discharge, and higher wholesale charges for customers with a high ammonia discharge, making the wholesale charges more cost-reflective. We set out a shadow charge in 2020-21 and a low charge in 2021-22 to ensure our customers could prepare for the charge being introduced in the following charging year. We have engaged with our trade effluent customers and will continue to phase in the charge in order to limit the bill increases for customers next year.