



# Bulk Supply Charging Arrangements **for New Appointments & Variations (NAVs)**

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**2026-27**

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## Introduction

Welcome to our Bulk Supply Charging Arrangements for New Appointments and Variations (NAVs) document for 2026/27.

This document is aimed at developers and prospective NAVs who may be interested in operating in the SES area and NAVs who are looking to develop sites in the SES area.

Our Charging Arrangements document contains:

- all the information you need to understand how SES calculates the bulk supply charges for NAVs requesting a bulk supply of water based on the wholesale minus approach
- the resulting standard bulk supply charges applicable to NAVs for Charging Year 2026/27
- all the information you need to understand where to find additional information on how to become a NAV in our region
- two worked examples of the calculation of NAV bulk supply charges to aid understanding.

Additional supporting materials can be found on our NAVs' webpage:  
<https://seswater.co.uk/developers/new-connections/services-to-navs>.

More specifically:

- process on how to become a NAV and apply for an individual site
- bulk Supply Agreement template
- 2026/27 Developer Services Charging Arrangements.

All charges are exclusive of VAT and any other taxes that may be applicable.

While this methodology and the information in this document has been developed to meet most expected NAV site applications, it is recognised there could be sites that have materially different operating characteristics or that incur costs we have not considered in our cost build-up of avoided costs. SES will therefore review each NAV bulk supply application before finalising any Bulk Supply Agreement, and where the site differs significantly from our standard assumptions, we will investigate if the calculation of the bulk supply charges needs to be adjusted on a case-by-case basis.

The NAV bulk supply charges in this document will apply from 1 April 2026 to 31 March 2027.

## Charges 2026/27

This document contains details of South West Water's Charges Scheme for NAV Customers for 2026/27. The Scheme is made under the provisions of the Water Industry Act 1991 (as amended by the Water Industry Act 1999 and Water Act 2014).

The charges come into force on 1 April 2026.

This document is one of four charging documents as set out below:

Wholesale charges document	Household Charges Scheme	New Connections and Developer Services Charging Arrangements	NAV Charges Schedule
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## How do I use this document?

We have structured this document to facilitate the navigation between various sections of the document.

Each item on the Contents page is a clickable link that brings you directly to the section of the document you click on.

We have also included clickable links within the document where we refer the reader to other sections of the document – this is to reduce the amount of repetition and to facilitate usability of the document. References to specific figures or tables within the document are also clickable links. For ease of reference, clickable links are underlined, in bold font and highlighted in **teal**.

References to external documents are also clickable links and are in blue font and underlined.

If you are already familiar with our bulk supply charges methodology and are mainly interested in our list of charges, please refer to Appendix 1 for a summary of our standard bulk supply charges for 2026/27.

## What has changed?

Key changes applicable from 1 April 2026

We have made the following changes for Charging Year 2026/27:

- We updated the calculation of our charges to reflect the most current published data on costs from our 2024/25 Annual Performance Report (inflated to 2026/27 prices).
- We expanded on our description of our application of the wholesale minus approach to assist the user of this document in understanding our methodology and how charges are calculated.

## We want to hear your views

We are committed to engaging with our customers on an ongoing basis. We welcome your views on our Charging Arrangements at any point in time throughout the Charging Year.

As a result of the feedback, we have received in the past year, we are now more committed than ever to engage with our customers and help promote effective markets.

We invited stakeholders to provide their view and feedback on:

- our approach to calculating avoided costs
- our proposal to expand the set of avoided costs captured in our approach
- our proposal to consider a margin to compensate for the change in the income offset rule
- our proposal to use a wider benchmark for leakage
- ways to improve our charging document

We keep a log of all the feedback we receive, either through formal consultations or



spontaneous feedback we receive during the year. Depending on the type of feedback we receive, we might be able to address it during the Charging Year while other feedback may be addressed in the following iteration of our NAV bulk supply charges.

We will update these Charging Arrangements at least once a year and welcome any feedback at any point so that we can reflect on it in future updates and improve our service to you.

If you would like to register an interest to take part in our next consultation(s), please contact us at [developerservices@seswater.co.uk](mailto:developerservices@seswater.co.uk).



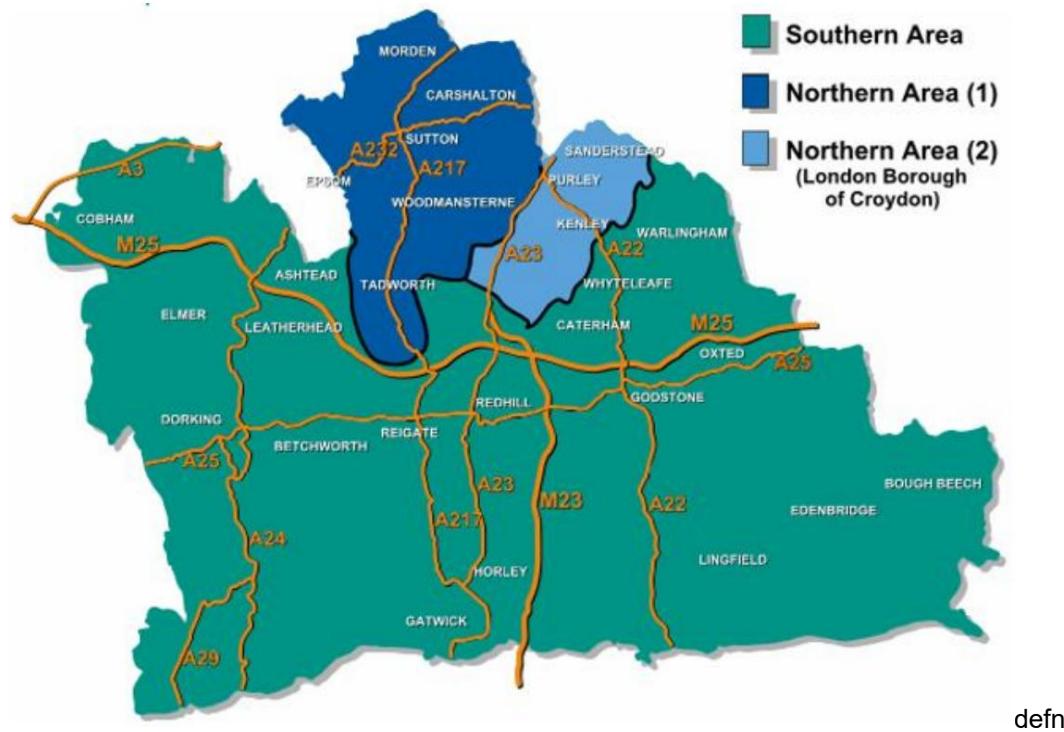
## Summary of NAV Bulk charges

The New Appointments and Variations (NAV) regime was introduced under the Water Industry Act 1991 (WIA91) to provide a mechanism to facilitate new entry into the water and waste water sector and to allow appointed undertakers (incumbents) to expand outside of their geographical area of appointment.

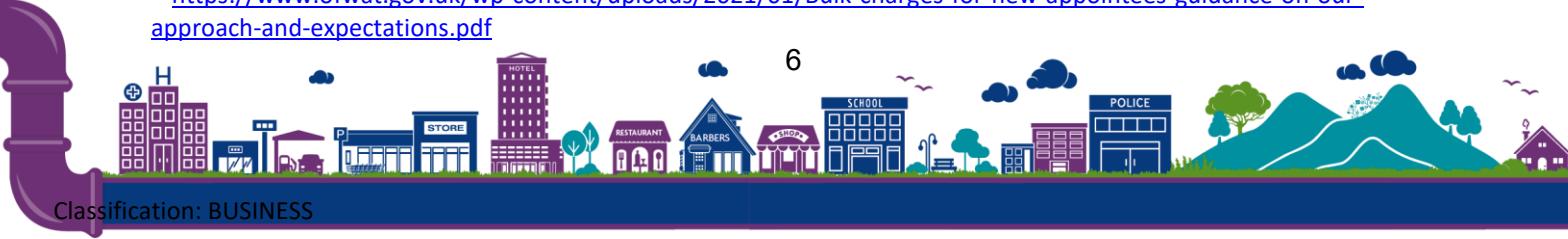
A new appointment is made when Ofwat, the economic regulator for the water industry in England and Wales, appoints a limited company to provide water and/or sewerage services to a specific geographic area. A new appointee has the same duties and responsibilities as the previous company. A variation occurs when an existing appointed company requests Ofwat to vary its appointment to extend the area it serves.

Following a review of the NAV market and a subsequent consultation, in May 2018 Ofwat published its final guidance of pricing for bulk supply services provided to NAVs in England and Wales<sup>1</sup>. The guidance sets out the principles Ofwat will use when making determinations on bulk agreements, and places requirements on incumbent companies for the publication of charges that NAVs can use to estimate bulk supply charges ahead of bidding for developer work.

NAV bulk supply charges are based on the applicable charges for wholesale services. These charges for wholesale services vary by charging area within SES. The company has three charging areas – Southern, Northern (1) and Northern (2). These charging areas can be seen on the area map below. For the purposes of calculating NAV bulk supply charges the two Northern charging areas can be regarded as one, as the measured charges are the same for each Northern area.



<sup>1</sup> <https://www.ofwat.gov.uk/wp-content/uploads/2021/01/Bulk-charges-for-new-appointees-guidance-on-our-approach-and-expectations.pdf>



The relevant wholesale charges that apply for the calculation of NAV bulk supply charges for the Northern and Southern charging areas are shown on page 10.

## Revisions to Ofwat's guidance

- In July 2020 Ofwat consulted<sup>2</sup> on proposals to refine its guidance. The consultation was supported by a detailed analysis by CEPA<sup>3</sup> of incumbent companies' 2019/20 charges. More recently, Ofwat has completed further consultation and provided updated guidance in May 2025.
- Consequently, Ofwat issued its conclusions<sup>4</sup> and consultation<sup>5</sup> on revising its guidance on 10 November 2020. The finalised revised guidance was published on 26 January 2021<sup>6</sup> and the more recent Consultation on rules for bulk charges for new appointees was published on 27 May 2025<sup>7</sup>.

## SES Water approach to 2026/27 charges

In developing our charges and in producing this document we have incorporated the principles and expectations set out in Ofwat's 2018 guidance. We have also continued to work to implement Ofwat's January 2021 guidance and updated May 2025 guidance.

SES is changing the way it sets the bulk charges for 2026/27 guided by the CTWEB's framework. To do this we have considered best practice, such as the industry Bulk Charging Working Group's (BWC) wholesale-minus charging framework.

Ofwat outlined some principles within the guidance provided in May 2025 on how to set bulk tariffs and the relevant starting position. The principles are:

1. Bulk tariffs should be simple, clear, and not onerous to calculate and apply.
2. Tariffs should be structured using a menu-based approach.
3. Bespoke tariffs should be the exception.

SES for 2026/27 has implemented a menu-based approach to setting bulk tariffs for NAVs. The menu will set out the different property types and the relevant starting position for each tariff and has been based on the 2026/27 charges as found within this report. The wholesale tariffs are also published on the SES's website, with the link provided in other information.

We will continue to monitor, review, and engage on our NAV tariffs, adopting best practice guidance where possible.

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<sup>2, 3, 4, 5, 6, 7</sup> see appendix 3



## Background

The charges laid out in this document are provided to assist NAVs to estimate their bulk water charges for a site.

Household and non-household charges are presented separately. In practice actual charges for a given site may be a weighted average of the two, which will be driven by the number and type of properties supplied and the volumes consumed. To illustrate this, we provide worked examples in Appendix 1.

We expect that the charges set out in this document will be relevant to the majority of NAV sites in our area of supply.

Where a site has characteristics that are significantly different to our underpinning assumptions, we will assess the site-specific characteristics to ensure that they are representative of the situation and/or that there is no detriment to the NAV. In relation to the underpinning assumptions on infrastructure we would view 'differences to be significant' if a reasonable person would consider them likely to have a material impact on charges.

We anticipate that examples of significantly different sites could include those:

- Requiring trade effluent services
- With non-standard infrastructure length e.g. flats, student accommodation or office blocks, or
- If a non-household customer on site exceeds the company's large user tariff thresholds.

## General principles

SES is committed to supporting a level playing field. In developing our charges and in producing this document we have incorporated the charging rules and guidance as set out by Ofwat in November 2025.



## Methodology

### Cost Drivers

Ofwat's guidance requires wholesalers to make it clear on the cost drivers for each element of their charges and when they would apply. Our cost drivers can be summarised as follows:

Cost Menu	Cost Driver	Application
<b>Standard Customers</b>		
Avoided Cost	Per property	Fixed per property reduction
Leakage Allowance	m3 supplied	adjustment to the wholesale volumetric rate
Customer mix	Customer mix	The starting point for charges will reflect the household and non household make up of a site.
<b>Non-Standard Customers</b>		
Large Users	Per meter & per m3	Where agreed standard wholesale large user rates will be applied as the relevant start point
Non Standard topology		
Additional Assets		
Other site specific elements	Bespoke	Based on a review of the site application a bespoke agreement may be arranged.

### Wholesale-minus

Ofwat's guidance specifies a 'wholesale-minus' approach to setting bulk charges. The 'minus' relates to allowances for leakage and avoided costs (based on audited disclosures in the APR tables 4J for water and 4K for wastewater).

Charges are calculated from the relevant start point in the wholesale tariffs with deductions made in different ways, dependent on the avoided cost element.

- Avoided on-site costs are calculated and applied as fixed per-property deductions from the overall site bill.
- An allowance for on-site leakage, where relevant, is applied as a percentage reduction from the relevant start point wholesale water and wastewater volumetric tariffs.
- Surface water and highway discharge allowances, where relevant, are applied as a fixed reduction from the relevant start point wholesale wastewater volumetric tariff.
- No WACC or depreciation is included in the charges as on-site assets are now fully funded by developers.

### Relevant start point

SES Water's 2026/27 standard wholesale water charges for household and non-household customers are the basis of bulk charges for NAVs. These are the charges that form the start-point site bill, from which fixed per-property discounts are deducted, along with any other relevant reductions such as for on-site leakage or surface water / highway drainage arrangements.

These charges are shown below. Appendices 1 and 2 provide further detail and worked examples.



## Relevant start points for 2026/27 charges

Company area	Northern Region		Southern Region	
	Household	Non-household	Household	Non-household
Water				
Standard tariff per m <sup>3</sup>	1.4678	1.4552	1.8110	1.7954
Fixed charge per property*	0.00	0.00	0.00	0.00

\* Where charges are not based on a bulk meter, non-household fixed charges are dependent on expected annual usage. Full details are available in the wholesale charges schedule for the relevant company supply area.

Please note that the table above confirms that no fixed charges will apply to the supply of clean water.

SES Water is a water-only region and does not provide wastewater wholesale services. These can be provided by Wessex Water or Southern Water, depending on the location of a site within SES Water's area of supply.

## Avoided on-going costs

### Fixed per property reductions

SES has implemented a key change for setting out the avoided on-going costs within the 2026/27 charges, which provides the NAVs a menu-based approach which sets out the avoided costs component of the wholesale-minus approach.

Cost categories used in the calculation of avoided costs have been selected with reference to 2025 Ofwat guidance, and company processes. As per Ofwat guidance, data from published table 4J of the Regulatory Accounting Guidelines (RAGs 4.13) has been used as a starting point. Selected expenses have then been excluded in order to reliably estimate the cost which would be avoided by the incumbent where a NAV adopts a new network in place of the incumbent.

This avoided cost checklist details whether SES does include this cost type within the avoided cost stage of our NAV charges methodology or if not and the rationale for it being relevant to the setting of bulk charges.

Should NAV's or other stakeholders have any questions about how we set these charges, please contact SES. Our contact details in relation to the NAV market and charges are shown on page 2.

This allowance is calculated over a three-year rolling average. Values for each year are calculated separately and then averaged, and then uplifted by CPIH to derive the allowance per metre of mains pipe. This is then converted into a per property value using standard length of main assumptions.

A three-step process is used to calculate the per property reduction.

*Step 1 – Analyse the menu of avoided costs for water per metre.*

*Step 2 – Annual fixed value per property on a typical NAV site.*



To derive an annual fixed value per property on a typical NAV site the value for Household and Non household total avoided costs calculated in step 1 is then multiplied by an assumed length of infrastructure on a typical NAV site.

For 2026/27 charges we have maintained the standard infrastructure length used in previous years. The following standard infrastructure length assumptions are used for fixed allowances per property.

2026/27 standard infrastructure length assumptions		
<b>Water</b>		
Household	m	8.5
Non-household	m	8.5

*Step 3 – Average fixed value per property on a typical NAV site.*

The calculated avoided costs per property are then averaged on a three-year rolling basis to ascertain an average fixed value per property.

This value is inflated to the charging year using CPIH.

The menus below take the avoided cost per metre (step 1) multiplied by the standard infrastructure length assumptions (step 2) averaged over 3 years and inflated to 2026/27 prices to give an avoided cost per property per annum.

Water		Household		Non household	
Avoided Costs	Unit	Operating Costs	Capital Maintenance	Operating Costs	Capital Maintenance
Mains/sewage: repair, replacement and maintenance	£/prop pa	0.65	6.57	0.65	6.57
Emergency/risk management & monitoring	£/prop pa	0.24	1.37	0.24	1.37
Meter & meter box: repair, replacement & maintenance	£/prop pa	0.00	0.03	0.00	0.03
Regulatory compliance & quality	£/prop pa	3.65	0.00	3.65	0.00
General & support	£/prop pa	25.44	0.00	25.44	0.00
Other	£/prop pa	0.57	0.00	0.57	0.00
Total avoided costs	£/prop pa	38.52		38.52	



## Leakage

Where a bulk meter is used to measure site use, the relevant wholesale tariff underpinning site charges will be reduced by 6.21% and billing will be based on volumes recorded by the bulk meter.

This value is derived from known losses within the network which occur at distribution mains as follows:

- Leakage across the network was 19.99MI/d per APR 2025, Table 6B
- Excluding distribution main losses and void households per APR 2025, Table 6B (9.84, 0.09, 0.05, 0.02 and 0.01MI/d) results in leakage of 9.98MI/d
- Total distribution input is 160.77MI/d per APR 2025, Table 6B
- Hence, the rate of leakage is estimated as 6.21% (9.98/160.77)

## Applying the Charges

### General

Unless otherwise agreed charges will be raised monthly. Where charges are adjusted for on-site leakage, the discount will be applied through the volumetric tariff.

Before the start of the charging year, we may request the NAV to provide mid-point (as at 30 September) and year-end (to 31 March) forecasts of charge multipliers. This may include volumes, property types and property numbers. Where a site contains household and non-household properties we may use this data, and any other relevant billing data held, to calculate the weighted tariff which reflects the site characteristics.

Once agreed with the NAV this estimate will be used as the basis for invoicing charges.

Where it is agreed that we will bill for a site in twelve equal instalments, at the end of the charging year we will true-up the difference between the forecast and final multipliers, and, where there is a greater than 5% variance, adjust the final charge for the year accordingly.

### Negative charges

It should be noted that there may be infrequent circumstances where the tariff approach could result in a credit to the NAV where the volume related charge is smaller than the avoided cost per property – for example, where properties on a site during the build phase have been connected but are not fully occupied and the legitimate water demand via the bulk supply is very low. In these circumstances we will limit our invoices for bulk supplies at zero.

### Updating the charges

- Wholesale charges (the relevant start point) will be updated annually in line with the wholesale charging schedules and take effect from 1 April each year.
- The adjustment for on-site leakage will be reviewed in line with the Water Resources Management Plan.



## Other Information

### VAT on charges

All charges in this document exclude VAT. Where the use of water on a NAV site requires that VAT is charged, we will apply it at the appropriate rate.

### Wholesale charges schedules for 2026/27

<https://seswater.co.uk/your-account/our-charges-explained>

### Developer Services Charging Arrangements for 2026/27

<https://seswater.co.uk/developers>



## 2026/27 Charges

Where volumes are measured at the site boundary, a volumetric adjustment for on-site leakage of 6.21% will be applied. The adjusted value is shown in the shaded area.

Where volumes are measured at the customer meter standard volumetric charges will apply. In all cases the fixed NAV discount per property per year will apply.

For both regions, these standard tariffs include no wholesale fixed charge per property.

Please see the relevant wholesale charges schedule for further information.

### Northern Region

	Household	Non- household
Standard 2026/27 volumetric charge per m <sup>3</sup>	£1.4678	£1.4552
Leakage adjustment	6.21%	6.21%
<b>Adjusted NAV volumetric tariff</b>	<b>£1.3766</b>	<b>£1.3648</b>
<b>Fixed NAV discount per property / year</b>	<b>£38.52</b>	<b>£38.52</b>

### Southern Region

	Household	Non- household
Standard 2026/27 volumetric charge per m <sup>3</sup>	£1.8110	£1.7954
Leakage adjustment	6.21%	6.21%
<b>Adjusted NAV volumetric tariff</b>	<b>£1.6985</b>	<b>£1.6839</b>
<b>Fixed NAV discount per property / year</b>	<b>£38.52</b>	<b>£38.52</b>

### Avoided Costs

	Household	Non-household
Mains repair, replacement and maintenance	7.22	7.22
Emergency/risk management & monitoring	1.61	1.61
Meter & meter box: replacement & maintenance	0.03	0.03
Regulatory compliance & quality	3.65	3.65
General & support	25.45	25.45
Other	0.57	0.57
<b>Total avoided cost</b>	<b>£38.52</b>	<b>£38.52</b>

Standard wholesale fixed charge – 2026/27	Household £	Non- Household £
Fixed Charge	0.00	25mm: 0.00 50mm: 0.00



## Example 1

The following example illustrates a hypothetical site with 50 household properties and 0 non-household properties. It shows the components of a monthly bill and the calculations we will use to establish the bill value.

As SES Water is a water-only company a NAV may need to refer to Wessex Water for wastewater services if required.

In preparing this example we have used the following assumptions and wholesale fixed charges:

	Households	Non-Households
Days in month	31	-
Leap year	No	-
Number of properties	50	0
Meter size	15mm 0 x 25mm 0 x 50mm	
Adjustment for on-site leakage appropriate (volume measured at site boundary)	Yes	-
NAV requires water and wastewater bulk services	Yes	-
Separate provision for surface water drainage (no surface water or highway drainage charges)	Yes	-
Return to sewer rate	95%	-

	m <sup>3</sup>	Estimated annual m <sup>3</sup>
Total monthly use recorded at site boundary	416.6667	5,000
Total monthly use recorded on 25mm meter	0	0
Total monthly use recorded on 50mm meter	0	0
Total non-household use	0	0
Total household use	416.6667	5,000



Standard wholesale fixed charge – 2026/27	Household £	Non- Household £
Fixed Charge	0.00	25mm: 0.00 50mm: 0.00

Please note that calculations shown in the examples below may not cast, due to rounding

## Northern Region

SES WATER CHARGES	£	Calculation
<b>Household</b>		
Water charges (including NAV leakage adjustment)	573.58	$416.6667 \times 1.3766$
Fixed charges	0.00	$50 \times 0 \times 31/365$
Subtotal	573.58	
Per property fixed reduction	-160.50	$50 \times -38.52 \times 1/12$
<b>Total HH monthly charge</b>	<b>413.08</b>	
<b>Non-household</b>		
Water charges (including NAV leakage adjustment)	0.00	
Fixed charges	0.00	
Subtotal	0.00	
Per property fixed reduction	0.00	
<b>Total NHH monthly charge</b>	<b>0.00</b>	
<b>Total water charges</b>	<b>413.08</b>	$413.08 + 0.00$
<i>2025/26 Total water charges</i>	377.16	<i>Movement 9.52% Wholesale volumetric charges have increased by 10.59%, offset by movement in avoided costs and leakage allowances.</i>



## Southern Region

SES WATER CHARGES	£	Calculation
<b>Household</b>		
Water charges (including NAV leakage adjustment)	707.71	$416.6667 \times 1.6985$
Fixed charges	0.00	$50 \times 0 \times 31/365$
Subtotal	707.71	
Per property fixed reduction	-160.50	$50 \times -38.52 \times 1/12$
<b>Total HH monthly charge</b>	<b>547.21</b>	
<b>Non-household</b>		
Water charges (including NAV leakage adjustment)	0.00	
Fixed charges	0.00	
Subtotal	0.00	
Per property fixed reduction	0.00	
<b>Total NHH monthly charge</b>	<b>0.00</b>	
<b>Total water charges</b>	<b>547.21</b>	$547.21 + 0.00$
2025/26 Total water charges	524.31	<i>Movement +4.37%            Wholesale volumetric charges increased by 6.37% and are offset by movement in avoided costs and leakage allowances.</i>



## Example 2

The following example illustrates a hypothetical site with 250 household properties and 5 non-household properties. It shows the components of a monthly bill and the calculations we will use to establish the bill value.

In preparing this example we have used the following assumptions and wholesale fixed charges:

	Households	Non-Households
Days in month	31	31
Leap year	No	No
Number of properties	200	5
Meter size	15mm	4 x 25mm 1 x 50mm
Adjustment for on-site leakage appropriate (volume measured at site boundary)	Yes	Yes
NAV requires water and wastewater bulk services	Yes	Yes
Separate provision for surface water drainage (no surface water or highway drainage charges)	Yes	Yes
Return to sewer rate	95%	95%

	m <sup>3</sup>	Estimated annual m <sup>3</sup>
Total monthly use recorded at site boundary	1,875	22,500
Total monthly use recorded on 25mm meter	166.6667	2,000
Total monthly use recorded on 50mm meter	41.6667	500
Total non-household use	208.3333	2,500
Total household use	1,666.6667	20,000
Standard wholesale fixed charge – 2026/27	Household £	Non- Household £
Fixed Charge	0.00	25mm: 0.00 50mm: 0.00

*Please note that calculations shown in the examples below may not cast, due to rounding*



## Northern Region

SES WATER CHARGES	£	Calculation
<b>Household</b>		
Water charges (including NAV leakage adjustment)	2,294.33	$1666.6667 \times 1.3766$
Fixed charges	0.00	$200 \times 0 \times 31/365$
Subtotal	2,294.33	
Per property fixed reduction	-642.00	$200 \times -38.52 \times 1/12$
<b>Total HH monthly charge</b>	<b>1,652.33</b>	
<b>Non-household</b>		
Water charges (including NAV leakage adjustment)	284.33	$208.3333 \times 1.3648$
Fixed charges	0.00	$5 \times 0 \times 31/365$
Subtotal	284.33	
Per property fixed reduction	-16.05	$5 \times -38.52 \times 1/12$
<b>Total NHH monthly charge</b>	<b>268.28</b>	
<b>Total water charges</b>	<b>1,920.61</b>	$1,652.33 + 268.28$
<b>2025/26 Total water charges</b>	<b>1,752.81</b>	<p><i>Movement 9.57%</i>  <i>Wholesale volumetric charges have increased by 10.59%, offset by movement in avoided costs and leakage allowances.</i></p>



## Southern Region

SES WATER CHARGES	£	Calculation
<b>Household</b>		
Water charges (including NAV leakage adjustment)	2,830.83	$1666.6667 \times 1.6985$
Fixed charges	0.00	$200 \times 0 \times 31/365$
Subtotal	2,830.83	
Per property fixed reduction	-642.00	$200 \times -38.52 \times 1/12$
<b>Total HH monthly charge</b>	<b>2,188.83</b>	
<b>Non-household</b>		
Water charges (including NAV leakage adjustment)	350.81	$208.3333 \times 1.6839$
Fixed charges	0.00	$5 \times 0 \times 31/365$
Subtotal	350.81	
Per property fixed reduction	-16.05	$5 \times -38.52 \times 1/12$
<b>Total NHH monthly charge</b>	<b>334.76</b>	
<b>Total water charges</b>	<b>2,523.59</b>	$2188.83 + 334.76$
<i>2025/26 Total water charges</i>	<i>2,414.23</i>	<i>Movement +4.53% Wholesale volumetric charges increased by 6.37% and are offset by movement in avoided costs and leakage allowances.</i>

In practice, where a site contains household and non-household properties, we may calculate a weighted tariff which reflects the site characteristics. Once agreed with the NAV this estimate may be used as the basis for invoicing charges. Where it is agreed that we will bill for a site in twelve equal instalments, at the end of the charging year we will true-up the difference between the forecast and final multipliers. See the 'Applying the Charges' section above for further detail.



## Appendix 3

### Definitions

Term	Definition
<b>Avoided Costs</b>	Are those costs that the Incumbent does not incur because it does not serve the Site and instead there is a Bulk Services Agreement in place. The costs avoided in relation to a particular Site shall be determined by calculating appropriate shares of different cost categories of all costs that would be avoided in the long run if the Incumbent did not serve any Sites and include, but are not limited to: <ul style="list-style-type: none"> <li>• Ongoing Costs,</li> <li>• An adjustment for Leakage,</li> <li>• Renewal and Replacement Costs of On-site Assets, and</li> <li>• An appropriate share of Central Costs.</li> </ul>
<b>Bulk Charges</b>	Are charges payable for Bulk Supplies (supplies to which section 40 of the Water Industry Act 1991 applies further to s 40(1) and (2) of that Act) or Bulk Discharge Services (from main connections, as defined in sections 110A(1) and (2) of the Water Industry Act 1991) in any Charging Year, in accordance with a Bulk Services Agreement.
<b>A Bulk Services Agreement</b>	Is a: <ul style="list-style-type: none"> <li>• Bulk Supply Agreement; or</li> <li>• Bulk Discharge Agreement, which is a "main connection agreement" as defined in section 110A (11) of the Water Industry Act 1991, being an agreement to permit a main connection into a sewerage system. These are agreements to buy sewage disposal services and may also include the purchase of other ancillary services; or</li> <li>• Combination of these two agreements.</li> </ul>
<b>A bulk supply agreement</b>	Is a contract between one or more water undertakers for the supply of water in bulk.
<b>Central Costs</b>	(also referred to as Indirect Costs or general and support costs) are overheads and other centrally incurred costs associated with the operation of the business of the Incumbent. Examples of these types of costs include costs associated with HR, Finance, office space and IT systems.
<b>The Charging Year</b>	Is the period 1 April in any year to 31 March the following year
<b>CTWEBC</b>	Is the document "Common Terms and Worked Examples – Bulk Charges" published by Ofwat
<b>Fixed Charges</b>	Means charges which are fixed in amount or which are calculated by reference to a predetermined methodology. For the avoidance of doubt, an Incumbent may impose Fixed Charges by reference to a unit measurement (for example, per property). Furthermore, an Incumbent may offer more than one Fixed Charge in charging for a service provided in accordance with the present rules.
<b>Incumbent</b>	Is a water undertaker or sewerage undertaker that provides Bulk Supplies or Bulk Discharge Services which are subject to these rules pursuant to rule 3 and that is not a New Appointee.
<b>Leakage</b>	Means the volumes of water lost between being supplied to the Site by the Incumbent, usually recorded on the Site's bulk supply meter, and being supplied and billed to the Site's customers.
<b>NAV</b>	Means a new appointment or license variation
<b>New Appointee</b>	Means a company appointed by Ofwat or the Secretary of State under section 7 of the Water Industry Act 1991



<b>Ongoing Costs</b>	Relate to the costs of operating and maintaining on-site assets that are avoided by the Incumbent. They must reflect the activities that the new appointee is expected to perform on the site. Most new appointees will maintain and operate the on-site infrastructure. They may also perform additional services, such as emergency response and reading meters at the boundary of the site, which should also where relevant be deducted from the relevant starting point. The ongoing costs of operating and maintaining the on-site assets should be those of the Incumbent.
<b>On-site Assets,</b>	Also known as On-site Infrastructure, refers to physical assets located within the Site specified within the Bulk Services Agreement.
<b>Renewal and Replacement Costs of On-site Assets</b>	As defined in our Common Terms and Worked Examples – Bulk Charges (for bulk charges from 1 April 2027).
<b>A Site</b>	Is an area in relation to which an appointment or variation has been made pursuant to section 7 of the Water Industry Act 1991.
<b>Wholesale Minus Approach</b>	This approach starts from the relevant wholesale charge(s) and deducts costs that the incumbent would no longer incur if a new appointee supplied the site instead.
<b>Variable Charges or Volumetric Charges</b>	Means charges which vary in amount or which are calculated by reference to a predetermined methodology. For the avoidance of doubt, an Incumbent may impose Variable Charges by reference to a unit measurement (for example, per megalitre). Furthermore, an Incumbent may offer more than one Variable Charge in charging for a service provided in accordance with the present rules.
<b>Wholesale Charges</b>	Refer to the fees paid by wholesalers to business retailers for the supply of water services. For household customers are those charges published in the Incumbent's charging scheme net of retail charges.

## Appendix 4

### Links

Links to the relevant documents detailed on page 4 are provided below

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<sup>2</sup> <https://www.ofwat.gov.uk/wp-content/uploads/2018/05/Bulk-charges-for-NAVs-final-guidance.pdf>

<sup>3</sup> <https://www.ofwat.gov.uk/wp-content/uploads/2020/07/Consultation-on-bulk-charges-for-NAVs.pdf>

<sup>4</sup> <https://www.ofwat.gov.uk/wp-content/uploads/2020/07/200610-Ofwat-CEPA-NAVs-FinalReport-redacted.pdf>

<sup>5</sup> <https://www.ofwat.gov.uk/wp-content/uploads/2020/11/Bulk-charges-for-new-appointees-our-conclusions.pdf>

<sup>6</sup> <https://www.ofwat.gov.uk/wp-content/uploads/2020/11/Bulk-charges-for-new-appointees-a-consultation-on-revising-our-guidance.pdf>

