



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

2026-27

Checklist of Avoided Costs

SES Water - NAV's avoided costs

Checklist for 2026/27

This checklist shows the costs that SES Water have avoided with the setting of the bulk charges for NAVs, this is based on the Ofwat methodology of the 'wholesale-minus' approach. The checklist mirrors the checklist that has been developed by the sector level Bulk Charging Working Group, as published by Ofwat. As this is a standard checklist adopted by SES Water, not all of the activities are applicable to our bulk charges for NAVS.

Link to Ofwat checklist format:

<https://www.ofwat.gov.uk/regulated-companies/company-obligations/ofwat-regulating-the-industry-compliance-requirements-charging/new-appointee-bulk-charging-working-group/>

The values shown in the below checklist detail the avoided costs within the bulk charges, which have been calculated using the bottom-up approach. The avoided costs below are costs per metre, to derive an annual fixed value per property, the avoided costs are multiplied by an assumed length of infrastructure on a typical NAV site which are detailed within our Bulk Charges For NAVs 2026/27 document. We have then produced menus which show the total annual fixed value per property which are also detailed within the same document.

| | | Cost per metre | | | |
|-------|--|----------------|-------------------|----------------------------|---|
| Code | Activity | Water | Wastewater (Full) | Wastewater (excluding SWD) | Comments |
| WATER | | | | | |
| WD1 | Routine and ad-hoc water quality sampling. Regulatory monitoring at every site irrespective of size | £0.36 | | | |
| WD2 | DWI - Drinking Water Safety Planning (Water Supply (Water Quality) Regulations 2016 - Regs 27 & 28), Monthly water quality reporting, submission of annual data returns. | Within WD1 | | | |
| WD3 | Monitoring and auditing of Laboratory performance - Water Supply (Water Quality) Regulations 2016 - Regulation 16 | Within WD1 | | | |
| WD4 | Water Fittings inspections - enforcement of Water Supply (Water Fittings) Regulations 1999 | Within WD1 | | | |
| WD5 | Supplementary water quality monitoring e.g. Response to customer contacts, | Within WD1 | | | |
| WD6 | Additional flushing/sampling due to poor performance and/or condition of assets owned and maintained by the upstream incumbent | Within WD1 | | | |
| WD7 | Local Authority and Public Health England Liaison and updates. | Within WD1 | | | |
| WD8 | Planned Maintenance - e.g. flushing activities | £0.19 | | | |
| WD9 | Unplanned Maintenance | £0.10 | | | |
| WD10 | Emergency Response | Within WD9 | | | |
| WD11 | Meter maintenance / replacement | £0.00 | | | |
| WD12 | Meter accuracy testing costs | Within WD11 | | | |
| WD13 | Meter reading | Within WD11 | | | |
| WD14 | Battery replacement | Within WD11 | | | |
| WD15 | Arrangements for sharing meter data | Within WD11 | | | |
| WD16 | Standby arrangements | £0.00 | | | |
| WD17 | Incumbent bulk metering costs | X | | | This is not a cost that SES would avoid. SES would not incur any bulk metering costs if NAV entry did not happen. |
| WD18 | Financial penalties for GSS failure - Also GSS payments made to customers as a consequence of upstream incumbent failure. | £0.01 | | | |

| | | | | | |
|------|---|-------|--|--|--|
| WD19 | Network losses / unaccounted for water at a direct wholesale cost. | X | | | We include a leakage adjustment of 6.21% for bulk meters and deduct this from the NAV volumetric tariff, not to be confused with costs in WD20 |
| WD20 | Activities to monitor and control leakage/unaccounted for water | £0.07 | | | |
| WD21 | Wholesale cost for 'free' water provided under social tariffs | X | | | SES does not charge the NAV for any retail-related activity, so this is not a cost that SES would avoid. |
| WD22 | Offsite network maintenance / repair (No income if NAV tariff assumes connection at boundary) | £0.66 | | | SES consider that the NAV would not undertake any offsite maintenance, so this is not a cost that SES would avoid. If required, this would be arranged under a separate arrangement that does not fall within the bulk charge. |
| WD23 | Water resource planning and drought plans | £0.03 | | | This is not a cost that SES would avoid. If the NAV has their own potable water resource, this may negate the need for bulk charges. If this arises then they should liaise with SES directly to make special arrangements with would not fall within the bulk charge. |

| CENTRAL COSTS | | | | | |
|---------------|--|--------|--|--|--|
| C1 | Finance/ HR / Legal and IT staff resource costs | £1.00 | | | Central overhead costs have been assessed and split across the streams as a percentage based on services provided. |
| C2 | Regulatory Costs - Licence fees, regulatory reporting and compliance | £0.07 | | | |
| C3 | NAV application and administration costs. | X | | | SES consider that these costs would be recovered directly from the NAV as part of their bidding/quotation costs. |
| C4 | End customer billing and customer service costs | X | | | SES does not charge the NAV for any retail-related activity, so this is not a cost that SES would avoid. |
| C5 | Management costs | £0.07 | | | |
| C6 | External consultancy | £0.11 | | | |
| C7 | IT systems and development | £0.25 | | | |
| C8 | Travel and subsistence | £0.03 | | | |
| C9 | Vehicle fleet costs | £0.02 | | | |
| C10 | Plant, tools and equipment | £0.38 | | | |
| C11 | Health and Safety | £0.00 | | | |
| C12 | Insurance | £0.07 | | | |
| C13 | Employer pension | £0.25 | | | |
| C14 | Employer NI | £0.26 | | | |
| C15 | Premises and utilities | -£0.03 | | | |
| C16 | Telecommunication costs | £0.01 | | | |
| C17 | Business Rates | X | | | SES does not avoid this cost |
| C18 | Recruitment | £0.60 | | | |
| C19 | Training and Development | £0.02 | | | |
| C20 | Bank charges incl. those relating to customer income collection | £0.00 | | | SES does not charge the NAV for any retail-related activity, so this is not a cost that SES would avoid. |
| C21 | Customer bad debt and debt recovery costs. | £0.02 | | | |
| C22 | Revenue protection and voids management. | £0.00 | | | SES does not charge the NAV for any retail-related activity, so this is not a cost that SES would avoid. |
| C23 | External audit / accountancy costs | £0.03 | | | |
| C24 | Asset Financing Costs | X | | | SES for 2026/27 charges have not included any WACC within the charges as on-site assets are now fully funded by developers |
| C25 | Working Capital | X | | | SES for 2026/27 charges have not included any WACC within the charges as on-site assets are now fully funded by developers |
| C26 | Incumbent Working Capital | X | | | SES for 2026/27 charges have not included any WACC within the charges as on-site assets are now fully funded by developers |
| C27 | Marketing, Branding and Customer Relations | £0.00 | | | |
| C28 | Billing systems costs | X | | | SES does not charge the NAV for any retail-related activity, so this is not a cost that SES would avoid. |
| C29 | Billing and other postage / stationery costs | X | | | SES does not charge the NAV for any retail-related activity, so this is not a cost that SES would avoid. |
| C30 | Cost of Debt | X | | | SES does not charge the NAV for any retail-related activity, so this is not a cost that SES would avoid. |