



## **SES Water's 2023-24 charges**

### **Statement of significant year-on-year changes of indicative charges**

Our charging year runs from 1 April to 31 March. We will publish our household charges scheme for the next year, beginning 1 April 2023, on 12 January 2023.

Our charges have been calculated in accordance with our PR19 Final Determination, with an increase in charges of c22% due to the impact of higher inflation and the inclusion of revenue under-recovered in 2021-22 leading to an increase in the Company's allowed revenue for 2023-24 as compared to current year.

Significant deliberation of these indicative 2023/24 wholesale tariffs occurred at our recent Board meetings with the overall view that – given the combination of prior year under-recovery due to COVID-19 and rising inflation – a proposed increase in tariffs had to occur in 2023/24 to avoid even greater bill increases in the final year of the AMP.

### **Significant change in charges from the previous years**

#### *1. Unmeasured charges increase more than measured charges*

Our data analysis shows that unmeasured customers on average consume more water than measured customers of the equivalent property type or business activities without necessarily paying more for their consumption. Given the significant increase in inflation rate and the overdue need for rebalancing the charges to reflect the consumption, we consider it is reasonable and fair to adjust the rate of increase between the two customer groups.

#### *2. Introduction of volumetric charges for vacant properties with consumption*

Our billing and water supply data show that there are properties that are registered as vacant and yet water is still consumed in the premises. To recover this unbilled cost and to be fair to the paying customers, we will begin to bill these properties the same volumetric charges as standard measured customers.

### **Factors affecting the level of our final charges**

#### *1. Inflation and price limit*

Our charges reflect the allowed revenue set by Ofwat as part of the price review in 2019. The latest inflation rates have been utilised to calculate the indicative wholesale tariffs, together with estimated adjustments to our allowed revenue based on our 2021-22 regulatory performance. For our final tariffs published in early 2023, the allowed revenue will be updated based on the inflation rate published by the Office of National Statistics for November 2022. In addition, allowed revenue will be updated following Ofwat's finalisation of our 2021-22 regulatory performance.

## *2. Forecast properties and consumption*

In setting indicative charges for the 2023-24 tariff year, we forecast the number of properties and consumption for the year ahead, to ensure that our charges recover the allowed revenue from the price control. COVID-19 pandemic has led to significant change in water consumption pattern of both household and non-household customers. Consumption by non-household customers remain suppressed even after all restrictions have been lifted, showing a downward trend in the foreseeable future. We will update our 2023-24 charges in early 2023 for updated forecast properties and consumption data.

## *3. Financial performance of 2021-22*

Under Ofwat's regulatory rules, an under-recovery of revenue can be recovered in the subsequent years. In 2021-22 we experienced significant under-recovery of revenue, compared to the amount allowed by the price control. This shortfall is recoverable in 2023-24, resulting in significant upward pressure on bills.

Ofwat has provided flexibility over the timing of adjustments associated with other aspects of our performance. As all elements that impact our future revenue remain uncertain, and the risk of another year of under-recovery is material, we decided to set charges for full recovery of allowed revenue in 2023-24 to avoid accumulated shortfall that would result in even larger tariff increase in the future.

### **Overall level of expected bill increase**

These proposals are subject to review and approval by the Board of SES Water of the charges for final publication in our Non-household and Household Charges Schedule for 2023-24, required by 12 January 2023. The level of final charges may vary from those of the indicative charges.

The Company has assessed the effect of the charges that will apply from April 2023 on a range of different customer types. Given the increases in charges from prior year are above 5%, the company will implement a handling plan to communicate and engage with stakeholders and help customers with financial vulnerability. Changes in the bills will depend on individual circumstances, for example whether a customer is metered and corresponding levels of water usage.

This statement applies to both our household and business customers from 1 April 2023.

Signed on behalf of the Board of Directors on 13 October 2022.

Ian Cain



(Group Chief Executive Officer)

Murray Legg



(Non-Executive Director and Chair of the Audit Committee)

Paul Kerr



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(Group Chief Financial Officer)