UNITED UTILITIES WATER LIMITED

Statement of Significant Changes

Indicative wholesale charges 2025/26

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1. INTRODUCTION

This document sets out details of significant changes to our primary wholesale charges for 2025/26 as required in "Wholesale charging rules issued by the Water Services Regulation Authority under sections 66E and 117I of the Water Industry Act 1991" section A4.

2. UNDERLYING FACTORS

The changes in our primary wholesale charges for 2025/26 detailed below are in addition to the following underlying factors which are anticipated to impact primary wholesale charges for 2025/26:

- November 2024 CPIH inflation – our current estimate is 3.2%;
- Changes in allowed revenue – our draft determination for the period to March 2026 allows for an average increase of 9.8% (however, note that Ofwat's final determination, due on 19 December 2024 and on which our final charges are expected to be based, could allow for a significantly different average increase);
- A 3.3% decrease due to the unwinding of the 2024/25 RFI adjustment (as a result of the under-recovery of revenues in 2022/23); and
- Updated information on forecast developer income and charge multipliers in relation to changes in anticipated customer numbers, and associated consumption.

3. CHANGES TO SPECIFIC CHARGES

Set out below are our current plans for changes to the charging structure for 2025/26. In the interests of transparency, whilst this statement is primarily to enable prior notification to non-household retailers of significant changes, notification of significant changes to other customers (e.g. households, developers, NAVs[1] etc.) is also provided in this statement.

Metered consumption bands

In November 2023 the Retailer Wholesale Group consulted on proposals for companies to simplify and harmonise their metered consumption bands for non-household customers. As the recommendations of this consultation have not yet been published we have not made any changes to the structure of charges in this Indicative Charges Publication. It is possible that we may make changes to align with RWG guidance in time for the publication of Final charges, but do not anticipate any material impact on customer bills as a result as we would expect that any resultant changes would be implemented over a transitional period commencing in 2025/26.

New assessed charges

Although almost all of our unmeasured non-household customers are billed based on rateable value we have taken the opportunity to review our assessed charges and consider it appropriate to introduce 2 new charges (25mm and 40mm – to add to the existing 15mm and 20mm charges) for both water and sewerage.

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[1] New Appointments and Variations

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<u>Gap site and vacancy incentive schemes</u>

As previously notified to Retailers, we will be closing these 2 incentive schemes by March 2025.

4. BILL INCREASES OF MORE THAN 5% FROM THE PREVIOUS YEAR

Almost all non-household customers are expected to experience bill increases in excess of 5% compared to the previous year (assuming constant characteristics such as consumption). Non-household wholesale tariffs are set to increase by 8.8% (Water 8.0% and Wastewater 9.5%) for 2025/26.

Whilst charge increases are therefore set to exceed 5% for all customers in nominal terms we consider the proposed increases to be acceptable for the following reasons:

- We have sought to mitigate the impact on specific customer groups where possible by limiting the differential increases in charges across our tariff structure. However, changes in the balance of price controls arising from the PR24 draft determination will have an impact on the balance of charges for 2025/26, and

- We have considered whether we should look to defer revenue recovery into 2026/27. However, this does not appear feasible given that we already expect 2026/27 bills to be increasing significantly due to the timing of AMP8 investment requirements.

We therefore consider that no further handling strategies are feasible at this time.

The assurance statement for the indicative wholesale charges demonstrates the expected bill increases on representative occupiers of eligible premises.

5. EXPECTED BILL INCREASES AND HANDLING STRATEGIES IN RELATION TO HOUSEHOLD CHARGES

Although household charges are not in the scope of this publication, consideration has already been given as to the adequacy of proposed handling strategies because increases in household tariffs are expected to be higher than those for non-household customers. The company has committed in its Business Plan to provide £525 million of affordability support over the next five years, helping one in six customers who may be struggling to pay their bill. The proposed increases in affordability support, in addition to the handling strategies noted above in relation to wholesale charges, are considered to be appropriate from a household charges perspective.

11 October 2024