



Wessex Water Services Limited

Notification of expected changes to 2018-19 wholesale charges

Introduction

This statement sets out expected changes to Wessex Water's wholesale charges for 2018-19.

Ofwat's Wholesale Charging Rules published in November 2016 requires undertakers to publish information that informs stakeholders of the scope of any significant proposed changes to its charges six months before publishing its wholesale charges.

For the purposes of this document we provide information on wholesale charges defined by Ofwat in its Wholesale Charging Rules.

The content of this document (and the indicative access charges that will be set in October) are subject to the review and approval of the Wessex Water Services Board, which will approve wholesale charges for 2018-19 in advance of the new charging year commencing 1 April 2018.

We provide details of changes to wholesale charges in the following sections.

Primary charges

No major changes or any new tariffs are expected that will alter the charging structures for primary charges or create major incidence effects.

Impact of higher inflation on primary charges

In this period of higher than average inflation it is important that primary charges remain affordable. Given the Office for Budget Responsibility's April 2017 RPI inflation forecast for Q4 2017 of 4.1%, we will monitor inflation closely in the run-up to setting wholesale charges for 2018-19. Assuming no additional major spikes in inflation above the OBR forecast level, we aim to ensure all customer bills are below the 5% threshold of incidence stated in Ofwat's charging rules.

Non-primary charges

We do not envisage any significant changes to our non-primary charges at this time, subject to minor review later in the year.