

## Statement of Significant Changes in relation to the Anglian Water Services Indicative Wholesale Charges 2023/24

Our tariff structure for 2023/24 is unchanged from our 2022/23 scheme.

Charges seek to recover, at 2023/24 prices, the revenue allowed to us by the Regulator, Ofwat.

The calculation of allowed revenue for 2023/24 has three elements:

1. the wholesale revenue per control based on the “k” factors per service area set out in the CMA Redetermination published on 17 March 2021;
2. a forecast of CPIH for November 2023; and
3. the results of those mechanisms set out in the PR19 Rulebook that adjust those allowed revenues for performance in prior years.

### Published “K” Factors

The K factors set out a percentage increase to the prior year allowed revenues on a consistent price base. For the 2023/24 charging year the CMA published K factors are as set out in the table below:

Price Control	K Factor
<b>Water Resources</b>	2.28%
<b>Water Network Plus</b>	4.88%*
<b>Wastewater Network Plus</b>	6.00%
<b>Bioresources</b>	4.17%**

\*Adjusted for the change in scope to the Elsham DPC

\*\*Bioresources = deduced K re 21/22 outturn and adjusted usage (fixed vs variable costs)

Some of the increase to next year’s bills is to support investment that allows us to meet the challenges from a rapidly changing climate and a growing population. Water is also increasingly scarce, with a need to leave more water in the environment, and which increases the costs of finding, treating and supplying it to customers. We referred the original Final Determination to the CMA in order to support our long term environmental and social responsibilities. We had hoped that a revised determination would be published in time to be reflected across four years of the AMP from the 2021/22 charging year, however this was not possible. As a consequence, the revised determination has been reflected into the final three years of the AMP, starting with the charging year 2022/23, thereby compressing the uplift in revenues into that time period.

### CPIH

Alongside other industries we are experiencing significant upward cost pressures and it is important that we can recover these costs in order to maintain delivery of our service obligations to our customers.

It is predicted that this year inflation will be higher than in recent years. We have based November CPIH on the latest consensus forecast as of 15 September, using a figure of 8.7%.

### PR19 Rulebook

Application of the PR19 Rulebook mechanisms results in three types of adjustment: the first for under or over recovery of allowed wholesale revenue in the 2021/22 charging year under the RFI mechanism; the second for under or over performance of the outcome performance commitments set out in the Final Determination at PR19; and the third for the under or over recovery of allowed revenue in the final year of AMP6. For the 2023/24 charging year the resulting adjustments (in 2023/24 prices, £m) per revenue control are set out in the following table:

<b>Price Control</b>	<b>RFI Adjustment 2021/22</b>	<b>Outcome Performance 2021/22</b>	<b>AMP6 Blind Year Adjustment</b>
<b>Water Resources</b>	0.0	0.3	0.0
<b>Water Network Plus</b>	(10.7)	(7.3)	(0.2)
<b>Wastewater Network Plus</b>	3.5	(7.7)	(7.3)
<b>Bioresources</b>	0.2	0.0	0.0

The RFI adjustments reflect under/over recovery in allowed wholesale revenues on a "single till" basis across main charges and revenue from developers (called Grants & Contributions). The 2021/22 over recovery on wholesale water revenue reflects higher non-household peak usage and Grants & Contributions revenue than forecast; the under-recovery on wastewater revenue reflects lower recovery of Grants & Contributions revenue and lower non-household demand and trade effluent strengths than forecast.

The outcome performance penalties reflect the net position of under/over performance for the outcome performance commitments, as set out in tables 3A and 3B of our Annual Performance Report 2021/22.

### Bill incidence effects

As a consequence of the calculation of allowed revenue, and our current forecast of customer numbers and demand, we expect all customer classes to experience bill increases that exceed five per cent, based on a constant level of usage.

Wholesale charges settled in the non-household retail market will therefore increase.

We will actively seek to engage and support Retailers to help them manage these bill impacts. We have ongoing account management meetings with all retailers on a one-to-one basis and will provide assistance for them to understand how bill incidence effects for the charging year will impact across different service combinations by tariff.

We have adjusted the default foul water return to sewer allowance from 90% of the measured volume of water supplied to 95% of the volume. This is in line with the best practice as recommended by the Retail Wholesale Group sponsored by MOSL. The change has no net impact on the charges that would otherwise be recovered as it simply reduces the unit rate per m<sup>3</sup> at the same time as increasing the number of m<sup>3</sup> upon which the charge is levied.

Typical bill incidence effects are as set out in the tables below:

Table 1 - Non Household Wholesale Incidence Effects

Line description	WATER			SEWERAGE			TOTAL WITH SWD		
	2022/23	2023/24	% Change	2022/23	2023/24	% Change	2022/23	2023/24	% Change
<b>ANGLIAN - WHOLESALE</b>									
<b>Measured - streamline green</b>									
75 m3 pa	£116	£131	13.1%	£180	£198	10.0%	£296	£329	11.2%
100 m3 pa	£152	£173	13.3%	£218	£240	10.2%	£370	£413	11.5%
250 m3 pa	£370	£421	13.8%	£447	£495	10.7%	£817	£916	12.1%
350 m3 pa	£515	£587	13.9%	£600	£665	10.9%	£1,115	£1,252	12.3%
<b>Measured - streamline orange</b>									
500 m3 pa	£733	£835	14.0%	£847	£939	10.9%	£1,580	£1,774	12.3%
1,000 m3 pa	£1,404	£1,604	14.2%	£1,589	£1,765	11.1%	£2,993	£3,369	12.6%
1,500 m3 pa	£2,075	£2,372	14.3%	£2,332	£2,592	11.2%	£4,407	£4,964	12.6%
2,500 m3 pa	£3,417	£3,909	14.4%	£3,817	£4,245	11.2%	£7,234	£8,153	12.7%
<b>Measured - streamline blue</b>									
5,000 m3 pa	£6,772	£7,751	14.4%	£7,613	£8,467	11.2%	£14,385	£16,218	12.7%
6,500 m3 pa	£8,678	£9,933	14.5%	£9,778	£10,873	11.2%	£18,456	£20,806	12.7%
7,500 m3 pa	£9,949	£11,388	14.5%	£11,222	£12,477	11.2%	£21,171	£23,865	12.7%
10,000 m3 pa	£13,125	£15,026	14.5%	£14,831	£16,486	11.2%	£27,956	£31,512	12.7%
<b>Measured - profile</b>									
<b>3.00 peak to average ratio</b>									
10,000 m3 pa	£15,986	£17,302	8.2%						
12,500 m3 pa	£19,870	£21,505	8.2%						
15,000 m3 pa	£23,754	£25,708	8.2%						
20,000 m3 pa	£31,522	£34,114	8.2%						
<b>Measured - profile plus</b>									
<b>2.00 peak to average ratio</b>									
25,000 m3 pa	£34,109	£37,321	9.4%	£37,695	£41,841	11.0%	£71,804	£79,162	10.2%
75,000 m3 pa	£100,473	£109,960	9.4%	£107,702	£120,107	11.5%	£208,175	£230,067	10.5%
150,000 m3 pa	£200,020	£218,918	9.4%	£212,712	£237,505	11.7%	£412,731	£456,424	10.6%
250,000 m3 pa	£332,748	£364,196	9.5%	£352,725	£394,037	11.7%	£685,473	£758,233	10.6%
<b>Measured - profile interruptible</b>									
<b>1.90 peak to average ratio</b>									
75,000 m3 pa	£96,017	£105,577	10.0%						
150,000 m3 pa	£187,891	£206,903	10.1%						
250,000 m3 pa	£310,391	£342,004	10.2%						
500,000 m3 pa	£616,640	£679,756	10.2%						
<b>Unmeasured</b>									
£100 rv	£263	£306	16.2%	£295	£333	13.2%	£558	£639	14.6%
£180 rv	£276	£321	16.2%	£307	£347	13.1%	£583	£668	14.5%
£250 rv	£287	£333	16.2%	£318	£360	13.0%	£605	£693	14.5%
£300 rv	£295	£342	16.2%	£326	£369	12.9%	£621	£711	14.5%

Sewerage services based on 95% return to sewer

<b>HARTLEPOOL - WHOLESALE</b>									
<b>Measured - streamline</b>									
75 m3 pa	£83	£89	8.0%						
100 m3 pa	£108	£117	8.2%						
500 m3 pa	£509	£555	8.9%						
25,000 m3 pa	£25,112	£27,402	9.1%						
<b>Measured - profile plus</b>									
<b>1.4 peak to average ratio</b>									
100,000 m3 pa	£66,871	£73,368	9.7%						
250,000 m3 pa	£162,528	£178,267	9.7%						
500,000 m3 pa	£321,957	£353,098	9.7%						
1,000,000 m3 pa	£640,814	£702,761	9.7%						

Table 2 - Non Household Wholesale Trade Effluent Incidence Effects

Line description	TRADE EFFLUENT		TRADE EFFLUENT - MOGDEN		TRADE EFFLUENT - FIXED		TRADE EFFLUENT - TOTAL		SEWERAGE		SEWERAGE		TOTAL WASTEWATER		
	Volume m3	COD mg/l	SS mg/l	2022/23	2023/24	% Change	2022/23	2023/24	% Change	2022/23	2023/24	% Change	2022/23	2023/24	% Change
<b>ANGLIAN - WHOLESALE</b>															
<b>Measured - streamline green</b>															
Customer 1	75	1,000	250	£137	£152	10.7%	£10	£12	20.0%	£147	£164	11.4%	£775	£860	11.0%
Customer 2	125	725	200	£195	£215	10.8%	£10	£12	20.0%	£205	£227	11.2%	£672	£745	10.9%
Customer 3	225	500	400	£337	£373	10.5%	£10	£12	20.0%	£347	£385	10.8%	£815	£902	10.8%
Customer 4	300	600	200	£435	£481	10.7%	£10	£12	20.0%	£445	£493	10.9%	£1,314	£1,458	11.0%
<b>Measured - streamline orange</b>															
Customer 1	750	500	250	£1,016	£1,128	11.0%	£20	£25	25.0%	£1,036	£1,153	11.2%	£1,531	£1,700	11.0%
Customer 2	1,800	700	200	£2,674	£2,968	11.0%	£20	£25	25.0%	£2,694	£2,993	11.1%	£3,579	£3,975	11.1%
Customer 3	2,500	1,000	500	£4,821	£5,341	10.8%	£20	£25	25.0%	£4,841	£5,366	10.9%	£5,726	£6,348	10.9%
Customer 4	3,750	500	200	£4,958	£5,505	11.0%	£20	£25	25.0%	£4,978	£5,530	11.1%	£5,630	£6,251	11.0%
<b>Measured - streamline blue</b>															
Customer 1	7,500	350	150	£8,539	£9,477	11.0%	£75	£75	0.0%	£8,614	£9,552	10.9%	£13,567	£15,066	11.0%
Customer 2	10,000	500	100	£12,236	£13,585	11.0%	£75	£75	0.0%	£12,311	£13,660	11.0%	£15,746	£17,486	11.1%
Customer 3	15,000	750	200	£22,265	£24,694	10.9%	£75	£75	0.0%	£22,340	£24,769	10.9%	£25,774	£28,594	10.9%
Customer 4	25,000	900	200	£40,046	£44,412	10.9%	£75	£75	0.0%	£40,121	£44,487	10.9%	£48,114	£53,376	10.9%
<b>Measured - profile plus</b>															
Customer 1	35,000	1,000	250	£54,342	£60,949	12.2%	£125	£150	20.0%	£54,467	£61,099	12.2%	£64,528	£72,046	11.7%
Customer 2	50,000	1,500	350	£97,745	£109,549	12.1%	£125	£150	20.0%	£97,870	£109,699	12.1%	£109,405	£122,294	11.8%
Customer 3	150,000	1,250	300	£263,064	£294,930	12.1%	£125	£150	20.0%	£263,189	£295,080	12.1%	£274,724	£307,674	12.0%
Customer 4	400,000	1,000	200	£609,546	£683,663	12.2%	£125	£150	20.0%	£609,671	£683,813	12.2%	£627,101	£702,998	12.1%