

Retail Exit Code

Issued by the Water Services Regulation Authority pursuant to Regulation 30 of The Water and Sewerage Undertakers (Exit from Non-household Retail Market) Regulations 2016

Effective on 1 April ~~2022~~2023

Change History

Version Number	Date of Issue	Reason For Change	Sections Affected
V2.0	26/01/2018	Modifications to the Retail Exit Code - a consultation	1.1 "Permitted Adjustment" (1) & (2) 3.1.1 (a) & (b) 3.1.2 3.2.3 (b) & (c) 4.2.3 (b) & (c) 5.2.3 (b) & (c) 6.1.2 6.1.4
V3.0	11/12/2018 (Consultation version - not implemented)	Draft consultation version review in line with end of first period of price limits	All
V4.0	04/07/2019	Review in line with end of first period of price limits	All
V5.0	19/12/2019	<p>Revise allowed retail cost per customer to reflect actual inflation (CPIH) figures for October 2019.</p> <p>Address two typographical errors in v4.0:</p> <ul style="list-style-type: none"> SVT: Wastewater 0-0.5 MI measured or assessed; water <u>wastewater</u> unmeasured Water charges are described separately, so this row is for wastewater charges only. TMS: Wastewater 0-0.5 MI measured <u>or assessed</u> (trade effluent) Assessed customers should be treated like equivalently measured customers, as per our final decision. 	Table 1
V6.0	10/03/2022	Implementation of adjustment to price protections for Customer	Table 1

		Group One and Customer Group Two.	Table 2
V7.0	08/02/2023	Implementation of the REC22 decision: Business retail market: 2021-22 review of the Retail Exit Code – Decision	1.1 "Unique service" (1) & (2) Annex A1 Annex A2

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1. Definitions and interpretation

1.1 Defined terms

In this document the following capitalised terms shall have the following meaning:

Definitions	
Term	Definition
“1991 Act”	the Water Industry Act 1991
“2014 Act”	the Water Act 2014
“Acquiring Licensee”	a Licensee which has a duty pursuant to the Exit Regulations to continue the supply of water or provision of sewerage services to any Transferred Customer on and after the Exit Date.
“Appointment”	the instrument of appointment granted to an a relevant undertaker under the 1991 Act
“Area”	any area for which an Appointment is held
“Business Day”	the period of 08:00 to 18:00 hours on any day other than a Saturday or Sunday, or Christmas Day, Good Friday or any day which is a bank holiday in England and Wales under the Banking and Financial Dealings Act 1971
“Business Retail Activities”	the supply of water, the provision of sewerage services or the carrying out of trade effluent functions in relation to premises other than household premises
“Cancellation Request”	as defined in the Wholesale-Retail Code
“Charges Scheme”	a charges scheme produced by a relevant undertaker pursuant to s143 of the 1991 Act
“Charging Year”	a calendar year running from 1 April in a given year to 31 March in the following year
“Customer”	Eligible Exit Area Customer

Definitions	
Term	Definition
“Customer Group One”	Eligible Premises to which a Licensee supplies less than 0.5 megalitres of water or wastewater services a year, or is assessed to be so supplied, or for which the consumption is unmeasured, and excluding premises where a customer freely chooses to pay different charges from those that they would otherwise be liable for on a Scheme of Terms and Conditions
“Customer Group Two”	Eligible Premises to which a Licensee supplies at least 0.5 megalitres of water or wastewater services a year but below 50 megalitres, or is assessed to be so supplied, and excluding premises where a customer freely chooses to pay different charges from those that they would otherwise be liable for on a Scheme of Terms and Conditions
“Customer Group Three”	Eligible Premises to which a Licensee supplies at least 50 megalitres of water or wastewater services a year, or is assessed to be so supplied, and excluding premises where a customer freely chooses to pay different charges from those that they would otherwise be liable for on a Scheme of Terms and Conditions
“Customer Numbers”	the average number of individual Eligible Premises supplied or served by the Licensee in a Charging Year excluding premises where a customer freely chooses to pay different charges from those that they would otherwise be liable for on a Scheme of Terms and Conditions
“Customer Type”	a class of customers (a) described in Annex 1 Table 1 by reference to the type of charge fixed by or in accordance with a charges scheme under section 143 of the 1991 Act; or (b) described in Annex 1 Table 1 by reference to the volume of water (in megalitres (“MI”)) supplied to their premises by a water undertaker and the

Definitions	
Term	Definition
	service provided (either the supply of water or of sewerage services)
“Eligible Exit Area Customer”	the owner or occupier of Eligible Premises in an Exit Area
“Eligible Water Supply Licensee”	as defined in the Exit Regulations
“Eligible Licensee”	an Eligible Water Supply Licensee or an Eligible Sewerage Licensee
“Eligible Premises”	as defined in Wholesale-Retail Code
“Eligible Sewerage Licensee”	as defined in the Exit Regulations
“Exit Area”	the area of appointment of an Undertaker that has exited the retail market in accordance with the Exit Regulations;
“Exit Date”	as defined in the Exit Regulations
“Exit Regulations”	means The Water and Sewerage Undertakers (Exit from Non-Household Retail Market) Regulations 2016
“Go Live Date”	1 April 2017
“Law”	as defined in the Wholesale-Retail Code
“Licence”	a water supply licence or a sewerage licence
“Licensee”	the holder of a Licence
"Market Operator"	as defined in the Wholesale-Retail Code
“Permitted Adjustment”	for each Customer who has not freely chosen to pay different charges to those that they would otherwise be liable for, the Permitted Adjustment is as specified in Annex 1
“Scheme of Terms and Conditions”	the scheme or schemes made by Licensees pursuant to Regulation 29 of the Exit Regulations
“Transferred Customer”	the owner or occupier of Eligible Premises which were transferred to the Acquiring Licensee on the Exit Date

Definitions	
Term	Definition
<u>"Unique service"</u>	<u>A service provided to a customer as follows:</u> <u>1) a water service;</u> <u>2) a wastewater service without a trade-effluent service;</u> <u>3) a wastewater and trade-effluent service; or</u> <u>4) a trade effluent service without a wastewater service.</u>
"Wholesale Charge"	as defined in the Wholesale-Retail Code
"Wholesale - Retail Code"	the code issued by the Authority under sections 66DA and 117F of the 1991 Act

1.2 Interpretation

1.2.1 In this Retail Exit Code:

- (a) References to 'this code' are to this Retail Exit Code;
- (b) References to 'Sections' are to sections of this Retail Exit Code unless otherwise expressly stated;
- (c) References to Licensees will refer to all Licensees, unless otherwise specified.
- (d) Words imparting a gender include every gender and references to the singular include the plural and vice versa;
- (e) Words denoting persons include individuals and bodies corporate, partnerships, unincorporated associations and other bodies (in each case, wherever resident and for whatever purpose) and vice versa;
- (f) Save as otherwise expressly provided references to time are to local time;

- (g) References to 'writing' or 'written' shall include email;
- (h) References to 'day' and 'calendar day' mean the same as one another;
- (i) References to the Retail Exit Code or any other document are to this Retail Exit Code or that document as in force for the time being and as amended, supplemented, varied, modified, renewed, replaced or extended from time to time in accordance with the requirements of this Retail Exit Code or that document (as the case may be);
- (j) A reference to any body is:
 - (i) if that body (statutory or otherwise) is replaced by another organisation, deemed to refer to that replacement organisation; and
 - (ii) if that body (statutory or otherwise) ceases to exist, deemed to refer to that organisation which most substantially serves the same purposes as the original body;
- (k) A reference to a statute or statutory provision shall, unless otherwise stated, be construed as including:
 - (i) a reference to any orders, regulations and subordinate legislation (as defined by section 21(1) of the Interpretation Act 1978) made from time to time under the statute or statutory provision whether before or after the effective date; and
 - (ii) a reference to that statute, statutory provision or subordinate legislation as in force at the effective date and as from time to time modified or consolidated, superseded, re-enacted or replaced (whether with or without modification) after the effective date;
- (l) References to a person shall, except where the context requires otherwise, include its successors in title and permitted assignees;

- (m) A reference to a particular condition of a Licence shall be construed at any particular time as including a reference to any modification of that condition in force at that time; and
- (n) Any words or expressions used in the Water Industry Act 1991 or the Water Act 2014 shall, unless the contrary intention appears, have the same meaning when used in the Retail Exit Code.
- (o) The headings and contents table in the Retail Exit Code are for convenience only and do not affect its interpretation.
- (p) In the Retail Exit Code, the words 'other', 'includes', 'including' and 'for example' do not limit the generality of any preceding words, and any words which follow them shall not be construed as being limited in scope to the same class as the preceding words where a wider construction is possible.
- (q) In the Retail Exit Code, the words 'for the time being' mean at the relevant time now or in the future unless the context requires otherwise.
- (r) If there is any conflict between any of the following, the order of precedence shall be:
 - (i) any Law other than any Appointment, any Licence, the Market Arrangements Code, the Wholesale Retail Code, the Interim Supply Code, the Retail Exit Code and the Customer Protection Code of Practice;
 - (ii) any Appointment or Licence;
 - (iii) the Market Arrangements Code;
 - (iv) the Wholesale-Retail Code;
 - (v) the Interim Supply Code and the Retail Exit Code;
 - (vi) the Customer Protection Code of Practice.

2. Introduction

2.1 Purpose of this code

- 2.1.1 This document is the code issued by the Authority pursuant to Regulation 30 of the Exit Regulations.
- 2.1.2 This code should be read in conjunction with the relevant provisions of the 1991 Act, the 2014 Act and the Exit Regulations.

2.2 Scope of this code

- 2.2.1 This code makes provision about the following:
- (i) the principles to be applied by Licensees in developing Schemes of Terms and Conditions; and
 - (ii) the obligations placed on a Licensee to inform Customers of its applicable Scheme of Terms and Conditions.
- 2.2.2 All Licensees who are providing or proposing to provide services to Customers shall ensure that they make and from time to time revise Schemes of Terms and Conditions for the Exit Areas in which they are providing or proposing to provide services which comply with the principles set out in Section 3. A Scheme of Terms and Conditions which is produced to comply with Section 3 shall apply to the supply of water and/or provision of sewerage services to Customers in the absence of agreed terms. This may include circumstances where the Customer is a Transferred Customer, and the Licensee has received a direction from the WSRA to supply that Customer pursuant to the Exit Regulations or where agreed terms with that Customer have terminated or expired without new terms being agreed and the Licensee has continued the supply of water and/or provision of sewerage services.
- 2.2.3 Any Scheme of Terms and Conditions should be published on the Licensee's website in accordance with regulation 29(3)(a) of the Exit Regulations and provided to the Authority by email to

retailexitcode@ofwat.gov.uk, in accordance with regulation 29(3)(b) of the Exit Regulations.

2.2.4 This code has effect from 1 April ~~2020~~ 2023. Its requirements do not apply before this date.

3. Provisions about Schemes of Terms and Conditions

3.1 Price requirements

3.1.1 Subject to section 3.1.2, the price terms included within a Scheme of Terms and Conditions for Customers in the absence of otherwise agreed terms, must ensure that the charges payable by Customers do not exceed the charges as set out in the following sub-sections.

- (a) for Customer Group One;
 - (i) initially, the charges as specified in Annex 1; and
 - (ii) thereafter, those initial charges as adjusted on 1 April in each subsequent year by the Permitted Adjustment, if applicable;¹
- (b) for Customer Group Two, the charges as set out in Annex 2; and
- (c) for Customer Group Three, the charges as set out in Annex 3.

3.1.2 The price terms may allow higher charges to be paid by a Customer where the Customer freely chooses to pay different charges to those that they would otherwise be liable for.

3.2 Non Price requirements

3.2.1 In making the non-price terms to be included in a Scheme of Terms and Conditions for Customers, the Licensee must comply with the following principles:

3.2.2 The Scheme of Terms and Conditions must be consistent with the Licensee's obligations under its Licence and applicable law.

¹ To be clear, the Permitted Adjustments are cumulative. In other words, in year 3 the maximum charge should be the maximum charge that would have been paid by a customer on 1 April ~~2020~~2023 in the relevant Exit Area plus the Permitted Adjustment on first subsequent 1 April plus the Permitted Adjustment on the second subsequent 1 April.

- 3.2.3 A supply to be made or the services to be provided pursuant to a Scheme of Terms and Conditions may be discontinued only if:
- (a) The Licensee would be entitled to make a request pursuant to section 61(1ZB) of the 1991 Act; or
 - (b) the Customer has consented to or has requested the discontinuance; or
 - (c) the Licensee sells or otherwise transfers ownership of all or part of its business to another Licensee who offers a supply to the Customer on an equivalent Scheme of Terms and Conditions.
- 3.2.4 Other than the right of an Licensee to submit a Cancellation Request to the Market Operator under the Wholesale-Retail Code, nothing in the Scheme of Terms and Conditions shall prevent or restrict the Customer's right or ability to transfer the supply of its retail service to another Licensee or to other terms and conditions offered by the Licensee at any time. In particular, there shall be no charge or fee payable by the Customer upon termination of the Scheme of Terms and Conditions.
- 3.2.5 Where a Customer relocates within the same Area the Licensee should continue to offer the same Scheme of Terms and Conditions.
- 3.2.6 A Scheme of Terms and Conditions must not include non-price terms which cumulatively in complying with them would cause Transferred Customers to be materially worse off, whether financially or operationally, than they were immediately before the Exit Date.
- 3.2.7 In assessing whether their non-price terms comply with paragraph 3.2.6 Retailers may use reasonable assumptions in relation to the categories of Customer affected. Any such assessment must take into account the impact on Transferred Customers over a reasonable period of no less than one year.
- 3.2.8 Where a Retailer has made changes to a Scheme of Terms and Conditions during the period after the Go Live Date and before 1 April 2020, it must assess those changes against paragraph 3.2.6 above, and if necessary, make further changes to the Scheme of Terms and Conditions to bring it into compliance by 1 April 2020.

4. Provision of information to Customers

- 4.1.1 As soon as possible and not later than two months of the date from which the Licensee commences supply to the Customer under the applicable Scheme of Terms and Conditions, the Licensee shall write to the Customer providing the following information:
- (a) a copy of the applicable Scheme of Terms and Conditions;
 - (b) the date from which the Licensee commenced the provision of supplies to the Customer;
 - (c) that the Customer has the right to switch to another provider of water and/or sewerage services at any time; and
 - (d) that alternative terms and conditions from the applicable Scheme of Terms and Conditions may be available and how information about such alternative terms and conditions may be obtained.
- 4.1.2 As soon as possible but at least two months before the date on which the Licensee discontinues supply pursuant to section 3.2.3 (c) under the applicable Scheme of Terms and Conditions, the Licensee shall write to its Customers providing the following information:
- (a) the name and contact details of the new Licensee to which it is selling or otherwise transferring ownership to of all or part of its business
 - (b) the date on which supply will be discontinued and supply from the new Licensee will commence, if the Customer does not elect to switch to another provider of water and/or sewerage services;
 - (c) a copy of the applicable Scheme of Terms and Conditions and confirmation that the new Licensee will supply on an equivalent Scheme of Terms and Conditions;
 - (d) that the Customer has the right to switch to another provider of water and/or sewerage services at any time; and

- (e) that alternative terms and conditions from the applicable Scheme of Terms and Conditions may be available from the new Licensee and how information about such alternative terms and conditions may be obtained.
- 4.1.3 If a Transferred Customer requests a copy of alternative terms and conditions that the Acquiring Licensee or Licensee has available, the Acquiring Licensee or Licensee shall provide these within 10 Business Days after receiving the request.
- 4.1.4 If a Customer requests a copy of alternative terms and conditions that the Licensee has available, the Licensee (or new Licensee) shall provide these within 10 business days after receiving the request.

A1 Allowed charges for Customer Group One

The maximum charge in each year is set for **each** customer separately and is based on the wholesale charge which applies to that customer, an allowed cost to serve which applies to the service being taken, a common allowed net margin and common allowance for customer bad debt costs, and for measured water services, an allowed meter read cost component. For the avoidance of doubt, the limit on charges is **not** applied as an average across customers, nor does it apply just to average revenues. It is a limit on the charge to each customer for each unique service.

To allow for a transition to a single England wide allowance for allowed cost to serve from 2024-25, the approach in the 2023-24 charging years differs to the approach from 2024-25 charging years onwards.

We first set out how to derive the maximum charge in 2023-24 prices and then explain how to apply the adjustment for inflation.

Maximum charge per customer per unique service – 2023-24 prices

For charging year 2023-24

For the charging year 2023-24, in relation to Customer Group One, the Licensee's charges in respect of each unique service provided to each Customer in each Charging Year in respect of its Business Retail Activities shall not exceed C_{ti} calculated in accordance with the following formula:

$$C_{ti} = \frac{[acts_{ti} + mc + w_{ti}] \div (1 - nm_{ti} - b)}$$

where:

$acts_{ti}$ = is the allowed cost to serve, specified in Table 1, for the Wholesaler area and customer type (i) and charging year (t) corresponding to the maximum charge as set out in Table 1.

mc = £9.74 for water metered services, and zero for all other unique services;

w_{ti} = the wholesale charge, for the Wholesaler area and customer type (i) and charging year t for which the maximum charge is being calculated; and

nm = 2.49%, the allowed retail net margin (expressed as a percentage)².

b = 2.45%, the allowed customer bad debt cost allowance (expressed as a percentage).

In addition, Retailers must use best endeavours to set charges for customers in 2023-24 to ensure that, in respect of customers taking more than one unique service in 2023-24, the change in the sum of the relevant retail components does not increase by more than £60, compared to the sum of the allowed retail elements for an equivalent customer in 2022-23; that is, $ACRA_j$ should not exceed £60, where:

$$\underline{ACRA_j} = \underline{(TRA_{2023-24} - TRA_{2022-23})}$$

$TRA_{2022-23}$ = Total Retail Allowance that would be allowed for a customer taking one or more services in 2022-23, as permitted under the Retail Exit Code in force to 31st March 2023, defined as follows:

$$\underline{\equiv \sum_{i=1}^n \frac{rc_{i,2022-23} + w_{i,2022-23}}{1 - m_{i,2022-23}} - w_{i,2022-23}}$$

where:

$rc_{i, 2022-23}$ = the allowed average retail cost component for a given customer of type i (in pounds) as set out in Table 1 of the Retail Exit Code in force to 31st March 2023

$w_{i, 2022-23}$ = the wholesale charges for a given Customer of type i.

² The 2023-24 allowed retail Net Margin includes the 0.49% uplift from Ofwat's Covid-19 bad debt provision, see: Business retail market: Customer bad debt - Decision on adjustment to REC price caps from April 2022

$m_{i, 2022-23}$ = the allowed net margin for a given Customer of type i (expressed as a percentage) as set out in Table 1 of the Retail Exit Code in force to 31st March 2023

$n_{2022-23}$ = the number of services the Customer takes from the Retailer in 2022-23

$TRA_{2023-24}$ = Total Retail Allowance that that would be allowed for a customer taking one or more unique services in 2023-24, as provided for under the definition of C_{ij} above, defined as follows:

$$= \sum_{i=1}^n \frac{acts_{2023-24} + mc_{2023-24} + w_{2023-24}}{1 - nm_{2023-24} - b_{2023-24}} - w_{2023-24}$$

where:

$acts_{2023-24}$ = is the allowed cost to serve, specified in Table 1, for the Wholesaler area and customer type (i) and charging year 2023-24 corresponding to the maximum charge as set out in Table 1 below.

$mc_{2023-24}$ = £9.74 for water metered services, and zero for all other unique services;

$w_{i, 2023-24}$ = the wholesale charge for 2023-24, for the Wholesaler area and customer type (i) for which the maximum charge is being calculated; and

$nm_{2023-24}$ = 2.49% the allowed retail net margin (expressed as a percentage)

$b_{2023-24}$ = 2.45%, the allowed customer bad debt cost allowance (expressed as a percentage).

$n_{2023-24}$ = the number of unique services the Customer takes from the Retailer in 2023-24

For charging years 2024-25 and subsequent charging years

For the charging year 2024-25 and subsequent charging years, in relation to Customer Group One, the Licensee's charges in respect of each unique service provided to each Customer in each Charging Year in respect of its Business Retail Activities shall not exceed C_{ti} calculated in accordance with the following formula:

$$C_{ti} = [(acts_t + mc_t + w_{ti}) \div (1 - nm - b)]$$

where:

acts_t = £49.98 (in 2023-24 prices adjusted for inflation as explained below)

mc_t = £9.74 (in 2023-24 prices adjusted for inflation as explained below) if the unique service for which the maximum charge is being calculated is a water metered service, zero otherwise

w_{ti} = the wholesale charge, for the Wholesaler area and customer type (i), for the corresponding charging year for which the maximum charge is being calculated ; and

nm = 2%, the allowed net margin (expressed as a percentage).

b = 2.45%, the allowed customer bad debt cost allowance (expressed as a percentage).

Permitted Adjustments allowed for Customer Group One

In Charging Years 2024-25 and subsequent charging years, the licensee's charges in respect of each unique service provided to each Customer in Customer Group One are permitted to be adjusted for inflation. The adjustment is applicable from the start of each Charging Year and based on the CPIH inflation rate as measured in October of the Charging Year prior to the charging year to which the charges will apply. Specifically the adjustment is permitted to apply to the allowed cost to serve component acts, and

the allowed meter read cost component mc_t , as defined by the formulae for the relevant charging years:

$$acts_t = £49.98 \times inf_t$$

$$mc_t = £9.74 \times inf_t$$

where:

inf_t = inflation factor based on CPIH and is the ratio of the CPIH index from October in the charging year prior to the charge year for which the maximum charge is being calculated to the CPIH index as measured in October 2022.

This means for example that the acts to apply in the charging year 2024-25 will be the acts given for 2023-24 (ie. £49.98) multiplied by the ratio of CPIH applying in October 2023 and October 2022.

Table 1 Customer Group One, allowed cost to serve components in 2023-24 prices for charging years 2023-24 and 2024-25

<u>Wholesaler Area</u>	<u>Customer type</u>	<u>Allowed cost to serve (acts)</u>	<u>Allowed meter read cost component (mc)</u>
		<u>Charging year</u>	
		<u>2023-24</u>	
		<u>£</u>	
<u>Affinity water</u>	<u>Water 0-0.5ML measured or assessed:</u>	<u>£49.98</u>	<u>£9.74</u>
<u>Affinity water</u>	<u>Water unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>Anglian Water</u>	<u>Water 0-0.5ML measured or assessed</u>	<u>£49.98</u>	<u>£9.74</u>
<u>Anglian Water</u>	<u>Water unmeasured</u>	<u>£46.55</u>	<u>=</u>
<u>Anglian Water</u>	<u>Water unmeasured (Hartlepool)</u>	<u>£46.02</u>	<u>=</u>

<u>Wholesaler Area</u>	<u>Customer type</u>	<u>Allowed cost to serve (acts)</u>	<u>Allowed meter read cost component (mc)</u>
		<u>Charging year</u>	
		<u>2023-24</u>	
		<u>£</u>	<u>£</u>
<u>Anglian water</u>	<u>Wastewater 0-0.5Ml measured or assessed</u>	<u>£49.98</u>	<u>=</u>
<u>Anglian Water</u>	<u>Wastewater unmeasured</u>	<u>£47.16</u>	<u>=</u>
<u>Anglian Water</u>	<u>Wastewater 0-0.5Ml measured or assessed (trade effluent)</u>	<u>£108.84</u>	<u>=</u>
<u>Anglian Water</u>	<u>Wastewater unmeasured (trade effluent)</u>	<u>£48.36</u>	<u>=</u>
<u>Bristol Water</u>	<u>Water 0-0.5Ml measured or assessed</u>	<u>£49.98</u>	<u>£9.74</u>
<u>Bristol Water</u>	<u>Water unmeasured</u>	<u>£39.55</u>	<u>=</u>
<u>Northumbria n Water</u>	<u>Water 0-0.5Ml measured or assessed</u>	<u>£49.98</u>	<u>£9.74</u>
<u>Northumbria n Water</u>	<u>Water unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>Northumbria n Water</u>	<u>Wastewater 0-0.5Ml measured or assessed</u>	<u>£49.98</u>	<u>=</u>
<u>Northumbria n Water</u>	<u>Wastewater unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>Portsmouth Water</u>	<u>Water 0-0.5Ml measured or assessed</u>	<u>£45.43</u>	<u>£9.74</u>
<u>Portsmouth Water</u>	<u>Water unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>Severn Trent England</u>	<u>Water 0-0.5Ml measured or assessed;</u>	<u>£49.98</u>	<u>£9.74</u>
<u>Severn Trent England</u>	<u>Water unmeasured</u>	<u>£49.98</u>	<u>=</u>

<u>Wholesaler Area</u>	<u>Customer type</u>	<u>Allowed cost to serve (acts)</u>	<u>Allowed meter read cost component (mc)</u>
		<u>Charging year</u>	
		<u>2023-24</u>	
		<u>£</u>	<u>£</u>
<u>Severn Trent England</u>	<u>Wastewater 0-0.5Ml measured or assessed; wastewater unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>South East Water</u>	<u>Water 0-0.5Ml measured or assessed</u>	<u>£49.98</u>	<u>£9.74</u>
<u>South East Water</u>	<u>Water unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>Southern Water</u>	<u>Water 0-0.5Ml measured or assessed</u>	<u>£49.68</u>	<u>£9.74</u>
<u>Southern Water</u>	<u>Water unmeasured</u>	<u>£45.53</u>	<u>=</u>
<u>Southern Water</u>	<u>Wastewater 0-0.5Ml measured or assessed</u>	<u>£49.98</u>	<u>=</u>
<u>Southern Water</u>	<u>Wastewater unmeasured</u>	<u>£49.13</u>	<u>=</u>
<u>South Staffs and Cambridge Water</u>	<u>Water 0-0.5Ml measured or assessed;</u>	<u>£49.98</u>	<u>£9.74</u>
<u>South Staffs and Cambridge Water</u>	<u>Water unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>South West and Bournemouth Water</u>	<u>Water 0-0.5Ml measured or assessed (South West)</u>	<u>£39.89</u>	<u>£9.74</u>
<u>South West and Bournemouth Water</u>	<u>Water 0-0.5Ml measured or assessed (Bournemouth)</u>	<u>£47.17</u>	<u>£9.74</u>

<u>Wholesaler Area</u>	<u>Customer type</u>	<u>Allowed cost to serve (acts)</u>	<u>Allowed meter read cost component (mc)</u>
		<u>Charging year</u>	
		<u>2023-24</u>	
		<u>£</u>	<u>£</u>
<u>South West and Bournemouth Water</u>	<u>Water unmeasured (South West)</u>	<u>£46.58</u>	<u>=</u>
<u>South West and Bournemouth Water</u>	<u>Water unmeasured (Bournemouth)</u>	<u>£48.52</u>	<u>=</u>
<u>South West and Bournemouth Water</u>	<u>Wastewater 0-0.5Ml measured or assessed</u>	<u>£49.03</u>	<u>=</u>
<u>South West and Bournemouth Water</u>	<u>Wastewater unmeasured</u>	<u>£48.56</u>	<u>=</u>
<u>Sutton and East Surrey</u>	<u>Water 0-0.5Ml measured or assessed</u>	<u>£49.98</u>	<u>£9.74</u>
<u>Sutton and East Surrey</u>	<u>Water unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>Thames Water</u>	<u>Water 0-0.5Ml measured or assessed</u>	<u>£49.21</u>	<u>£9.74</u>
<u>Thames Water</u>	<u>Water unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>Thames Water</u>	<u>Wastewater 0-0.5Ml measured or assessed</u>	<u>£49.98</u>	<u>=</u>
<u>Thames Water</u>	<u>Wastewater unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>Thames Water</u>	<u>Wastewater 0-0.5Ml measured or assessed (trade effluent)</u>	<u>£49.98</u>	<u>=</u>

<u>Wholesaler Area</u>	<u>Customer type</u>	<u>Allowed cost to serve (acts)</u>	<u>Allowed meter read cost component (mc)</u>
		<u>Charging year</u>	
		<u>2023-24</u>	
		<u>£</u>	<u>£</u>
<u>United Utilities</u>	<u>Water 0-0.5Ml measured or assessed;</u>	<u>£49.98</u>	<u>£9.74</u>
<u>United Utilities</u>	<u>Water unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>United Utilities</u>	<u>Wastewater 0-0.5Ml measured or assessed; water unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>Wessex Water</u>	<u>Water 0-0.5Ml measured or assessed</u>	<u>£48.71</u>	<u>£9.74</u>
<u>Wessex Water</u>	<u>Water unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>Wessex Water</u>	<u>Wastewater 0-0.5Ml measured or assessed</u>	<u>£49.98</u>	<u>=</u>
<u>Wessex Water</u>	<u>Wastewater unmeasured</u>	<u>£49.17</u>	<u>=</u>
<u>Wessex Water</u>	<u>Wastewater 0-0.5Ml measured or assessed (trade effluent)</u>	<u>£49.98</u>	<u>=</u>
<u>Yorkshire Water</u>	<u>Water 0-0.5Ml measured or assessed</u>	<u>£49.98</u>	<u>£9.74</u>
<u>Yorkshire Water</u>	<u>Water unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>Yorkshire Water</u>	<u>Wastewater 0-0.5Ml measured or assessed</u>	<u>£49.98</u>	<u>=</u>
<u>Yorkshire Water</u>	<u>Wastewater unmeasured</u>	<u>£49.98</u>	<u>=</u>
<u>Yorkshire Water</u>	<u>Wastewater 0-0.5Ml measured or assessed (trade effluent)</u>	<u>£49.98</u>	<u>=</u>

In relation to Customer Group One, the Licensee's charges to each Customer in each Charging Year in respect of its Business Retail Activities shall not exceed C calculated in accordance with the following formula:

$$C = [(re + w) / (1 - m)]$$

Where:

re = the allowed average retail cost component for a given customer type (in pounds) as set out in Table 1;

w = the wholesale charges for a given Customer; and

m = the allowed net margin for a given Customer type (expressed as a percentage) as set out in Table 1.

Table 1 — Customer Group One, allowed average retail cost components and allowed net margins (2020/21)

Area	Customer type	2020/21 allowed retail cost per customer (re)	2020/21 allowed retail net margin (m)
AFW	Water 0-0.5 MI measured or assessed; water unmeasured	£49.18	3.43%
ANH	Water unmeasured	£14.42	2.03%
ANH	Water unmeasured (Hartlepool)	£13.96	2.55%
ANH	Water 0-0.5MI measured or assessed	£45.69	4.25%
ANH	Wastewater unmeasured	£14.95	1.61%
ANH	Wastewater 0-0.5MI measured or assessed	£41.97	3.75%
ANH	Wastewater unmeasured (trade effluent)	£16.00	1.66%
ANH	Wastewater 0-0.5MI measured or assessed (trade effluent)	£120.97	4.04%

BRL	Water 0-0.5MI measured or assessed	£26.60	4.15%
BRL	Water unmeasured	£8.32	4.56%
NES	Water unmeasured	£18.60	7.17%
NES	Water 0-0.5MI measured or assessed	£30.59	4.49%
NES	Wastewater unmeasured	£19.59	4.85%
NES	Wastewater 0-0.5MI measured or assessed	£32.81	3.05%
PRT	Water unmeasured	£18.22	2.68%
PRT	Water 0-0.5MI measured or assessed	£21.93	2.89%
SVT	Water 0-0.5 MI measured or assessed; water unmeasured	£49.31	4.22%
SVT	Wastewater 0-0.5 MI measured or assessed; wastewater unmeasured	£49.47	3.34%
SEW	Water unmeasured	£39.69	1.63%
SEW	Water 0-0.5MI measured or assessed	£39.69	3.22%
SRN	Water unmeasured	£13.53	2.66%
SRN	Water 0-0.5MI measured or assessed	£25.64	6.81%
SRN	Wastewater unmeasured	£16.67	2.44%
SRN	Wastewater 0-0.5MI measured or assessed	£28.03	4.11%
SSC	Water 0-0.5 MI measured or assessed; water unmeasured	£48.65	3.45%
SWT	Water unmeasured (South West)	£14.45	2.36%
SWT	Wastewater unmeasured	£16.17	2.36%

SWT	Water 0-0.5 MI measured or assessed (South West)	£17.11	3.62%
SWT	Wastewater 0-0.5MI measured or assessed	£16.58	3.23%
SWT	Water unmeasured (Bournemouth)	£16.14	2.31%
SWT	Water 0-0.5 MI measured or assessed (Bournemouth)	£23.45	3.50%
SES	Water unmeasured	£20.92	3.10%
SES	Water 0-0.5 MI measured or assessed	£32.44	3.10%
TMS	Water 0-0.5 MI measured or assessed	£25.23	3.37%
TMS	Wastewater 0-0.5 MI measured or assessed	£34.11	3.64%
TMS	Wastewater 0-0.5 MI measured or assessed (trade effluent)	£34.84	3.88%
TMS	Water unmeasured	£24.71	2.99%
TMS	Wastewater unmeasured	£33.16	2.99%
UJW	Water 0-0.5 MI measured or assessed; water unmeasured	£38.10	3.33%
UJW	Wastewater 0-0.5 MI measured or assessed; water unmeasured	£57.30	3.33%
WSX	Water unmeasured	£20.84	1.94%
WSX	Wastewater unmeasured	£16.70	2.06%
WSX	Water 0-0.5 MI measured or assessed	£24.79	3.79%
WSX	Wastewater 0-0.5 MI measured or assessed	£18.53	3.90%
WSX	Wastewater 0-0.5 MI measured or assessed (trade effluent)	£24.77	3.80%

YKY	Water unmeasured	£18.90	12.20%
YKY	Wastewater unmeasured	£19.04	7.52%
YKY	Water 0-0.5Ml measured or assessed	£28.75	4.04%
YKY	Wastewater 0-0.5 Ml measured or assessed	£31.04	3.42%
YKY	Wastewater 0-0.5 Ml measured or assessed (trade effluent)	£24.79	2.84%

Permitted Adjustments allowed for Customer Group One

In Charging Years subsequent to 2020/21 the Licensee's charges to each Customer in Customer Group One are permitted to be adjusted. The adjustment is applicable from the start of each Charging Year and based on the CPIH inflation rate as measured in October of the previous Charging Year. Specifically the adjustment is permitted to apply to rc_t , as defined by the formula

$$rc_{t+1} = rc_t \times inf_t$$

Where:

rc_{t+1} = the allowed average retail cost component for a given Customer type (in pounds) in subsequent years;

rc_t = the allowed average retail cost component for a given Customer type (in pounds) for 2020/21 as set out in Table 1;

inf_t = CPIH (expressed as an index relative to the previous year) as reported by the Office for National Statistics for October of the previous year;

A2 Allowed charges for Customer Group Two

Maximum charge per customer

In relation to Customer Group Two, the Licensee's charges to each Customer in each Charging Year in respect of its Business Retail Activities shall not exceed C_t calculated in accordance with the following formula:

$$C_t = (1 + gm) \times w_t$$

where:

gm = the allowed gross margin based on the service being taken and charging year (expressed as a percentage) and is the higher of:

- the gm for an equivalent usage Customer in FY2019-20; or
- the gm for the corresponding charging year and service as set out in Table 2.

w = the wholesale charge for the specific customer for the corresponding charging year.

Table 2 Customer Group Two allowed gross margins

<u>Service</u>	<u>Allowed gross margin (gm)</u>	
	<u>2023-24</u>	<u>2024-25 and subsequent charging years</u>
<u>Water supplies</u>	<u>8.49%</u>	<u>8.0%</u>
<u>Wastewater services</u>	<u>10.49%</u>	<u>10.0%</u>

~~In relation to Customer Group Two, the Licensee's charges to each Customer in each Charging Year in respect of its Business Retail Activities shall not exceed C calculated in accordance with the following formula:~~

$$C = (1 + gm) \times w$$

Where:

gm = the allowed gross margin for a given Customer type (expressed as a percentage) and is the higher of:

- the gm for an equivalent usage Customer in FY2019/2020; or
- the gm as set out in Table 2.

w = the wholesale charges for a given Customer type.

Table 2 — Customer Group Two and allowed gross margins

Customer group	gm%
Water supplies 0.5 Ml to 50 Ml	8.49%
Wastewater services 0.5 Ml to 50 Ml	10.49%

A3 Price protections for Customer Group Three

In relation to Customer Group Three in making the price terms for a Scheme of Terms and Conditions, a Licensee shall ensure that:

- (a) the charges payable by the Eligible Exit Area Customer are reasonable; and
- (b) there is no undue preference shown to, and that there is no undue discrimination against, any Eligible Exit Area Customer compared with the Licensee's other Customers of the same class as the Eligible Exit Area Customer.