

Information notice

13 September 2023

IN 23/09 Expectations, assurance and information requirements for water company charges for 2024–25

About this document

This document sets out how we expect water companies¹ to engage with customers and stakeholders when developing their charging policy and charges, as well as our expectations around charges assurance. It also summarises the charges information requirements on water companies.

This document should be read in conjunction with our charging rules which set out the requirements in full (see below).

This information notice is an update from [Information notice 22/03](#).

¹ By “water companies” we mean companies holding appointments as water and/or sewerage undertakers under the Water Industry Act 1991, including both incumbent water companies and new appointees (see footnote 3).

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1. Overview of our charging rules

Water companies are allowed to charge for the services they provide. We have issued charging rules that water companies must comply with when setting these charges. These are:

- [Wholesale Charging Rules](#) (first issued in November 2016 and re-issued most recently in October 2021) for the wholesale services they provide to water supply and/or sewerage services licensees;
- [Charges Scheme Rules](#) (first issued in November 2015 and re-issued most recently in October 2021) setting out end-user charges to household customers (and in the case of Welsh companies unless they are served by a licensee, business customers); and
- [Charging Rules for New Connection Services \(English Undertakers\)](#) (or English New Connection Rules, first issued in August 2017 and re-issued most recently in October 2021) which apply only to English undertakers' charges for new connection services² which incorporate
- [Common Terms and Worked Examples – English New Connection Rules](#) (first issued in October 2021).

If we consider a water company is not complying with charging rules, we can intervene by taking targeted and proportionate action to protect customers.

² 'New connection services' is the collective term for activities associated with serving developers, which may include the provision of new water mains and communication pipes, new sewers and lateral drains, diversions of existing water and sewerage assets and connections made to supply water for building purposes. These rules apply only to water companies whose areas are wholly or mainly in England.

2. Our expectations

Water companies need to be transparent about how they set charges. Customers and other stakeholders expect water company charges to comply with all relevant statutory obligations, including our charging rules. They also expect water companies to engage meaningfully on proposed charges and ensure that the information they publish is subject to high-quality assurance. Where water companies introduce new charging policies or see changes in the cost of providing services which lead to significant³ increases in charges, we expect water companies to have met a high evidential bar including:

- appropriate third-party support for why the changes are being proposed, for example, a change in drivers or activity;
- proven interactions with customers; and
- evidence of engagement with and support from customer representatives, where appropriate, especially with CCW⁴ representing water consumers, on changes to charges schemes for which it is a statutory consultee.

The information we expect water companies to publish under the charging rules is set out in appendices to those documents.

2.1 Reflecting charging trials in charges schemes

A number of companies are preparing to launch trials with respect to household charges and / or other charges to support affordability of bills and / or environmental objectives.

In our [March 2023 conclusions](#) on charging innovations to support affordability we highlighted a requirement in the 1991 Water Industry Act, specifically: s142 provides that companies can only impose charges on household customers in accordance with their charges scheme and s143 requires that the charges schemes must fix the charges and must have effect in relation to a specified period of 12 months.

The implication is that companies can commence, and conclude, a charging trial at any point in the charging year, as long as the charges that will apply to household customers selected to participate (and the circumstances under which a trial will or will not apply) are set out in

³ In this context, 'significant' bill increases to a water company's Wholesale Charges Schedule or Charges Scheme charges are increases of more than 5% from the previous year (for a given customer type assuming a constant level of consumption). For New Connections services, a 'significant' bill increase is an increase of more than 10% for particular types of new development.

⁴ www.ccwater.org.uk/

the charges scheme to take effect from 1 April. In accordance with our charges scheme rules, companies will need to publish their charges schemes no later than 1 February.

We are happy to discuss this, and issues around charging trials more generally, with companies. See also our [web page on charging trials](#).

2.2 Environmental incentives in developer services

Most English water companies offer some form of environmental incentive as part of their charges for developer services, typically providing a discount where developers build water efficient properties or avoid or attenuate surface water draining into the public sewer system. We encourage water companies to consider offering environmental incentives, consistent with the new connection charging principle of environmental protection. In June 2023 we [consulted on changes to our charging rules](#) from April 2025 in the form of a common framework for water companies to offer stronger and more standardised environmental incentives.

2.3 Bulk charging for new appointees

Incumbent water companies should publish bulk supply and discharge charges for new appointees so that they are transparent, accessible and up to date. The information should allow prospective new appointees to confidently estimate their bulk charges when seeking to serve new sites. Published charges should be updated on at least an annual basis, not least to reflect updates to wholesale charges.

In line with industry best practice agreed at the [Bulk Charging Working Group \(BCWG\)](#), companies should publish a separate document alongside their updated bulk supply and discharge charges which provides new appointees with transparent and up to date information allowing new appointees to confidently and accurately estimate the avoided cost elements of those updated charges. The BCWG has developed a [template](#) for this document to aid companies in completing their documentation.

Where incumbent companies do not currently publish their approach to avoided costs in line with the above guidance, they should do so prior to consulting on next year's bulk supply and discharge charges. Moving forward they should consult on any updates or variations to their approach.

3. Submission of charging publications

Water companies need to send electronic copies of the documents required to be published by our charging rules as well as providing us with correct links to the relevant pages on their websites to the email shown below. We need this to monitor some specific aspects of charges. These include:

- The indicative wholesale charges document (submission dates specified in wholesale charging rules);
- An assurance statement, statement of significant changes and the charging arrangements for the wholesale charges, charges schemes and charges for new connections services (submission dates specified in relevant charging rules);
- Bulk supply transactions (29 February 2024 submission); and
- Average bills for household customers – not required from new appointees (19 January 2024); and
- Typical bill changes for household customers – not required from new appointees (19 January 2024 submission).

Water companies should send all submissions and any questions about this document to Charging@ofwat.gov.uk. They should state the subject matter of their email as: 'Charges - information requirements for 2024-25'.

3.1 Average bills for household customers

With the exception of new appointees, we require each water company to send us average bills data for household customers by 19 January 2024. This comprises data on household customer numbers and revenues from household charges. We have published a [template](#) alongside this document for water companies to capture and send us this data. We would like to remind companies that the final figures on revenues and number of properties should be consistent with the relevant figures in the latest annual performance reports.

Since 2014-15, we have shared average bills information with Water UK for publication on the Discover Water website. We will continue with this approach for 2024-25.

3.2 Typical bill changes for household customers

We require water companies, with the exception of new appointees, to send us information on typical bill changes for household customers alongside their average bills submissions by 19 January 2024. This metric provides additional insight on typical changes to bills based on

the relevant charges and a clearer link to bill changes for individual customers who are not switching tariffs.

We have published a [template](#) alongside this document for these submissions. In addition, we are asking companies to provide us with links to their websites where they explain their household charges and the annual change in those charges, including the key drivers for the increases/reductions in charges and bills for 2024-25.

There is more detailed information on this requirement in last year's [Information notice](#).

3.3 Bulk supply register

We require water companies (including new appointees) to provide us with information about their bulk supply transactions. We publish this information annually on our website in our bulk supply register.

For water, the register complements our market information requirements for water resources set out in '[Water resources market information guidance](#)'. Greater market information will support the effective optimisation of water resources, including demand management and leakage services, across England and Wales.

We expect water companies (including new appointees) to use our [template](#) to submit their bulk supply data by 29 February 2024. They should complete all three parts of each table, keeping in mind the field definitions stated in the template, and submit the information to Charging@ofwat.gov.uk, stating the subject matter of their email as: 'Bulk supply transactions'.

3.4 Special agreements notification

Water companies are required under section 142(6A) of WIA91 to notify us of any new special agreements they enter into after 13 July 2014 (New special agreements include those that existed before this date which have subsequently been re-negotiated after 13 July 2014). Special agreements are typically agreements between a water company and a customer to provide a supply of water or wastewater services under charges other than the standard charges included in the water company's charging arrangements. They should send such notifications to Charging@ofwat.gov.uk, and can do so anytime of the year. They should state the subject matter of their email as: 'New special agreements notifications'.

3.5 Re-issue of documents

If a water company needs to re-issue any of its charging documents (e.g. there is an error in the published version) it should make it clear in the new document that it is a revised version and clearly set out the differences between the original and revised versions. The re-issue should be pro-actively communicated to Ofwat at Charging@ofwat.gov.uk, and to other relevant stakeholders as far as reasonably practicable.