

Statement of significant changes

2020-21 Indicative Wholesale Non-Household Charges

There will be modest changes for the majority of non-households in our area next year because of [Ofwat's](#) price review. You can read more about [why bills are changing](#) further on in this document.

Illustrative bills – wholesale non-household

Customers will see different bill changes depending on whether they are metered or unmetered and the amount of water they use. Illustrative bill changes for a range of customers are set out below.

Wholesale bills for typical customers (all areas except Chester)

Wholesale	19-20 Water	Waste	Total	20-21 Water	Waste	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£69	£78	£148	£79	£81	£160	8.7%	+£1.00
Average	£176	£197	£373	£193	£197	£390	4.6%	+£1.50
High	£261	£293	£554	£285	£289	£574	3.7%	+£1.75
<i>Metered</i>								
V Small (60m3)	£99	£167	£266	£105	£163	£268	1.0%	+£0.25
Small (120m3)	£242	£271	£513	£257	£261	£518	0.9%	+£0.50
1,000m3	£1,452	£1,308	£2,760	£1,537	£1,237	£2,774	0.5%	+£1.25
5,000m3	£7,193	£7,160	£14,353	£7,621	£6,752	£14,373	0.1%	+£1.75
25,000m3	£31,178	£31,590	£62,769	£33,030	£29,751	£62,781	0.0%	+£1.00
75,000m3	£77,796	£91,220	£169,016	£82,395	£86,768	£169,163	0.1%	+£12.25
<i>Trade effluent</i>								
Small (120m3)	£242	£278	£521	£257	£298	£554	6.5%	+£2.75
1,000m3	£1,452	£1,103	£2,555	£1,537	£1,077	£2,614	2.3%	+£4.75
5,000m3	£7,193	£5,947	£13,140	£7,621	£5,655	£13,276	1.0%	+£11.25
25,000m3	£31,178	£25,334	£56,512	£33,030	£23,970	£57,000	0.9%	+£40.75
<i>Band T</i>								
1,000m3	£1,452	£1,252	£2,704	£1,537	£1,249	£2,786	3.0%	+£6.75
5,000m3	£7,193	£5,415	£12,609	£7,621	£5,163	£12,784	1.4%	+£14.50

Note that these are all **wholesale bills** for retailers. Final bills for customers will depend on retailer charges.

We also provide water services in the Chester area. We don't provide sewerage services there, so the wastewater charges for these customers will be set by either Dŵr Cymru Welsh Water (DCWW) or United Utilities. We've estimated overall bills including DCWW wastewater bills because they supply the majority of Chester customers.

Wholesale¹ bills for typical customers in Chester area

Wholesale ¹	19-20 Water	Waste ²	Total	20-21 Water	Waste ²	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£69	£202	£272	£73	£215	£289	6.3%	+£1.50
Average	£138	£321	£459	£146	£342	£487	6.2%	+£2.25
High	£193	£416	£609	£203	£443	£646	6.1%	+£3.00
<i>Metered</i>								
V Small (60m3)	£81	£168	£249	£89	£179	£268	7.6%	+£1.50
Small (120m3)	£194	£334	£528	£214	£355	£569	7.9%	+£3.50
1,000m3	£1,185	£1,995	£3,180	£1,296	£2,123	£3,419	7.5%	+£20.00
5,000m3	£5,774	£8,792	£14,566	£6,363	£9,358	£15,720	7.9%	+£96.25
25,000m3	£28,405	£42,341	£70,746	£31,421	£45,066	£76,486	8.1%	+£478.25
75,000m3	£84,896	£126,442	£211,338	£94,008	£134,578	£228,586	8.2%	+£1437.25

1. Severn Trent bills are wholesale – DCWW bills are based on end-customer charges as DCWW wastewater services in Chester were not open to competition in 2019-20.
2. Estimate based on applying a uniform increase to Dŵr Cymru charges.

Dŵr Cymru sewerage bills for 2020-21 are estimates because we didn't have their final charges at the time of publication. We've taken their charges from last year, adjusting for inflation and [Ofwat](#)'s Final Determination (FD) on their prices next year. While our bill increases for Chester customers are generally quite modest, the FD provided for a significant real increase in Dŵr Cymru's wastewater revenue next year though – as noted - we don't know the exact impact on non-household charges.

Why bills are changing

Each year the revenue controls set by [Ofwat](#) (our regulator) allow us to recover a fixed amount of revenue from our customers. For most of our charges this is modified by inflation, adjustments for performance and any over or under-recovery in previous years.

For 2020-21:

- Inflation as measured by the Consumer Prices Index with Housing (CPIH) was 1.5%;
- [Ofwat](#) set revised revenue controls to take account of new requirements – this reduced water revenues by 1.6% and wastewater revenues by 0.7%.
- The new revenue controls also take account of past performance – there are no additional adjustments this year for [Outcome Delivery Incentives](#) (ODIs) or [revenue correction](#);

Stakeholder views

Our research¹ tells us that household customers would be concerned if their overall bill increased by more than £2 per month which is equivalent to around 7% of an average household bill in our area. Non-households are much more varied in size so there is no "average" non-household, but small businesses (the vast majority, by number) have usage similar to households.

¹ This research was carried out through customer surveys and focus groups involving customers billed directly by Severn Trent and households billed for ST sewerage on our behalf by South Staffordshire Water.

Some of non-household customers get waste water services from us but take their water from South Staffs. Our wastewater bills are generally falling and South Staffs' revenue controls from [Ofwat](#) mean that there could also be reductions in water prices. Our assessment of the impact on South Staffs bills is [here](#).

We showed a draft view of our charges to [CCWater](#), who represent the views of water customers. Our retail account managers also engage with retailers directly, particularly regarding the way our charges are structured in CMOS² and we are simplifying our tariff structure within the system. No concerns have been raised.

Our discussions with CCWater were based on indicative charges in October. There is always some variation when we publish our final charges, because we don't know what the final inflation figure will be until December. Another difference this year was Ofwat's Final Determination (FD) of prices limits, which was not published until 16 December. Our FD was broadly in line with what we published at the indicative stage; the CPIH is 0.1% lower than our forecast. Aside from these two factors, we have made no changes that result in a significant difference to customer charges.

As we note above, wastewater bills for our [customers in Chester](#) will probably change a bit more because the FD for Dŵr Cymru Welsh Water has changed quite significantly from Ofwat's draft view. Our water charges for Chester are little different to those we forecast in October.

Managing changes in wholesale bills

Next year there are some increases in water prices but almost all customers will benefit from a reduction in wastewater charges (either from ourselves or a bordering company) which should keep their overall bills down. There will be increases for particular groups of customers as set out below:

Unmetered customers

We have introduced a separate highway drainage charge for wastewater. For very small business customers, this could generate a rise of more than 5% in a combined bill but only from a low starting point – the increase would be around £1 per month, which is not a level that most customers would find significant.

Trade effluent

When we introduced fixed charges in 2016 -17, we withdrew the minimum charge which had previously applied, because we did not want to make our charges any more complex. We have been progressively raising the fixed charge for Trade Effluent (TE) to reflect the basic costs of administering a TE consent. While bills for smaller TE customers are rising as a result, the TE fixed charge will remain lower than the £171.39 minimum charge that customers paid five years ago.

Band T (Transitional Surface Water Drainage)

In 2016-17 we introduced a transitional scheme for some customer groups which had previously been charged a concessionary rate for surface water drainage – primarily nursing homes, care homes and day care centres. Under Government guidance these did not qualify as “community premises”.

We have been progressively increasing Band T to bring the surface drainage charge for these customers into line with other site area based charges. In spite of this, we do not think bill increases for smaller customers on

² Central Market Operating System

the scheme will rise by over 5%. A number of customers will be migrated from Band T to Band 5 this year and we will continue this process in future.

Illustrative wholesale bills for sewerage only customers

The largest group of sewerage only customers in our region receive wholesale water from South Staffs. While we don't know what their final charges will be at the time of publication, we have estimated a combined bill impact based on their draft determination from [Ofwat](#).

Estimated wholesale bills for typical South Staffs customers

Wholesale	19-20 Water*	Waste	Total	20-21 Water*	Waste	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£38	£78	£117	£37	£81	£118	1.2%	<£0.25
Average	£102	£197	£299	£98	£197	£294	-1.6%	-£0.50
High	£153	£293	£445	£146	£289	£436	-2.2%	-£0.75
<i>Metered</i>								
V Small (60m3)	£79	£167	£246	£76	£163	£240	-2.7%	-£0.50
Small (120m3)	£179	£271	£450	£171	£261	£432	-3.8%	-£1.50
1,000m3	£1,011	£1,308	£2,319	£968	£1,237	£2,206	-4.9%	-£9.50
5,000m3	£4,976	£7,160	£12,136	£4,765	£6,752	£11,518	-5.1%	-£51.50
25,000m3	£24,802	£31,714	£56,516	£23,750	£29,751	£53,501	-5.3%	-£251.25
75,000m3	£72,218	£92,692	£164,909	£69,154	£86,768	£155,922	-5.4%	-£749.00
<i>Trade effluent</i>								
Small (120m3)	£179	£278	£457	£171	£298	£469	2.6%	+£1.00
1,000m3	£1,011	£1,103	£2,115	£968	£1,077	£2,045	-3.3%	-£5.75
5,000m3	£4,976	£5,947	£10,923	£4,765	£5,655	£10,420	-4.6%	-£42.00
25,000m3	£24,802	£25,458	£50,259	£23,750	£23,970	£47,720	-5.1%	-£211.75
<i>Band T</i>								
1,000m3	£1,011	£1,252	£2,263	£968	£1,249	£2,217	-2.0%	-£3.75
5,000m3	£4,976	£5,415	£10,392	£4,765	£5,163	£9,928	-4.5%	-£38.50

Note that these are all **wholesale bills** for retailers. Final bills for customers will depend on retailer charges.

There are smaller numbers of customers at the borders of our region that receive wholesale sewerage services from us and wholesale water services from Anglian Water, Dŵr Cymru Welsh Water, Thames Water or Yorkshire Water. While we have not estimated the wholesale bill changes for all customers, given the level of inflation we would expect a similar impact.

Glossary

Revenue correction

Every five years, Ofwat sets revenue controls for Severn Trent. We are allowed to collect a fixed overall amount to cover the cost of running the network, supplying water, collecting waste water and treating sewage. When we set charges, we try to make sure that they will recover the correct amount in the next charging year, but we need to forecast – for example, we don't know exactly how much water customers will use in advance. If we collect more than Ofwat allowed, we return this to customers by reducing future charges and vice versa.

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Outcome Delivery Incentives (ODIs)

When Ofwat sets our revenue controls, we also agree a set of Performance Commitments with Ofwat. These are things that our customers tell us are important to them such as reducing interruptions to supply, leakage and sewer flooding. If we don't hit our targets then customers get a reduction in their bills; if we do really well and exceed the target then we are allowed to collect some more revenue. Overall, ODIs are a small proportion of the average bill. You can read more about what bills pay for on our website [here](#).

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