

Statement of significant changes

2021-22 Wholesale Non-Household Charges

There will be modest changes for the majority of non-households in our area next year. 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	20-21 Water	Waste	Total	21-22 Water	Waste	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£69	£78	£147	£67	£77	£144	-1.9%	-£0.25
Average	£148	£158	£306	£148	£154	£302	-1.4%	-£0.25
High	£227	£239	£466	£228	£232	£460	-1.3%	-£0.50
<i>Metered</i>								
V Small (60m3)	£105	£163	£268	£109	£173	£282	5.1%	+£1.25
Small (120m3)	£257	£261	£518	£263	£271	£534	3.2%	+£1.25
1,000m3	£1,537	£1,237	£2,774	£1,562	£1,249	£2,812	1.4%	+£3.25
5,000m3	£7,621	£6,752	£14,373	£7,745	£6,772	£14,517	1.0%	+£12.00
25,000m3	£33,030	£29,751	£62,781	£33,575	£29,834	£63,410	1.0%	+£52.25
75,000m3	£82,395	£86,768	£169,163	£84,693	£87,013	£171,707	1.5%	+£212.00
<i>Trade effluent</i>								
Small (120m3)	£257	£298	£554	£263	£304	£568	2.4%	+£1.00
1,000m3	£1,537	£1,077	£2,614	£1,562	£1,083	£2,645	1.2%	+£2.75
5,000m3	£7,621	£5,655	£13,276	£7,745	£5,655	£13,400	0.9%	+£10.25
25,000m3	£33,030	£23,970	£57,000	£33,575	£23,963	£57,538	0.9%	+£45.00
<i>Band T</i>								
1,000m3	£1,537	£1,249	£2,786	£1,562	£1,328	£2,890	3.8%	+£8.75
5,000m3	£7,621	£5,163	£12,784	£7,745	£5,257	£13,002	1.7%	+£18.25

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	20-21 Water	Waste ²	Total	21-22 Water	Waste ²	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£73	£224	£297	£85	£222	£307	3.3%	+£0.75
Average	£146	£371	£517	£162	£368	£530	2.6%	+£1.00
High	£203	£488	£692	£224	£484	£708	2.4%	+£1.25
<i>Metered</i>								
V Small (60m3)	£89	£171	£260	£96	£170	£266	2.2%	+£0.50
Small (120m3)	£214	£337	£551	£228	£334	£563	2.1%	+£1.00
1,000m3	£1,296	£2,013	£3,309	£1,360	£1,995	£3,355	1.4%	+£3.75
5,000m3	£6,363	£8,816	£15,179	£6,703	£8,736	£15,439	1.7%	+£21.75
25,000m3	£31,421	£42,393	£73,813	£33,174	£42,010	£75,183	1.9%	+£114.25
75,000m3	£94,008	£126,553	£220,561	£99,317	£125,410	£224,727	1.9%	+£347.25

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 2020-21.
2. Estimate based on applying a uniform increase to Dŵr Cymru charges.

Dŵr Cymru sewerage bills for 2021-22 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.

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. This covers the cost of treating water, running and maintaining our network and cleaning wastewater before it is discharged to the environment (you can read more about what your bill pays for [here](#)). For most of our charges this is modified by inflation, adjustments for performance and any over or under-recovery in previous years.

For 2021-22:

- Inflation as measured by the Consumer Prices Index with Housing (CPIH) was 0.6%;
- [Ofwat](#) set an effective real increase of 0.0% for our water service and real reduction of -1.6% for wastewater revenue;
- 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](#).

The level of charges is also influenced by volume. When we set our charges, we divide our allowed revenue over the properties we serve and the volume we expect them to use. When the volume increases, this lowers our average charges and if it falls then we need to increase charges to raise the same level of revenue.

There has been a significant impact on demand this year as a result of the Covid-19 pandemic. While we expect the economy to recover during 2021-22, we think the process will be gradual and we do not expect demand to reach the same levels as we saw before this year.

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.

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 the Consumer Council for Water ([CCW](#)), who represent the views of water customers. Given the level of change in bills for most customers, CCW did not raise any significant concerns about the increases we proposed for households. We also discussed the profile of bills in future years with CCW, particularly the impact that the timing of in-period adjustments for [ODIs](#) might have. CCW believe that customers prefer a more stable bill profile without sharp increases from one year to the next, and this was supported by our own customer research.

Our discussions with CCW 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. Forecasts for inflation and demand have been more uncertain than usual because of the Covid-19 pandemic. At the time we prepared our indicative charges, we forecast lower inflation and did not anticipate a second national lockdown. However, taken together these two factors have changed our expected charges by less than 2%.

Managing changes in wholesale bills

Next year the increases in prices are modest for almost all non-household customers. Where we are introducing new charges, or different forms of charging, we do this gradually:

Unmetered customers

We are gradually reducing the proportion of unmetered customers bills that is linked to the [Rateable Value](#) (RV) of their property and replacing this with fixed charges. We introduced a fixed charge for unmetered water last year, and this year we have done the same for wastewater.

Seasonal charges

We started to phase out seasonal charges for intermediate and large users last year. This year we have completed the process by removing seasonal charges entirely.

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”.

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.

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 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 indicative charges.

Estimated wholesale bills for typical South Staffs customers

Wholesale	20-21 Water*	Waste	Total	21-22 Water*	Waste	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£67	£78	£145	£67	£77	£144	-0.6%	<£0.25
Average	£110	£158	£268	£109	£154	£264	-1.6%	-£0.25
High	£165	£239	£404	£164	£232	£396	-1.9%	-£0.75
<i>Metered</i>								
V Small (60m3)	£86	£163	£249	£86	£173	£258	3.5%	+£0.75
Small (120m3)	£193	£261	£454	£192	£271	£463	1.9%	+£0.75
1,000m3	£1,092	£1,237	£2,329	£1,087	£1,249	£2,336	0.3%	+£0.50
5,000m3	£5,370	£6,752	£12,123	£5,346	£6,772	£12,119	-0.0%	-£0.25
25,000m3	£26,862	£29,751	£56,613	£26,742	£29,834	£56,576	-0.1%	-£3.00
75,000m3	£82,530	£86,768	£169,298	£82,161	£87,013	£169,174	-0.1%	-£10.25
<i>Trade effluent</i>								
Small (120m3)	£193	£298	£491	£192	£304	£496	1.2%	+£0.50
1,000m3	£1,092	£1,077	£2,168	£1,087	£1,083	£2,170	0.1%	<£0.25
5,000m3	£5,370	£5,655	£11,025	£5,346	£5,655	£11,002	-0.2%	-£2.00
25,000m3	£26,862	£23,970	£50,832	£26,742	£23,963	£50,705	-0.2%	-£10.50
<i>Band T</i>								
1,000m3	£1,092	£1,249	£2,340	£1,087	£1,328	£2,414	3.2%	+£6.25
5,000m3	£5,370	£5,163	£10,534	£5,346	£5,257	£10,604	0.7%	+£5.75

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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Rateable Value

A property's rateable value was originally assessed by the District Valuer on behalf of the Inland Revenue. The value was based on the size of the property, the number of rooms, the amenities available and the overall location. No new rateable values have been set since March 1990 following the introduction of the Poll Tax (since replaced by Council Tax). Water companies are still legally entitled to use rateable value as the basis for charges, but we are not able to use Council Tax banding. New properties built since 1990 do not have a rateable value and are metered.

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