

Statement of significant changes

2019-20 Wholesale Non-Household Scheme of Charges

There will be modest increases for the majority of non-households in our area next year because we've taken steps to keep our average bills down. You can read more about [why bills are changing](#) and the steps we have taken to reduce the impact on customers this year ([mitigation](#)) further on in this document.

Illustrative bills – wholesale non-household

Typical 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	18-19 Water	Waste	Total	19-20 Water	Waste	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£57	£59	£117	£60	£69	£130	11.2%	+£1.00
Average	£149	£153	£302	£152	£173	£326	7.9%	+£2.00
High	£222	£228	£450	£226	£257	£482	7.2%	+£2.75
<i>Metered</i>								
V Small (60m3)	£96	£156	£252	£99	£167	£266	5.7%	+£1.25
Small (120m3)	£183	£213	£396	£185	£229	£414	4.5%	+£1.50
1,000m3	£1,470	£1,216	£2,686	£1,452	£1,304	£2,756	2.6%	+£6.00
5,000m3	£7,303	£6,710	£14,013	£7,193	£7,160	£14,353	2.4%	+£28.25
25,000m3	£31,692	£29,507	£61,199	£31,178	£31,590	£62,769	2.6%	+£130.75
75,000m3	£78,989	£85,191	£164,180	£77,678	£91,220	£168,898	2.9%	+£393.25
<i>Trade effluent</i>								
Small (120m3)	£183	£209	£392	£185	£247	£432	10.1%	+£3.25
1,000m3	£1,470	£1,013	£2,483	£1,452	£1,103	£2,555	2.9%	+£6.00
5,000m3	£7,303	£5,597	£12,900	£7,193	£5,947	£13,140	1.9%	+£20.00
25,000m3	£31,692	£23,848	£55,540	£31,178	£25,334	£56,512	1.8%	+£81.00
<i>Band T</i>								
1,000m3	£1,470	£1,122	£2,592	£1,452	£1,252	£2,704	4.3%	+£9.25
5,000m3	£7,303	£4,962	£12,265	£7,193	£5,415	£12,609	2.8%	+£28.50

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 Dwr 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	18-19 Water	Waste ²	Total	19-20 Water	Waste ²	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£122	£236	£358	£127	£240	£368	2.8%	+£0.75
Average	£169	£333	£502	£178	£339	£517	3.0%	+£1.25
High	£246	£492	£738	£261	£501	£762	3.2%	+£2.00
<i>Metered</i>								
V Small (60m3)	£70	£186	£257	£81	£189	£271	5.5%	+£1.25
Small (120m3)	£141	£297	£438	£155	£303	£457	4.3%	+£1.50
1,000m3	£1,229	£2,234	£3,463	£1,273	£2,274	£3,547	2.4%	+£7.00
5,000m3	£7,196	£9,845	£17,041	£7,458	£10,022	£17,480	2.6%	+£36.75
25,000m3	£29,452	£47,392	£76,844	£30,735	£48,247	£78,982	2.8%	+£178.25
75,000m3	£87,302	£141,509	£228,811	£90,779	£144,061	£234,840	2.6%	+£502.50

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 2018-19.
2. Estimate based on applying a uniform increase to Dwr Cymru charges.

Dwr Cymru sewerage bills for 2019-20 are estimates because we didn't have their final charges at the time of publication. We've taken their charges from last year and increased them for inflation and an adjustment for their previous [revenue recovery](#).

Why bills are changing

Each year the revenue controls set by our regulator, [Ofwat](#), 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 past over or under-recovery in previous years.

This year:

- Inflation as measured in the Retail Price Index (RPI) was 3.2%;
- There is some upward pressure on wastewater bills because of [revenue correction](#) (catching up on revenue we didn't collect in previous years);
- The opposite is happening on water bills, which are being reduced because we over-collected before;
- Wastewater charges are increasing because we performed really well on some [Outcome Delivery Incentives](#) (ODIs), especially preventing sewer flooding; but
- Water charges are reducing because we did not deliver the service customers expected on other measures such as supply interruptions.

Please note that ODI-based changes will not apply to customers in the Chester area this year – only to customers that had a water or wastewater service from Severn Trent before 1 July 2018.

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

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.

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.

Our waste water bills are rising more quickly than our water bills, so we’ve worked with South Staffs to understand the combined impact for non-households in their area. 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.

CCWater commented on the bill impacts for small non-households relative to other groups in our indicative charges. These were partly caused by an increase in our wholesale fixed charge which are discussed in the section below. We have moderated the changes to the fixed charge in response.

Our discussions with stakeholders were based on indicative charges in October. There can be some variation when we publish our final charges – mainly because we don’t know what the final inflation figure will be until December. We can confirm that there have been no significant changes since then – the RPI is 0.1% lower than our original forecast and no customer charges are now increasing by a significant amount as a result of the changes we have made.

Managing changes in wholesale bills

To keep bill rises down, we can defer some charges to smooth the impact on customer bills. We’ve discussed our overall approach to managing Outcome Delivery Incentives and bill smoothing with [CCWater](#), which we have established over several years. We try to include ODI rewards when the overall effect on customer bills can be kept to a reasonable level – for example, when inflation is low or when there are other downward adjustments which offset any rewards we may have earned.

This year we have only included around one third of the amount that we could have claimed for [Outcome Delivery Incentives](#) to smooth the impact this has on customer bills. You can read more about our ODI performance and Ofwat’s determination on their [website](#).

Without ODI smoothing, small business customers would have seen wholesale bill increases of over 9% on a combined bill. As a result of ODI smoothing, they’ll be increasing by less than 5%. There will be increases for particular groups of customers as set out below:

Wholesale fixed charges

With the exception of Trade Effluent (discussed below), our fixed charge simply covers the costs of market operations, including fees from MOSL³. Government guidance is that these costs should be borne by non-household customers who are able to participate in the market. Until this year, we have based the charge on the market cost estimate that Ofwat made within the final determination, but going forwards there will be no specific allowance for market costs – it will be considered part of wholesale “business as usual”. The fixed charge essentially covers administration.

² Central Market Operating System

³ Market Operator Services Limited

While these costs should not fall on households, we have taken account of CCWater’s feedback and have reduced the change in the fixed charge this year.

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 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 still remains lower than the £171.39 minimum charge that customers paid four 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. As a result, bill increases for smaller customers on this scheme may rise by slightly over 5%. A number of customers have now been migrated from Band T to Band 4 and we will continue this process in future.

Illustrative wholesale bills for sewerage only customers

The largest group 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 worked with them to produce the illustrative bills below based on draft charges in October.

Estimated wholesale bills for typical South Staffs customers

Wholesale	18-19 Water*	Waste	Total	19-20 Water*	Waste	Total	Incr %	£ per month
<i>Unmetered</i>								
Low	£37	£59	£96	£39	£69	£108	12.2%	+£1.00
Average	£99	£153	£252	£103	£173	£277	9.7%	+£2.00
High	£149	£228	£377	£155	£257	£412	9.2%	+£3.00
<i>Metered</i>								
V Small (60m3)	£81	£156	£237	£80	£167	£247	4.0%	+£0.75
Small (120m3)	£140	£213	£353	£140	£229	£369	4.4%	+£1.25
1,000m3	£1,001	£1,216	£2,217	£1,018	£1,304	£2,322	4.7%	+£8.75
5,000m3	£4,990	£6,710	£11,700	£5,088	£7,160	£12,248	4.7%	+£45.75
25,000m3	£24,560	£29,507	£54,068	£25,047	£31,590	£56,637	4.8%	+£214.00
75,000m3	£71,273	£85,191	£156,464	£72,414	£91,220	£163,634	4.6%	+£597.50
<i>Trade effluent</i>								
Small (120m3)	£140	£209	£349	£140	£247	£386	10.7%	+£3.00
1,000m3	£1,001	£1,013	£2,014	£1,018	£1,103	£2,121	5.3%	+£9.00
5,000m3	£4,990	£5,597	£10,587	£5,088	£5,947	£11,035	4.2%	+£37.25
25,000m3	£24,560	£23,848	£48,409	£25,047	£25,334	£50,381	4.1%	+£164.25
<i>Band T</i>								
1,000m3	£1,001	£1,122	£2,123	£1,018	£1,252	£2,269	6.9%	+£12.25
5,000m3	£4,990	£4,962	£9,952	£5,088	£5,415	£10,503	5.5%	+£46.00

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, Dwr 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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