

2025/26 Wholesale Price Increases

Increasing Transparency for Non- household Customers

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Version 1.0



from
**Southern
Water** 

We've put together the following information to:

- Help retailers explain the price rises to their customers and/or answer their questions; and
- Help customers to plan, and/or take action to manage the impact of increased bills.

Ofwat's PR24 Final determination

2025-26 charges	Indicative Charges Oct 2024 (Ofwat's Draft Determination)	Final Charges Jan 2025 (Ofwat's Final Determination)
Wholesale water	39.6%	40.6%
Wholesale wastewater	26.5%	54.3%
Household average bill	31.3%	46.7%

Ofwat's PR24 Final Determination (FD) has resulted in an increase of c. £208m to nominal allowed wholesale revenue in 2025-26.

2025-26 Final Wholesale Charges

Key drivers of increases to Wholesale Charges	Water	Wastewater
2025-30 Increased investment	39.8%	11.8%
2020-25 Over-spend cost-sharing	41.2%	28.7%
2025-30 Cost of new debt	2.6%	3.6%
CPIH Inflation	3.5%	3.5%
2020-25 Environmental compliance penalty	-	5.0%
Household consumption	1.0%	0.8%
Non-household consumption	2.0%	1.5%

Bioresources	-	0.8%
2020-25 Revenue under-recovery	(1.1%)	0.5%
Outcome Delivery Incentive (ODI) penalties	(48.3%)	(2.0%)
TOTAL	40.6%	54.3%

The ODI penalty movement of (48.3%) impacting water revenue includes the end-of-AMP reconciliation penalty of £97m (real terms) due to non-delivery of supply-side schemes which is driving a significantly bigger impact to revenue than previous annual actual penalties.

The full 2020-25 over-spend cost-sharing, driving a 41.2% increase, is recovered in 2025-26 will not recur.

The % increase driven by overall reduced consumption relates to actual-billed trends and a full reconciliation of de-registered and vacant premises.

All numbers in the table are subject to rounding.

AMP 8 view of revenue / charges increases – nominal.

AMP 8 Revenue / Charges*	25-26	26-27	27-28	28-29	29-30
Wholesale water	41%	17%	6%	9%	6%
Wholesale wastewater	54%	-5%	3%	5%	5%

This is an estimated forecast based on the Ofwat PR24 Final Determination, inflation has been assumed as 2.2 – 2.4% across the AMP as per Ofwat models.

Future years may change for a variety of reasons such as: CPIH inflation changes, prior years' operational performance and resulting penalties/rewards, prior year under-/over-recovery of revenue allowance, consumption trends, growth rates, revenue awarded as part of delivery mechanisms later in the AMP etc.

Mitigating bill increases

Environmental and water efficiency: we will continue to offer free water efficiency audits to not-for-profit organisations and small-medium size businesses to support reducing overall bill value.

Large User Tariff: We are delaying the phase-out of the large user tariff until 2026-27, given the unprecedented increases to wholesale water charges that all non-household customers will face already. The bill impact assessment for those who attract a 'Large User Tariff' shows that no customer's bill increase will be greater than 1% more than the wholesale water charge increase.

Why are water bills going up?

We know a price rise is never welcome, especially alongside other cost of living increases, however, to deliver the things our customers told us matter most and keep up with inflation and rising costs, we now need to increase bills. We're excited that we've been given the go ahead for our biggest ever investment programme, meaning we can make a significant step change in improving things for our customers and the environment. Here's what we're going to do:

- Invest £1.1 billion to significantly reduce the number of storm overflow releases – prioritising the environment and bathing waters.
- Find and fix more leaks – replacing 300km of pipework (that's the same distance as Brighton to Brussels) and installing more sensors so we can identify and fix problems before they happen.
- Go further than ever before to minimise flooding – upgrading sites and sewers and increasing the number of natural drainage solutions.
- Build new reservoirs and water recycling plants – making your water supply even more resilient today and for future generations.
- Deliver excellent customer service – providing increased support for customers who need it most.

Find out about all the improvements we'll be making at [Why is my bill going up? | Southern Water](#)

Support for retailers

To support retailers with our price increase we have introduced a Retailer Payment Deferral Scheme.

The scheme is being introduced for retailers as an optional temporary measure to assist with retailer cashflow during the first two months of the 2025-26 financial year. This Deferral Scheme will only apply for the first two months of the 2025-26 financial year, namely the months of April and May 2025. All deferred amounts will be interest free.

This deferral scheme will operate alongside any Alternative Eligible Credit Support Agreements in place at the time of publication of the P1 during the Applicable Period. We will be suspending the need for retailers to increase their credit support for the notices based on April 2025 to July 2025 P1 invoices (inclusive). You will be required to provide sufficient credit support for the notice issued in February, based on the March 2025 P1 invoice. From there, you will be able to hold your credit support at that level through the next four notices.

Find full details on support for retailers at [retailer-payment-deferral-scheme-2025.pdf](#)