



Southern Water

Notification on Fair and Sustainable Surface Water Drainage Charges / Tariffs

Introduction

1.1 Purpose of this document

The purpose of this notification is to share further details to a wide variety of stakeholders regarding the implementation of a new basis of charge for surface water drainage charges being considered by Southern Water. The purpose of updating the basis of charge is to improve the cost-reflectivity of our charges, which will ultimately improve the affordability and fairness of bills for the vast majority of our customers, and to encourage the adoption of more sustainable drainage on their premises.

The new basis of charge being proposed is site-area-based and it will replace the existing arbitrary basis which is linked to water supply pipe size. The new basis of charge may come into effect in a phased approach from the start of the financial period 2026-27, with all households and most small-to-medium-size business premises remaining on the lowest area charging band.

Later this summer, we intend publishing a consultation in which we will share more detail on likely charging structure and bill impacts. We will then invite respondents to answer questions relating to their views on the fairness of this approach, options of phasing the charges and how best to support those non-household customers most significantly impacted.

Important to note: This proposed change to basis of charging is **revenue-neutral**, which means no extra revenue will be generated for Southern Water; any increased revenue received via these new surface water charges will be **offset by lower wastewater volume charges** for all customers, including **both** household and non-household customers.



1.2 Background

There is significant need within, and growing pressure on, the water industry to improve processes to support their customers and the environment. The support for, and focus on, these improvements is evident in the recent PR24 Final Determination which reflected significant increases in funding for investment from our economic regulator, Ofwat.

Our Clean Rivers and Seas Taskforce has been in operation for over 3 years working tirelessly to reduce the volume of surface water entering our storm-overflow network. We have been funding the disconnection of premises' drainage from our network and targeting the regions most adversely impacted by using innovative and sustainable techniques to maintain and enhance our environment. We will be investing £1.1 billion to significantly reduce the number of storm overflow releases across this 5-year investment period to 2030.

Another efficient and effective approach to achieve water efficiency, sustainability and affordability goals is to implement more innovative tariff structures. At present, five of the eleven major wastewater companies operating in England and Wales already use site-area as the basis of charge for surface water drainage. Southern Water recognises the benefits to both affordability and sustainability from this approach and we want to implement a similar approach which is more cost-reflective for our customer base.

See Figure 1 below showing the 2024-25 average wastewater bills of those five companies who have already adopted site-area-based charging as the lowest in the industry. While this basis of charge is not the only factor contributing to bill size, there is a very clear correlation to lower household wastewater bills, which generally translates into lower bills for small-to-medium-size non-household bills also.

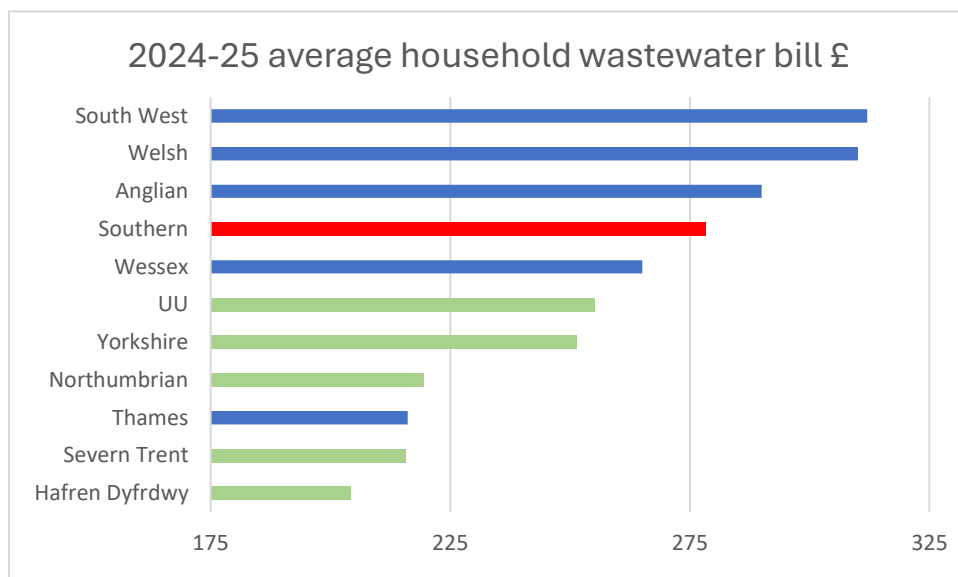


Figure 1: The graph shows those companies (highlighted in green) using site-area-based surface water drainage charging have the lowest wastewater average bills (Thames is an anomaly possibly due to the impact of their ODI penalties which lowered revenue in 2024-25)

Historically, each wholesaler has developed their own tariff / charging structure in response to regulatory principles and their own system dynamics, resulting in different approaches and little commonality between regional tariff structures. This has led to a high degree of tariff complexity within the non-household market. We are keen to continue moving toward simplicity across the industry, especially when the benefits to our customers and the environment are so compelling.

Section 2 of this notification sets out the guiding principles of these charges and offers a view (for comparative purposes only) of the 2025-26 site-area based charging as per Northumbrian Water's Wholesale Charges Document to reflect on.

1.3 Existing wastewater charging structure

The wholesale wastewater bill is made up of three parts: Surface water charges, highway drainage charges and wastewater charges (for example: water from toilets, sinks, baths, showers, dishwashers and washing machines). See Table 1 below showing the seven fixed surface water drainage charges in Southern Water's existing charging:

Table 1: 2025-26 Fixed annual surface water drainage charges linked to premises' water supply pipe size

Surface water drainage - Fixed annual charge

Water supply pipe size	2025-26
(i) Up to 20mm	£41
(ii) Up to 25mm	£392
(iii) Up to 40mm	£785
(iv) Up to 50mm	£981
(v) Up to 80mm	£1,962
(vi) Up to 100mm	£2,551
(vii) 100+mm	£6,475

Using the water supply pipe size as a basis of charge is a historical approach still in use by several of the major wastewater companies. Our proposal seeks to move to a more cost-reflective approach, which incentivises businesses to install sustainable drainage features. The charges will also reduce the burden of charge on households and businesses with small premises, who contribute significantly less surface water volume, and resulting operational and investment cost, to our network.

All households attract the lowest fixed charge from Table 1 above, and the intention is that they will continue to attract the lowest standard charge under the area-based approach also. The surface water drainage charge of £41 above makes up approximately 10% of a typical household metered wholesale wastewater bill in 2025-26.

The impact of this change in approach will be most notable for non-household / businesses with large premises and car parks in our wastewater treatment area. See Table 2 for examples of typical businesses per water supply pipe size which attract the charges in Table 1.

Table 2: Typical business per water supply pipe size

Pipe Size	Annual Usage (m³) Typical water consumption for businesses in each category	Typical Business Type or household Examples of organisations that fit within the respective usage levels
15–25 mm	0 - 200	All households, small offices, cafés, corner shops.
25–40 mm	200 - 2,000	Small restaurants, clinics, retail units.
40–50 mm	2,000 - 5,000	Medium-sized schools, laundries, small hotels.
50–80 mm	5,000 - 10,000	Large supermarkets, hotels, small factories.
80–100 mm	10,000 - 20,000	Hospitals, large restaurants, mid-sized factories.
100+ mm	20,000 +	Large factories, breweries, farms.

There will be a wide variety of bill impacts from the implementation of these charges: some business with small premises but high usage will be better-off, while others with low usage and large premises and car parks will be worse-off. We want to mitigate the impact of bill increases by phasing the charges in over a number of years but without delaying the implementation and resulting affordability and sustainability benefits too much longer.

Proposed new basis of charging

2.1 Guiding principles of new basis of charge

The intention is to alter our charging structure to:

1. Improve the affordability of bills for most customers with more cost-reflective charging
2. Shift the burden of cost more fairly to those premises contributing more volume to our drainage network
3. Encourage the installation of sustainable drainage systems (SuDS) by offering discounts to those who reduce / attenuate the flow into our network
4. Apply discounts to those premises who disconnect from our combined-/foul-water network and connect to our surface-water only network
5. Apply concessionary / standard lowest charge to community groups and places of religious worship, as per Defra legislation

6. Use buildings and car parking spaces as the chargeable area, as per the Valuations Office Agency data upon which business rates are calculated (c. 80% of our non-household premises), or equivalent where area is not used to calculate business rates or they do not apply
 - a. The Valuation Office Agency (VOA) is a government organisation in England and Wales that values properties for business rates and council tax purposes. It helps ensure businesses and households pay the right amount based on their property's value. You can find the information of the quoted area for your premises via the **Valuation Office Agency (VOA)** here:
<https://www.tax.service.gov.uk/business-rates-find/search>.

2.2 Comparative site-area-based charges in Northumbrian Water

Please note: Southern Water are in the development phase of this charging project and do not yet have a view of what the area bands nor associated charges and discounts will be. We will continue to progress the analysis and design and use feedback from an updated consultation in the summer to guide our approach.

For illustrative purposes only, see Figure 2 below which shows a view of the 2025-26 site-area-based charging in operation at Northumbrian Water. Again, these are not the charges that Southern Water will be implementing as we have not progressed to that stage of the project, but the new charges will be closer in structure to Northumbrian's than to our existing structure.

Table 2: Northumbrian Water 2025-26 area-based surface water drainage charges

Surface Water Drainage fixed annual charge	2025-26 charge £	2024-25 Non-Household premises count
Northumbrian Water		
Area charging band		
Band 1 - up to 350m ²	£114.59	21,119
Band 2 - 350 to 750m ²	£353.32	4,183
Band 3 - 750 to 1,500m ²	£735.29	3,553
Band 4 - 1,500 to 2,500m ²	£1,308.24	2,310
Band 5 - 2,500 to 5,000m ²	£2,449.36	2,206
Band 6 - 5,000 to 7,500m ²	£4,067.95	933
Band 7 - 7,500 to 10,000m ²	£5,686.53	474
Band 8 - 10,000 to 15,000m ²	£8,102.47	347

Band 9 - 15,000 to 25,000m2	£12,891.38	289
Band 10 - 25,000 to 50,000m2	£23,915.89	152
Band 11 - 50,000 to 75,000m2	£39,213.65	24
Band 12 - 75,000 to 100,000m2	£54,005.31	10
Band 13 - 100,000 to 125,000m2	£68,276.55	4
Band 14 - 125,000 to 150,000m2	£81,592.86	4
Band 15 - > 150,000m2	£101,130.45	0
Non-household premises chargeable for surface water		35,608
Not chargeable		13,654
Total non-household connected premises		49,262

2.3 Responding to this notification

We are engaging with businesses across our region to understand more about the impact of these charges. If you would you like to take part in a small piece of research and provide more of your views on this topic, please contact us at the below email address stating your interest and add your company name and contact details.

We welcome any comments on this notification to the email address:

sustainablecharging@southernwater.co.uk.

