

New Appointments and Variations Methodology of Bulk Charges 2026–27

February 2026



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1. Context

The New Appointments and Variations (NAV) regime was introduced under the Water Industry Act 1991 (WIA91) to provide a mechanism to facilitate new entry into the water and wastewater sector and to allow appointed undertakers (incumbents) to expand outside of their geographical area of appointment.

Under section 7(4) of WIA91 Ofwat can appoint a company in place of the incumbent only where one of the following criteria is met:

- Unserved - the site is not connected to the water and/or sewerage infrastructure of the existing water company
- Consent - the existing water company consents to the application
- Large user - the premises comprising the site use at least 50Ml in any year (or 250Ml for end-customers of Welsh water companies) and the customer consents.

When deciding how to provide water and wastewater connections for a new development site, the developer can choose between the incumbent, a self-lay provider (SLP) or a NAV. If a NAV is appointed, it becomes the monopoly supplier for the site and generally provides, owns and operates the 'last mile' on-site supply and/or wastewater infrastructure and retail services. In some cases, New Appointees provide a full service, including water treatment and/or wastewater treatment and disposal. More commonly, New Appointees purchase services in bulk from the incumbent wholesaler through a bulk agreement. This document sets out the basis for setting these bulk charges to NAVs.

1.1 Guidance on charging

In May 2018 Ofwat published their final guidance on 'Bulk charges for NAVs'¹. This guidance is intended to ensure a level playing field between incumbent water companies, SLPs, developers and NAVs, ensuring that, as far as possible, the increased choice for developers leads to more intense competition and the benefits are passed on to both developers and end-customers in the form of lower prices, better quality services and more innovation. This guidance was further updated in January 2021.

In November 2025, Ofwat introduced Rules for Bulk Charges for New Appointments and Variations². These rules set out principles that incumbents must adhere to when setting bulk charges. Over 2026-27, Ofwat will lead industry working groups to review the rules and

¹ [Bulk-charges-for-NAVs-final-guidance.pdf](#), Ofwat, May 2018

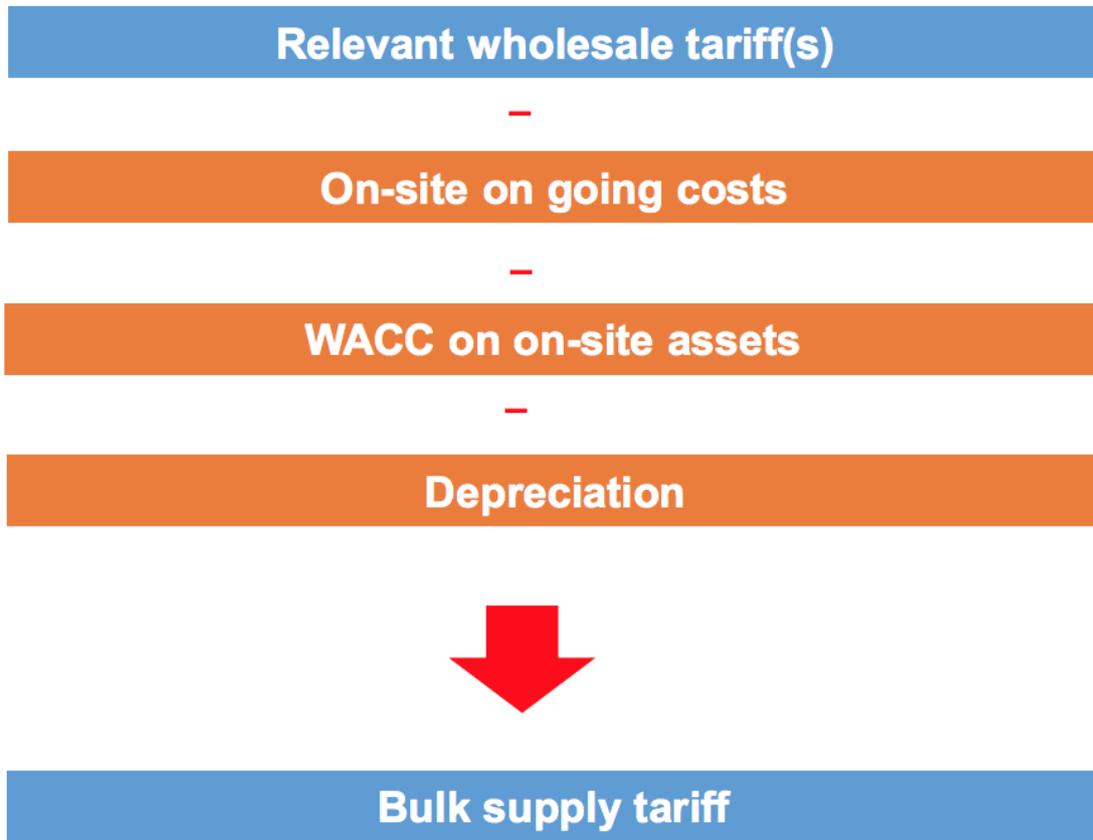
² [Rules-for-bulk-charges-for-new-appointments-and-variations-English-Undertakers.pdf](#), Ofwat, November 2025

develop the Common Terms and Worked Examples – Bulk Charges³ (CTWEBC) to improve transparency and introduce a requirement for Board Assurance from 2027-28 onwards.

Ofwat’s charging rules specify a “wholesale-minus” approach to setting bulk charges. This approach starts from the relevant wholesale tariff(s) and deducts costs that the incumbent water company would no longer incur as a result of the NAV replacing it as supplier.

Ofwat explain the four essential elements in this approach, which are shown in Figure 1 below.

Figure 1. Relevant starting point for wholesale-minus approach and costs to be deducted



Source: Ofwat - Bulk charges for NAVs: final guidance

³ [Responses-to-our-draft-CTWEBC.pdf](#), Ofwat, November 2025

2. Summary of our approach

In this section we describe the approach that we have taken to implementing Ofwat's Bulk Charging Rules, guidance and draft Common Terms and Worked Examples - Bulk Charges (CTWEBC) for setting bulk charges. This is intended to provide transparency and help NAVs, developers and other interested parties better understand our approach to calculating our bulk charges.

For 2026-27 we have made some major changes to our charges and methodology to meet the new charging rules and updated guidance.

We have introduced a per property discount for avoided costs to promote water efficiency, rather than offering a discounted volumetric rate. This meets the Ofwat principle that avoided cost components should not be applied per volume of water supplied if the volume of water supplied is not the driver of costs. This ensures that our bulk charges do not financially penalise new appointees for promoting greater water efficiency. We proposed this approach in our consultation for our 2026 charges and received positive feedback from our new appointee customers.

We have also updated our models to meet Ofwat's new charging rules and updated guidance. The updated models have led to changes to both our calculated avoided costs for the long run costs of operating a local network and the capital maintenance of local network infrastructure. This has resulted in substantial increases to the water and wastewater wholesale discounts offered for most NAV sites.

In addition, we have increased the leakage allowance to 5% and will update this following agreement of a standard leakage allowance set by the CTWEBC working group.

We have also introduced a new site-specific discount for water booster pumping stations alongside our existing discount for wastewater pumping stations. These additional site-specific discounts ensure that the avoided costs for local network energy and capital maintenance of pumping stations are provided for in the bulk discount.

Therefore, overall, we have provided greater discounts to new appointees for water and wastewater. The introduction of a fixed per property discount also provides new appointees with further opportunities to increase margins through the successful implementation of water efficiency measures.

In developing our approach to bulk charges we have taken full account of Ofwat's charging rules and guidance as well as our general obligations under competition law. Our approach necessarily depends on a number of assumptions. Where NAVs, or others, believe these assumptions are not appropriate or applicable in their particular case, we would welcome a discussion about how we adjust our approach to meet the particular circumstances of a site, while maintaining compliance with Ofwat's guidance and our competition law obligations to ensure a level playing field. We have also considered the best practice framework published by the NAV bulk charges working group.

2.1 Water and wastewater bulk tariff methodology

To calculate the bulk charge, we have adopted the wholesale-minus approach, which requires the deduction of long run avoided costs from the wholesale charge. The relevant starting point is based on the household wholesale charge unless there are large users on the site in which case the relevant starting point will be based on the weighted average wholesale charge. Relevant wholesale charges include both volumetric charges and fixed charges as set out below.

We have calculated the avoided costs by calculating appropriate shares of different cost categories of all costs that would be avoided in the long run we did not serve the site. These costs include:

- Ongoing Costs,
- An adjustment for Leakage,
- Renewal and Replacement Costs of On-site Assets, and
- An appropriate share of Central Costs

For developing both our water and wastewater bulk tariffs we built separate cost allocation models to help us understand the costs we incur in serving new development infrastructure and hence the costs that would be avoided if a NAV is appointed. The base data within both our water and wastewater models used to allocate our costs and calculate the avoided costs are derived from our annual regulatory accounts and engineering data. In anticipation of the introduction of the CTWEBC from April 2027, we have updated our models to align with the avoided cost methodologies and worked examples set out in the draft CTWEBC.

The models follow the four-step approach set out in Ofwat's guidance. Below we describe our approach to each of the four elements.

2.1.1 Relevant wholesale tariff

Our approach starts with the relevant wholesale water or wastewater tariff, from which we deduct avoided costs.

The relevant wholesale tariff is our published wholesale unit volume charge per cubic metre of water / wastewater. These tariffs are published in our 'Schedule of Primary Household Charges' in our 'Wholesale Statement of Principles and Charges'. For simplicity we have used the household wholesale tariff. However, should any customer on the site be applicable for the large user tariff, a lower starting point will be provided, as described later.

The wholesale unit volume charge excludes any customer service and retail costs, which are included in our retail tariff. Therefore a 100% discount for all customer services, including the customer bad debt provision, has been provided.

Table 1, below, sets out the relevant wholesale charges.

Table 1: Our Wholesale tariffs for 2026-27

Water Wholesale Charges	Charges
Measured Charge for water (£/m3)	£3.518

Wastewater Wholesale Charges	Charges
Measured Charge for wastewater (£/m3)	£3.545
Highway Drainage	£19.16 per property
Surface Water Drainage	£50.00 per property

Wastewater charges consist of a volumetric charge for wastewater and fixed charges per property for the provision of both highway drainage and surface water drainage. Discharged wastewater should not contain surface water run-off. If surface water is returned to the sewer, as agreed in the bulk discharge agreement, we will apply the surface water fixed charge to the relevant starting point.

Large User Tariffs

For sites which have non-household customers where our large user tariff (LUT) is applicable, we will calculate a starting point based on the weighted average wholesale tariff. This would apply to retail customers within the NAV site using over 5MI per annum for water and 100MI per annum for wastewater.

The weighted average wholesale tariff would be calculated based on the following formulas:

Weighted Average Wholesale Tariff – Water

$$= \frac{[(V_{hh} * C_{hh}) + (V_5 * C_5 + F_5) + (V_{20} * C_{20} + F_{20}) + (V_{100} * C_{100} + F_{100})]}{[V_{hh} + V_5 + V_{20} + V_{100}]}$$

Weighted Average Wholesale Tariff – Wastewater

$$= \frac{[(V_{hh} * C_{hh}) + (V_{100} * C_{100} + F_{100})]}{[V_{hh} + V_{100}]}$$

Where C is the volumetric charge, V is the assumed consumption and F is the fixed charge associated with the large user tariff.

NAVs will be required to provide the number of on-site customers on each large user tariff and the annual forecast volumes at 31 March each year. This forecast will be used to calculate the weighted average wholesale tariff and the associated bespoke tariff for the

upcoming year. We will also require the volumetric consumption for each customer on each large user tariff band on 31 March for the previous year. Should the actual volumes vary from the forecast by greater than 5% of the total billed large user volume, we reserve the right to apply a true-up adjustment.

2.1.2 On-site ongoing costs

The next step is to understand our ongoing on-site costs, to allow us to identify which costs would be avoided.

We have followed the principles in Ofwat's bulk charging rules to set our avoided costs and develop our NAV discount. We have also considered Ofwat's recent decision document⁴ and draft guidance within CTWEBC to establish these avoided costs. As a starting point we have followed the guidance and utilised APR tables 4J and 4K to inform the avoided costs within our models based on total base operating expenditure.

Using our cost allocation models and the information contained in our regulatory accounts, we are able to identify the annual operating costs associated with operating and maintaining our water distribution and sewer networks. Adding operational and asset data to the models enables us to estimate at a granular level where on the network costs are incurred. This provided us with on-going costs for different sizes of pipes in our network, including the costs associated with managing leakage from our water distribution network.

Engineering data was used to model local networks and calculate appropriate pipe sizes and network characteristics. Using this information, we were able to allocate the on-site costs associated with local networks. These are the costs that are discounted from our relevant wholesale tariff.

Leakage Allowance

We also apply an on-site leakage allowance to provide for the local network leakage between the bulk meter at the point of connection and the point of supply to customers. This ensures that on-site losses through leakage is deducted from the measured volume of water recorded at the bulk meter(s) as having been supplied. No leakage allowance will be applied in cases where the measured volume is calculated by means of aggregated end consumer consumption.

For 2026-27, we are increasing our leakage allowance to 5%. For future charging years, we will apply the leakage allowance stipulated in the CTWEBC guidance.

⁴ [Decision Document - Rules for Bulk Charges for new appointments](#), Ofwat, November 2025

Tables 2 and 3 below show the calculated water and wastewater avoided on-site ongoing costs.

Table 2: Water avoided on-site ongoing cost discounts

Water NAV Tariffs	Avoided OPEX costs per property	Basis of discount
Water	£33.66	Total water network+ base operating expenditure allocated to all pipes up to 100mm and a proportion of pipes up to 300mm

Table 3: Wastewater avoided on-site ongoing cost discounts

Wastewater NAV Tariffs	Avoided OPEX costs per property	Basis of discount
Foul Wastewater	£15.06	Total wastewater network+ base operating expenditure allocated to local secondary sewer networks
Highway Drainage	£2.71	Total wastewater network+ base operating expenditure allocated to local secondary sewer networks
Surface Water Drainage*	£2.71	Total wastewater network+ base operating expenditure allocated to local secondary sewer networks

*100% discount for surface water drainage will be provided where no surface water is returned to the Southern Water network

Highway Drainage Charges

The highway drainage charge is included in the wholesale charge. This ensures compliance with the Ofwat charging guidance for bulk tariffs which states that highway drainage charges should be included within the relevant starting point of wholesale tariffs. A discount for the on-site maintenance and operation of local network highway drainage assets is applied to ensure all local network avoided costs are deducted from the wholesale charge.

Surface Water Charges

We apply surface water charges as a discrete service offering. Where no connection for surface water is returned to the Southern Water network, the surface water drainage charge is not included in the wholesale charge. Therefore, the new appointee would receive a 100% discount on the surface water wholesale charge whilst being able to charge the surface water fee to the end customer.

Where we do provide a connection for surface water, the surface water charge will be applied to the relevant starting point. Similar to highways drainage, an allowance for the maintenance and operation of on-site surface water drainage assets will be applied to ensure all avoided local network costs are deducted.

2.1.3 WACC on on-site assets

Ofwat's guidance next requires us to consider any avoided financing costs associated with on-site assets. We have considered the extent to which other financing costs would be avoided in the event of a NAV providing services to a new development in place of the incumbent provider.

Capital Financing Costs

We accept there will be financing costs associated with investment in capital maintenance on local networks. Therefore, we have provided a discount for the avoided cost of capital we would incur for the renewal and replacement costs of onsite assets. In line with Ofwat guidance⁵, we have aligned our cost of capital to the wholesale WACC we received in the PR24 Final Determination.

We do not apply a WACC to adopted or requisitioned assets as these are paid upfront by the developer and not added to the incumbents Regulatory Capital Value. As these assets are built at nil cost to the incumbent or NAV, there are no financing costs to be avoided.

2.1.4 Depreciation

The final element in Ofwat's guidance to be considered is depreciation.

Depreciation costs represent an accounting charge to allow for the ongoing capital maintenance of the water and wastewater networks in a steady state. These ongoing maintenance costs are avoided in respect of local networks owned by New Appointees and should be deducted from the bulk charge to a NAV.

We have modelled typical NAV sites as set out in the Common Terms and Worked Examples for New Connections and the CTWEBC guidance for bulk charges. Where possible, we have used the parameters set in Ofwat's scenarios representing typical developments to estimate the construction value of local network infrastructure. We have used our 2026-27 new connection charges to calculate the value of these assets and will adjust annually to reflect prevailing renewal and replacement costs. In line Ofwat's recent guidance, we have produced an annual discount based on a straight-line depreciation with an appropriate WACC discount as described above. This methodology calculates the annual avoided costs of capital maintenance of a local network for a typical new development.

⁵ [Decision Document - Rules for Bulk Charges for new appointments](#), Ofwat, September 2025

Table 5 and 6 show the avoided capital maintenance costs of water and wastewater local networks.

Table 5: Capital Maintenance Avoided Costs - Water

Service	Annual Avoided Capital Maintenance Costs Per Property
Water	£21.73

Table 6: Capital Maintenance Avoided Costs - Wastewater

Service	Annual Avoided Capital Maintenance Costs Per Property
Foul Wastewater	£9.94
Highway Drainage	£2.18
Surface Water Drainage	£3.79

2.2 Total discounts for NAV bulk charge and discharge services

Tables 7 and 8 below show the total avoided costs to be deducted from the wholesale charge.

Table 7: Total Discount Per Property - Water

Service	Annual Avoided Capital Maintenance Costs Per Property
Water	£55.38

Table 8: Total Discount Per Property - Wastewater

Service	Annual Avoided Capital Maintenance Costs Per Property
Bulk Wastewater Discount inclusive of Foul and Highway Drainage Discount	£29.88
Surface Water Drainage*	£6.50

*A full discount on the wholesale surface water charge will be provided where no surface water is returned to the Southern Water network.

We offer additional site-specific discounts for water booster pumping stations and wastewater pumping stations for on-site assets where relevant (see section 2.4 for site specific avoided costs).

2.3 Additional information

Where there is a large user on the site we would calculate a bespoke wholesale charge as described in section 2.1.1, reflecting the reduction in the starting point of the weighted average wholesale tariff. Where the large user tariff is applied to the weighted average wholesale tariff, both the relevant fixed large user charge and the volumetric charge would apply as per our Charges Scheme.

These NAV charges relate to bulk service charges only. These charges do not include any new connection service charges which may be required by the NAV, such as infrastructure charges and application fees, which can be found in our published new connection charging document.

2.4 Site specific costs – pumping station discounts

Southern Water accept that for some sites there maybe ongoing costs for additional on-site assets that are driven solely by the new development and which are not included in the standard set of avoided costs used in the wholesale-minus methodology.

We therefore provide additional discounts for the long run costs of operating and maintaining on-site water booster pumping stations and wastewater pumping stations. This approach aligns with Ofwat's guidance (Bulk charges for new appointees - guidance on our approach and expectations – Ofwat Jan 2021) that the scope of bulk services required by new appointees will vary depending on the circumstances of a site and which may require bespoke charges or variations to elements of the standard charge. This provides for a variation to the standard bulk charge for sites with on-site pumping stations and forms part of our 'menu' of charges so that new appointees are able to calculate their bulk charges.

In developing our approach for a discount for pumping stations, we have taken full account of our own ongoing costs for pumping stations of various sizes and the typical replacement costs for these pumping stations. We utilised our internal asset management systems (Pioneer) and the Water Industry Mechanical and Electrical Specifications (WIMES) Whole Life Cost model to assess energy consumption, operating expenditure and capital replacement costs.

Our methodology assumes that a pumping station will have two pumps on site (duty and back-up) and therefore we have applied annual depreciation for two pumps.

Table 9 and 10 below provide the discount for pumping stations.

Table 9: Water Booster Pumping Station Discount

Pumping Station Size	Annual Discount
Band 1 (up to 2.2 kW)	£3,984
Band 2 (between 2.2kW - 5.5 kW) (£/year)	£6,666

Table 10: Wastewater Pumping Station Discount

Pumping Station Size	Annual Discount
Band 1 (2 kW)	£1,590
Band 2 (5 kW)	£2,940
Band 3 (10 kW)	£5,270
Band 4 (20 kW)	£9,990
Band 5 (40 kW+)	£19,120

The site-specific pumping station avoided costs will be applied as a proportion of the fixed annual discount each billing period.

3. Compliance with Ofwat charging rules, guidance and competition law

In developing our approach to bulk charges we have taken full account of Ofwat's charging rules and updated guidance as well as our general obligations under competition law. We believe that we are fully compliant with the charging rules, competition law and our Licence.

The base data within both our water and wastewater models used to allocate our costs and calculate the avoided costs are derived from our annual regulatory accounts, new connection charges, relevant engineering standards and cost data. Our primary models are based upon the best practice outlined in Ofwat's latest decisions from November 2025 and our methodology complies with the new bulk charging rules.

3.1 WaterUK Best Practice Principles

In order to provide clarity in pricing methodology, approach and publication, WaterUK developed and published best practice principles for pricing information transparency.

Based on the findings of the NAV Market – Behavioural improvements project recommendations report, the following principles were recommended and adopted by Southern Water when setting the bulk tariffs as described below:

Principle 1 - NAVs should be able to independently calculate an indicative bulk charge (fixed and volumetric) for the majority of sites, where on-site assets are fully funded by the developer.

The Southern Water NAV bulk charges are simple and transparent and provide a single per property discount, allowing new appointees to calculate an accurate bulk charge. Where the site contains customers on a large user tariff, the new appointees are able to calculate an indicative charge by using the weighted average wholesale charge formula provided in section 2.1.1.

Principle 2 - Incumbents should maintain a dedicated NAV page on their websites, with all relevant information contained there or clearly signposted.

Southern Water maintain a dedicated NAV page on the website, containing the NAV bulk charges, methodology and other relevant information.

Principle 3 - NAV bulk charges schemes should contain worked examples to make clear how charges are calculated.

The NAV bulk charges scheme contains the worked examples as set out in the CTWEBC.

Principle 4 - Incumbents should inform NAVs when new bulk charges are published and consult with NAVs when they make substantive changes to the 'minus' element of their bulk charges.

New appointees are informed when the NAV bulk charges are published through Business Channels and have been consulted on any substantive changes as required in rule 9 of Ofwat's bulk charging rules.

Principle 5 - Incumbents should make efforts to provide clarity on where their new connections charging arrangements for NAVs differ to developers and Self-lay providers.

New connection charges are based on the service received rather than the type of customer, with all specific charges published within the new connection charging arrangements.

Principle 6 - NAV charges should be presented in a table format, with volumetric rates in £/m³ and fixed charges in £s.

The NAV bulk charges are published in a table format, with wholesale volumetric rates shown in £/m³ and bulk discounts provided in the format of £ per property.

Principle 7 – Incumbents should publish their NAV bulk charges alongside wholesale charges, other than in exceptional circumstances.

The NAV bulk charges scheme is published on 1st February of the relevant charging year in line with rule 26 of Ofwat's bulk charging rules.

Appendix 1: Schedule of NAV bulk charges 2026-27

Bulk Water Supply Charges 2026-27

Water Wholesale Charges	Charges
Measured Charge for water (£/m ³)	£3.518

If there are any large users within the newly appointed variation please contact us directly

NAV Bulk Water Supply Discounts	Discount
Leakage Allowance (%)	5% of measured volume at Bulk Meter ⁶
NAV Bulk Supply Discount (£ per property)	£55.38 per property
Booster Pumping Station Discount (£/year)	See table below for details

Discount for On-Site Water Booster Pumping Station

Annual fixed discount applied to sites with on-site water booster pumping stations.

Pumping Station Size	Annual Discount
Band 1 (up to 2.2 kW) (£/year)	£3,984
Band 2 (between 2.2kW - 5.5 kW) (£/year)	£6,666

Where appropriate, the site-specific booster pumping station avoided costs will be applied as a proportion of the fixed annual discount each billing period. The discount band will be based on the size of the primary pump operated and maintained by the New Appointee. A bespoke discount may be available for booster pumping stations larger than 5.5kW.

⁶ No leakage allowance will be applied in cases where the measured volume is calculated by means of aggregated end consumer consumption

Bulk Wastewater Charges 2026-27

Wastewater Wholesale Charges	Charges
Measured Charge for wastewater (£/m3)	£3.545
Highway Drainage (£ per property)	£19.16 per property
Surface Water Drainage (£ per property)	£50.00 per property

If there are any large users within the newly appointed variation please contact us directly.

NAV Bulk Discharge Discount	Discount
Leakage Allowance (%)	5% of measured volume at Bulk Meter*
Return to Sewer Allowance (%)	92.5% of measured water volume
Bulk Wastewater Discount inclusive of Foul and Highway Drainage Discount (£ per property)	£29.88 per property
Surface Water Drainage Discount	
Where surface water is not returned to Southern Water Network	100% discount on surface water drainage charge
Where surface water is returned to Southern Water Network (£ per property)	£6.50 per property
Booster Pumping Station Discount (£/year)	See table below for details

*No leakage allowance will be applied in cases where the measured volume is calculated by means of aggregated end consumer consumption

Discount for on-site wastewater pumping stations

Annual fixed discount applied to sites with on-site wastewater pumping stations.

Pumping Station Size	Annual Discount
Band 1 (2 kW)	£1,590
Band 2 (5 kW)	£2,940
Band 3 (10 kW)	£5,270
Band 4 (20 kW)	£9,990
Band 5 (40 kW+)	£19,120

Where appropriate, the site-specific pumping station avoided costs will be applied as a proportion of the fixed annual discount each billing period.

The discount band will be based on the size of the primary pump operated and maintained by the New Appointee.

Appendix 2: Worked Examples

Example 1: 50 household customers

Assumptions on Site Parameters	Water	Wastewater
Number of Properties	50	50
Bulk Meter Volume (m3)	5333	5333
Leakage (m3)	533	533
Customer Consumption (m3)	4800	4800
Per HH (m3)	96	96
Return To Sewer (%)		95%
Total RTS Volume (m3)		4560

Wholesale Charge (Starting Point)	Water	Wastewater
Wholesale Volumetric Rate (£/m3)	3.518	3.545
Wholesale Volumetric Charge (£)	£18,761.49	£16,163.99
HWD Standing Charge Per Property (£/property)		£19.16
HWD Total Charge		£958.25
Wholesale Charge	£18,761.49	£17,122.24

Bulk Charge Discounts	Water	Wastewater
Leakage Discount		
Leakage Volume (m3)	533	533
Equivalent Discount for Leakage Adjustment (£)	£1,876.15	£1,890.53
Wholesale Discounts		
Per Property Discounts		
NAV Discount Per Property (£ per property)	£55.38	£27.17
Number of Properties	50	50
Sub Total (£)	£2,769.18	£1,358.59
Additional Highway Drainage Discount		
NAV HWD Discount per Property (£ per property)	NA	£2.71
Number of Properties		50
Sub Total		£135.32
Total Wholesale Discount	£2,769.18	£1,493.92
Total Bulk Discount	£4,645.33	£3,384.44

Summary of Charges	Water	Wastewater
Wholesale Charge	£18,761.49	£17,122.24
Total Bulk Discount	£4,645.33	£3,384.44
NAV Bulk Charge	£14,116.17	£13,737.80

Additional comments:

i) The worked example uses an assumed onsite leakage of 10%. Southern Water offers a 5% onsite leakage allowance.

ii) The worked example uses an assumed Return To Sewer of 95%. Southern Water offer a 92.5% RTS.

Example 2: 200 household customers and 5 non-household customers

Assumptions on Site Parameters	Water		Wastewater
	Household	Non-Household	
Number of Properties	200	5	205
Bulk Meter Volume (m3)	24,111		24,111
Leakage (m3)	2,411		24,111
Consumption per property (m3)	96	500	
Customer Consumption (m3)	19,200	2,500	21,700
Return To Sewer % (m)	NA		95%
Total RTS Volume (m3)			20,615

Wholesale Charge (Starting Point)	Water	Wastewater
Wholesale Volumetric Rate (£/m3)	3.518	3.545
Wholesale Volumetric Charge (£)	£84,822.50	£73,079.28
Highway Drainage Standing Charge Per Property (£)	NA	£19.16
HWD Total Charge (£)		£3,928.82
Wholesale Charge (£)	£84,822.50	£77,008.10

Bulk Charge Discounts	Water	Wastewater
Leakage Discount		
Leakage Volume (m3)	2,411	2,411
Equivalent Discount for Leakage Adjustment (£)	£8,482.25	£8,547.24
Wholesale Discount		
Per Property Discounts (£m)		
NAV Discount Per Property (£ per property)	£55.38	£27.17
Number of Properties	205	205
Sub Total (£)	£11,353.63	£5,570.23
Additional Highway Drainage Discount	NA	
NAV HWD Discount per Property (£ per property)		£2.71
Number of Properties		205
Sub Total (£)		£554.83
Total Wholesale Discount (£)	£11,353.63	£6,125.07
Total Bulk Discount (£)	£19,835.88	£14,672.31

Summary of Charges	Water	Wastewater
Wholesale Charge	£84,822.50	£77,008.10
Total Bulk Discount	£19,835.88	£14,672.31
NAV Bulk Charge	£64,986.62	£62,335.79

Southern Water offers additional site-specific discounts for onsite pumping stations. Below represent the typical discounts for water and wastewater pumping stations for a site of 205 properties.

Additional Site-specific Discounts	Water	Wastewater
Onsite pumping station	£3,984.00	£2,940.00
Total Site-specific Bulk Discount	£23,819.88	£17,612.31

Additional comments:

- i) The worked example uses an assumed onsite leakage of 10%. Southern Water offers a 5% onsite leakage allowance.
- ii) The worked example uses an assumed Return To Sewer of 95%. Southern Water offer a 92.5% RTS.



Appendix 3 Avoided Cost Template

Publication of avoided cost template

As part of a recent Water UK working group. Water companies have been encouraged to publish details on their approach to setting NAV charges. Further details can be found on the Ofwat website: [New appointee bulk charging working group - Ofwat](#)

Code	Cost	Discount Provided on wholesale charge?	Comment
WD1	Routine and adhoc water quality sampling. Regulatory monitoring at every site irrespective of size	Yes	
WD2	Drinking Water Safety Planning (Water Supply (Water Quality) Regulations 2016 - Regs 27 & 28), Monthly water quality reporting, submission of annual data returns.	Yes	
WD3	Monitoring and auditing of Laboratory performance - Water Supply (Water Quality) Regulations 2016 - Regulation 16	Yes	
WD4	Water Fittings inspections - enforcement of Water Supply (Water Fittings) Regulations 1999	Yes	
WD5	Supplementary water quality monitoring e.g. Response to customer contacts,	Yes	



New Appointments and Variations

Bulk charges 2026-27

WD6	Additional flushing/sampling due to poor performance and/or condition of assets owned and maintained by the upstream incumbent	Yes	
WD7	Local Authority and Public Health England Liaison and updates.	Yes	
WD8	Planned Maintenance - e.g. flushing activities	Yes	
WD9	Unplanned Maintenance	Yes	
WD10	Emergency Response	Yes	
WD11	Meter maintenance / replacement	Yes	
WD12	Meter accuracy testing costs	Yes	
WD13	Meter reading	No	This is a retail cost and therefore included in the retail discount
WD14	Battery replacement	Yes	
WD15	Arrangements for sharing meter data	No	This is a retail cost and therefore included in the retail discount. Any sharing of meter data would be covered under separate data service agreement.
WD16	Standby arrangements	Yes	
WD17	Incumbent bulk metering costs	No	Bulk meter costs are paid for by wholesaler
WD18	Financial penalties for GSS failure - Also GSS payments made to customers as a consequence of upstream incumbent failure.	Yes	Provisions for payment of GSS are provided in the bulk supply contract
WD19	Network losses / unaccounted for water at a direct wholesale cost.	Yes	Leakage allowance discount provided on volumetric calculation where volume is measured at the bulk supply meter
WD20	Activities to monitor and control leakage/unaccounted for water	Yes	
WD21	Wholesale cost for 'free' water provided under social tariffs	No	This is a retail cost and therefore included in the retail discount

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WD22	Offsite network maintenance / repair (No income if NAV tariff assumes connection at boundary)	Yes	Discount provided for local area network typical for the size of the development and NAV connection typically at site boundary
WD23	Water resource planning and drought plans	Yes	
Wastewater			
WWD1	Planned / unplanned pumping station maintenance	Yes	Provided annual fixed discount for sites with onsite pumping stations
WWD2	Planned sewer jetting maintenance	Yes	
WWD3	Unplanned / emergency response and or maintenance	Yes	Avoided costs for local network 'Unplanned / emergency response and or maintenance' provided
WWD4	Telemetry	Yes	
WWD5	Planned / unplanned sewer jetting, blockage removal	Yes	
WWD6	Incumbent customer meter data costs + supplementary data.	No	This is a retail cost and therefore included in the retail discount
WWD7	Incumbent discharge costs for water losses not returned to sewer i.e. where bulk discharge costs are based on a bulk water meter.	Yes	Leakage allowance discount provided on volumetric calculation where volume measured at bulk meter
WWD8	Capital replacement in made up ground	Yes	
WWD9	Wholesale cost for 'free' sewerage provided under social tariffs	No	This is a retail cost and therefore included in the retail discount
WWD10	Sewer flooding remediation and compensation	Yes	
WWD11	Financial penalties for GSS failure - Also GSS payments made to customers as a consequence of upstream incumbent failure.	Yes	Provisions for payment of GSS provided in bulk discharge contract
WWD12	Offsite network maintenance / repair (No income if NAV tariff assumes connection at boundary)	Yes	Discount provided for local area network typical for the size of the development
WWD13	Tankering incl. pre NAV approval	Yes	Discount provided on wholesale charge for routine maintenance issues. Emergency tankering provided by SW where SW at fault as per bulk discharge agreement. SW also provide tankering where there is insufficient

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			capacity for the site after 24 months of the date of grant of outline or full planning.
WWD14	Trade effluent costs - admin, monitoring, data sharing with downstream incumbent	Yes	
Surface Water Drainage			
WWD17	Planned / unplanned pumping station maintenance	Yes	Provided annual fixed discount for sites with onsite pumping stations
WWD18	Planned sewer jetting maintenance	Yes	
WWD19	Incidence response sewer jetting	Yes	
WWD20	De-silting	Yes	
WWD21	Clearing and maintenance of drainage areas.	Yes	
WWD22	Capital replacement in made up ground	Yes	
WWD23	Wholesale cost for 'free' drainage (surface water) provided under social tariffs	No	This is a retail cost and therefore included in the retail discount
WWD24	Sewer flooding remediation and compensation	Yes	
WWD25	Offsite (surface water) network maintenance / repair (No income if NAV tariff assumes connection at boundary)	Yes	Discount provided for local area network typical for the size of the development
WWD26	Discharge permits/costs	No	Where the NAV owns the full surface water network requiring a surface water discharge permit, the NAV would not be charged for surface water fees by SW. They would receive 100% surface water revenue for their customers
Central Costs			
C1	Finance/ HR / Legal and IT staff resource costs	Yes	
C2	Regulatory Costs - Licence fees, regulatory reporting and compliance	Yes	
C3	NAV application and administration costs.	No	Costs recovered from Developer
C4	End customer billing and customer service costs	No	This is a retail cost and therefore included in the retail discount
C5	Management costs	Yes	
C6	External consultancy	Yes	

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C7	IT systems and development	Yes	
C8	Travel and subsistence	Yes	
C9	Vehicle fleet costs	Yes	
C10	Plant, tools and equipment	Yes	
C11	Health and Safety	Yes	
C12	Insurance	Yes	
C13	Employer pension	Yes	
C14	Employer NI	Yes	
C15	Premises and utilities	Yes	
C16	Telecommunication costs	Yes	
C17	Business Rates	Yes	
C18	Recruitment	Yes	
C19	Training and Development	Yes	
C20	Bank charges incl. those relating to customer income collection	No	This is a retail cost and therefore included in the retail discount
C21	Customer bad debt and debt recovery costs.	No	This is a retail cost and therefore included in the retail discount
C22	Revenue protection and voids management.	No	This is a retail cost and therefore included in the retail discount
C23	External audit / accountancy costs	Yes	
C24	Asset Financing Costs	Yes	We provide a discount for the financing costs associated with capital maintenance.
C25	Working Capital	No	Assume customers pay regularly by direct debit.
C26	Incumbent Working Capital	Yes	See C30
C27	Marketing, Branding and Customer Relations	Yes	
C28	Billing systems costs	No	This is a retail cost and therefore included in the retail discount.
C29	Billing and other postage / stationery costs	No	This is a retail cost and therefore included in the retail discount.
C30	Cost of Debt	Yes	We have included a NAV WACC in our avoided costs model