Thames Water Utilities Limited (TWUL) Wholesale

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Version 1.0

Consultation on wholesale metered charges

Information about this document

This document is being issued to seek the views of retailers in the Business Retail market regarding two topics that relate to our metered wholesale charges:

1. the implementation of the Retailer Wholesaler Group ("RWG") Good Practice Guide ("GPG") on metered consumption bands that will impact our wholesale metered charging structures; and
2. bandings used for our metered fixed charges that apply to Surface Water Drainage and Highways Drainage services.

Responses should be sent to wholesalemarketservices@thameswater.co.uk by the deadline of **14 November 2025.**

Background on our wholesale charges for 2026/27 and beyond

Our indicative wholesale price rises for 2026/27 are set out in Table 1 below. These figures are inclusive of an inflation (CPIH) assumption of 3.5% and reflect the revenue allowances set out in the PR24 Final Determination ("FD") adjusted for our Outcome Delivery Incentive ("ODI") performance in 2024/25.

Table 1: Bill impact for typical non-household customers 2026/27

Customer type	Non-Household	
	Unmeasured	Metered
Water-only	10.0%	10.0%
Wastewater-only	(3.9%)	(3.9%)
Dual service	4.2%	4.1%

Our wholesale water prices are set to increase significantly in 2026/27. Beyond 2026/27, our wholesale water allowed revenues for the remaining three years of AMP8 are currently forecast to see lower increases that range between 3.4% and 4.9%.

Our wholesale wastewater prices are set to reduce in 2026/27. Beyond 2026/27, our wholesale wastewater allowed revenues are forecast to decrease further in 2027/28 by c. 1.7% before increasing in each of the remaining two years of AMP8 by c. 5.8% per annum.

Topic 1: Impact of RWG GPG on metered consumption bands

The RWG published a Good Practice Guide[1] in February 2025 setting out the common charging structure that wholesalers should use as best practice for their metered tariffs. The implementation of the proposed structure is to commence from 2026/27 and finish within five tariff cycles, ready for the 2030/31 charging year.

For Thames Water, the changes involve removing the tariff structure currently applied to our intermediate water users with annual usage of 20,000m^3 to 50,000m^3. Affected customers (those on CMOS tariff code NHHMPW5) will ultimately be moved across to our standard user rates for non-household wholesale charges. This will result in an increase to the overall bills of our existing intermediate water users, of which there are typically between 500 and 600 in any given year.

Currently, there is a discount of 8.5% applied to the unit rates for our intermediate water users that will need to be unwound to align to the structures set out in the GPG. The intermediate water user supplementary fixed charge, that offsets some of this volumetric rate discount through higher fixed charges for intermediate users, will also need to be removed from our charging structure.

Overall, the net effect of the discounts applied to intermediate water users reaches a maximum reduction of 5% (for a small number of customers) compared to our standard water user charges.

Options for implementation of new charging structure

In light of the underlying increase in indicative wholesale water charges for 2026/27 (per Table 1 above), we are currently considering whether or not to commence the removal of the intermediate water user tariff in 2026/27, as we are aware this would lead to further bill increases for the affected customers. Alternatively, delaying implementation would avoid impacts in 2026/27 but would lead to slower progress towards standardisation. Our indicative wholesale water charges for 2026/27 do not include the impact on intermediate users of commencing the implementation of the new metered charging structure.

We are therefore seeking views on the commencement and timelines of implementation. The specific consultation questions are set out below.

We are consulting on four options:

A. apply the changes fully in 2026/27;

B. start a phased implementation in 2026/27 and implement over 2 years;

C. start a phased implementation in 2026/27 and implement over 3 years; or

D. defer starting the changes to 2027/28.

We have modelled the impact in 2026/27 for each affected customer, assuming a like-for-like basis in terms of their water use. The options show impacts ranging from small increases

[1] '[Simplification and harmonisation of metered consumption bands]', RWG, February 2025

for a larger number of customers, up to a maximum impact of 5% for a small number of customers if the change is implemented in a single year. Most customers would be impacted by up to 2% in 2026/27 under all options except the option to defer implementation to 2027/28 (which would have zero impact in 2026/27).

Note that all of the impacts discussed in this section are in addition to the underlying increases in our wholesale water charges for 2026/27 as set out in Table 1.

Table 2: Additional bill impact for each implementation option

Impact above background increase (rounded to nearest %)	Impact of options on 2026/27 charges (number of customers)			
	Option A Single year 2026/27	Option B 2 years 2026/27 - 2027/28	Option C 3 years 2026/27-2028/29	Option D Defer Start 2027/28
0%	71	139	210	512
1%	139	299	290	0
2%	155	73	12	0
3%	100	1	0	0
4%	35	0	0	0
5%	12	0	0	0
6%+	0	0	0	0
TOTAL	512	512	512	512

Please could you answer the following consultation questions:

1. What is your preferred option to deliver this change? Should we:

    a. apply the changes fully in 2026/27;
    b. start a phased implementation in 2026/27 and implement over 2 years;
    c. start a phased implementation in 2026/27 and implement over 3 years; or
    d. defer starting the changes to 2027/28.

2. Please add any comments on why you prefer your chosen option.

Topic 2: Bandings for metered fixed charges – drainage services

Our charges for Surface Water Drainage and Highways Drainage services are applied on the basis of the size of the customer's water meter. We currently have 14 existing meter sizes each with a different charge, as per Table A.1-4 within our Wholesale Tariff Document[2].

Charges for larger meter sizes are derived from the smallest meter size charge (12/15mm) using set factors that relate to the cross-sectional area of the pipe on which the meter is sited. These factors are derived from the pipe diameter in inches, per Table 3 below. This approach ensures cost-reflectivity on the basis of relative flows, on the understanding that meter size is being used as a proxy for property size and hence the likely burden the premises places on our surface water sewer network.

Table 3: Cross-sectional area ("CSA") factors for meter fixed charges

Pipe size (mm)	Pipe size (inches)	CSA multiplier
12/15	0.50	1
20/22	0.75	2.25
25/28	1.00	4
30/32/35	1.25	6.25
40/42	1.50	9
50/54	2.00	16
65	2.50	25
75/80	3.00	36
100	4.00	64
125	5.00	100
150	6.00	144
200	8.00	256
250	10.00	400
300	12.00	576

We are seeking the views of retailers on how useful it would be to rationalise the number of meter size bands in use for our drainage charges, acknowledging that there would be a revenue rebalancing requirement resulting from any such activity. We are also keen to hear views on the most appropriate timing and duration for this exercise.

Options being considered are set out below in Table 4, where we show three options:

- Option 1 – our current approach with 14 categories;
- Option 2 – simplifying this to eight categories; or
- Option 3 – simplifying further to four categories.

The simplest option aligns to the RWG Good Practice Guide[3] for metered fixed charges published in November 2023 (though we note that the RWG GPG as published does not apply specifically to instances where meter fixed charges are used for drainage services).

[2] Wholesale Tariff Document 2025-26, Thames Water, January 2025
[3] Fixed Meter Charges – Simplification and Harmonisation, RWG, November 2023

Table 4: Options being considered for meter fixed charge bandings

<table>
<tr><th>Option 1 (mm)</th><th>Option 2 (mm)</th><th>Option 3 (mm)</th></tr>
<tr><td>12/15</td><td>0 - 19mm</td><td rowspan="3">0 - 25mm</td></tr>
<tr><td>20/22</td><td rowspan="2">20 - 29mm</td></tr>
<tr><td>25/28</td></tr>
<tr><td>30/32/35</td><td rowspan="2">30 - 49mm</td><td rowspan="3">26 - 50mm</td></tr>
<tr><td>40/42</td></tr>
<tr><td>50/54</td><td>50 - 64mm</td></tr>
<tr><td>65</td><td rowspan="2">65 - 99mm</td><td rowspan="3">51 - 100mm</td></tr>
<tr><td>75/80</td></tr>
<tr><td>100</td><td>100 - 124mm</td></tr>
<tr><td>125</td><td rowspan="2">125 - 199mm</td><td rowspan="5">> 100mm</td></tr>
<tr><td>150</td></tr>
<tr><td>200</td><td rowspan="3">200mm +</td></tr>
<tr><td>250</td></tr>
<tr><td>300</td></tr>
</table>

We are also open to suggestions of other options that use different band thresholds.

We acknowledge that several wholesalers use site area based charging for Surface Water Drainage services. As this would be a much bigger change, this is not something that we are considering for implementation at this time. When the benefits case has been more thoroughly reviewed, we may revisit this as an option. We expect the RWG Tariffs Subgroup to consult on this topic in the future.

The consultation questions that we are seeking views on are set out below.

3. What are your views on the usefulness of rationalising the number of meter size bands that we use for drainage charges? Insight into any difficulties that the current structure creates either for yourselves as retailers or for your customers would be useful to hear.

4. Do you have a preference for which structure we should adopt (Option 1, 2, 3 or an alternative option) and any views on the timeline over which any new structure should be implemented?

Next steps

Responses to this consultation are due by **14 November 2025** and should be emailed to wholesalemarketservices@thameswater.co.uk.

Following this, we will review and consider how to reflect the feedback in our final wholesale charges for 2026/27 which are due to be published by 13 January 2026.