

# Statement of significant changes to charges – Retail

(Published 13 January 2025)

## Introduction

This statement of significant changes is made under Ofwat’s charges scheme rules (rule A2) <https://www.ofwat.gov.uk/publication/charges-scheme-rules/>. It sets out changes we are making to our charges in the 2025-26 charging year for residential customers.

This statement does not discuss the increase in the total bills (i.e. wholesale charges plus retail charges) for business customers, because we exited the business customer retail market with effect from 1 April 2017. Information about significant changes to our non-household wholesale charges can be found in our Updated statement of significant changes to primary non-household wholesale charges, published in October 2024.

[statement-of-significant-changes-2025-26.pdf](#)

This statement does not discuss the year-on-year change in infrastructure charges. Information about our infrastructure charges can be found in our Infrastructure Charges Scheme and Charging Arrangements document <https://www.southernwater.co.uk/developing-building/connection-charging-arrangements>

## **(a) Bill increases of more than 5% from the previous year (for a given customer type assuming a constant level of consumption)**

### **Residential customers**

Due to Ofwat’s PR24 Final Determination of our allowance to increase investment, all groups of residential customers will experience an increase in their total charges (i.e., wholesale plus retail) of more than 5% from the previous year.

Details of the additional steps we are taking to mitigate the impact of the bill increases for household customers are provided in the “Statement regarding the Board’s assessment of bill increases” section of the 2025-26 Board Assurance Statement for end-user charges.

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**Wholesale Charges**

The average household combined bill is going to increase by 46.7% in 2025-26. This bill is comprised of wholesale charges (approximately 90% of the total bill value) and retail charges (approximately 10%). Table 1 below shows the key drivers of increases to wholesale charges in 2025-26 when compared to 2024-25.

**Table 1. Drivers of movement in wholesale charges**

Key drivers	Water	Wastewater
<b>2025-30 Increased investment</b>	39.8%	11.8%
<b>2020-25 Over-spend cost-sharing</b>	41.2%	28.7%
<b>2025-30 Cost of new debt</b>	2.6%	3.6%
<b>CPIH Inflation</b>	3.5%	3.5%
<b>2020-25 Environmental compliance penalty</b>	-	5.0%
<b>Household consumption</b>	1.0%	0.8%
<b>Non-household consumption</b>	2.0%	1.5%
<b>Bioresources</b>	-	0.8%
<b>2020-25 Revenue under-recovery</b>	(1.1%)	0.5%
<b>Outcome Delivery Incentive (ODI) penalties</b>	(48.3%)	(2.0%)
<b>TOTAL</b>	<b>40.6%</b>	<b>54.3%</b>

**Retail Charges**

Table 2 below shows how Ofwat’s PR24 Final Determination of nominal retail revenue allowance per customer has increased since 2024-25. The key drivers of the increase are the unwinding of the AMP 6 CIM penalty (£6m per year), along with higher allowance for customer services costs, a new CRM & billing system, and increased allowance for doubtful debt and debt management costs due to bill increases.

**Table 2:** nominal £ allowance per connected household customer premise

	2024-25	2025-26
HH premise count #’k	2,022	2,026
£ per premise	£24.27	£38.84
£’m nominal revenue	£49.1m	£78.7m
% revenue increase		60.3%

Table 3 below provides a summary of bill increases for each basis of charge (measured, assessed measured, rateable value) for a range of customers.

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**Table 3.** Detailed bill impact assessment for customer groups

Measured customers	Dual service		Water only		Waste only	
	Change £	Change %	Change £	Change %	Change £	Change %
<b>Usage m3/a</b>						
50 m3/a	154	50%	54	44%	100	55%
100 m3/a	239	50%	87	43%	151	55%
150 m3/a	356	49%	133	42%	223	55%
200 m3/a	458	49%	173	42%	285	55%
250 m3/a	559	49%	213	41%	346	54%
300 m3/a	661	49%	253	41%	408	54%
350 m3/a	762	48%	292	41%	470	54%
<b>Assessed measured customers</b>						
<b>Basis of charge</b>						
Single occupier	183	52%	66	45%	118	57%
1 bedroom	223	51%	82	44%	142	57%
2 bedrooms	264	51%	97	44%	167	56%
3 bedrooms	295	50%	109	43%	186	56%
4 bedrooms	304	50%	113	43%	191	56%
5 bedrooms	319	50%	119	43%	200	56%
<b>Rateable Value (RV) customers</b>						
<b>Total RV</b>						
£100	185	52%	65	45%	120	57%
£150	250	51%	90	44%	161	57%
£200	316	51%	115	43%	201	56%
£250	381	50%	140	43%	242	56%
£300	447	50%	164	42%	283	56%
£350	513	50%	189	42%	323	56%
£400	578	50%	214	42%	364	55%

## (b) Details of significant changes in charging policy from the previous year

### Residential customers

#### Social tariff update

To continue to support our customers we are increasing the social tariff cross-subsidy to £21. This will allow the support to reach an additional 18,000 customers compared to 2024-25 and to continue to offer the minimum discount of 45% to all eligible customers.

We are mindful that the government-led national single social tariff is expected in 2026-27 and we don't yet know the consequences of this, particularly in terms of future transition approach for customers in receipt of support today who may become ineligible.