

June 2026

DRAFT Charges Scheme Rules

Effective from April 2027

Change history

Date of issue	Date coming into effect	Modification relative to previous issue
tbc	April 2027	Updates relative to April 2023 version in red or strikethrough. Added definition of 'Supply-Demand Balance'. Changed rule 13 and 15 to clarify that long-run costs include those associated with water scarcity and the supply-demand balance, and allow differential charging based on incentives to promote water efficiency.
02 December 2022	April 2023	Clarification of rule 12 to allow charging trials. Addition of general charging principles (rule 11A).
20 October 2021	April 2022	Moving infrastructure charges to the Charging Rules for New Connection Services (English Undertakers)
27 March 2020	April 2020	Insertion of new 2A to confirm that the rules apply on the Isles of Scilly from 1 April 2020
15 July 2019	April 2020	Moving the income offset from requisition charges to infrastructure charges
20 December 2018	December 2018	Amendment to make the previous temporary amendment permanent.
29 June 2018	June 2018	Temporary amendment focused on when infrastructure charges can be levied.
15 December 2016	December 2016	See New connections charging – consultation July 2016 for details. This affects: Paragraphs 26 to 33 on infrastructure charges and associated definitions.
17 November 2015	October 2016	First issue.

WATER SERVICES REGULATION AUTHORITY

WATER INDUSTRY ACT 1991, SECTIONS 143(6A) and 143B

Charges Scheme Rules

Introduction

1. These rules are issued by the Water Services Regulation Authority under sections 143(6A) and 143B of the Water Industry Act 1991. Further rules issued under section 143B relating to Infrastructure Charges are published in the English New Connection Rules.
2. The rules come into effect on 1 April 2027~~3~~, replacing the rules that came into effect on 1 April 2023~~2~~.
- 2A The rules apply to the Isles of Scilly, as part of England.
3. The rules apply to water undertakers and sewerage undertakers when they are making a charges scheme.
4. The rules are supplementary to statutory provisions that apply to relevant undertakers under any enactment, or instrument made thereunder (including the conditions of their appointments), and in the event of any conflict between the rules and any statutory provision, the latter shall prevail.

Interpretation

5. Unless the context otherwise requires, in these rules and for the purpose of Charges Schemes by Undertakers under these Rules:

“charges scheme” means a charges scheme under section 143 of the Water Industry Act 1991.

“Charging Year” means a calendar year running from 1 April in a given year to 31 March in the following year.

“domestic premises” means any premises used wholly or partly as a dwelling or intended for such use, such as a house or flat.

“English New Connection Rules” means the Charging Rules for New Connection Services (English Undertakers) issued by the Water Services Regulation Authority under sections 51CD, 105ZF, 143B and 144ZA of the Water Industry Act 1991.

“Income Offset” has the meaning given in the English New Connection Rules.

“Infrastructure Charges” has the meaning given in the English New Connection Rules.

“metered charge” means a charge for services that are based wholly or partly on measured quantities of volume.

“the Minister” means –

in the case of an undertaker whose area is wholly or mainly in England, the Secretary of State, and

in the case of an undertaker whose area is wholly or mainly in Wales, the Welsh Ministers.

“Mogden formula” means the following formula:

$$\text{Charge per unit of effluent} = R + [(V + Bv) \text{ or } M] + B(Ot/Os) + S(St/Ss)^7$$

where:

R = reception and conveyance charge [p/m³]

V = primary treatment (volumetric) charge [p/m³]

Bv = additional volume charge if there is biological treatment [p/m³]

M = treatment and disposal charge where effluent goes to sea outfall [p/m³]

B = biological oxidation of settled sewage charge [p/kg]

Ot = Chemical oxygen demand (COD) of effluent after one hour quiescent settlement at pH7

Os = Chemical oxygen demand (COD) of crude sewage after one hour quiescent settlement

S = treatment and disposal of primary sewage sludge charge [p/kg]

St = total suspended solids of effluent at pH7 [mg/litre]

Ss = total suspended solids of crude sewage [mg/litre]

“**Network Reinforcement**” has the same meaning as in the English New Connection Rules

“**new appointee**” means a company holding an appointment as a relevant undertaker where the conditions of that appointment limit the charges that can be fixed under a charges scheme by reference to the charges fixed by one or more other relevant undertakers.

“**rateable value charge**” means a charge fixed wholly or partly by reference to a rating valuation list or otherwise determined, whether directly or indirectly, by reference to any value or other amount specified at any time in such a list or which purports to be so fixed or determined.

“**rating valuation list**” means a list which is or has at any time been maintained, for the purposes of rating, under section 41 of the Local Government Finance Act 1988, section 67 of the General Rate Act 1967 or any other enactment.

“**service**” includes the supply of water.

“**Sewer**” has the meaning given in the English New Connection Rules.

“**Supply-Demand Balance**” is the difference between water available for use that a company has from its supply sources, and the demand for the water from household and non-household needs and leakage. Supply-Demand Balance can be calculated for the present situation across the whole company or individual water resource zones or projected out for the future across the company's planning horizon.

“**unmetered charge**” means a charge for services that are not based on measured quantities of volume to any extent.

“**Water Main**” has the meaning given in the English New Connection Rules.

6. Unless the contrary intention appears, words and expressions used in these rules have the same meaning as in any provision of the Water Industry Act 1991.

Consumer Council for Water

7. Before making a charges scheme a relevant undertaker must consult the Consumer Council for Water about its proposed scheme in a timely and effective manner.

Bill stability

8. Undertakers should carry out a proportionate impact assessment whenever the nominal value of bills for a given customer type (assuming a constant level of consumption) is expected to increase by more than 5% from the previous year.

Publication

9. Charges schemes must be published no later than 1 February in the year immediately preceding the Charging Year in relation to which they have effect.
10. Charges schemes must be published on a relevant undertaker's website and in such other manner as the undertaker considers appropriate for the purpose of bringing it to the attention of persons likely to be affected by it.
11. Where a relevant undertaker has published or fixed standard charges otherwise than under a charges scheme for any services provided by that undertaker, charges schemes must state how customers may obtain a copy of such charges and, if applicable, where on a relevant undertaker's website those charges may be found.

General charging principles

11A Relevant undertakers must determine what types of charges may or may not be imposed and the amount of any charges that may be imposed in accordance with the principle that charges covered by these rules should reflect:

- (a) fairness and affordability;
- (b) environmental protection;
- (c) stability and predictability; and
- (d) transparency and customer-focused services.

Principles for determining the amounts of charges

12. Consistent principles and approaches must be applied to the calculation of charges for different classes of customers. For the avoidance of doubt, when trialling new charging structures undertakers may (for an appropriate limited period) impose different charges to customers participating in the trial as compared to customers who are not participating in the trial even if, absent the trial, the charges imposed would be the same for both groups.
13. Charging structures must reflect the long run costs associated with providing the relevant service, **including the costs associated with meeting the Supply-Demand Balance and/or addressing water scarcity.**
14. Charges for services provided to domestic premises must be fixed so that the average difference between metered charges and unmetered charges only reflects any differences in the costs of, and the additional benefits of, the provision of one service relative to the other.
15. **Any differences between charges for services provided to larger users of water and charges for services provided to smaller users of water must only be based on one or both of the following:**
 - (a) cost differences associated with differential use of network assets, differential peaking characteristics, different service levels and/or different service measurement accuracy;
 - (b) **incentives to promote greater water efficiency and the associated environmental and wider societal benefits.**
16. Where cost differences associated with differential peaking characteristics are used as a basis for differences between charges for services provided to larger users of water and charges for services provided to smaller users of water, the charges fixed on that basis must be structured on an appropriate peak demand basis.
17. Charges for sewerage services must take into account the different pollutant loads associated with household foul sewage, non-household foul sewage, trade effluent, surface water draining from premises and surface water draining from highways.

Assessed charges

18. Charges schemes must allow a customer to choose to pay an assessed charge determined in accordance with this rule in the specified circumstances:

- (a) The type and amount(s) of an assessed charge must be determined in accordance with the following principles:
 - (i) assessed charges should, as closely as practicable, reflect the metered charges that would apply in relation to the volume of water that is likely to be supplied; and
 - (ii) the amount of an assessed charge payable by an individual who is the sole occupier of domestic premises (a single occupier assessed charge) should reflect the volume of water that is likely to be supplied to domestic premises occupied by one individual in the relevant area.
- (b) The specified circumstances for the purposes of this rule are where a water undertaker has received a measured charges notice in accordance with section 144A of the Water Industry Act 1991 but was not obliged to give effect to it because:
 - (i) it is not reasonably practicable to fix charges in respect of the premises by reference to the volume of water supplied; or
 - (ii) to do so would involve the incurring by the undertaker of unreasonable expense.

Unmetered charges

19. Charges schemes that include any unmetered charges must clearly state the basis on which those charges are fixed or determined and, in the case of rateable value charges, state:

- (a) which rating valuation list charges are fixed or determined by reference to; and
- (b) if the undertaker uses a different value or other amount to that specified in such a list, the methodology or other basis on which that different value or other amount is calculated.

Wastewater charges

20. Sewerage undertakers' charges schemes must provide for a cost reflective reduction in the charges payable for the provision of sewerage services to any premises where the

sewerage undertaker knows, or should reasonably have known, that surface water does not drain to a public sewer from those premises.

21. Sewerage undertakers must set out in their charges schemes how any reduction in the charges payable for the provision of sewerage services to any premises will be calculated if customers can demonstrate that they have significantly reduced the volume of surface water draining to a public sewer from their premises or explain why there is no such provision.

Trade effluent

22. Charges to be paid in connection with the carrying out of a sewerage undertaker's trade effluent functions must be based on the Mogden formula, a reasonable variant of the Mogden formula or on a demonstrably more cost-reflective basis.

Social tariffs / Concessionary drainage charges

23. Charges schemes must state:
 - (a) whether or not undertakers have decided to include in the charges scheme:
 - (i) provision designed to reduce charges to community groups in respect of surface water drainage from their property (having had regard to any guidance issued by the Minister under section 43 of the Flood and Water Management Act 2010);
 - (ii) provision designed to reduce charges for individuals who would have difficulty paying in full (having had regard to any guidance issued by the Minister under section 44 of the Flood and Water Management Act 2010);and
 - (b) if any such provision is included, how eligible customers can apply for such reduced charges.

Times and methods of payment

24. Charges schemes must include provisions giving customers a reasonable choice as to the times and methods of payment of the charges fixed by the scheme.

New appointees

25. Rule 9 does not apply to new appointees. Instead new appointees must publish charges schemes no later than the 22 February immediately preceding the Charging Year in relation to which they have effect.

Infrastructure charges and Income Offsetting (English undertakers)

Rules relating to infrastructure charges and income offsetting, formerly at rules 26–35, are published in the English New Connection Rules.

26. Not used

27. Not used

28. Not used

29. Not used

30. Not used

31. Not used

32. Not used

33. Not used

34. Not used

35. Not used

Annex: Information requirements

- A1 Each undertaker should provide to the Water Services Regulation Authority an assurance statement from its Board of Directors and publish its statement no later than the time of publication of the charges schemes confirming that:
- (a) the company complies with its legal obligations relating to the charges set out in its charges schemes;
 - (b) the Board has assessed the effects of the new charges on customers' bills for a range of different customer types, and approves the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%;
 - (c) the company has appropriate systems and processes in place to make sure that the information contained in the charges scheme, and the additional information covered by this annex is accurate; and
 - (d) the company has consulted the Consumer Council for Water (CCW) in a timely and effective manner on its charges schemes.
- A2 With the exception of new appointees, each undertaker should provide to the Water Services Regulation Authority a statement setting out any significant changes anticipated by the undertaker, and publish the statement, no later than 13 January. The statement should include the following:
- (a) Confirmation of whether the undertaker is expecting there to be any bill increases of more than 5% from the previous year (for a given customer type assuming a constant level of consumption) and, if such increases are expected:
 - (i) what size increase is expected;
 - (ii) which customer types are likely to be affected; and
 - (iii) the handling strategies adopted by the company or why the company considered that no handling strategies are required.
 - (b) Details of any significant changes in charging policy by the company from the previous year.
- A3 In addition to the assurances set out in A1 above, new appointees' assurance statements must include assurance that their charges schemes offer:
- (a) levels of service at least comparable to the previous appointee's charges scheme;
 - (b) prices that do not exceed those in the previous appointee's charges scheme for similar services; and
 - (c) prices equivalent to those specified in the new appointee's application for each individual appointment or variation area.

**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.**

Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA
Phone: 0121 644 7500

© Crown copyright 2026

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

This document is also available from our website at www.ofwat.gov.uk.

Any enquiries regarding this publication should be sent to mailbox@ofwat.gov.uk.

OGL