Affinity Water
Taking care of your water

Tamblin Way
Hatfield
Hertfordshire AL10 9EZ

Ofwat
Centre City Tower
7 Hill Street
Birmingham
B54UA

By email to: charging@ofwat.gov.uk

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Dear Charging Team

Ref: Statutory consultation on changing our Wholesale Charging Rules and Charges Scheme Rules to promote greater water efficiency

Please see below Affinity Water's response to the proposals in the consultation to amend the Wholesale Charging Rules (WCR)

- Rule 15 clarifying that long run costs include those associated with water efficiency and
- Rule 16, the condition for difference is charges between smaller and larger users of water.
- Corresponding changes to rules 13 and 15 of the Charges Scheme Rules(CSR) that ensures alignments between the CSR and WCR.

2.2- Proposed changes to our Wholesale Charging Rules

Proposal

- amend rule 15 ("Charging structures must reflect the long run costs associated with providing the relevant service") to clarify that long run costs include those associated with addressing water scarcity.
- amend rule 16 (the conditions for differences in charges between larger and smaller users of water) to allow differences in charging to be based on incentives to promote water efficiency and the associated environmental and wider societal benefits.

Response

We consider that amending Rules 15 and 16, will provide companies greater regulatory comfort in implementing charging structures that promote water efficiency

and are suitable to their specific circumstances and objectives. Therefore, we support the proposed changes.

We have already introduced changes to our charging structure for the 2026/27 charging year and beyond to promote water efficiency among our large users and are collaborating with a large business customer and their retailer to explore innovative water efficiency tariffs with a view to beginning that in 2027/28.

For the charging year 2026/27 we removed the supplementary fixed charge applied to large users of 50Ml/year and narrowed the large user discount relative to our standard rate. This has a two-fold effect; removing the falling average price per unit under our previous approach and increasing the strength of the economic signal of the volumetric rate. After consulting with retailers and large business users, at final charges our plan had been to reduce the large user volumetric rate discount to the standard rate over two years from approximately 30% in 2025/26 to 15% in 2027/28. However, in response to large customer feedback detailed in Ofwat's May 2026 published "Conclusions on promoting water efficiency in wholesale charges for business customers", we will review the pace at which we complete this reform when setting charges for 2027/28.

2.3- Proposed changes to our Charges Scheme Rules

Proposal

- corresponding amendments to rule 13 and rule 15 of the Charges Scheme Rules (CSR), which are very similar to rules 15 and 16 of the WCR, to ensure the continued alignment of the CSR with the WCR. We believe that discounts should be reduced and eventually removed.

Response

We agree that consistency should be maintained between the Wholesale Charging Rules (WCR) and the Charging Scheme Rules (CSR). Therefore, it makes sense to make the corresponding amendments to rule 13 and 15 of the CSR similar to rules 15 and 16 of the WSR.

We consider that tariff innovation has a significant role in the household sector to drive water efficiency behaviours. The rising block tariff (RBT) trial that we launched in October 2023 involving 1,500 properties delivered both affordability and water efficiency benefits. We are considering our next steps which may include an expanded rising block trial.

Our rollout of smart metering will open the possibility of further tariff innovation to drive water efficiency that will be supported by the proposed changes to the charging rules.

Yours faithfully,

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Economic Regulation Manager, Affinity Water