# Business Stream Consultation Response

**Statutory Consultation on changing our Wholesale Charging Rules and Charges Scheme Rules to promote greater water efficiency - Ofwat**

**July 2026**

---

## Executive Summary

Given the water scarcity pressures we're facing, we agree that pricing *can* be an effective tool to help encourage customers to use water more efficiently. And we support reforms that strengthen resilience, improve cost reflectivity and incentivise efficient water use.

While we're supportive of the intent behind the proposals, we do however believe that further consideration needs to be given to the way in which these proposals are implemented to ensure any tariff changes are practical, transparent and deliver the right outcomes. On that basis we believe further guidance will be needed.

We've identified below some potential areas that should be considered:

### 1. Introducing further clarity, transparency and structure around the rule changes

We believe the intent of the changes is clear, but there are several areas that would benefit from further clarity:

- How wholesalers should quantify and evidence water scarcity within long-run cost models.
- What constitutes 'environmental benefit' for the purposes of differential charging.
- How wholesalers should demonstrate that new tariffs are cost-reflective and fair for customers.

To address these unknowns, it would be helpful for Ofwat to publish industry-wide guidance.

Furthermore, we believe the proposals could be strengthened with the addition of a structured framework that outlines how the outcome of these changes will be evaluated and shared to create a more consistent approach across all regions. This would help to ensure that any learnings and successes are captured systematically so that the most effective measures can be adopted across the market to support harmonisation and ensure all customers have access to the same 'best in class' tariffs.

### 2. Ensuring tariff structures remain simple and practical

We recognise that greater flexibility could help to unlock more innovation and help to drive water efficiency, but it is vital that charging remains simple to understand and practical to implement – for both retailers and customers.

There is a risk that the changes could lead to:

- Complex tariff structures – which could create confusion and frustration amongst customers and increase administrative burdens for retailers.



VAT No: 945 8508 85 Scottish Water Business Stream Limited trading as Business Stream Registered in Scotland
Registered number: SC294924 Registered office address and principal place of business: 7 Lochside View, Edinburgh, EH12 9DH

- Inconsistent approaches across wholesalers – which will create complexity for multi-site customers and less harmonisation across the market.
- Short notice periods for tariff changes, which could result in bill shock for customers if they don't have enough time to take action to reduce the impact of the changes, and insufficient time for retailers to develop any system and process changes required to support the new tariffs.

To help mitigate these risks, in addition to developing a structured framework as outlined above, we'd propose the following solutions are also considered:

- Adequate notice and phased implementation for any new efficiency-based tariffs to give retailers and customers time to understand the implications and to avoid sudden cost shocks.
- A requirement for wholesalers to publish tariff methodologies and evidence supporting their decision-making process. Evidence including customer impact assessments and water scarcity assessments would help to demonstrate that the new tariff will deliver the desired outcome and limit the chances of any unintended consequences.

**3. Ensuring fairness**

Finally, it will be vital that any new charges are fair to customers while delivering the desired outcome of driving water efficient behaviours. To ensure this is the case, we would suggest that:

- Tariffs reward sustained reductions in consumption, not just short-term behavioural changes.
- Efficiency incentives are accessible to SMEs, not only large multi-site customers.
- Essential high-use sectors (e.g. food production) who may already be operating efficiently are not unfairly penalised.
- Consideration is given to the impact of any changes on critical public service providers - providers such as NHS hospitals can be among the largest water users and they are especially exposed to wholesale charge changes. For these customers, any reform can translate directly into pressure on essential services, and they don't often have access to capital funding to implement alternative solutions that could reduce their water usage.

To support these aims, we would recommend that wholesalers work closely with retailers before implementing any new water-efficiency based tariff structures. Retailers work directly with business customers and can therefore play an important role in helping to shape tariff options that will work for the non-household market and complement rather than duplicate or hinder the efficiency services already available.

**Conclusion**

While we're in favour of the intent behind the wholesale charging rule changes, we do believe more consideration needs to be given around the implementation of these changes to ensure they are fair, considered and don't create unnecessary complexity or unintended consequences.

Further guidance and a framework would help to address the issues raised above and ensure that any new tariffs introduced support water efficiency goals without negatively impacting the overall effectiveness of the market.



VAT No: 945 8508 85 Scottish Water Business Stream Limited trading as Business Stream Registered in Scotland
Registered number: SC294924 Registered office address and principal place of business: 7 Lochside View, Edinburgh, EH12 9DH