CIA Final Response Submitted to Ofwat July 23, 2026

Ofwat Consultation: changing our Wholesale Charging Rules and Charges Scheme Rules to promote greater water efficiency. Closes July 30th, 2026.

Introduction

The Chemical Industries Association (CIA) would like to thank Ofwat for the opportunity to respond to your consultation on water charging rule changes to be applied in April 2027.
Statutory consultation on changing our Wholesale Charging Rules and Charges Scheme Rules to promote greater water efficiency - Ofwat (Water Regulation Authority) - Citizen Space

Ofwat proposes the following amendments to Wholesale Charging Rules and Charges Scheme Rules:

- to clarify that long run costs include those associated with addressing water scarcity, and
- to allow differences in charging to be based on incentives to promote water efficiency and the associated environmental and wider societal benefits.

CIA's Response:

Cost of Supply

The CIA supports and welcomes the rule which allows different charging structures between users, which reflects existing cost differentials. Large water users have historically received a large user discount on volumetric water charges because supply costs to large users are lower than for small users.

CIA believes that the large user tariff was introduced mainly because large users have less pipework per volume of water used and are usually located relatively close to water supply and effluent treatment facilities which means maintenance costs are relatively much lower than for a small user fed by a long, small pipeline for example. Energy costs per m^3 of water pumped is also lower as pipe size increases. **CIA therefore proposes that the 'cost of supply' should be an additional consideration added to WSR and CSR rules.**

Water Efficiency

Rule 15 Charges Scheme Rules, 15 (b) (which is the same as WSR rule 16) proposes to include incentives to promote greater water efficiency and the associated environmental and wider societal benefits.

CIA supports different charges to encourage water efficiency and understands and supports the need to conserve water resources. In terms of application regarding water efficiency the CIA proposes the following could supplement the rule as guidance:

1. **Keep large water user discounts where the user demonstrates that they already water efficient.** This could be confirmed by regulators, who have an existing duty to

inspect permit compliance (which already includes being water efficient for most permits).

2. **Provide Incentives for all to Improve water efficiency.** The incentive structure should avoid penalising legitimate industrial use and instead promote collaborative efficiency improvements. **Where efficiency improvements can be agreed then reduced fees (or retention of large user discounts) should apply if targets are met.** To support this an improvement and rebate scheme alongside an investment grant scheme could be developed to drive increased water efficiency.

The original aim of the Ofwat water charging consultation was driven by water scarcity (current and future). Penalising large users just because they are large will likely do nothing to address water scarcity concerns. These users are often the most efficient already, due to natural economic drivers and from close regulation. It should also be noted that many large UK operators are already on the brink of existence for continued UK operation due to extreme energy costs. Some sites are also CNI (Critical for National Infrastructure) sites whilst others are critical for the water industry (e.g., chlorine and water treatment manufacturers), so further complex and wider consequences could result if significant cost increases trigger certain facilities to have to close. It should be noted that 26 UK chemical facilities have closed since 2021.

The CIA therefore urges Ofwat and Wholesale water providers to make sure that any incentive programme targeting water efficiency is fair for all, but also achievable. Improvements are likely to be most successful by taking a collaborative approach, making sure those wider societal benefits (e.g. supporting UK water treatment chemical manufacturers or products critical to net zero transition) remain supported or possibly even enhanced.

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