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30 July 2026

Dear Ofwat,

Re: Statutory consultation on changes to the Wholesale Charging Rules and Chagres Scheme Rules to promote greater water efficiency.

I am writing to you on behalf of Independent Water Networks Limited (IWNL) in response to Ofwat's consultation on wholesale charges which was published on 18 June 2026. IWNL operate as a NAV, providing connection services to developers and operating ongoing wholesale charging networks. We welcome the opportunity to respond to this consultation and recognise the increasing important of effectively incentivizing efficient water consumption.

As IWNL are governed by a "no-worse-off principle" the level of incumbent wholesale charging directly impacts the wholesale charges which IWNL can levy. Furthermore, the wholesale charge acts as the starting point for bulk supply tariffs which determine the margin available to NAVS. The outcomes of this consultation, therefore, have a direct impact on IWNL.

Support for Ofwat's Proposed Approach

We recognise the importance of promoting greater water efficiency and ensuring that charging structures can take appropriate account of water scarcity. We are aware of the impact that climate change is having on water scarcity, with a number of Temporary Use Bans in place across the UK reflecting the increasing need to consider how we use water. NAVs have an important role to play in encouraging efficient water use by customers on NAV sites. NAVs have examples where, as a result of water scarcity, pressure to NAV sites has been reduced and whilst this issue is separate to tariffs for wholesale charges, it illustrates how NAVs are already impacted by challenges of water scarcity. We therefore support the proposed amendments to clarify that long-run costs may include costs associated with addressing water scarcity, and to allow charging differentials to reflect incentives to promote water efficiency and associated environmental and wider societal benefits.

NAVs and Bulk Supply Arrangements

As we have set out, we believe that NAVs have improved the market by bringing competition and by delivering improvements in service, price and innovation as evidenced by the growth in customer demand for NAVs. It is important, therefore, to ensure that there are no unintended consequences

on how water scarcity is priced and treated in tariffs on NAVs which may inadvertently distort this benefit to developers and consumers.

Currently, NAV charges are based on a 'wholesale-minus' approach, the starting point for which is the incumbent wholesale tariffs. Where the incumbent wholesale tariffs price in water scarcity, or otherwise incentivise efficient use of water, it is important that this does not unduly distort the 'minus' element of the wholesale charge. This element is, effectively, the margin available to NAVs for operation of the network (with the addition of the retail only element). The introduction of these changes to the wholesale charging rules must be congruent with incumbents discharging their obligations under competition law in determining prices for NAVs.

An important axiom of the regulatory frameworks for NAVs is the no worse-off principle, and we are keen to ensure that this fundamental principle continues to operate for all customers, including so that customers connected to NAV networks are incentivised on their water consumption in the same way (i.e. through the same charging structures) as incumbent customers. Whilst we do not expect this margin to be negatively impacted by the necessary update to the wholesale charging rules, and we fully support the need to incentivise efficient use of water, we think it is important to note this point explicitly and would welcome Ofwat's confirmation of the same.

Although this consultation focusses on how tariffs can incentivise water consumption, there are other methods and approaches which can be taken to tackle water scarcity, and the INA would be pleased to be able to work with Ofwat to understand how NAVs can contribute to developing solutions which can be deployed on NAV sties. INA members have a proven track record of delivering innovation and innovative solutions to meet customers' changing needs and we would welcome further discussions on how we can bring that experience to bear on this challenge.

If you have any questions on the contents of this response then please do not hesitate to get in touch and we look forward to being able to continue working with Ofwat and the industry on both tariff, and non-tariff approaches to solving the issue of water scarcity.

Yours faithfully

[redacted]
Director of Regulatory Affairs