To promote, challenge and lead the operation and evolution of the market for the benefit of business water customers

The Strategic Panel's Response to Ofwat's consultation on changes to Wholesale Charging Rules to promote water efficiency

The Strategic Panel[i] welcomes Ofwat's proposed amendments to the Wholesale Charging Rules and Charges Scheme Rules to promote greater water efficiency. The Panel has consistently supported the principle that charging arrangements should support water efficiency and make appropriate provision for the long-term challenges associated with water scarcity. The proposed clarification that long-run costs include those associated with addressing water scarcity provides a useful signal without fundamentally changing the charging framework.

The Panel also welcomes Ofwat's decision to adopt a principles-based approach. In particular, the proposed amendment allowing differential charging arrangements to reflect water efficiency and associated environmental and societal benefits should provide greater flexibility for companies to innovate and develop tariffs that encourage more efficient water use. The Panel considers that enabling a broader range of approaches is preferable to relying solely on prescriptive restrictions and should support the development of more effective incentives over time.

At the same time, the Panel encourages Ofwat to continue considering the potential impacts of charging reforms on different categories of non-household customers. The non-household market includes a diverse range of organisations with different levels of water use, operational flexibility and ability to respond to price signals. Any future charging approaches should therefore recognise these differences and seek to encourage efficiency where customers have genuine opportunities to change behaviour, while avoiding unintended consequences for customers whose water use is less discretionary or who have already taken all possible steps to be efficient.

The Panel would also welcome further clarity on how Ofwat intends to monitor the impact of these changes in practice, including whether they lead to meaningful changes in tariff design, customer behaviour, retailer experience and water efficiency outcomes. While innovation is important, a growing number of tariff variations across wholesaler regions could increase complexity for customers and retailers, particularly those operating across multiple areas. This is especially relevant given ongoing Retailer Wholesaler Group (RWG) work to explore greater harmonisation of tariff structures across the market. The Panel therefore encourages Ofwat to support the sharing of best practice and, where appropriate, wider adoption of successful approaches, helping to deliver water efficiency benefits without creating unnecessary divergence in charging arrangements.

[i] The Strategic Panel is the most senior market governance group and is responsible for leading the evolution of the non-household water retail market and shaping its strategic direction to bring about the best customer outcomes.