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Director of Economic Regulation
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Ofwat charging team

By email

27 July 2026

Dear Ofwat charging team,

Statutory consultation on changing Wholesale and Charges Scheme charging rules to promote greater water efficiency

We welcome the opportunity to comment on the proposed wording amendments to the Wholesale Charging Rules and Charges Scheme Charging Rules as set out in your consultation document published on 18 June 2026.

This consultation response is sent on behalf of Thames Water Utilities Ltd. ('TWUL'). No part of this response is confidential and we are happy for it to be published in full.

Water efficiency and wholesale charges

We are supportive of the proposed changes to the Charging Rules to support water efficiency objectives whilst maintaining a stable charging framework for water companies.

Whilst we had expressed a preference for options 2 and 4a in our original consultation response, Ofwat is progressing options 3 and 4a. The use of option 3 over option 2 changes how the consideration of water scarcity and Supply-Demand balance interplays with the wider cost reflectivity requirement.

Under option 2, the cost-reflectivity 'rule' would be retired in favour of it becoming a part of the 'principles', thus giving companies a more implicit requirement to consider water scarcity and Supply-Demand balance under the 'environmental protection' principle. Under option 3, the cost-reflectivity 'rule' is maintained and expanded to include reference to water scarcity and Supply-Demand balance, thus a more explicit inclusion in the Charging Rules.

We understand the rationale for choosing option 3 and are supportive of such a change on the understanding that water companies will still be able to and will inevitably need to strike a balance between the range of charging principles set out in rule 13 and the amended cost reflectivity requirement now proposed to be set out in rule 15.

We also note the proposed alignment of the equivalent rules in the Charges Scheme Charging Rules and are supportive of these amendments. This makes logical sense given that the underlying wholesale charges for household and business customers are derived from the same starting point and indeed the wholesale charges for household and standard user business customers are identical to one another.

If you would like to discuss any aspects of this letter further, please do not hesitate to contact me.

Yours faithfully,

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Director of Economic Regulation

Thames Water Utilities Limited, a company registered in England and Wales with company number 02366661.
Registered office address: Clearwater Court, Vastern Road, Reading RG1 8DB. VAT registration number: GB 537-4569-15.