October 2026

Wholesale Charging Rules Effective from April 2027

Ofwat

Change History

Date of issue	Date coming into effect	Modification relative to previous issue
14 October 2026	April 2027	Updates relative to October 2025 version in red or strikethrough. Added definition of 'Supply-Demand Balance'. Changed rule 15 and 16 to clarify that long-run costs include those associated with water scarcity and the supply-demand balance, and allow differential charging based on incentives to promote water efficiency. Added 'date coming into effect' column to change history.
1 October 2025	April 2026	Clarification of rule 14 to allow trials for wholesale charging structures, clarification of references to New Appointees, changes to rule A4 about statements of significant change.
20 October 2021	April 2022	Clarification of interpretations and references, changes to publication dates, removal of requirement to publish indicative charges.
27 March 2020	April 2020	A new sentence has been added to paragraph 2 to confirm that these rules apply to the Isles of Scilly from 1 April 2020.
20 December 2018	December 2018	Amendment to definition of 'Small Company'.
16 October 2018	October 2018	Amendment focused on making March 2018 changes permanent – see consultation documents for details.
March 2018. Expires September 2018	March 2018	See IN 18/05 for details. This affects: Paragraph 5 definitions: "Charging Arrangements"; "Charging Rules for New Connection Services (English Undertakers)"; "Wholesale Connection Charges" Part 2: Paragraphs 28, 29, 30, 31, 32
November 2016	November 2016	First issue

WATER SERVICES REGULATION AUTHORITY

WATER INDUSTRY ACT 1991, SECTIONS 66E and 117I

Wholesale Charging Rules

Introduction

1. These rules are issued by the Water Services Regulation Authority under sections 66E and 117I of the Water Industry Act 1991.

2. The rules comprise two parts:

   Part 1 contains the rules in relation to all Wholesale Charges other than Wholesale Connection Charges; these rules first came into effect on 24 November 2016 and apply to charges payable in relation to any period beginning on or after 1 April 2017; and

   Part 2 contains the rules in relation to Wholesale Connection Charges imposed by relevant undertakers whose areas are wholly or mainly in England; these rules first came into effect on 1 April 2018 and apply to charges payable in relation to any period from that date onwards.

   From 1 April 2020, both parts 1 and 2 apply to the Isles of Scilly.

3. The rules apply to the charges that may be imposed by:

   (a) a water undertaker under a section 66D agreement where a water supply licensee with a retail authorisation or a restricted retail authorisation is a party to that agreement; and

   (b) a sewerage undertaker under a section 117E agreement where a sewerage licensee with a retail authorisation is a party to that agreement.

4. The rules are supplementary to statutory provisions that apply to relevant undertakers under any enactment, or instrument made thereunder (including the conditions of their appointments), and in the event of any conflict between the rules and any statutory provision, the latter shall prevail.

Interpretation

5. Unless the context otherwise requires, in these rules:

"Charging Arrangements" has the meaning given in the English New Connection Rules.

"English New Connection Rules" means the Charging Rules for New Connection Services (English Undertakers) first issued by Ofwat under sections 51CD, 105ZF and 144ZA of the Water Industry Act 1991 in December 2016, as amended from time to time.

"Eligible Premises" means premises that could be:

(a) supplied with water by a water supply licensee with a retail or restricted retail authorisation; or

(b) provided with sewerage services by a sewerage licensee with a retail authorisation.

"Mogden formula" means the following formula:

Charge per unit of effluent = R + [(V + Bv) or M] + B(Ot/Os) + S(St/Ss)[7]

where:

R = reception and conveyance charge [p/m^3]
V = primary treatment (volumetric) charge [p/m^3]
Bv = additional volume charge if there is biological treatment [p/m^3]
M = treatment and disposal charge where effluent goes to sea outfall [p/m^3]
B = biological oxidation of settled sewage charge [p/kg]
Ot = Chemical oxygen demand (COD) of effluent after one hour quiescent settlement at pH7
Os = Chemical oxygen demand (COD) of crude sewage after one hour quiescent settlement
S = treatment and disposal of primary sewage sludge charge [p/kg]
St = total suspended solids of effluent at pH7 [mg/litre]
Ss = total suspended solids of crude sewage [mg/litre]

"Ofwat" means the Water Services Regulation Authority.

"Rateable Value Charge" means a charge fixed wholly or partly by reference to a Rating Valuation List or otherwise determined, whether directly or indirectly, by reference to any value or other amount specified at any time in such a list or which purports to be so fixed or determined.

"Rating Valuation List" means a list which is or has at any time been maintained, for the purposes of rating, under section 41 of the Local Government Finance Act 1988, section 67 of the General Rate Act 1967 or any other enactment.

"Service" includes, but is not limited to, the supply of water.

"Supply-Demand Balance" is the difference between water available for use that a company has from its supply sources, and the demand for the water from household and non-household needs and leakage. Supply-Demand Balance can be calculated for the present situation across the whole company or individual water resource zones or projected out for the future across the company's planning horizon.

"New Appointee" means any company holding an appointment as a relevant undertaker where the conditions of that appointment limit charges that can be fixed under a charges scheme under section 143 of the Water Industry Act 1991 by reference to the charges fixed by one or more other relevant undertakers.

"Special Agreement" means an agreement to which section 142(2)(b) of the Water Industry Act 1991 applies.

"Undertaker" means a water undertaker or sewerage undertaker.

"Unmetered Wholesale Charges" means a charge for services that is not based on measured quantities of volume to any extent.

"Wholesale Charges" means the charges that may be imposed by:

(a) a water undertaker under a section 66D agreement where a water supply licensee with a retail authorisation or a restricted retail authorisation is a party to that agreement; and

(b) a sewerage undertaker under a section 117E agreement where a sewerage licensee with a retail authorisation is a party to that agreement.

"Wholesale Connection Charges" means the Wholesale Charges that may be imposed by a relevant undertaker for:

(a) the provision of a water main;

(b) the connection of a service pipe to one of the undertaker's water mains (including, where relevant, the laying of part of the service pipe and the

installation of a stopcock);

(c) the provision of a lateral drain; or

(d) making a drain or sewer communicate with a public sewer of that undertaker.

6. Unless the contrary intention appears, words and expressions used in these rules have the same meaning as in any provision of the Water Industry Act 1991.

Part 1: Rules for Wholesale Charges other than Wholesale Connection Charges

Publication

7. Each water undertaker must publish the Wholesale Charges payable by a water supply licensee for the supply of water to Eligible Premises that are connected to the undertaker's supply system. This includes the Eligible Premises to which a Special Agreement would otherwise apply (although nothing in these rules requires the publication of a customer's name or address).

8. Each sewerage undertaker whose area is wholly or mainly in England must publish the Wholesale Charges payable by a sewerage licensee in respect of the provision of sewerage services to Eligible Premises that are connected to the undertaker's sewerage system. This includes the Eligible Premises to which a Special Agreement would otherwise apply (although nothing in these rules requires the publication of a customer's name or address).

9. Each relevant undertaker must also, as a minimum, publish the Wholesale Charges (or the methodology for calculating such charges where the charges cannot be determined in advance) that would, where relevant, be payable by a water supply or sewerage licensee for:

(a) the replacement of lead service pipes;

(b) the provision and maintenance of fire hydrants;

(c) damage to apparatus;

(d) the carrying out of inspections to ascertain whether any provision contained in or made or having effect under the Water Industry Act 1991 with respect to any water fittings or with respect to the waste or misuse of water is being or has been

contravened;

(e) site inspections;

(f) the provision and use of standpipes;

(g) the testing of meters; and

(h) the disconnection of a service pipe (or for otherwise cutting off a supply of water) to any premises and the reconnection of such premises to a water main.

10. Wholesale Charges must be published by 13 January in the year immediately preceding the Charging Year in relation to which they have effect.

11. Wholesale Charges must be published on a relevant undertaker's website and in such other manner as the undertaker considers appropriate for the purpose of bringing it to the attention of persons likely to be affected by it.

12. Wholesale Charges must be published with such additional information or explanation as is necessary to make clear what services are covered by each charge.

General charging principles

13. Relevant undertakers whose areas are wholly or mainly in England must determine what types of charges may or may not be imposed and the amount of any charges that may be imposed in accordance with the principle that Wholesale Charges should reflect:

(a) fairness and affordability;
(b) environmental protection;
(c) stability and predictability; and
(d) transparency and customer-focused service.

Principles for determining the amount of charges

14. Consistent principles and methodologies must be applied to the calculation of charges for different classes of Eligible Premises, regardless of the services provided. For the avoidance of doubt, when trialling new charging structures undertakers may (for an appropriate limited period) impose different charges to customers participating in the trial as compared to customers who are not participating in the trial even if, absent the trial, the charges imposed would be the same for both groups.

15. Charging structures must reflect the long-run costs associated with providing the relevant service, including the costs associated with meeting the Supply-Demand Balance and/or addressing water scarcity.

16. Any d~~D~~ifferences between charges for services provided to Eligible Premises that are larger users of water and sewerage services and charges for services provided to Eligible Premises that are smaller users of water and sewerage services must only be based on one or both of the following:

    (a) cost differences associated with differential use of network assets, differential peaking characteristics, different service levels and/or different service measurement accuracy;
    (b) incentives to promote greater water efficiency and the associated environmental and wider societal benefits.

17. Where cost differences associated with differential peaking characteristics are used as a basis for differences between charges for services provided to Eligible Premises that are larger users of water and charges for services provided to Eligible Premises that are smaller users of water, the charges fixed on that basis must be structured on an appropriate peak demand basis.

18. Charges for sewerage services must take into account the different pollutant loads associated with foul water, trade effluent, surface water draining from Eligible Premises and surface water draining from highways.

Unmetered charges

19. No Unmetered Wholesale Charges may be imposed unless the basis on which those charges are fixed or determined is clear and, in the case of Rateable Value Charges, it is clear:

    (a) which Rating Valuation List charges are fixed or determined by reference to; and

    (b) if the undertaker uses a different value or other amount to that specified in such a list, the methodology or other basis on which that different value or other amount is calculated.

Wastewater charges

20. Sewerage undertakers whose area is wholly or mainly in England must, in relation to each period beginning on or after 1 April 2020, separate Wholesale Charges for

sewerage services provided to Eligible Premises into separate charges for the reception, treatment and disposal of:

(a) foul water;

(b) trade effluent;

(c) surface water draining from Eligible Premises; and

(d) surface water draining from highways.

21. Sewerage undertakers must provide for an appropriate reduction in the Wholesale Charges payable for the provision of sewerage services to any Eligible Premises where the sewerage undertaker knows, or should reasonably have known, that surface water does not drain to a public sewer from those premises.

Trade effluent

22. Charges to be paid in connection with the carrying out of a sewerage undertaker's trade effluent functions must be based on the Mogden Formula, a reasonable variant of the Mogden Formula or on a demonstrably more cost-reflective basis.

Concessionary drainage charges

23. The Wholesale Charges published by each sewerage undertaker must set out:

(a) the classes of community group (if any) in relation to which the undertaker allows reductions in the Wholesale Charges payable by a sewerage licensee in respect of surface water drainage from Eligible Premises; and

(b) the reductions allowed.

24. Where a sewerage undertaker's charges scheme under section 143 of the Water Industry Act 1991 includes a provision designed to reduce charges to community groups in respect of surface water drainage from their Eligible Premises, the amount of Wholesale Charges payable by a sewerage licensee in respect of the provision of sewerage services to Eligible Premises occupied by community groups must be determined in accordance with the principles that:

(a) Wholesale Charges must be reduced in relation to the same classes of community group; and

(b) the reductions in Wholesale Charges must be the same and apply for the same period.

Special agreements

25. Where a Special Agreement would apply to the provision of services to Eligible Premises if the undertaker continued to provide the services, a relevant undertaker must impose on a water supply licensee or, as the case may be, a sewerage licensee only such charges as would enable the licensee to charge for those services at the same rate or rates as would have applied if the Special Agreement had applied.

New Appointees

26. Paragraph 10 of these rules does not apply to New Appointees. Instead, New Appointees must publish their Wholesale Charges (or the methodology for calculating such charges) no later than 28 January in the year immediately preceding the Charging Year in relation to which they have effect.

Part 2: Rules for Wholesale Connection Charges (English Undertakers)

27. Subject to paragraphs 28, 29 and 30, relevant undertakers whose areas are wholly or mainly in England must set and publish their Wholesale Connection Charges as if:

    (a) those charges related to services in respect of household premises rather than non-household premises, and

    (b) the English New Connection Rules applied to them.

28. The obligation in paragraph 27 excludes the rules in paragraphs 44 to 46 of the English New Connection Rules.

29. Not used

30. Relevant undertakers must consult on their Wholesale Connection Charges at the same time as their charges under the English New Connection Rules, and must publish them in their Charging Arrangements.

31. The provisions for New Appointees in paragraph 17 of the English New Connection Rules apply in relation to Wholesale Connection Charges as they apply in relation to the charges covered by those rules.

Annex: Information requirements

Assurance statements

A1 Each undertaker should provide to Ofwat an assurance statement from its Board of Directors and publish its statement no later than the time of publication of its final Wholesale Charges confirming that:

(a) the company complies with its legal obligations relating to the Wholesale Charges it has published;

(b) the Board has assessed the effects of the new charges on water supply and sewerage licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) and approves the impact assessments and handling strategies developed in instances where bill increases for licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) exceed 5%;

(c) the company has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published about its Wholesale Charges is accurate;

(d) the company has consulted with relevant stakeholders in a timely and effective manner on its Wholesale Charges; and

(e) where final Wholesale Charges are significantly different from the indicative Wholesale Charges published for the same period, the Board has considered the reasons why those changes occurred and has issued a statement explaining why those changes were not anticipated and/or mitigated. For these purposes, "indicative Wholesale Charges" means the information referred to in A3 below and charges are "significantly different" if a reasonable person would consider the changes to be material.

Indicative charging information

A2 Not used.

A3 No later than 13 October each undertaker (other than a New Appointees) should provide to Ofwat and publish indicative Wholesale Charges. For these purposes,

"indicative Wholesale Charges" are the primary Wholesale Charges that the undertaker reasonably expects to fix for the following period (based on the information available to it at that time).

A4 Each undertaker (other than a New Appointee) should, if it intends to make any significant changes to its primary Wholesale Charges, provide to Ofwat and publish an indicative statement of significant changes no later than 13 October and a final statement of significant changes no later than 13 January. For these purposes:

(a) changes to the level of primary Wholesale Charges, or to the methodology for calculating them, will be significant if a reasonable person would consider them to be material; and

(b) a statement of significant changes should include:

(i) what changes are expected;

(ii) how water supply and sewerage licensees (as a whole or in groups) and customers occupying Eligible Premises (as a whole or in groups) are likely to be affected; and

(iii) the handling strategies that may be adopted by the undertaker or why the undertaker considers that no handling strategies are required.

A5 Each undertaker (other than a New Appointee) should provide to Ofwat an assurance statement from its Board of Directors and publish its statement no later than 13 October, using the best available information available at that time, that:

(a) the company complies with its legal obligations relating to the indicative Wholesale Charges it has published;

(b) the Board has assessed the effects of the new charges on water supply and sewerage licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) and approves the impact assessments and handling strategies developed in instances where bill increases for licensees (as a whole or in groups) who are retailing wholesale services to eligible customers and on customers occupying Eligible Premises (as a whole or in groups) exceed 5%;

(c) the company has appropriate systems and processes in place (including

up-to-date models and data) to make sure that the information published about its indicative Wholesale Charges is accurate; and

(d) the company has consulted with relevant stakeholders in a timely and effective manner on its indicative Wholesale Charges.

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales.

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