

STATEMENT OF SIGNIFICANT CHANGES

This statement is published in accordance with the Charging Rules for New Connection Services (English Undertakers) issued by the Water Services Regulation Authority under sections 51CD, 105ZF, 143B and 144ZA of the Water Industry Act 1991, effective from April 2022

Our Charging Arrangements for 2025/26 can be found on our websites at:

<https://www.southwestwater.co.uk/building-and-development/services/charging-arrangements>

<https://www.bournemouthwater.co.uk/developers/charges/>

<https://www.bristolwater.co.uk/business-developers/charges-regulations/>

South West Water and Bristol Water must publish any significant changes to bills for typical developments when publishing its charging arrangements for 2025/26.

In particular, where bill increases are expected to be greater than 10%, from the previous year, companies must set out the handling strategies that have been developed to manage the impact such price increases would have on customers.

We have analysed the effect of the 2025/26 Charging Arrangements on a range of typical developments, and considered bill impacts for developer customers that engage directly with the company or use a Self-Lay Provider.

Penon's Board has reviewed the effects of 2025/26 charges on developer customers and confirms there are increases greater than 10% to some typical developments which are highlighted within the scenarios published with our charges. These changes can be explained by some changes that we have made to the way that our charges are structured following customer engagement and increases in material and resource costs.

Where the impact upon these typical developments is greater than 10% we have considered cost reflectivity and handling strategies.

Bill increases when compared to previous year

Across both Companies we have seen increases in charges when compared to those in 2024/25. The typical worked examples in our Appendix, which are based on Ofwat scenarios, demonstrate the expected variance in bills when compared to last year.

In general, there are a number of key cost factors underpinning charge movements:

Employee costs which are included within our administrative charges. These costs have been increased to recognise the anticipated inflation forecasted for 2025/26 and also include associated overheads to ensure that the charges are reflective of the cost to provide the service.

Construction costs which have been uplifted by CPIH, in line with our supply chain contracts, and also include some new charges as we have unbundled previous charges to provide developer customers with greater transparency.

Third party costs such as highway permits and traffic management which are passed through directly to customers.

For our construction, and associated administrative activities, the overall increase to developer customers is directly proportional to inflation which is generally CPIH.

There are also non-construction charges which have had a more significant impact upon the typical scenarios pushing increases of more than 10%. These costs can be explained as:

Infrastructure charges which have increased to recognise the increased levels of network reinforcement that is required to facilitate the projected new development across our regions. In particular the clean water infrastructure charge for SWW has increased significantly based upon an increased programme of required investment. This approach meets Ofwat guidance and charging rules.

Environmental Incentive Scheme which has been further developed in line with the guidance that Ofwat has provided to the Industry. This has included the addition of an environmental charge which has been added to the charge scenario in 2025/26.

Within the scenarios Ofwat has advised that we should use the lowest tier of incentive, which we have done, but developer customers have the opportunity to increase the incentive payment that they will receive subject to them evidencing that they have delivered higher level of compliance against tiers 2 and 3.

Income offsets which have been removed from our scenarios. The removal of this offset has a significant impact upon the overall cost to our developer customers but follows Ofwat guidance that these payments should no longer been made for any new application.

Specific increases to some charges include:

- In the Bristol Water area there are increases to strengthen the recovery of cost reflective traffic management costs.
- The introduction of some new administrative charges after we deconstructed our charges to provide increased granularity which will result in greater transparency for customers.
- Revised CCTV contract rates in SWW following a market tender framework exercise.
- Increased Highway Authority costs (permit schemes and Streetworks/traffic management)
- Investments in customer service and customer experience improvements

Customer protection

For 2025/26 Ofwat have introduced a protection measure for small customers who do not benefit from market competition as many of our larger developer customers are able to do. They have done this by introducing tether ratios which compare different scenarios and set a maximum value which company charges must adhere with.

Across both SWW and Bristol we meet the tether ratio rule by remaining below the maximum applicable ratio. This rule has remained a focus of our Board to ensure that all developer customers are protected from unfair charge increases.

Directors Statement

South West Water Board can confirm that it has carefully considered the effects of the new charges on customers' bills for a range of typical developments.

HANDLING STRATEGY

We have assessed the effects of the new 2025/26 charges on these typical developments and produced impact assessments to allow us to consider any handling strategies that are required where typical development would increase by greater than 10% from 2024/25 charges.

Whilst we recognise that charges have increased across a number of the typical scenarios we note that these are most significantly impacted by infrastructure charges and the updated Environmental Incentive Scheme

Consequently, we believe that these costs should be applied within the charging arrangements for 2025/26 rather than smoothing these charge increases into future years.