



South Staffs Water



Cambridge Water

Bulk NAV charges

2026-27

1 Introduction

New Appointments and Variations (NAVs) represent a form of competition where the incumbent operator is replaced by another company for a particular development site. When a NAV is appointed as a water company for a site, it may have its own water supply, which it could use to supply its customers. Alternatively, it may wish to purchase a supply of water from us. This is known as a 'bulk supply'.

For 2026/27 our bulk NAV charges are:

	South Staffs	Cambridge
NAV standing charge (£)	0.00	0.00
NAV volumetric rate (£/m³)	1.3026	0.9873

Our NAV charges benefit from being a single standard volumetric rate and are less dependent on specific site parameters, for example the mix of household/non-household customers or volumes. This provides stability and predictability to NAVs on what they would pay when becoming an incumbent on a site.

In circumstances where a site is not standard or any of the above parameters significantly vary, we would discuss the site specifics with the NAV to determine if any adjustments to our standard NAV charge is appropriate.

This document sets out details of our approach to calculating the bulk NAV charges.

2 Relevant guidance

In November 2025, Ofwat issued [charging rules](#) for bulk charges to new appointees and come into effect from the 1 April 2026. These replace the previous guidance issued by Ofwat in January 2021. The overall approach and methodology are very similar and our approach to setting NAV charges has not materially changed.

3 Bulk NAV charges methodology

To determine our bulk NAV charges, we have continued to adopt the 'wholesale-minus' approach.

Our starting point is our published wholesale charges. Our standard wholesale charges are the same for both residential and business customers, reflecting that they both receive the same service.

We then deduct all costs that we avoid by a NAV operating a new development site. These can be categorised as:

- On-going costs, including any associated overhead
- Renewal and replacement cost of on-site assets
- On-Site leakage through network losses.
- Operating margin
- Working capital

In order to reflect these avoided costs in our bulk NAV charges, we convert the saving to a cost per property.

To ensure that NAVs are not financially penalised for promoting water efficiency, avoided costs are first deducted from the wholesale standing charge. Once the standing charge is zero, any remaining avoided costs are deducted from the volumetric rate by applying an estimate of the consumption per property on the site. We set this at 100m³ per annum.

Our approach to identifying and calculating these costs is set out in the following sections below.

3.1 On-going costs (including overheads) and Renewal costs of on-site assets

These costs relate to the costs of operating and maintaining on-site assets that we avoid from not serving the site. The table below sets out our definitions, sources of data and assumptions used in calculating each component of cost. This is based on our own interpretation of the mapping definitions.

Ofwat has set up a working group to consider the above definitions with the intention that there will be more clarity and consistency when calculating avoided costs for 2027-28 bulk charges. It is therefore likely that some of the following definitions will change next year.

Avoided cost area	Subcategory	Definition	Source	Reference
Mains: repairs, replacement and maintenance	Repairs	Repair and maintenance costs associated with planned and reactive works on the local mains network. Excludes mains replacement costs which are covered under 'Renewal and replacement costs of on-site assets'	APR table 4J	SSC_BN_001
Mains: repairs, replacement and maintenance	Renewal/replacement cost of on-site assets	<p>Recognising the long-term nature of new mains investment (typically an asset life of 100 years), the avoided cost of future replacement is converted to an equivalent average annuity.</p> <p>It includes the local main plus communication pipes to customer boundary. Supply pipe costs are excluded as these are the customer responsibility</p> <p>We assume full replacement after 100 years, converted to an annuity</p> <p>The discount factor is based on the wholesale Weighted Average Cost of Capital (WACC) set for South Staffs Water at the last Price Review in December 2024 (PR24) of 4.16%</p>	Table 4N and table 4Q to determine a historic cost per connection which is then converted to an annuity.	SSC_BN_002
Emergency / Risk Management and Monitoring		Cost of emergency planning team only. Any costs of emergency repairs and monitoring are included under SSC_BN_001	APR table 4J	SSC_BN_003
Meters and Meter Box Repair: Replacement and Maintenance		Cost of meter replacement including labour, materials and overheads	APR table 6D	SSC_BN_004

Regulatory Compliance and Quality		All operational costs associated with meeting compliance/licence obligations such as the testing (including laboratory costs), processing and notification of water quality incidents. Excludes economic regulation which is included under SSC_BN_008	APR table 4J	SSC_BN_005
General and Support	Finance	<p>Internally driven preparation, analysis and reporting of financial information to inform decision making within the organisation, including budgeting, performance measurement and management control.</p> <p>Compliance driven preparation, analysis and reporting of financial information external bodies. Includes cost of external audit, tax, treasury, reconciliations and maintaining ledgers / asset registers.</p>	APR table 4J	SSC_BN_006
General and Support	Human Resources	<p>Organisational Training costs, memberships and conferences.</p> <p>Health and safety management, any operational Health and Safety audits and employee assistance program costs.</p> <p>All processing of payroll functions including travel and expense management.</p> <p>Any other Human Resources costs e.g. Recruitment, Employee/Industrial Relations, Performance Management, Remuneration Review and Workforce Planning</p>	APR table 4J	SSC_BN_007
General and Support	Strategy and Regulation	Capture and reporting of data specific for economic regulatory compliance. Includes Business Plan submissions, annual reporting to Ofwat and annual customer charges.	APR table 4J	SSC_BN_008

		Also includes required third party assurance costs where applicable and Ofwat licence fees.		
General and Support	Communications	<p>Internal Communications including intranet content.</p> <p>External communications, media, marketing, branding, promotional material, and customer/stakeholder engagement. Includes costs for multiple channels such as website and social media, advertising, postage, publications.</p>	APR table 4J	SSC_BN_009
General and Support	Information Technology	<p>Costs associated with development of IT systems including IT/digital strategy and system architecture.</p> <p>Corporate telecommunications networks including licences to operate the network.</p> <p>Mobile services including handsets, plan costs and usage charges for the entire organisation.</p> <p>Fixed telephone lines including hardware, line rental, usage charges.</p> <p>Internet connectivity, usage and related security.</p> <p>All costs for software / applications and support for the entire organisation including licences. Remote access to corporate systems.</p> <p>All IT help desk costs and cyber security of any software or application</p>	APR table 4J	SSC_BN_010

General and Support	Fleet and Property	<p>Office lease costs that are expensed.</p> <p>Non-Network Facilities Management, Property Management and other operating costs such as electricity or gas costs relating to corporate facilities.</p> <p>Fleet Procurement and Management functions, fuel and fleet maintenance costs. Includes motor vehicle insurance and registration. All leasing costs if applicable.</p>	APR table 4J	SSC_BN_011
Other	Insurance	Total cost of insurance policies and premiums incurred across the business, including any costs of self-insurance.	APR table 4J	SSC_BN_012
Other	Business Rates	<p>Water companies pay business rates centrally to government. It covers all assets including underground infrastructure.</p> <p>We have used the latest valuation which takes effect from 1 April 2026 to calculate the avoided cost as there is a significant uplift compared to the previous 2023 valuation. We use the margin from the receipt and payments and apply this to our typical wholesale bill along with the relevant multiplier and tenant's share.</p>	2026 Valuation calculation as supplied by the VOA.	SSC_BN_013

Avoided cost table summary

Below we set out a summary of the avoided costs per property as set out in Ofwat's draft 'Common Terms and Worked Examples – Bulk Charges (CTWEBC). For 2026-27 bulk charges, this is not mandatory.

Table 1 – Avoided cost table summary

	South Staffs	Cambridge
Mains: Repairs, Replacement and Maintenance	16.73	16.73
Emergency / Risk Management and Monitoring	0.18	0.18
Meters and Meter Box Repair: Replacement and Maintenance	26.19	26.19
Regulatory Compliance and Quality	3.17	3.17
General and Support (see table 2)	9.94	9.94
Other (see table 3)	7.38	7.38
On-Site costs to be deducted (£ per property)	63.59	63.59

Table 2 – Analysis of General and Support costs

Analysis of General and Support Costs	South Staffs	Cambridge
Finance	2.31	2.31
Human resources	1.15	1.15
Strategy & regulation	1.33	1.33
Communications	0.39	0.39
Information technology	2.58	2.58
Fleet & property	2.19	2.19
On-Site costs to be deducted (£ per property)	9.94	9.94

Table 3 – Analysis of other costs

Analysis of Other	South Staffs	Cambridge
Insurance	2.11	2.11
Rates	5.27	5.27
On-Site costs to be deducted (£ per property)	7.38	7.38

Ofwat has set up a working group to consider the above definitions with the intention that there will be more clarity and consistency when calculating avoided costs for 2027-28 bulk charges. By publishing our avoided costs in the above format, we think that it will aid the discussion of the working group.

3.2 Leakage allowance

Our wholesale tariff is charged on the volume of water delivered to properties. However, the bulk tariff is charged on water delivered to the on-site network, meaning an adjustment is necessary, as we will avoid costs associated with leakage on the NAV site.

We have used our estimate of the amount of leakage we would experience on a new development site (rather than the NAVs actual level of leakage) is 3% of the total water supplied.

In Ofwat's September 2025 [decision document](#) on bulk charges, it was recognised that companies have taken different approaches to adjusting for leakage. We will review our approach when the 2027 rules are published.

Table 4 – leakage allowance

	South Staffs	Cambridge
Network losses (£ per property)	5.01	4.04

3.3 Operating margin

We recognise the need for an appropriate operating margin. We include an operating margin to avoid costs equivalent to our allowed Weighted Average Cost of Capital in the PR24 Final Determination of 4.16%. The margin is calculated as a percentage of the following avoided operating costs:

Mains: Repairs and Maintenance (excluding replacement)
Emergency / Risk Management and Monitoring
Regulatory Compliance and Quality
General and Support (excluding rates)

Table 5 – operating margin

	South Staffs	Cambridge
Margin (£ per property)	1.22	1.22

3.4 Working capital

We bill NAVs monthly in arrears compared to some customers who we bill quarterly and pay on demand. This means that we have a cashflow benefit

We calculate the financing benefit from receiving cash earlier and apply an appropriate interest rate.

Table 6 – working capital

	South Staffs	Cambridge
Working capital (£ per property)	0.71	0.60

4 Bulk Supply charge discount summary

Below we set out the discount from our standard wholesale charge and the bulk NAV charge for 2026-27.

	South Staffs	Cambridge
On-Site avoided costs	63.59	63.59
Margin	1.22	1.22
Working Capital	0.71	0.60
Network losses	5.01	4.04

Total discount (£ per property)	70.53	69.45
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Deduction from standing charge	32.95	32.95
Deduction from volumetric charge	37.59	36.50
Deduction from volumetric charge £/m3	0.3759	0.3650

	2026-27	2026-27
	South Staffs Region	Cambridge Region
Wholesale standing charge	32.95	32.95
Wholesale volumetric rate	£1.6784	£1.3523
Consumption per property	100	100
Total wholesale bill	£200.79	£168.18
NAV standing charge	0.00	0.00
NAV volumetric rate	£1.3026	£0.9873
Consumption per property	100	100
Total NAV bill	£130.26	£98.73
Overall discount (£ per property)	£70.53	£69.45

6 Menu of cost drivers

Below, we present a menu of cost drivers and how they apply to our bulk NAV charges

Cost driver	How it applies
The number and mix of customers	Our standard wholesale charge is the same for both residential and business customers, so the mix of customer type does not result in different NAV charges.
Volume of water supplied	Our NAV charge is a pure volumetric charge and so a NAV is charged for every m ³ delivered to the boundary of the development site.
Non-standard layout or topology	For non-standards sites, we would discuss this with the NAV to determine if any adjustment to our standard bulk NAV charge was appropriate.
Assets constructed / services delivered by the NAV	Where a NAV uses its own on-site assets, for example storage tanks or pumping stations, we would discuss this with the NAV to determine if any adjustment to our standard bulk NAV charge was appropriate.

7 Worked Examples

We set out two worked examples of our bulk charges as set out in Ofwat's draft common terms on the following page.

The structure of our NAV charge benefits from being a single standard volumetric rate and therefore is less dependent on specific site parameters, for example the mix of household/non-household customers or volumes.

Where a site is not standard or any of the above parameters significantly vary, we encourage NAVs to discuss the specific site characteristics with us to determine if any adjustments to our standard NAV charge is appropriate.

	Example 1		Example 2	
	South Staffs Region	Cambridge Region	South Staffs Region	Cambridge Region
Customer numbers	50 households	50 households	200 semi detached households 5 NHH customers	200 semi detached households 5 NHH customers
Property characteristics	Semi detached with 15mm and 25mm pipes	Semi detached with 15mm and 25mm pipes	Semi detached with 15mm and 25mm pipes	Semi detached with 15mm and 25mm pipes
Services provided to each site	Water services	Water services	Water services	Water services
Assumed occupancy (HH and NHH)	100%	100%	100%	100%
Mains length per property	8m	8m	HH = 6m, NHH = 5m	HH = 6m, NHH = 5m
The size of water meter installed on the bulk supply site	100mm	100mm	100mm	100mm
Volume of water used by customers on site	HH = 96m3 per year	HH = 96m3 per year	HH = 96m3 per year, Total NHH = 2,500m3 per year	HH = 96m3 per year, Total NHH = 2,500m3 per year
Assumed leakage on-site	10% of volume	10% of volume	10% of volume	10% of volume
Volume of water recorded on the bulk meter, adjusted for on-site leakage	5,333m3	5,333m3	24,111m3	24,111m3
Other characteristics	None	None	None	None
NAV standing charge per property (£)	£ -	£ -	£ -	£ -
NAV volumetric rate (£/m3)	£ 1.3026	£ 0.9873	£ 1.3026	£ 0.9873
NAV pays (£ per year)	£ 6,946.52	£ 5,265.32	£ 31,405.89	£ 23,805.03