



Thames Water Utilities Limited
PR14 Statement of Assurance for 2015-16 Charges Schemes

1 Board endorsement of this assurance statement

I confirm that I am a Director of Thames Water Utilities Limited and that this statement has been approved by our Board.

2 Requirements for this Assurance Statement

Our Charges Schemes fix the charges that our customers have to pay for the period from 1 April 2015 to 31 March 2016 for any services we provide in the course of carrying out our regulated duties; our Charges Schemes set out the terms and conditions of those charges; and set out the times and methods of payment that our customers can use to pay our charges. A copy of our Charges Schemes has been provided to Ofwat and is available on our website (www.thameswater.co.uk).

Our Charges Schemes are developed on the basis of the revenues which Ofwat allows us to recover from our customers as determined by Ofwat through the Price Review 2014 ("PR14").

For the first time, Ofwat imposed five separate price controls as part of PR14. These price controls relate to five separate areas of our service:

- (a) Household retail water and wastewater services.
- (b) Non-household retail water and wastewater services.
- (c) Wholesale water services.
- (d) Wholesale wastewater services.
- (e) Thames Tideway Tunnel (non-IP).

Our Charges Schemes reflect these separate price controls and areas of service, with charges which relate to one of these areas.

Ofwat's "risk-based approach" requires different levels of information and assurance to be provided by companies depending on how they have been categorised by Ofwat during the Price Review 2014. Our Assurance Statement must confirm the following (in respect of services (a) to (d) above):

- (a) We comply with our legal obligations (including competition law) relating to the charges set out in our Charges Schemes.
- (b) Our Board has assessed the effects the new charges have on our customers' bills for a range of different customer types, and approves the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%.



- (c) We have appropriate systems and processes in place to make sure that the data and information contained in the Charges Schemes, and additional information, is accurate.
- (d) We have consulted the Consumer Council for Water (CCWater) in a timely and effective manner on our Charges Schemes.

Our Assurance Statement must also make it clear how our Board assured itself of the above conditions. We are also required to provide Ofwat with the following additional information:

- (a) A Statement of Changes setting out changes between our final Charges Schemes compared to draft charges previously submitted to Ofwat.
- (b) Average bill data which is a summary of our average household bills.
- (c) A statement that sets out how each of the issues which Ofwat identified in relation to draft charging submissions has been addressed.
- (d) An updated version of our charging template.
- (e) Proportionate impact assessments and handling strategies where our customers' bills will increase by more than 5%.

The additional information referred to above has been provided separately to Ofwat as part of the explanatory notes and supporting documents which accompany our 2015-16 Charges Schemes submission to Ofwat of 16 January 2015.

3 Endorsement of this Assurance Statement

I confirm, on behalf of our Board, that:

- Our Board accepts ownership of, and accountability for, the development of the Charges Schemes. Our Board has ensured that the Charges Schemes have been produced under agreed governance and assurance arrangements, which have enabled us to confirm that, insofar as we are aware, the Charges Schemes are robust and comply with all relevant regulatory requirements in all material respects. Further details of our Board's approach to leadership, and which includes details of our governance and assurance processes throughout PR14 and more generally, are included in our PR14 Business Plan.
- This is the Statement of Assurance of the Company to accompany the Charges Schemes in accordance with the requirements set out in Ofwat's Information Notice IN 14/17 (the "Assurance Statement").
- The following statements of assurance are true to the best of the Board's understanding and awareness:



A. We comply with our legal obligations (including competition law) relating to the charges set out in our Charges Schemes.

In particular, our Charges Schemes:

- (a) Comply with the price limits imposed on us by PR14;
- (b) Comply with our legal obligations relating to charging, including under:
 - (i) *Competition Act 1998*;
 - (ii) *Water Industry Act 1991 (sections 93A, 142-149)*;
 - (iii) *Flood and Water Management Act 2010 (section 44)*;
 - (iv) *The Water Industry (Charges) (Vulnerable Groups) Regulations 1999*;
 - (v) *The Water (Prescribed Conditions) Regulations 1999*;
 - (vi) *The Water (Meters) Regulations 1988*; and
 - (vii) *Conditions B, C, D, E, F and R of our Licence.*
- (c) Are consistent with applicable Ofwat guidance in relation to our Charges Schemes.¹

We have undertaken the following steps to assist the Board in assuring itself as required:

- We have engaged expert external legal advisers, Berwin Leighton Paisner LLP, to assist in the drafting of our Charges Schemes and to review the compliance of our Charges Schemes with relevant legal and regulatory obligations which apply to the Charges Schemes for 2015-16.
- In relation to the competition law position specifically, we have engaged our expert external legal advisers (who have in turn instructed expert external economic consultants Charles River Associates) to undertake a robust legal and economic assessment to consider the compliance of our Charges Schemes with competition law. These advisers have provided their final advice to us and the Board is satisfied that the Charges Schemes comply with relevant legal obligations, including, but not limited to, competition law.

B. Our Board has assessed the effects the new charges have on our customers' bills for a range of different customer types, and approves the impact assessments and handling

¹ This includes the following Ofwat publications: "Approval of charges 2015-16 – information and requirements for large and small companies" (November 2014); and letter to Regulatory Directors, 18 August 2014.



strategies developed in instances where bill increases for particular customer types exceed 5%.

We have undertaken the following steps to assist the Board in assuring itself as required:

- We have prepared a financial model which shows the level of charges for water, wastewater and combined services for the relevant period covered by the Charges Schemes.
- This financial model also operates as an Impact Assessment of the Charges Schemes which sets out the level of increases for each category of customer and service.
- We have developed a Customer Handling Strategy to address the increase in charges. This Customer Handling Strategy has been developed in consultation with CCWater in order to ensure that it is comprehensive and appropriate.
- Our Customer Handling Strategy involves a number of elements which are aimed at helping customers to mitigate the impact of the charges increases. In particular, we have developed an approach to wholesale charging which entails charges becoming increasingly cost reflective over time, with a view to minimising the risk of unnecessarily large bill swings for particular customer types.
- Our Customer Handling Strategy also provides appropriate information to customers in relation to the increase and charges and effect that this will have on their bills. Our customers will receive targeted information which reflects who they are and how they rely on our services.
- This customer information package has been developed in consultation with CCWater to ensure that customers receive leaflets which explain the changes clearly and appropriately.

C. We have appropriate systems and processes in place to make sure that the data and information contained in our Charges Schemes, and additional information, is accurate.

We have undertaken the following steps to assist our Board in assuring itself as required:

- We have a rigorous system for compiling, collating and managing the data and information contained in the Charges Schemes. We have undertaken a process of continuous improvement and development of prior charging scheme data and information systems.
- We have developed internally a series of financial models which have been used to develop the Charges Schemes. These financial models have been assessed, reviewed and challenged by the Company, as a result of which the Company is satisfied that the financial models are compliant with the Ofwat revenue controls provided under PR14 and which form the basis of the Charges Schemes.



- We have appointed expert external financial auditors, KPMG, to undertake a review of various financial and customer demand models to assist the Board in finalising the Company's own financial models and Charges Schemes.
- KPMG's work provides us with confidence that our financial models and Charges Schemes are robust and accurate. KPMG has also undertaken a review and assessment of the Company's average household bills.
- These advisers have provided their final advice to us, and the Board is satisfied that the Charges Schemes are accurate and compliant with the relevant requirements.
- Aspects of the Charges Schemes are derived from data and information included in our PR14 Business Plan. Robust assurance processes implemented by our Board (and which are detailed further in the Business Plan) applied in respect of that data and information.

D. The company has consulted the Consumer Council for Water (CCWater) in a timely and effective manner on its Charges Schemes.

We have undertaken the following steps to assist our Board in assuring itself as required:

- We have devised our engagement strategy for CCWater as part of the preparatory planning for development of our Charges Schemes, which began with senior executive-led internal discussions in September 2014.
- Our senior employees have engaged in an ongoing dialogue and consultation process with CCWater in relation to our Charges Schemes. This consultation process began on 5 December and has involved follow-up meetings, discussions and submissions between us and CCWater.
- In particular, we have provided CCWater with written information on a number of separate occasions in connection with the development of our Charges Schemes.
- We have also met with CCWater on two occasions in order to discuss further the proposed charges and to provide the opportunity for CCWater to give comments on the proposed charges. The first meeting took place on 5 December and focused on: Affordability and WaterSure Plus, our debt management strategy, 2015-16 charges and customer engagement. Following this meeting, we revised our Charges Schemes to reflect CCWater's comments and sent through a revised version ahead of a second meeting on 6 January 2015. At this meeting, CCWater provided final comments on our proposed charges. These have been reflected in our final Charges Schemes.
- The Board is satisfied that we have taken appropriate account of comments received from CCWater in finalising its Charges Schemes.



- We have also worked with CCWater to develop our Customer Handling Strategy and customer impact information strategy. CCWater has provided comments on our proposals to ensure that the information provided is appropriately targeted and clear. We have reflected CCWater's comments in our final information leaflets.
- We will continue to engage with CCWater following submission of this Assurance Statement to Ofwat on 16 January 2015.

4 Board Approval process

In satisfying the requirements of the Charges Schemes and Assurance Statement, I confirm, on behalf of the Board of the Company, that the Company has followed robust and rigorous procedures in developing and approving the Charges Schemes and Assurance Statement.

Our Executive Committee (consisting of the Company Executive Directors) first met to discuss the Charges Schemes procedure and Charges Update Paper on 24 September 2014. Following this, the Regulatory Sub-committee and Audit and Risk Committee of our Board met to discuss a Charging Template document which was provided on 21 October 2014. On 27 November 2014, our Board was provided with a Charges Scheme paper. Following this, the Board met to discuss the development of the Charges Schemes.

The Charges Schemes have been finalised following publication by Ofwat of its PR14 Final Determination on 12 December 2014. The Executive Committee met on 9 January 2015 to consider and approve the Charges Schemes and Assurance Statement. Following this, on 13 January 2015, the Regulatory Sub-committee and Audit and Risk Committee considered the Charges Schemes and Assurance Statement. On 14 January, the Board of the Company met to consider the Charges Scheme and Assurance Statement. In that meeting, the Board authorised our Chief Financial Officer to sign this Assurance Statement on behalf of the Board for submission to Ofwat.

Signed: 

Stuart Siddall, Chief Financial Officer
For and on behalf of Thames Water Utilities Limited

Dated: 14th January 2015