



Thames Water Utilities Limited

PR14 Statement of Assurance for 2016-17 Charges Schemes

1 Board endorsement of this assurance statement

This statement has been approved by the Chief Financial Officer and Director of Strategy and Regulation on behalf of the 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 2016 to 31 March 2017 for any services we provide in the course of carrying out our regulated duties; as well as set out the terms and conditions of those charges and 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 the Water Services Regulation Authority ("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 (TWUL delivered work).

Our Charges Schemes reflect these separate price controls and areas of service. 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 (e) above):

- (a) We comply with our legal obligations (including competition law) relating to the charges set out in our Charges Schemes.
- (b) The Board has reviewed the effects of the 2016-17 charges on customers' bills for a range of different customer types in order to assess whether 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 make it clear how our Board assured itself of the above conditions. We are also required to provide Ofwat with the average bill data which is a summary of our average household bills. This has been provided separately to Ofwat in accordance with the timetable requirements set out in the Ofwat Information Notice IN 15/16.

3 Endorsement of this assurance statement

We 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 including 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 the Charges Schemes Rules issued by Ofwat under sections 143(6A) and 143(B) of the Water Industry Act 1991.
- 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) (Consolidation) Regulations 2015;
 - (v) The Water Industry (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 Charges Scheme Rules.

B. The effects the new charges have on our customers' bills for a range of different customer types have been assessed,

The following steps have been undertaken 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.
- Customer information has been developed in consultation with CCWater to ensure that customers receive leaflets which explain the changes clearly and appropriately.
- We have reviewed bill increases for a range of different customer types and are not aware of any that exceed 5%.

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

The following steps have been undertaken 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 metric models to assist the Board in finalising the Company's own financial models and Charges Schemes. KPMG's work provides us with confidence that the inputs and outputs from our financial and customer metric models and Charges Schemes are robust and accurate. KPMG has also undertaken a review and assessment of the Company's average household bills.

- 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.

The following steps have been undertaken 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 July 2015.
- Our senior employees have engaged in an ongoing dialogue and consultation process with CCWater in relation to our Charges Schemes. This consultation process continued when we met with CCWater on 3 December 2015 to discuss our proposed charges, the impact on customer bills and updates to charges schemes and has involved follow-up, 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 will continue to engage with CCWater following submission of this Assurance Statement to Ofwat on 1 February 2016.

E The company has informed Ofwat of any new special agreements that they have entered into since 14 July 2014

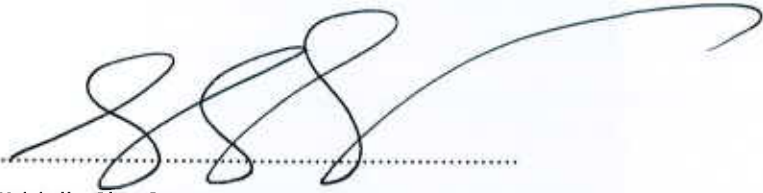
- No new special agreements have been entered into since 14 July 2014.

4 Board approval process

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

This was achieved through a series of monthly meetings of the Executive Committee starting on 22 July 2015 through to the 23 December 2015, the Audit and Risk Committee in September 2015 and November 2015 and the Board of the company in October 2015 and November 2015. At the Board meeting on 26 November 2015, the Chief Financial Officer and Director of Strategy and Regulation were authorised to sign an assurance statement on the Board's behalf.

Signed

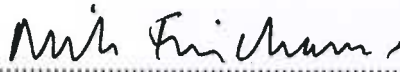


Stuart Siddall, Chief Financial Officer
For and on behalf of Thames Water Utilities Limited

Dated:

13/1/2016

Signed



Nick Fincham, Director of Strategy and Regulation
For and on behalf of Thames Water Utilities Limited

Dated:

13th January 2016

