



Statement of Indicative Scope for 2019-20 Primary Wholesale Charges

Introduction

1. The purpose of this Statement of Indicative Scope is to provide our stakeholders with information as to what, if any, significant changes we are considering making to our primary wholesale charges ('wholesale charges') for the 2019-20 charging year, compared with the 2018-19 charging year.

Wholesale Charges

2. Our charges generally include an annual standing charge and/or a variable charge (reflecting the rateable value (RV) of our customer's property or the volume of consumption) that relate to the supply of Water Services and the supply of Sewerage Services, on an enduring or temporary basis.
3. Our wholesale charges also include services provided under a special agreement (as notified to Ofwat under section 142(6A) of the WIA91).

Information about significant changes to our Wholesale Charges for 2019-20

4. Our Wholesale Charges Scheme for the current charging year, 2018-19, includes charges that would be defined as primary wholesale charges on the basis set out above.
5. The document is published on our website at: <https://wholesale.thameswater.co.uk/-/media/Site-Content/Wholesale/About-us---Doc-Library/Wholesale-Tariff-Document-2018-2019.pdf>.
6. Indicative primary wholesale charges for 2019-20 will be published on our website by mid October 2018.
7. We do not intend to make any significant changes to the structure of primary wholesale charges for 2019-20.
8. Charges for many of our customers in 2019-20, in the absence of any mitigating factors, would increase by more than five percent. This is due primarily to:
 - a. Outcome Delivery Incentive (ODI) penalties that we applied early which reduced prices in 2018-19 compared to what they would have been. This amplifies the effect of year-on-year increases to 2019-20 bills;
 - b. Inflation (RPI), which is forecast to remain relatively high at 3.1%; and
 - c. 'K' factor, as set out in the Final Determination for AMP6, published in December 2014. The wholesale K for water is 0.67% (increasing charges) and for wastewater is minus 2.22% (decreasing charges).

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9. Wholesale charges will also reflect updated information on the costs associated with providing services, changes in anticipated customer numbers, and associated consumption.
10. The wholesale charging rules require that our Board evaluates our impact assessment of any bill increases for retailers exceeding five per cent. The Board must also assess any handling strategies developed to address significant bill increases.

Status of our Statement of Significant Changes

11. To compensate customers for our poor performance on leakage, we will be returning more money to customers through a new regulatory mechanism.
12. The new regulatory mechanism, which was the conclusion of careful consideration and internal debate, will take the form of a rebate. This will enable us to pass money back to our customers in a fair and transparent way.
13. We will apply the rebate as a proportional reduction of around three per cent to all 2019-20 water service bills. This means that in practice bill increases for all customers will be less than five per cent.
14. For those struggling to pay their bill we will continue to offer support, including through our WaterSure and WaterSure Plus tariffs.
15. The indicative wholesale charges to be published in October 2018 and the final wholesale charges to be published in January 2019 are subject to the review and final approval of the Board of Thames Water Utilities Limited.
16. Our Statement of Significant Changes due to be published in mid-October 2018 will confirm:
 - 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, if appropriate, that we may adopt.

Dated: 11 July 2018 Dated: 10th July 2018

Signed Nick Land Signed Nick Fincham
Nick Land, Non-Executive Director Nick Fincham, Executive Director

For and on behalf of Thames Water Utilities Limited