

Thames Water Utilities Limited (TWUL) Wholesale
Published date: 11 October 2024



Statement of assurance 2025/26

Indicative wholesale charges for the supply of
water and wastewater services

Statement of Board Assurance for indicative non-household wholesale charges 2025/26

Introduction

1. The purpose of this document is to provide a statement of our assurance in relation to our indicative 2025/26 wholesale tariffs (the “Charges”).
2. The Charges covered by this statement have been set based on the allowed revenues as published by Ofwat in the PR24 Draft Determination (“DD”).
3. Ofwat published the PR24 DD on 11 July 2024. The tariff modelling for our indicative Charges is based on the allowed revenues within the PR24 DD. The PR24 Final Determination is currently due to be published by Ofwat on 19 December 2024 and will be reflected in our final Charges due for publication in January 2025.

Board endorsement of this assurance statement

4. The Board of Thames Water Utilities Limited (the “Company”) accepts ownership of, and accountability for, the development of the Charges.
5. This statement has been approved by the Board and signed by Cathryn Ross (Strategy & External Affairs Director), Alastair Cochran (Chief Financial Officer) and Nick Land (Senior Independent Non-Executive Director and Chair of our Audit and Risk Committee) on behalf of the Board of the Company.
6. In approving the Charges, the Board has made the following key considerations which are discussed in more detail below:
 - all relevant legal obligations and guidance;
 - bill movements, impact assessments and the associated approach (“handling strategies” as referred to by Ofwat) that, if appropriate, we may adopt to mitigate impact on customer bills;
 - the existence of appropriate systems and processes used to set our charges; and
 - engagement with relevant stakeholders.

Legal Obligations and Guidance

7. Thames Water’s Charges have been prepared in accordance with its legal obligations and the Wholesale Charging Rules published on 20 October 2021 by the Water Services Regulation Authority under sections 66E and 117I of the Water Industry Act 1991.
8. The Charges also comply with information requirements as set out in Ofwat’s Information Notice IN23/09 (‘Expectations, assurance and information requirements for water company charges for 2024-25’) published on 13 September 2023.
9. Thames Water has also taken into account the Company’s statutory obligations relating to charging.

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Bill movements, impact assessments and mitigating actions

10. The Board has assessed the effects of the Charges on water supply and sewerage licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) for a range of customer types.
11. Based on our modelling for 2025/26 charges, we anticipate that year-on-year bill increases will exceed five per cent when compared to 2024/25 for water supply and sewerage licensees and for water and wastewater service customers occupying Eligible Premises.
12. For the purposes of our indicative Charges, we are using a November 2024 inflation (CPIH) forecast¹ of 3.2%. Our final Charges due for publication in January 2025 will be based on actual November 2024 CPIH, due to be published by the Office for National Statistics on 18 December 2024.
13. In Table 1 below, we set out the maximum wholesale bill increases for non-household customers relative to 2024/25 bills.

Table 1: Maximum indicative bill increases for non-household customers 2025/26

	Customer type		
	Water-only	Wastewater-only	Dual service
Maximum indicative wholesale bill increases 2025/26	13.0%	15.1%	14.6%

Source: Thames Water tariff model 2025/26 draft v1.0

14. The figures in Table 1 showing maximum wholesale bill movements and our impact assessment of all customer groups seen in Appendix 1 of our Statement of Significant Change for indicative wholesale charges 2025/26 indicate that water-only, waste-only and dual service customers will experience bill increases in excess of five per cent for 2025/26.
15. The primary driver for the price increases that will impact bills in 2025/26 is the level of allowed revenue included within the PR24 DD as published by Ofwat. This recognises the significant and ambitious investment that is needed in our network to deliver improved services to our customers and to protect the environment, as set out in our PR24 Business Plan². This follows decades of our average household bill being below the industry average and below the level that it was 10 years ago, before inflation.
16. The Board recognises the recent cost-of-living pressures that are still being felt by customers, and therefore appreciates the need to identify actions to mitigate against significant price rises. The scope of these actions is, however, limited by the inflationary cost pressures and investment requirements faced by the Company and indeed the industry as a whole.
17. Whilst we would normally continue to consider what mitigating actions could be taken to minimise bill increases as we approach the publication of our final Charges in January 2025,

¹ Our CPIH consensus uses an average of forecasts from Barclays, HSBC, Morgan Stanley and Natwest Markets.

² [PR24 Draft Determination response – Strategic Narrative](#), Thames Water, August 2024

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we do not consider them appropriate or practicable at this time given the inclusion of price increases of this magnitude within the PR24 DD published by Ofwat.

18. Our indicative Charges as published do not include any such mitigating action, however we will communicate any approach that has been implemented at the time of publishing our final Charges for 2025/26.
19. We will be publishing on our website information for customers on price rises for 2025/26 for each tariff type (metered and unmeasured) along with the reasons for the increases. Links to the relevant webpages will be shared with Ofwat and the Consumer Council for Water (“CCW”) as set out in the requirements of Information Notice IN23/09.

Appropriate systems and processes

20. In assessing whether there are systems and processes in place (including up-to-date models and data) to make sure the information published about our Charges is accurate, the Board has considered:
 - the rigorous system for compiling, collating and managing the data and information required to produce the Charges;
 - the governance framework detailing the assurance approach adopted and the outcome of the independent review of the tariff model by Internal Audit;
 - the process of internal review and formal sign off by approved appropriately qualified members of staff;
 - confirmation of the degree of assurance undertaken on the source information / data used in the tariff calculations;
 - the dedicated and assured charge multiplier and tariff models used to determine wholesale and retail tariffs;
 - confirmation that the Charges have been calculated in a manner compliant with the individual price controls; and
 - confirmation that there are no material issues outstanding arising from the assurance work undertaken.

Engagement with stakeholders

21. We are in regular contact with our Retailers, and engage with them via various channels, to gain insight on a range of topics. We participate in the Retailer Wholesaler Group (“RWG”) project to review non-household tariff structures, so will also continue to engage with Retailers in this way regarding potential changes to wholesale charges.
22. We have had discussions with CCW regarding the proposed approach to our Charges. Acknowledging the impact of the PR24 DD on customer bills, so far, no concerns have been raised by CCW. As required by the Wholesale Charging Rules, we will consult with CCW further in advance of publishing our Wholesale Tariff Document 2025/26 in January 2025.

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Board approval process

23. In satisfying Ofwat's requirements specified in the Wholesale Charging Rules (published on 20 October 2021) and Information Notice IN23/09 ('Expectations, assurance and information requirements for water company charges for 2024-25') published on 13 September 2023, the Board confirms that the Company has followed robust and rigorous procedures in developing and approving the Charges.

24. At the Board meeting on 2 October 2024, Cathryn Ross (Strategy & External Affairs Director), Alastair Cochran (Chief Financial Officer) and Nick Land, our Senior Independent Non-Executive Director and Chair of our Audit and Risk Committee, were authorised to sign assurance statements on the Board's behalf, and in doing so confirm that:

- the Charges are consistent with Thames Water's legal obligations in relation to wholesale charges;
- the Board has considered the impact of the Charges on customer bills for different customer groups; and
- the Board has satisfied itself that appropriate systems and processes are in place to ensure that the Charges are accurate.

Signed by, and on behalf of the Board:

Dated: 8 October 2024

Signed



Nick Land
Senior Independent Non-Executive Director

Dated: 8 October 2024

Signed



Alastair Cochran
Chief Financial Officer

Dated: 8 October 2024

Signed



Cathryn Ross
Strategy & External Affairs Director

For and on behalf of Thames Water Utilities Limited