

Thames Water Utilities Limited (TWUL) Wholesale
Published date: 13 January 2022



Statement of Assurance

2022-23

Wholesale charges schedule for the supply of
water and wastewater services

Statement of Assurance for 2022-23 wholesale charges schedule

Introduction

1. The purpose of this document is to provide a statement of our assurance in relation to the 2022-23 wholesale tariffs (the “Charges”) that appear in our wholesale charges schedule.
2. Our Charges are those that Retailers in the non-household retail market will have to pay for the period from 1 April 2022 to 31 March 2023 for any services we provide in the course of carrying out our regulated duties.
3. Our Charges are included in our Wholesale Tariff Document which is available on our website¹. It should be noted that the Charges also relate to household customers who, in addition, pay a retail element. All other provisions relating to household customers are included in our Charges Schemes 2022-23 due for publication on 1 February 2022.
4. The Charges covered by this statement have been set based on the allowed revenues in the PR19 Final Determination (“FD”) as published by Ofwat in December 2019 and the in-period determination that relates to our actual 2020-21 Outcome Delivery Incentive (“ODI”) performance as published by Ofwat in November 2021.
5. The Charges therefore take account of:
 - the publication of the PR19 FD which fixes the revenue we can collect from customers in 2022-23;
 - the in-period determination which applies to our 2022-23 allowed revenues the relevant ODI penalties that relate to our actual performance in 2020-21;
 - the Thames Tideway Tunnel (“TTT”) Infrastructure Provider charge that we collect on behalf of Bazalgette Tunnel Limited from our wastewater service customers;
 - inflation (CPIH) as published by the Office for National Statistics, at 4.6%; and
 - the changes in the levels of water usage by our household and non-household customers brought about by Covid-19.
6. Our wholesale prices are increasing such that bill increases for licensees and customers occupying Eligible Premises will not exceed 5% when compared to 2021-22, as can be seen in table 1 in paragraph 15 below and in Appendix 1.

Board endorsement of this assurance statement

7. Our Board accepts ownership of, and accountability for, the development of the Charges.
8. This statement has been approved and signed by Alastair Cochran (Chief Financial Officer), Cathryn Ross (Strategy & Regulatory Affairs Director) and Nick Land (Senior Independent Non-Executive Director) on behalf of the Board of Thames Water Utilities

¹ <https://www.thameswater.co.uk/wholesale/our-charges>

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Limited (the “Company”). The Board delegated this authority at their meeting on 30 September 2021 where they also approved our indicative wholesale charges that were published in October 2021.

9. As set out in the sections below, in approving the Charges, the Board has considered:
- all relevant legal obligations and guidance;
 - bill movements, impact assessments and associated handling strategies;
 - the existence of appropriate systems and processes used to set our charges; and
 - engagement with relevant stakeholders.

Legal obligations and guidance

10. Our Charges have been prepared in accordance with Thames Water’s legal obligations. In particular, our Charges:
- (a) comply with the price limits imposed on us by the PR19 FD (published on 16 December 2019) and the in-period determination that relates to our actual 2020-21 ODI performance (published on 11 November 2021);
 - (b) comply with our legal obligations, as appropriate to our wholesale charges, 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 (Prescribed Conditions) Regulations 1999;
 - (v) The Water (Meters) Regulations 1988; and
 - (vi) Relevant Licence conditions; and
 - (c) are consistent with Ofwat’s Wholesale Charging Rules issued on 20 October 2021 under sections 66E and 117I of the Water Industry Act 1991.
11. The Charges also comply with the information requirements set out in Ofwat’s Information Notice IN 21/04 (“Expectations, assurance and information requirements for water company charges for 2022-23” issued in October 2021).
12. We have also considered Thames Water’s statutory obligations relating to charging.

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Bill movements, impact assessments and handling strategies

13. 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 whole or in groups) for a range of customer types.
14. The Board has not identified any groups of water supply and sewerage licensees nor any groups of customers occupying eligible premises that will have year-on-year bill increases exceeding 5% when compared to 2021-22.
15. In table 1 below we set out the maximum wholesale bill increases for non-household customers relative to the post-rebate position of our 2021-22 bills².

Table 1: Maximum bill increases for non-household customers 2022-23

	Customer type		
	Water-only	Wastewater-only	Dual service
Maximum wholesale bill increases 2022-23	4.0%	4.8%	4.4%

Source: Thames Water tariff model 2022-23

16. The figures in table 1, showing maximum wholesale bill movements and our impact assessment for a range of customer groups seen in Appendix 1, confirm that no customer groups will experience bill increases in excess of 5% for 2022-23. For this reason, no mitigating action is required at this time.

Appropriate systems and processes

17. 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;

² Our 2021-22 water charges are subject to a rebate relating to Ofwat's investigation into our leakage performance; tariffs before the rebate and charges after the rebate are both published in our Wholesale Tariff Document 2021-22.

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- confirmation that the Charges have been calculated in a manner compliant with the individual price controls; and
- confirmation that there is no material issue outstanding arising from the assurance work undertaken.

Engagement with stakeholders

18. We have engaged in an ongoing dialogue and consultation process with the Consumer Council for Water (“CCW”), the voice for water consumers, in relation to our Charges. In particular, we have provided CCW with information on a number of separate occasions in connection with the development of our Charges and bill impacts.
19. This consultation process continued when we met with CCW on 2 December 2021 to discuss our proposed Charges, the impact on Retailer bills and updates to charging documentation.
20. We will continue to engage with CCW following publication of this Assurance Statement on 13 January 2022.
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 are proactively involved 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 tariff structures.

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Board approval process

22. In satisfying Ofwat’s requirements specified in the wholesale charging rules (published on 20 October 2021) and Information Notice IN 21/04 (“Expectations, assurance and information requirements for water company charges for 2022-23” published in October 2021), we confirm, on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the Charges.
23. This has been achieved through a series of meetings of the Executive Committee and the Board. At the Board meeting on the 30 September 2021 the Chief Financial Officer, the Strategy & Regulatory Affairs Director and the Senior Independent Non-Executive Director 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: 11 January 2022

Signed


Nick Land, Senior Independent
Non-Executive Director

Dated: 11 January 2022

Signed


Cathryn Ross, Strategy & Regulatory Affairs Director

Dated: 10 January 2022

Signed


Alastair Cochran, Chief Financial Officer

For and on behalf of Thames Water Utilities Limited

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Appendix 1: Non-household 2022-23 typical bill movements

Table 2: Typical bill values of non-household customers

	2021-22 (£)	2022-23 (£)	Change (%)
NHH unmeasured bill water – area 4 £500 RV	479	498	4.0%
NHH unmeasured bill wastewater – area 4 £500 RV	1,210	1,185	-2.1%
Combined bill – unmeasured (area 4 £500 RV)	1,689	1,683	-0.4%
NHH metered bill water - 8,000m3	11,862	12,332	4.0%
NHH metered bill wastewater - 8,000m3	7,754	8,082	4.2%
Combined bill - metered (40mm pipe)	19,617	20,414	4.1%
NHH metered bill water - 25,000m3	36,440	37,883	4.0%
NHH metered bill wastewater - 25,000m3	24,681	25,685	4.1%
Combined bill - metered (80mm pipe)	61,121	63,567	4.0%
NHH metered bill water - 150,000m3	181,570	188,755	4.0%
NHH metered bill wastewater - 150,000m3	134,931	140,685	4.3%
Combined bill - metered (150mm pipe)	316,501	329,440	4.1%
NHH metered bill water - 500,000m3	515,205	535,590	4.0%
NHH metered bill wastewater - 500,000m3	402,966	420,306	4.3%
Combined bill - metered (1 x 250mm pipe)	918,171	955,896	4.1%
Bus assessed - water - 3,000m3	4,448	4,625	4.0%
Bus assessed - wastewater band - 3,000m3	3,072	3,188	3.8%
Combined bill - business assessed (30mm pipe)	7,521	7,813	3.9%
TRADE EFFLUENT			
R (m3)	452	474	4.8%
V (m3)	528	554	4.8%
B (kg)	710	745	4.8%
S (kg)	322	337	4.8%
Wholesale fixed charge	-81	-84	-3.7%
Total TE bill (3,000m3)	1,931	2,025	4.9%
R (m3)	24,480	25,660	4.8%
V (m3)	28,260	29,620	4.8%
B (kg)	20,340	21,320	4.8%
S (kg)	30,948	32,442	4.8%
Annual large user charge	20,354	21,337	4.8%
Total TE bill (200,000m3)	124,382	130,379	4.8%

Source: Thames Water tariff model 2022-23

N.B. Our 2021-22 typical bills in the table above are shown net of the leakage rebate that applied to our water charges in that year.