

Thames Water Utilities Limited (TWUL)

Published date: 1 February 2023



Statement of Assurance

2023-24

End-user household charges schemes for the
supply of water and wastewater services

Statement of Assurance for 2023-24 Charges Schemes

Introduction

1. The purpose of this document is to provide a statement of our assurance in relation to our 2023-24 Charges Schemes, hereafter referred to as our “Charges Schemes.”
2. Our Charges Schemes fix the charges that our household customers must pay for the period from 1 April 2023 to 31 March 2024 for specified services we provide in the course of carrying out our regulated duties; as well as setting out the terms and conditions of those charges and the times and methods of payment that our customers can use to pay their bill. Our Charges Schemes will be made available on our website¹.
3. Companies are no longer required to include Infrastructure Charges in a charges scheme. These charges are set out in our Charging Arrangements for New Connection Services 2023-24 and referenced in the appropriate Statement of Assurance.
4. The Charges Schemes 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 2021-22 Outcome Delivery Incentive (“ODI”) performance as published by Ofwat in November 2022.
5. The Charges Schemes therefore take account of:
 - the publication of the PR19 FD which fixes the revenue we can collect from customers in 2023-24;
 - the in-period determination which applies to our 2023-24 allowed revenues the relevant ODI penalties that relate to our actual performance in 2021-22;
 - 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 Statistics², at 9.3%; and
 - the changes in the levels of water usage by our household and non-household customers.
6. Our end-user prices are increasing such that typical bill increases for household customers will exceed 5% when compared to 2022-23, 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 our Charges Schemes.
8. This statement has been approved and signed by Alastair Cochran (Chief Financial Officer), Cathryn Ross (Strategy & External Affairs Director) and Nick Land (Senior Independent Non-Executive Director and Chair of our Audit and Risk Committee) on behalf of the Board of Thames Water Utilities Limited (the “Company”). The Board

¹ <https://www.thameswater.co.uk/help/account-and-billing/understand-your-bill>

² “[Consumer price inflation, UK: November 2022](#)”, Office for National Statistics, December 2022

Statement of Assurance for 2023-24 Charges Schemes

delegated this authority at their meeting on 29 September 2022 where they also approved our indicative wholesale charges that were published in October 2022.

9. As set out in the sections below, in approving the Charges Schemes, the Board has considered:
- 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 the impact on customer bills;
 - the existence of appropriate systems and processes used to set our charges; and
 - engagement with relevant stakeholders, in particular the Consumer Council for Water (“CCW”), the voice for water consumers.

Legal obligations and guidance

10. Our Charges Schemes have been prepared in accordance with Thames Water’s legal obligations. In particular, our Charges Schemes:
- (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 2021-22 ODI performance (published on 15 November 2022);
 - (b) comply with our legal obligations, as appropriate to our retail 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 (Charges) (Vulnerable Groups) (Consolidation) Regulations 2015;
 - (v) The Water Industry (Prescribed Conditions) Regulations 1999;
 - (vi) The Water (Meters) Regulations 1988; and
 - (vii) Relevant Licence conditions; and
 - (c) are consistent with Ofwat’s Charges Scheme Rules as published in December 2022.
11. The Charges Schemes comply with information requirements as set out in Ofwat’s Information Notice IN 22/03 (“Expectations, assurance and information requirements for water company charges for 2023-24” issued in September 2022).
12. We have also considered Thames Water’s statutory obligations relating to charging.

Statement of Assurance for 2023-24 Charges Schemes

Bill movements, impact assessments and mitigating actions

13. The Board has assessed the effects of the charges in our Charges Schemes on our household customers for a range of customer types.
14. The Board has identified and acknowledges that all household customers will have year-on-year bill increases exceeding 5% when compared to 2022-23, assuming a constant level of consumption.
15. In table 1 below we set out the typical bill increases for household customers relative to our 2022-23 bills.

Table 1: Average impact for typical household customers 2023-24

Customer type	2023-24	
	Unmeasured bill increase (%)	Metered bill increase (%)
Water-only	15.0%	14.9%
Waste-only	7.5%	7.8%
Dual service	11.7%	11.6%

Source: Thames Water tariff model 2023-24

16. The figures in table 1, showing typical bill movements and our impact assessment for a range of customer groups seen in Appendix 1, confirm that all customers will experience bill increases in excess of 5% for 2023-24.
17. The primary driver of significant bill increases for 2023-24 is high inflation. The Board recognises the wider cost-of-living crisis, and therefore appreciates the need to identify actions to mitigate against significant price rises for our customers. The scope of these actions has, however, been limited by the inflationary cost pressures faced by the Company and indeed the industry as a whole, in particular those relating to energy costs that the Company incurs. These additional costs are already being incurred in 2022-23 and have contributed to the high inflation that will impact our customers' bills in 2023-24.
18. Our Executive and Board have considered potential approaches, including the possibility of deferring revenue, to mitigate inflationary pressures on customers' bills. Our shareholders are committed to delivering our turnaround plan and as part of this have committed £500 million in new equity in 2022-23 and a further £1.0 billion of equity funding (subject to certain conditions) over the rest of the current Asset Management Plan ("AMP") period. As these funds have been allocated to help us to meet our operational targets and improve levels of service to customers, there is no scope for using the funds to facilitate a deferral of revenue. We are, unfortunately, therefore not in a position to be able to defer bill increases from 2023-24 to future years.
19. In order to help those customers that are at risk of struggling to pay their bill, we plan to expand the qualifying criteria for eligibility to our social tariff. Customers can still qualify by way of their income being below the thresholds declared in our Charges Scheme, but they will also be able to qualify if they are deemed to be in water poverty (defined as being

Statement of Assurance for 2023-24 Charges Schemes

when your water bill exceeds 5% of your net equivalised household income after housing costs).

20. In addition, we are introducing a temporary support measure during the cost-of-living crisis that will provide a bill credit to customers that have a household budget deficit. This will particularly help those customers that do not qualify for our social tariff but are still struggling to pay their household bills and may be in receipt of other state benefits.
21. We will be publishing on our website information for customers on price rises for 2023-24 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 CCW as set out in the requirements of Information Notice IN 22/03.
22. As shown in table 2 below, we expect our average household bill to increase by 9.4% in 2023-24. The percentage increases shown below are lower than the typical bill movements seen in table 1 due to the impact of additional future take-up of our social tariffs that offer discounts to household customers struggling to pay their bill.

Table 2: Average Household Bill impact 2022-23 to 2023-24

Customer type	Average Household Bill			
	2022-23	2023-24	Movement	
	£	£	£	%
Water-only	227	258	30	13.4%
Waste-only	190	198	9	4.6%
Dual service	417	456	39	9.4%

Source: Household Average Bills Information 2023-24

Note that the average bill values above have been rounded to the nearest whole pound.

Appropriate systems and processes

23. In assessing whether there are systems and processes in place (including up-to-date models and data) to make sure the information published in the Charges Schemes is accurate, the Board has considered:
 - the rigorous system for compiling, collating and managing the data and information required to produce the Charges Schemes;
 - 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 and 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;

Statement of Assurance for 2023-24 Charges Schemes

- confirmation that the Charges Schemes 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

24. We have engaged in an ongoing dialogue and consultation process with CCW in relation to our Charges Schemes. In particular, we have provided CCW with information on a number of separate occasions in connection with the development of our Charges Schemes and bill impacts.
25. This consultation process continued when we met with CCW on 22 December 2022 to discuss our proposed Charges Schemes, the impact on bills to household customers and updates to charging documentation.
26. We will continue to engage with CCW following publication of this Assurance Statement on 1 February 2023.

Board approval process

27. In satisfying Ofwat's requirements specified in the Charges Scheme Rules (published on 5 December 2022) and Information Notice IN 22/03 ("Expectations, assurance and information requirements for water company charges for 2023-24" published in September 2022), we confirm, on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the Charges Schemes.
28. This has been achieved through a series of meetings of the Executive Committee and the Board. At the Board meeting on 29 September 2022, the Chief Financial Officer, the Strategy & External Affairs Director 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 Schemes are consistent with Thames Water's legal obligations in relation to end-user charges;
 - the Board has considered the impact of the charges in the Charges Schemes on customer bills for different customer groups and approves the approach to mitigating this customer bill impact;
 - the Board has satisfied itself that appropriate systems and processes are in place to ensure that the Charges Schemes are accurate; and
 - the Company has consulted CCW in a timely and effective manner on its Charges Schemes.

Statement of Assurance for 2023-24 Charges Schemes

Signed by, and on behalf of the Board:

Dated: 24 January 2023

Dated: 24 January 2023

Signed



Signed



Nick Land
Senior Independent Non-Executive Director

Alastair Cochran
Chief Financial Officer

Dated: 23 January 2023

Signed



Cathryn Ross
Strategy & External Affairs Director

For and on behalf of Thames Water Utilities Limited

Statement of Assurance for 2023-24 Charges Schemes

Appendix 1: Household 2023-24 typical bill movements

Table 3: Typical bill values of household customers

	2022-23 (£)	2023-24 (£)	Change (%)
Water u/m area 1 RV of £240	215	247	15.0%
Wastewater u/m area 1 RV of £240	160	173	8.0%
Combined HH bill - unmetred	375	420	12.0%
Water u/m area 4 RV of £50	87	100	14.6%
Wastewater u/m area 4 RV of £50	94	103	9.7%
Combined HH bill - unmetred	181	203	12.1%
Water u/m area 4 RV of £240	269	309	15.0%
Wastewater u/m area 4 RV of £240	213	229	7.4%
Combined HH bill - unmetred	482	538	11.7%
Water u/m area 7 RV of £240	361	416	15.1%
Wastewater u/m area 7 RV of £240	276	296	7.0%
Combined HH bill - unmetred	638	711	11.6%
HH metered bill water 50m ³	98	112	14.5%
HH metered bill wastewater 50m ³	111	121	9.1%
Combined HH bill - metered	209	233	11.6%
HH metered bill water 80m ³	144	166	14.7%
HH metered bill wastewater 80m ³	139	151	8.4%
Combined HH bill - metered	284	317	11.6%
HH metered bill water 120m ³	206	237	14.9%
HH metered bill wastewater 120m ³	177	191	7.8%
Combined HH bill - metered	383	428	11.6%
HH metered bill water 200m ³	329	379	15.0%
HH metered bill wastewater 200m ³	253	271	7.1%
Combined HH bill - metered	583	650	11.6%
HH metered bill water 1,000m ³	1,563	1,800	15.2%
HH metered bill wastewater 1,000m ³	1,012	1,073	6.0%
Combined HH bill - metered	2,575	2,872	11.5%
HH assessed water- single occupier	152	175	14.9%
HH assessed waste- single occupier	132	144	8.5%
Combined HH bill - assessed	284	318	11.9%
HH assessed water- 1 bed	179	206	14.9%
HH assessed waste- 1 bed	149	161	8.2%
Combined HH bill - assessed	328	367	11.9%
HH assessed water- 3 bed	215	247	15.0%
HH assessed waste- 3 bed	171	185	7.9%
Combined HH bill - assessed	386	432	11.8%
HH assessed water- 5 bed	259	297	15.0%
HH assessed waste- 5 bed	198	213	7.6%
Combined HH bill – assessed	456	510	11.8%

Source: Thames Water tariff model 2023-24

N.B. The Rateable Value (“RV”) of a property was last set by the Government in 1990 and is based on their assessment of how much the property could be let for annually. The unmetred (“u/m”) areas are as per the ‘Charge areas’ seen on table 5 of the Household Charges Schedule within our Household Charges Scheme 2023-24, as published on our website.