

Thames Water Utilities Limited (TWUL)

Published date: 1 February 2024



Statement of Assurance

2024/25

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

Statement of Assurance for 2024/25 Charges Schemes

Introduction

1. The purpose of this document is to provide a statement of our assurance in relation to our 2024/25 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 2024 to 31 March 2025 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. 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, the Blind Year Adjustment (“BYA”) that relates to the true-up for our actual 2019/20 Outcome Delivery Incentive (“ODI”) performance and the in-period determination that relates to our actual 2022/23 ODI performance and the tax treatment of ODI payments from 2020/21 and 2021/22 as published by Ofwat in November 2023.
4. The Charges Schemes therefore take account of:
 - the publication of the PR19 FD which fixes the revenue we can collect from customers in 2024/25;
 - the in-period determination which applies to our 2024/25 allowed revenues the relevant ODI payments that relate to our actual performance in 2022/23 and tax adjustments that relate to our ODI payments from 2020/21 and 2021/22;
 - the BYA that relates to the true-up for our actual 2019/20 ODI performance;
 - 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 4.2%; and
 - the forecast changes in the levels of water usage by our household and non-household customers.
5. Our end-user prices are increasing such that typical bill increases for household customers will exceed five per cent when compared to 2023/24, as can be seen in Table 1 in paragraph 14 below and in Appendix 1.

Board endorsement of this assurance statement

6. Our Board accepts ownership of, and accountability for, the development of our Charges Schemes.
7. 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

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

² “[Consumer price inflation, UK: November 2023](#)”, Office for National Statistics, 20 December 2023

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behalf of the Board of Thames Water Utilities Limited (the “Company”). The Board delegated this authority at their meeting on 27 September 2023 where they also approved our indicative wholesale charges that were published in October 2023.

8. 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

9. 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 2022/23 ODI performance (published on 14 November 2023);
- (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.
10. The Charges Schemes comply with information requirements as set out in Ofwat’s Information Notice IN 23/09 (“Expectations, assurance and information requirements for water company charges for 2024-25” issued in September 2023).
11. We have also considered Thames Water’s statutory obligations relating to charging.

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Bill movements, impact assessments and mitigating actions

12. The Board has assessed the effects of the charges in our Charges Schemes on our household customers for a range of customer types.
13. The Board has identified and acknowledges that all household customers will have year-on-year bill increases exceeding five per cent when compared to 2023/24, assuming a constant level of consumption.
14. In Table 1 below, we set out the typical bill increases for household customers relative to our 2023/24 bills.

Table 1: Average impact across typical household customer types 2024/25

Customer type	2024-25	
	Unmeasured bill increase (%)	Metered bill increase (%)
Water-only	9.1%	9.4%
Waste-only	16.1%	16.2%
Dual service	12.1%	12.4%

Source: Thames Water tariff model 2024/25

15. 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 five per cent for 2024/25.
16. Increases for wastewater are higher than for water due to relative ODI performance in 2021/22 and 2022/23. A small net reward position for wholesale water in 2021/22 has been followed by a significant penalty in 2022/23. The resultant impact on 2024/25 allowed revenues is a decrease relative to 2023/24 allowed revenues.
17. The opposite is true for wholesale wastewater as a large net penalty position in 2021/22 has been followed by a significantly reduced penalty position in 2022/23. The resultant impact on 2024/25 allowed wholesale wastewater revenues is a significant increase relative to the 2023/24 position.
18. An additional driver of the significant bill increases for 2024/25 is high inflation. The Board recognises the wider cost-of-living pressures, and therefore appreciates the need to identify actions to mitigate significant price rises for our customers. The scope of these actions is, however, limited by the inflationary cost pressures faced by the Company and indeed the industry as a whole, in particular those relating to wage and energy-related costs the Company incurs. These additional costs are already being incurred.
19. 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 revised Turnaround Plan and have pledged a significant amount of equity funding (subject to certain conditions) over the rest of the current and next Asset Management Plan ("AMP") periods. As these funds have been allocated to help us to meet our operational targets and improve levels of service to

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customers, there is no scope for using the funds to facilitate a deferral of revenue. We are therefore not in a position to be able to defer bill increases from 2024/25 to future years.

20. In order to help those customers that are at risk of struggling to pay their bill, we have expanded 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 when your water bill exceeds five per cent of your net equivalised household income after housing costs).
21. In addition, we are continuing with our extra support scheme 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.
22. We will be publishing on our website information for customers on price rises for 2024/25 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 23/09.

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;
 - 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

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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 4 January 2024 to discuss our proposed Charges Schemes, the impact on bills to household customers and updates to charging documentation. Whilst acknowledging the impact that the current high inflation environment and the ODI payment regime have on our Charges, CCW noted the significant increases being proposed alongside the targeted support being offered through our social tariffs and, as such, did not raise any significant concerns regarding our Charges.
26. We will continue to engage with CCW following publication of this Assurance Statement on 1 February 2024.

Board approval process

27. In satisfying Ofwat's requirements specified in the Charges Scheme Rules (published on 5 December 2022) and Information Notice IN 23/09 ("Expectations, assurance and information requirements for water company charges for 2024-25" published in September 2023), 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 27 September 2023, Cathryn Ross (Interim Co-CEO), Alastair Cochran (Chief Financial Officer and Interim Co-CEO) 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.

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Signed by, and on behalf of the Board:

Dated: 24 January 2024

Dated: 24 January 2024

Signed 

Signed 

Nick Land
Senior Independent Non-Executive Director

Alastair Cochran
Chief Financial Officer

Dated: 25 January 2024

Signed 

Cathryn Ross
Strategy & External Affairs Director

For and on behalf of Thames Water Utilities Limited

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Appendix 1: Household 2024/25 typical bill movements

Table 2: Typical bill values of household customers

	2023-24 (£)	2024-25 (£)	Change (%)
Water u/m area 1 RV of £240	247	270	9.4%
Wastewater u/m area 1 RV of £240	173	202	16.4%
Combined HH bill - unmetred	420	472	12.3%
Water u/m area 4 RV of £50	100	111	11.8%
Wastewater u/m area 4 RV of £50	103	121	17.2%
Combined HH bill - unmetred	203	232	14.5%
Water u/m area 4 RV of £240	309	337	9.1%
Wastewater u/m area 4 RV of £240	229	265	16.1%
Combined HH bill - unmetred	538	602	12.0%
Water u/m area 7 RV of £240	416	452	8.7%
Wastewater u/m area 7 RV of £240	296	343	15.9%
Combined HH bill - unmetred	711	795	11.7%
HH metered bill water 50m ³	112	125	11.1%
HH metered bill wastewater 50m ³	121	141	16.8%
Combined HH bill - metered	233	266	14.1%
HH metered bill water 80m ³	166	182	10.1%
HH metered bill wastewater 80m ³	151	176	16.5%
Combined HH bill - metered	317	358	13.1%
HH metered bill water 120m ³	237	259	9.4%
HH metered bill wastewater 120m ³	191	222	16.2%
Combined HH bill - metered	428	481	12.4%
HH metered bill water 200m ³	379	412	8.8%
HH metered bill wastewater 200m ³	271	315	15.9%
Combined HH bill - metered	650	727	11.8%
HH metered bill water 1,000m ³	1,800	1,944	8.0%
HH metered bill wastewater 1,000m ³	1,073	1,237	15.4%
Combined HH bill - metered	2,872	3,181	10.8%
HH assessed water- single occupier	175	192	10.1%
HH assessed waste- single occupier	144	168	16.6%
Combined HH bill - assessed	318	360	13.0%
HH assessed water- 1 bed	206	226	9.7%
HH assessed waste- 1 bed	161	188	16.4%
Combined HH bill - assessed	367	414	12.7%
HH assessed water- 3 bed	247	271	9.4%
HH assessed waste- 3 bed	185	215	16.3%
Combined HH bill - assessed	432	485	12.3%
HH assessed water- 5 bed	297	325	9.1%
HH assessed waste- 5 bed	213	247	16.1%
Combined HH bill – assessed	510	572	12.1%

Source: Thames Water tariff model 2024/25

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 geographical ‘Charge areas’ seen on table 5 of the Household Charges Schedule within our Household Charges Scheme 2024/25, as published on our website.