

Thames Water Utilities Limited (TWUL)
Published date: 1 February 2021



Statement of Assurance

2021-22

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

Statement of Assurance for 2021-22 Charges Schemes (end-user and Infrastructure charges)

Introduction

1. The purpose of this document is to provide a statement of our assurance in relation to our 2021-22 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 2021 to 31 March 2022 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. In addition, companies are required to fix Infrastructure Charges in a charges scheme. These are set out in our Infrastructure Charges Scheme 2021-22.
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 Blind Year Adjustment (“BYA”) that relates to the true-up for our actual 2019-20 Outcome Delivery Incentive (“ODI”) performance as published by Ofwat in November 2020.
5. The Charges Schemes therefore take account of:
 - the publication of the PR19 FD which fixes the revenue we can collect from customers in 2021-22;
 - the BYA which applies relevant ODI penalties, particularly that which relates to our leakage performance target in 2019-20, to our 2021-22 allowed revenue;
 - an increase to 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 0.6%; and
 - the changes in the levels of water usage by our household and non-household customers brought about by Covid-19.
6. As a result of the substantial unwinding of the leakage rebate that has featured in our water prices since 2019-20, the BYA includes a wholesale water network plus K factor of 7.44%.
7. The effect of this is that the year-on-year increase in our wholesale water allowed revenue is higher than it has been in recent years. As such, our water prices will increase by more than 5% compared to the level at which 2020-21 charges were set.
8. Our wastewater prices are increasing to a sufficiently low extent that combined bill increases for household customers will not exceed 5% when compared to 2020-21, as can be seen in Table 1 in paragraph 21 below and Appendix 1.

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

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Requirements of this statement

9. Our Charges Schemes and our Infrastructure Charges Scheme must comply with Ofwat's Charges Scheme Rules² published in March 2020.
10. These require, among other things, that an assurance statement be published to confirm adherence to all of the matters set out in the annex to the Charges Scheme Rules. Our assurance statement must confirm the following:
 - we comply with our legal obligations (including competition law) relating to the charges set out in our Charges Schemes;
 - the Board has reviewed the effects of the 2021-22 charges on customers' bills for a range of different customer types to assess whether bill increases for any particular customer types exceed 5%;
 - we have appropriate systems and processes in place to ensure that the data and information contained in the Charges Schemes, and additional information, is accurate; and
 - we have consulted the Consumer Council for Water ("CCW"), the voice for water consumers, in a timely and effective manner on our Charges Schemes.
11. Our assurance statement must make it clear how our Board assured itself of the above conditions. We are also required to provide Ofwat with the average bill data which is a summary of our average household bills. This has been provided separately to Ofwat in accordance with their timetable requirements.

Board endorsement of this assurance statement

12. Our Board accepts ownership of, and accountability for, the development of our Charges Schemes.
13. This statement has been approved and signed by Brandon Rennet (Chief Financial Officer), Nicola Cocks (Regulation Director) and Nick Land (Senior Independent Non-Executive Director) on behalf of the Board of Thames Water Utilities Limited (the "Company"). The Board delegated this authority at their meeting on 24 September 2020 where they also approved our indicative wholesale charges that were published in October 2020.
14. 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 associated handling strategies;
 - the existence of appropriate systems and processes used to set our charges; and
 - engagement with relevant stakeholders.

² "[Charges Scheme Rules](#)", Ofwat, March 2020

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Legal obligations and guidance

15. Our Charges Schemes have been prepared in accordance with Thames Waters' 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 BYA (published on 13 November 2020);
 - (b) comply with our legal obligations, as appropriate, to our retail charges and Infrastructure 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 applicable Ofwat Charges Scheme Rules (end-user charges rules 1-24 and Infrastructure Charges rules 26-34).
16. The Charges Schemes comply with information requirements as set out in Ofwat's Information Notice IN 20/07 ("Expectations, assurance and information requirements for water company charges for 2021-22" issued in November 2020).
17. We have also considered Thames Water's statutory obligations relating to charging.
18. The Charges Scheme Rules state that the undertaker has discretion as to the methodology to be applied when calculating Income Offset. The definition for Income Offset states that it is applied in recognition of likely revenue from the new water main or new sewer. Our understanding is that the reference to "new" was so that water companies had the option to not offer an Income Offset to developers who had already received a contribution to the cost of a "new" main prior to the change in the charging rules from April 2018.
19. As developers may not know the age of the main that they are connecting into and given the significant volume of connections in the London area to existing mains, we are offering the Income Offset to all connected properties whether connecting to an existing or new main. This means customers are able to reasonably calculate their expected Income Offset from our Charging Arrangements without having to wait until the design stage when the age of the main can be determined.
20. We set the Income Offset at a level to comply with the requirement to broadly maintain the balance of charges between developers and other customers.

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Bill movements, impact assessments and handling strategies

21. Our impact assessment of all customer groups confirms that household bills for our water-only customers will increase by more than 5%. However as per Table 1 below, our wastewater prices are increasing to a sufficiently low extent that the effect on a combined bill remains below 5%. The impact on a range of typical household customers is set out in Appendix 1.

Table 1: Average impact for typical household customers 2021-22

Customer type	2021-22	
	Unmeasured bill increase (%)	Metered bill increase (%)
Water-only	7.2%	7.1%
Waste-only	1.5%	1.6%
Dual service	4.6%	4.5%

Source: Thames Water tariff model 2021-22

22. The Board acknowledges that the customers who only receive a water service from us will experience an increase in charges for services provided by Thames Water in excess of 5%. This covers around 50,000 customers, the majority of whom are households.
23. We have assessed the likely impact on the combined water and wastewater charges for these customers. Of the c. 15,000 who are connected to mains sewers and have wastewater services provided by other water and sewerage companies, we believe the wholesale wastewater K factors in 2021-22 for these companies will lead to combined bill increases of less than 5%.
24. For the remaining c. 35,000 customers who are not connected to mains sewers and use cesspit or septic tank services, we have assessed the likely combined bill increase based on our own cess charges (which are linked to the movement in our wastewater metered unit rate). As for our dual service customers who are connected to mains sewers, the small price rise for wastewater services will lead to increases in combined bills of less than 5% for customers not connected to mains sewers.
25. The Board are therefore not aware of any customer groups who receive one or more services from Thames Water that will experience combined bill increases in excess of 5% for 2021-22. For this reason, we do not propose to undertake any further mitigating action.
26. The Board have approved a customer engagement offering that will provide clear and readily available information both on our website and on household customer bills that explains the reasons for the increases in water service prices in 2021-22 and how we can help customers through our social tariffs, payment plans and reducing their water usage.
27. As shown in Table 2 below, we expect our average household bill to increase by 3.4% in 2021-22. The percentage increases shown below are lower than the typical bill movements seen in Table 1 due to the impact of additional take-up of our social tariffs that offer discounts to household customers struggling to pay their bill.

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Table 2 Average Household Bill impact 2020-21 to 2021-22

Customer type	Average Household Bill			
	2020-21	2021-22	Movement	
	£	£	£	%
Water-only	218	230	12	5.4%
Waste-only	187	189	2	1.0%
Dual service	405	418	14	3.4%

Source: Household Average Bills Information 2021-22

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

Appropriate systems and processes

28. 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.

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Engagement with stakeholders

29. 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.
30. This consultation process continued when we met with CCW on 7 December 2020 to discuss our proposed Charges Schemes, the impact on bills to household customers and updates to charging documentation.
31. We will continue to engage with CCW following publication of this Assurance Statement on 1 February 2021.
32. In addition, we have consulted with and will continue to consult with CCW on the design and amount of water and wastewater Infrastructure Charges.

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Board approval process

33. In satisfying Ofwat's requirements specified in the Charges Scheme Rules (27 March 2020) and Information Notice IN 20/07 ("Expectations, assurance and information requirements for water company charges for 2021-22" issued in November 2020), we confirm, on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the Charges Schemes and Infrastructure Charges Scheme.
34. This has been achieved through a series of meetings of the Executive Committee and the Board. At the Board meeting on 24 September 2020, the Chief Financial Officer, the Regulation Director and the Senior Independent Non-Executive Director were authorised to sign assurance statements on the Board's behalf.

Signed by, and on behalf of the Board:

Dated: 26 January 2021

Signed

Nick Land, Senior Independent
Non-Executive Director



Dated: 25 January 2021

Signed

Nicola Cocks, Regulation Director



Dated: 24 January 2021

Signed

Brandon Rennet, Chief Financial Officer



For and on behalf of Thames Water Utilities Limited

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Appendix 1: Household 2021-22 typical bill movements (with leakage rebate applied)

Table 3 - Typical bill values of household customers after leakage rebate

	2020-21 (£)	2021-22 (£)	Change (%)
Water u/m area 1 RV of £240	193	207	7.2%
Wastewater u/m area 1 RV of £240	153	156	1.6%
Combined HH bill - unmetered	346	363	4.7%
Water u/m area 4 RV of £50	78	84	6.9%
Wastewater u/m area 4 RV of £50	91	93	2.1%
Combined HH bill - unmetered	169	176	4.3%
Water u/m area 4 RV of £240	241	259	7.2%
Wastewater u/m area 4 RV of £240	203	206	1.5%
Combined HH bill - unmetered	444	464	4.6%
Water u/m area 7 RV of £240	324	347	7.2%
Wastewater u/m area 7 RV of £240	263	267	1.3%
Combined HH bill - unmetered	587	614	4.6%
HH metered bill water 50m ³	88	94	6.9%
HH metered bill wastewater 50m ³	108	110	1.9%
Combined HH bill - metered	197	205	4.2%
HH metered bill water 80m ³	130	139	7.1%
HH metered bill wastewater 80m ³	135	138	1.7%
Combined HH bill - metered	265	277	4.3%
HH metered bill water 120m ³	185	198	7.1%
HH metered bill wastewater 120m ³	171	174	1.6%
Combined HH bill - metered	356	372	4.5%
HH metered bill water 200m ³	296	317	7.2%
HH metered bill wastewater 200m ³	243	246	1.4%
Combined HH bill - metered	538	563	4.6%
HH metered bill water 1,000m ³	1,401	1,503	7.3%
HH metered bill wastewater 1,000m ³	960	970	1.1%
Combined HH bill - metered	2,361	2,473	4.8%
HH assessed water- single occupier	135	145	7.2%
HH assessed waste- single occupier	126	128	1.8%
Combined HH bill - assessed	261	273	4.6%
HH assessed water- 1 bed	159	171	7.2%
HH assessed waste- 1 bed	142	144	1.7%
Combined HH bill - assessed	301	315	4.6%
HH assessed water- 3 bed	191	205	7.3%
HH assessed waste- 3 bed	162	165	1.7%
Combined HH bill - assessed	353	370	4.7%
HH assessed water- 5 bed	230	246	7.3%
HH assessed waste- 5 bed	187	190	1.6%
Combined HH bill - assessed	417	437	4.7%

Source: Thames Water tariff model 2021-22