

Thames Water Utilities Limited (TWUL)

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Version 1.0



# Statement of Significant Change

## 2024/25

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

## Statement of Significant Change for 2024/25 Charges Schemes

### Introduction

1. The purpose of this Statement of Significant Change for 2024/25 Charges Schemes is to provide the stakeholders of Thames Water Utilities Limited (the “Company”) with information as to the significant changes we are making to our end-user customer charges for the 2024/25 charging year (the “Charges”), compared with the 2023/24 charging year.
2. This statement is made in accordance with Ofwat Information Notice IN 23/09 (“Expectations, assurance and information requirements for water company charges for 2024-25” published in September 2023) and annex A2 of the Charges Scheme Rules<sup>1</sup> published by Ofwat in December 2022. It confirms:
  - i. whether end-user customer bill increases of more than five per cent compared to the previous year are expected;
  - ii. if so, which types of household customers are likely to be affected;
  - iii. the approach (“handling strategies” as referred to by Ofwat) that, if appropriate, we may adopt to mitigate the impact on customer bills; and
  - iv. details of any significant changes in charging policy.
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.

### Why bills are changing

4. For 2024/25, our allowed revenue has been set by Ofwat as part of our PR19 FD and the in-period determination that relates to our actual 2022/23 ODI performance. This fixes the amount of revenue we can collect from our customers. Our allowed revenues are also adjusted to include inflation and any past under or over recovery of revenue. Our bills for 2024/25 have been impacted by:
  - 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;

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<sup>1</sup> "[Charges Scheme Rules](#)", Ofwat, December 2022

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- 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<sup>2</sup>, at 4.2%; and
- the forecast changes in the levels of water usage by our household and non-household customers.

5. There are no significant changes in charging policy from the previous year.
6. We have now completed the exercise to rebalance our wastewater fixed charges to ensure that all charges levied by pipe/meter size are set such that they are consistent with the cross-sectional area of the pipe/meter and consequently are more cost reflective.

### Impact of our Charges for 2024/25 on typical household customer bills

7. We have assessed the effects of the Charges on our household customers for a range of customer types and have identified 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.
8. 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

9. The figures in Table 1 showing typical bill movements confirm that all customers will experience bill increases in excess of five per cent for 2024/25.
10. A detailed impact assessment will be made available in the Statement of Assurance for our 2024/25 Charges Schemes due to be published on 1 February 2024.
11. 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.
12. 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

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

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impact on 2024/25 allowed wholesale wastewater revenues is a significant increase relative to the 2023/24 position.

13. 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.
14. 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 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.
15. 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.

### Support for those who need it

16. For those household customers struggling to pay their bill we will continue to offer support through our WaterSure and WaterHelp tariffs. More information on household charges will be available in our Charges Schemes due to be published on 1 February 2024.
17. 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).
18. 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.

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### Stakeholder engagement on tariff changes

19. We have had regular meetings with the Consumer Council for Water (“CCW”), the voice for water consumers, to discuss the impact of our Charges on end-users. We are required to consult with them in advance of publishing our Charges Schemes.
20. 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.

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Declaration

21. 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 the Statement of Significant Change for 2024/25 Charges Schemes on the Board's behalf.
22. We confirm on behalf of the Board, that Thames Water Utilities Limited has followed robust and rigorous procedures in developing and approving the 2024/25 Charges Schemes.
23. This document is 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.

Signed by, and on behalf of the Board:

Dated: 9 January 2024

Dated: 9 January 2024

Signed 

Signed 

Nick Land  
Senior Independent Non-Executive Director

Alastair Cochran  
Chief Financial Officer

Dated: 8 January 2024

Signed 

Cathryn Ross  
Strategy & External Affairs Director

For and on behalf of Thames Water Utilities Limited