

Thames Water Utilities Limited (TWUL)

Published date: 1 February 2019

# Statement of assurance 2019-20

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



## Statement of Assurance for 2019-20 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 2019-20 Charges Schemes (end-user), hereafter referred to as "Charges Schemes."
2. Our Charges Schemes fix the charges that our household customers have to pay for the period from 1 April 2019 to 31 March 2020 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 our charges. A copy of our Charges Schemes will be made available on our website ([www.thameswater.co.uk](http://www.thameswater.co.uk)).
3. In addition companies are required to fix Infrastructure Charges in a charges scheme. These are set out in our Infrastructure Charges Scheme 2019-20.
4. The charges covered in this statement have been set at a lower level than that allowed under the PR14 price control limits established in our Final Determination.
5. The charges have been set at a lower level as a consequence of two amendments:
  - We have applied a rebate for our leakage performance to our wholesale water service charges, as agreed with Ofwat as part of our overall leakage agreement; and
  - We have deferred £17m of allowed water, wastewater and retail revenue to AMP7 in order to address issues of bill stability and to ensure tariffs do not increase above the 5% threshold, as highlighted in our October 2018 publication of indicative tariffs.
6. The result of these amendments is that bill increases for all of our household customers will not exceed 5% when compared with 2018-19 (see Appendix 1).

### Requirements of this statement

7. Our Charges Schemes and our Infrastructure Charges Scheme must comply with Ofwat's Charges Scheme Rules published in July 2018.
8. These require, among other things, that an assurance statement be published to confirm all of the matters set out in the Annex table to the Charging Rules. Our Assurance Statement must confirm the following:
  - (a) We comply with our legal obligations (including competition law) relating to the charges set out in our Charges Schemes.
  - (b) The Board has reviewed the effects of the 2019-20 charges on customers' bills for a range of different customer types in order to assess whether bill increases for any particular customer types exceed 5%.
  - (c) 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.
  - (d) We have consulted the Consumer Council for Water (CC Water) in a timely and effective manner on our Charges Schemes.

## **Statement of Assurance for 2019-20 Charges Schemes (end user and Infrastructure charges)**

9. 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**

10. Our Board accepts ownership of, and accountability for, the development of Charges Schemes.
11. This statement has been approved and signed by Brandon Rennet (Chief Financial Officer), Nick Fincham (Director of Strategy and Regulation), Nick Land (Senior Independent Non-Executive Director), Ian Marchant (Chairman) and Kenton Bradbury (Non-Executive Director) on behalf of the Board of Thames Water Utilities Limited (the "Company"). The Board delegated this authority at their meeting on 27 September 2018.
12. As set out in the sections below, in approving the 2019-20 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.

### **Legal obligations and guidance**

13. Thames Waters' Charges Schemes have been prepared in accordance with its legal obligations. In particular, our Charges Schemes:
- (a) Comply with the price limits imposed on us by PR14;
  - (b) Have been prepared in accordance with our agreement with Ofwat to make the revenue correction mechanism 2010-15 final reconciliation adjustments at the level of 50% in 2018-19 and 50% in 2019-20;
  - (c) 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.

### **Statement of Assurance for 2019-20 Charges Schemes (end user and Infrastructure charges)**

- (d) Are consistent with applicable Ofwat Charges Rules (end-user charges rules 1-24 and Infrastructure Charges rules 26-32)
14. The Charges Schemes comply with information requirements as set out in Ofwat's Information Notice 18/18 (published November 2018) – Expectations, assurance and information requirements for water company charges for 2019-20.
15. Thames Water has also taken into account the Company's statutory obligations relating to charging.

#### **Bill movements, impact assessments and handling strategies**

16. The Board has assessed the effects of the Charges for a range of customer types and recognises that the End-User Charges do not increase customer bills by more than 5% after the two amendments identified above in paragraph 5.
17. A financial model is maintained which shows the level of charges for water, wastewater and combined services for the relevant period covered by the Charges Schemes.
18. This financial model also operates as an Impact Assessment of the Charges Schemes which sets out the level of increases for each category of customer by service.
19. We have reviewed bill increases for a range of different customer types and have not identified any that exceed 5%. The impact on a range of typical household bills is set out in Appendix 1.

#### **Appropriate systems and processes**

20. 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 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.

## Statement of Assurance for 2019-20 Charges Schemes (end user and Infrastructure charges)

### **Engagement with stakeholders**

21. Our senior employees have engaged in an ongoing dialogue and consultation process with CC Water in relation to our charges and Charges Schemes. In particular, we have provided CC Water with information on a number of separate occasions in connection with the development of our charges, Charges Schemes and bill impacts.
22. This consultation process continued when we met with CC Water on 7 December 2018 to discuss our proposed charges, the impact on customer bills and updates to charges schemes.
23. In addition we have consulted with and will continue to consult with CC Water on the design and amount of water and wastewater Infrastructure Charges.
24. We will continue to engage with CC Water following publication of this Assurance Statement on or before 1 February 2019.

Statement of Assurance for 2019-20 Charges Schemes (end user and Infrastructure charges)

**Board approval process**

25. In satisfying the requirements of the Charges Schemes, Infrastructure Charges Scheme and Assurance Statement, we confirm, on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the Charges Schemes, Infrastructure Charges Scheme and Assurance Statement.
26. This was achieved through a series of meetings of the Executive Committee and the Board. At the Board meeting on the 27 September 2018 the Chief Financial Officer, the Director of Strategy and Regulation, the Senior Independent Non-Executive Director, the Chairman and a Non-Executive Director were authorised to sign assurance statements on the Board's behalf.

Signed by, and on behalf of the Board:

Dated: 5/1/19 Dated: 10/1/19

Signed Nick Land  
Nick Land, Senior Independent Non-Executive Director

Signed Nick Fincham  
Nick Fincham, Director of Strategy & Regulation

Dated: 9/1/19 Dated: 8/1/19

Signed Kenton Bradbury  
Kenton Bradbury, Non-Executive Director

Signed Ian Marchant  
Ian Marchant, Chairman

Dated: 9/1/19

Signed Brandon Rennet  
Brandon Rennet, Chief Financial Officer

For and on behalf of Thames Water Utilities Limited

**Statement of Assurance for 2019-20 Charges Schemes (end user and Infrastructure charges)**

**Appendix 1: Household 2019-20 typical bill increases  
(with mitigating action applied to water and wastewater service charges)**

**Table 1 - Typical bill values of household customers after mitigating action**

	2018-19 (£)	2019-20 (£)	Change (%)
Water u/m area 1 RV of £100	112	117	5.0%
Wastewater u/m area 1 RV of £100	112	117	4.6%
Combined HH bill - unmetered	224	234	4.8%
Water u/m area 1 RV of £240	222	234	5.0%
Wastewater u/m area 1 RV of £240	192	201	4.7%
Combined HH bill - unmetered	414	434	4.9%
Water u/m area 1 RV of £500	428	450	5.0%
Wastewater u/m area 1 RV of £500	340	356	4.8%
Combined HH bill - unmetered	768	806	4.9%
Water u/m area 1 RV of £1,000	824	865	5.0%
Wastewater u/m area 1 RV of £1,000	624	655	4.9%
Combined HH bill - unmetered	1,448	1,519	5.0%
HH metered bill water 50m <sup>3</sup>	85	89	4.3%
HH metered bill wastewater 50m <sup>3</sup>	111	116	4.4%
Combined HH bill - metered	197	205	4.3%
HH metered bill water 80m <sup>3</sup>	124	130	4.3%
HH metered bill wastewater 80m <sup>3</sup>	136	142	4.5%
Combined HH bill - metered	260	272	4.4%
HH metered bill water 120m <sup>3</sup>	176	184	4.4%
HH metered bill wastewater 120m <sup>3</sup>	169	177	4.6%
Combined HH bill - metered	345	361	4.5%
HH metered bill water 200m <sup>3</sup>	280	292	4.4%
HH metered bill wastewater 200m <sup>3</sup>	235	246	4.7%
Combined HH bill - metered	515	538	4.5%
HH metered bill water 1,000m <sup>3</sup>	1,316	1,374	4.4%
HH metered bill wastewater 1,000m <sup>3</sup>	896	940	4.9%
Combined HH bill - metered	2,212	2,314	4.6%
HH assessed water- single occupier	127	133	4.5%
HH assessed waste- single occupier	115	121	4.6%
Combined HH bill - assessed	243	253	4.5%
HH assessed water- 1 bed	161	160	-0.2%
HH assessed waste- 1 bed	137	138	1.1%
Combined HH bill - assessed	297	298	0.4%
HH assessed water- 3 bed	194	193	-0.4%
HH assessed waste- 3 bed	158	159	0.8%
Combined HH bill - assessed	351	352	0.1%
HH assessed water- 5 bed	233	232	-0.6%
HH assessed waste- 5 bed	183	184	0.5%
Combined HH bill - assessed	416	416	-0.1%

Source: Thames Water Tariff model 2019-20 v18a