

Thames Water Utilities Limited (TWUL)
Published date: 11 January 2019

Statement of significant change

2019-20

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



Statement of Significant Change for 2019-20 Charges Schemes

Introduction

1. The Statement of Significant Change for the 2019-20 Charges Scheme sets out any significant changes in charging policy for 2019-20 and whether any end user customers' bill is expected to increase by more than 5% from the previous year.
2. In accordance with Ofwat Information notice (IN 18/18 November 2018) "Statement of any significant change in charges" and section A2 of the Annex to the Charges scheme rules issued by Ofwat in July 2018, we make the following statements:
 - a. the effects of the 2019-20 charges on customers' bills for a wide range of different customer types have been reviewed and the Board has been informed that no bill increase that exceeds 5% has been identified; and
 - b. there are no significant changes in charging policy from the previous year for charges made to our customers.

Information about significant changes to our Charges Schemes for 2019-20

3. In the absence of the mitigating actions set out below, charges for many of our customers in 2019-20 would increase by more than 5%. This is due primarily to:
 - a. Outcome Delivery Incentive ('ODI') penalties that we applied early, which reduced customers' bills in 2018-19 compared to what they would have been. This amplifies the effect of year-on-year increases to 2019-20 bills;
 - b. 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;
 - c. Inflation (RPI), which remains relatively high at 3.2%;
 - d. 'K' factors, as set out in the Final Determination ('FD') for AMP6, published in December 2014. The K factor for wholesale water is 0.67% (increasing charges), for wholesale wastewater is minus 2.22% (decreasing charges) and for the TTT price control delivered by Thames Water is 2.47% (increasing charges); and
 - e. reductions in our billable customer base that have arisen due to meter reading issues in the non-household market.
4. There are no significant changes in charging policy from the previous year and we are not making any significant changes to the structure of our charges for 2019-20.
5. We are however applying a new regulatory mechanism to return money to customers following the investigation into our leakage performance. This will take the form of a rebate, which will reduce charges to our water service customers without changing the structure of our tariffs.

Impact of significant changes on household customers

6. Where no mitigating actions are taken, bills for many of our household customers would increase by more than 5%.

Statement of Significant Change for 2019-20 Charges Schemes

Handling strategies to mitigate significant bill increases

7. Following the conclusion of the investigation by Ofwat into our recent performance on leakage, we have made commitments following the section 19 undertaking to compensate customers for our poor performance. As such, we will be returning more money to customers through a new regulatory mechanism.
8. The new regulatory mechanism, which was the conclusion of careful consideration and internal debate, will take the form of a rebate. This will enable us to pass money back to our customers in a fair and transparent way. The total amount to be returned to our water service customers through 2019-20 bills is just under £31m.
9. We will apply the rebate as a proportional reduction of around 3% to all 2019-20 water service bills.
10. In addition to the leakage rebate, and in order to smooth the effects of bill increases for our water and wastewater service customers, we have decided to set our tariffs below the level allowed in the FD.
11. This under-recovery will be added to our revenue allowance either in AMP7 through the wholesale revenue forecasting incentive mechanism ('WRFIM') or potentially through the price review process for AMP8, known as PR24.
12. As a result of our decision to set our tariffs below the level allowed in the FD, bill increases for all customers will be less than or equal to 5% in 2019-20.

Impact of handling strategies on customer bills

13. The handling strategies discussed above are sufficient to bring the water and wastewater bill increases for all of our customers down to no more than 5%.
14. Our impact assessment of all customer groups confirms that after the mitigating actions have been taken no customer groups will experience increases in excess of 5%. This impact assessment can be seen in the Statement of Assurance for our 2019-20 Charges Scheme due to be published by 1 February 2019.
15. Note that the average household bill for 2019-20 that will be formally published will not include the leakage rebate as this is not deemed to be a part of our tariff.

Additional information

16. For those household customers struggling to pay their bill we will continue to offer support through our WaterSure and WaterSure Plus tariffs. More information on household charges will be available in our Charges Scheme due to be published by 1 February 2019.
17. We have introduced new social tariff eligibility criteria to make it easier for customers to access our social tariff programme. This will increase the number of customers eligible for financial support through social tariffs.
18. For developer charges that are subject to our Charges Schemes, we have not made any significant changes to those published in 2018-19.

Statement of Significant Change for 2019-20 Charges Schemes

Declaration

19. We confirm on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the 2019-20 Charges Schemes.
20. This document is signed by Brandon Rennet (Chief Financial Officer), Nick Fincham (Director of Strategy and Regulation), Nick Land (Senior Independent Non-Executive Director), Kenton Bradbury (Non-Executive Director) and Ian Marchant (Chairman) on behalf of the Board.

Dated:

5/1/19

Signed:



Nick Land, Senior Independent Non-Executive Director

Dated:

10/1/19

Signed:



Nick Fincham, Director of Strategy & Regulation

Dated:

9/1/19

Signed:



Kenton Bradbury, Non-Executive Director

Dated:

8/1/19

Signed:



Ian Marchant, Chairman

Dated:

9/1/19

Signed:



Brandon Rennet, Chief Financial Officer

For and on behalf of Thames Water Utilities Limited