

Thames Water Utilities Limited (TWUL)
Published date: 13 January 2020



Statement of Significant Change

2020-21

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

Statement of Significant Change for 2020-21 Charges Schemes

Introduction

1. The Statement of Significant Change for the 2020-21 Charges Scheme sets out any significant changes in charging policy for 2020-21 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 19/05 ("Expectations, assurance and information requirements for water company charges for 2020-21" issued in October 2019) and Annex A2 of the Charges Scheme Rules¹, we make the following statements:
 - a. the effects of the 2020-21 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.

Why bills are changing

3. For 2020-21 our allowed revenue has been set by Ofwat as part of our Final Determination. This fixes the amount of revenue we can collect from our customers. Our allowed revenues are adjusted to include inflation, adjustments for our performance, and any past under or over recovery of revenue. Our bills for 2020-21 have been impacted by:
 - a. the publication of the Final Determination, which fixes the revenue we can collect from customers for 2020-21;
 - b. Outcome Delivery Incentive ('ODI') penalties applied to our charges in 2020-21 that relate to not meeting our leakage performance target in 2018-19;
 - c. 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;
 - d. inflation, which has moved from RPI to CPI-H, at 1.5%; and
 - e. a reduction in the rate of growth of our billable customer base that has arisen due to a reduced property growth forecast and the de-registration of properties from 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 end-user household charges for 2020-21. We are however amending in our charging literature the order in which our seven unmeasured charging areas appear, to align with that used in our billing systems.

¹ Annex A2 of the Charges scheme rules issued by Ofwat in July 2019

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5. In respect of infrastructure charges, we have amended our approach to calculating the income offset in line with Ofwat guidance. The impact is such that from 2020-21 income offsets will be applied against infrastructure charges instead of requisition charges.
6. We are again applying the regulatory mechanism introduced in 2019/20 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. The total amount to be returned to our water service customers through 2020-21 bills is just over £48m.
7. We will apply the rebate as a proportional reduction of around 5% to all 2020-21 water service bills.
8. Our impact assessment of all customer groups confirms that after the leakage rebate has been applied no customer groups will experience increases in excess of 5%. This impact assessment can be seen in the Statement of Assurance for our 2020-21 Charges Scheme due to be published by 3 February 2020.
9. Note that our average household bill for 2020-21 that will be formally published by Water UK will be presented after application of the leakage rebate. This view will reflect what customers will actually pay and will also provide comparability to the 2019-20 average household bill data as published by Water UK.

Support for those who need it

10. For those household customers struggling to pay their bill we will continue to offer support through our WaterSure and WaterHelp (formerly WaterSure Plus) tariffs. More information on household charges will be available in our Charges Scheme due to be published by 3 February 2020.
11. Last year we introduced new social tariff eligibility criteria to make it easier for customers to access our social tariff programme. This has helped us to reach more customers and increased the number of customers eligible for financial support through social tariffs.
12. For developer charges that are subject to our Charges Schemes, changes to the income offset may have a significant impact on some customers. To mitigate the impact, we have introduced a handling strategy where the income offset will be subject to a 'multiplier' that will smooth the transition from 2019-20 to 2020-21. Further information on this can be found in our "Charging Arrangements for new connections" document (<https://developers.thameswater.co.uk/new-connection-charging>).

Stakeholder engagement on tariff changes

13. We have had regular meetings with CCWater, the customer representative body, to discuss the impact of our charges on end-users. We are required to consult with them in advance of publishing our Charges Schemes.

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14. We expect that our average household bill will decrease by 1% next year (see table 1). We shared a draft view of our charges with CCWater following our meeting with them on 20 December 2019. Given the level of change in bills for most customers, CCWater did not raise any significant concerns about our proposed households bills for 2020-21.

Table 1 Average Household bill impact 2019-20 to 2020-21

	2019-20 (£)	2020-21 (£)	Change (%)	£ / month (£)
Water	210	210	0.1%	0.01
Wastewater	188	185	-1.9%	-0.29
Combined bill	398	394	-0.9%	-0.28

Source: Household Average Bills Information 2019-20 and Thames Water tariff model 2020-21 v4a

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

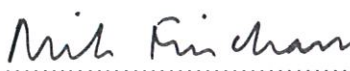
Declaration

15. We confirm on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the 2020-21 Charges Schemes.
16. This document is signed by Brandon Rennet (Chief Financial Officer), Nick Fincham (Director of Strategy and Regulation) and Nick Land (Senior Independent Non-Executive Director) on behalf of the Board.

Dated: 9 January 2020

Dated: 9th January 2020

Signed 
Nick Land, Senior Independent
Non-Executive Director

Signed 
Nick Fincham, Director of Strategy & Regulation

Dated: 9 January 2020

Signed 
Brandon Rennet, Chief Financial Officer

For and on behalf of Thames Water Utilities Limited