

Thames Water Utilities Limited (TWUL)
Published date: 11 January 2021



Statement of Significant Change

2021-22

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

Statement of Significant Change for 2021-22 Charges Schemes

Introduction

1. The Statement of Significant Change for 2021-22 Charges Schemes sets out any significant changes in charging policy for 2021-22 and whether we expect any end-user customers' bills to increase by more than 5% from the previous year as a result of our end-user household charges for 2021-22 (the "Charges").
2. This statement also covers our Infrastructure charges which will be included in our Charging Arrangements for New Connection Services document due to be published on 31 January 2021.
3. The Charges 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.
4. In accordance with Ofwat Information Notice IN 20/07 ("Expectations, assurance and information requirements for water company charges for 2021-22" issued in November 2020) and annex A2 of the Charges Scheme Rules¹, we make the following statements:
 - the effects of the Charges on customers' bills for a wide range of different customer types have been reviewed and the Board has been informed that we have not identified any waste-only or dual service customers that will experience bill increases in excess of 5%;
 - as a result of the substantial unwinding of the leakage rebate that has featured in our water prices since 2019-20, bills for our water-only customers will increase by more than 5%; and
 - there are no significant changes in charging policy from the previous year.

Why bills are changing

5. For 2021-22, our allowed revenue has been set by Ofwat as part of our PR19 FD and the BYA. 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 2021-22 have been impacted by:
 - 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;

¹ ["Charges Scheme Rules"](#), Ofwat, March 2020

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- 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. There are no significant changes in charging policy from the previous year, however we are introducing a new tariff for bulk supplied household properties that enables the direct billing of individual customers who are currently billed by reference to a bulk meter. This new tariff will apportion the bulk metered charges that are deemed to be shared by all customers by reference to the rateable values of the individual properties.
 7. We continue to rebalance our wastewater fixed charges to ensure that all charges levied by pipe/meter size are set such that the relative values of the charges are consistent with factors derived from the cross-sectional area of the pipe/meter.
 8. 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 2021-22 bills is just under £9m.
 9. We will apply the rebate as a proportional reduction of around 0.9% to all 2021-22 water service bills.
 10. Note that our average household bill for 2021-22 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 average household bill data as published by Water UK in 2019-20 and 2020-21.

Impact of our Charges for 2021-22 on typical household customer bills

11. 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%.

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

12. 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.

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13. 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%.
14. 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.
15. 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.
16. 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.
17. A detailed impact assessment will be made available in the Statement of Assurance for our 2021-22 Charges Schemes due to be published by 1 February 2021.

Infrastructure charges

18. In respect of Infrastructure charges, modelling of current and planned developments over the next few years indicates that the level of network reinforcement required is increasing. The lower number of property connections seen in 2020-21 and forecast in 2021-22 will impact the amount of Infrastructure charges collected. The resultant shortfall will need to be recovered in order to match network reinforcement costs over the rolling 5-year period that commenced in April 2018. This leads to there being a significant impact on some customers.
19. We have capped the water Infrastructure charge at the maximum allowable under Licence Condition C, while the waste Infrastructure charge is below this level. Multiple property buildings such as flats are most significantly impacted by this price increase, so we have developed a handling strategy to address this.
20. For 2021-22, we will offer a 2x multiplier on Income offset for multiple property buildings where the loading units per property are 13 or lower. The 2020-21 handling strategy applied to Income offset on connections to a new main by applying a 4x multiplier to the water Income offset will no longer be applied under the 2021-22 charging arrangements. Further information on this will be made available in our Charging

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Arrangements for New Connection Services document due to be published on 31 January 2021.

Support for those who need it

21. 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 Schemes due to be published on 1 February 2021.
22. We introduced new social tariff eligibility criteria two years ago 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.

Stakeholder engagement on tariff changes

23. 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.
24. We shared a draft view of our Charges and the impact they will have on a range of customer groups with CCW following our meeting with them on 7 December 2020. Given the level of change in bills for most customers, CCW did not raise any concerns about our proposed Charges.

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Declaration

25. 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 the Statement of Significant Change for 2021-22 Charges Schemes on the Board's behalf.
26. We confirm on behalf of the Board, that Thames Water Utilities Limited has followed robust and rigorous procedures in developing and approving the 2021-22 Charges Schemes.
27. This document is signed by Brandon Rennet (Chief Financial Officer), Nicola Cocks (Regulation Director) and Nick Land (Senior Independent Non-Executive Director) on behalf of the Board.

Dated: 7 January 2021

Dated: 8 January 2021



Signed
Nick Land, Senior Independent
Non-Executive Director



Signed
Nicola Cocks, Regulation Director

Dated: 7 January 2021



Signed
Brandon Rennet, Chief Financial Officer

For and on behalf of Thames Water Utilities Limited