

Thames Water Utilities Limited (TWUL)

Published date: 24 January 2023

Version 2.0



Statement of Significant Change

2023-24

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

Statement of Significant Change for 2023-24 Charges Schemes

Introduction

1. The purpose of this Statement of Significant Change for 2023-24 Charges Schemes, republished on 24 January 2023 for a correction to table 1 in paragraph 9, 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 2023-24 charging year (the “Charges”), compared with the 2022-23 charging year.
2. This statement is made in accordance with Ofwat Information Notice IN 22/03 (“Expectations, assurance and information requirements for water company charges for 2023-24” published in September 2022) and annex A2 of the Charges Scheme Rules¹ published by Ofwat in December 2022. It confirms:
 - i. whether end-user customer bill increases of more than 5% 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. Companies are no longer required to include Infrastructure Charges in a charges scheme. These charges are set out in our Charging Arrangements for New Connection Services 2023-24 and referenced in the appropriate Statement of Significant Change.
4. 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 and the in-period determination that relates to our actual 2021-22 Outcome Delivery Incentive (“ODI”) performance as published by Ofwat in November 2022.

Why bills are changing

5. For 2023-24, our allowed revenue has been set by Ofwat as part of our PR19 FD and the in-period determination that relates to our actual 2021-22 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 2023-24 have been impacted by:
 - the publication of the PR19 FD which fixes the revenue we can collect from customers in 2023-24;
 - the in-period determination which applies to our 2023-24 allowed revenues the relevant ODI penalties that relate to our actual performance in 2021-22;
 - 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, December 2022

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- inflation (CPIH) as published by the Office for National Statistics², at 9.3%; and
 - the changes in the levels of water usage by our household and non-household customers.
6. There are no significant changes in charging policy from the previous year.
7. We continue 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. To limit bill impact, this rebalancing exercise is being phased over a number of charging years.

Impact of our Charges for 2023-24 on typical household customer bills

8. 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 5% when compared to 2022-23, assuming a constant level of consumption.
9. In table 1 below we set out the typical bill increases for household customers relative to our 2022-23 bills.

Table 1: Average impact for typical household customers 2023-24

Customer type	2023-24	
	Unmeasured bill increase (%)	Metered bill increase (%)
Water-only	15.0%	14.9%
Waste-only	7.5%	7.8%
Dual service	11.7%	11.6%

Source: Thames Water tariff model 2023-24

10. The figures in table 1 showing typical bill movements confirm that all customers will experience bill increases in excess of 5% for 2023-24.
11. A detailed impact assessment will be made available in the Statement of Assurance for our 2023-24 Charges Schemes due to be published on 1 February 2023.
12. The primary driver of significant bill increases for 2023-24 is high inflation. The Board recognises the wider cost-of-living crisis, and therefore appreciates the need to identify actions to mitigate against significant price rises for our customers. The scope of these actions has, however, been limited by the inflationary cost pressures faced by the Company and indeed the industry as a whole, in particular those relating to energy costs that the Company incurs. These additional costs are already being incurred in 2022-23 and have contributed to the high inflation that will impact our customers' bills in 2023-24.

² ["Consumer price inflation, UK: November 2022"](#), Office for National Statistics, December 2022

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13. 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 turnaround plan and as part of this have committed £500 million in new equity in 2022-23 and a further £1.0 billion of equity funding (subject to certain conditions) over the rest of the current Asset Management Plan ("AMP") period. 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, unfortunately, therefore not in a position to be able to defer bill increases from 2023-24 to future years.
14. We will be publishing on our website information for customers on price rises for 2023-24 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 22/03.

Support for those who need it

15. 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 2023.
16. In order to help those customers that are at risk of struggling to pay their bill, we plan to expand 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 5% of your net equivalised household income after housing costs).
17. In addition, we are introducing a temporary support measure during the cost-of-living crisis 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.

Stakeholder engagement on tariff changes

18. 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.
19. This consultation process continued when we met with CCW on 22 December 2022 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 has on pricing in the water industry, CCW did not raise any concerns about our proposed Charges. A further update is being provided to CCW to communicate the changes that have prompted the republication of this document. These changes are minor and we can confirm that we are following the same underlying charging principles as previously used.

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Declaration

- 20. At the Board meeting on 29 September 2022, the Chief Financial Officer, the Strategy & External Affairs Director 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 2023-24 Charges Schemes on the Board's behalf.
- 21. We confirm on behalf of the Board, that Thames Water Utilities Limited has followed robust and rigorous procedures in developing and approving the 2023-24 Charges Schemes.
- 22. 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: 24 January 2023

Dated: 24 January 2023

Signed



Signed



Nick Land
Senior Independent Non-Executive Director

Alastair Cochran
Chief Financial Officer

Dated: 23 January 2023

Signed



Cathryn Ross
Strategy & External Affairs Director

For and on behalf of Thames Water Utilities Limited