

Thames Water Utilities Limited (TWUL) Wholesale
Published date: 12 October 2018

Statement of assurance

2019-20

**Indicative wholesale charges for the
supply of water and wastewater
services**



Statement of Assurance for 2019-20 indicative non-household wholesale charges

Introduction

1. The purpose of this document is to provide a statement of our assurance in relation to our 2019-20 indicative wholesale tariffs (the 'Charges').
2. The indicative wholesale 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.
3. 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 water service charges, as agreed with Ofwat as part of our overall leakage agreement; and
 - We have deferred £7m of allowed wastewater revenue to AMP7 in order to address issues of bill instability and increases above 5% threshold, as highlighted in our July 2018 publication of the Statement of Indicative Scope.
4. The result of these amendments is that bill increases for all of our customers will remain below 5% when compared with 2018-19, with an average bill increase of 4.3% for our dual service customers.

Board endorsement of this assurance statement

5. Our Board accepts ownership of, and accountability for, the development of the indicative 2019-20 charges.
6. This statement has been approved by the Board, and signed by Brandon Rennet (Chief Financial Officer), Nick Fincham (Director of Strategy and Regulation), and Nick Land (Non-Executive Director), on behalf of the Board of Thames Water Utilities Limited (the "Company").
7. In approving the indicative 2019-20 charges, the Board has made the following key considerations:

Legal Obligations and Guidance

8. Thames Waters' Charges have been prepared in accordance with its legal obligations and the Wholesale Charging Rules issued on 16 March 2018 by the Water Services Regulation Authority under sections 66E and 117I of the Water Industry Act 1991.
9. The Charges also comply with Information requirements as set out in Ofwat's Information Notice - IN17/09 (published in December 2017) – Information requirements on publication of indicative wholesale access charges.
10. Thames Water has also taken into account the Company's statutory obligations relating to charging.

Bill movements, impact assessments and handling strategies

11. The Board has assessed the effects the indicative wholesale charges have on water supply and sewerage licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as whole or in groups) for a range of customer types.
12. The Board recognises that the indicative wholesale tariffs do not increase customer bills by more than 5% after the two amendments identified above in paragraph 3.

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Appropriate systems and processes

13. In assessing whether there are systems and processes in place (including up-to-date models and data) to make sure the information published about indicative wholesale charges is accurate, the Board has considered:

- the rigorous system for compiling, collating and managing the data and information required to produce indicative tariffs;
- 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 on 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 indicative wholesale tariffs 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.

Engagement with stakeholders

14. With regards to stakeholder engagement, the Board have considered the outcome of the discussions with CC Water regarding the indicative wholesale tariffs and evidence that any feedback has been duly taken into consideration.

15. We are in regular contact with retailers and have asked their views on our proposal not to make any material changes to our wholesale tariff structures when setting 2019-20 tariffs.

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Board approval process

16. In satisfying Ofwat's requirements specified in the wholesale charging rules (16 March 2018) and Information Notice - IN17/09 (published in December 2017) – Information requirements on publication of indicative wholesale access charges, we confirm on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the 2019-20 indicative primary wholesale tariffs.
17. This has been 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 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 October 2018 Dated: 9th October 2018

Signed Nick Land
Nick Land, Non-Executive Director

Signed Nick Fincham
Nick Fincham, Executive Director

Dated: 9 October 2018

Signed Brandon Rennet
Brandon Rennet, Chief Financial Officer

For and on behalf of Thames Water Utilities Limited