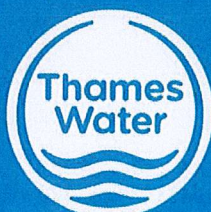


Thames Water Utilities Limited (TWUL) Wholesale  
Published date: 11 October 2019

# Statement of significant change

2020-21

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



## **Statement of Significant Change for 2020-21 indicative non-household wholesale charges**

### **Introduction**

1. The purpose of this Statement of Significant Change is to provide our stakeholders with information as to the significant changes we intend to make to our primary wholesale charges ('wholesale charges') for the 2020-21 charging year, compared with the 2019-20 charging year.
2. This statement is made in accordance with section A4 of the Annex to the Wholesale charging rules issued by Ofwat in October 2018 and will confirm:
  - i. what changes are expected;
  - ii. how water supply and sewerage licensees (as a whole or in groups) and customers occupying eligible premises (as a whole or in groups) are likely to be affected; and
  - iii. the handling strategies, if appropriate, that we may adopt.
3. The Wholesale charging rules require that our Board evaluates our impact assessment of any bill increases for retailers exceeding 5%. The Board must also assess any handling strategies developed to address significant bill increases.

### **Definition of Wholesale Charges**

4. Our charges generally include an annual standing charge and/or a variable charge (reflecting the rateable value ('RV') of our customer's property or the volume of consumption) that relate to the supply of Water Services and the supply of Sewerage Services, on an enduring or temporary basis.
5. Our wholesale charges also include services provided under a special agreement (as notified to Ofwat under section 142(6A) of the WIA91).

### **Information about changes to our Wholesale Charges for 2020-21**

6. At this time there is considerable uncertainty surrounding the level of allowed revenues for 2020-21, due the ongoing progress of the price determination. We are therefore presenting two sets of indicative wholesale charges to show the range of possible outcomes; one based on the allowed revenues as set out in the PR19 Draft Determination (DD) published by Ofwat on 18 July 2019 and the other based on the revenue requirements included within the Draft Determination response submitted to Ofwat on 30 August 2019.
7. Due to the material reduction in our DD allowed revenues compared to the previous year, we do not anticipate any customer bills to increase by more than 5% under this scenario. The overwhelming majority of our customers will, in fact, experience bill reductions in 2020-21 compared to 2019-20 if prices are based on the DD allowed revenues.
8. The revenues submitted in our DD response represent an overall increase in allowed revenue when compared to the prior year. As such, prices for some customers will increase under this scenario, but we do not anticipate any customers experiencing bill increases in excess of 5% for either service.
9. There are no significant changes in charging policy from the previous year and we are not making any significant changes to the structure of primary wholesale charges for 2020-21.

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10. We are again applying the 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.
11. As required by the wholesale charging rules, we now disclose our wholesale wastewater charges to separately identify highway drainage, surface water drainage, foul drainage and trade effluent elements.
12. The movement in our allowed revenues relative to the prior year as mentioned in paragraphs 7 and 8 above, has enabled us to undertake a more thorough review of the balance of our charges. The impact on our 2020-21 charges resulting from this review varies according to which allowed revenue scenario is used, but the net effect in both scenarios does not lead to bill increases for any customer group exceeding 5%.
13. Our final wholesale charges, due for publication by 15 January 2020, will be based on the PR19 Final Determination due to be published by Ofwat on 11 December 2019. As such and as is the case for the water industry as a whole, there is more uncertainty and a higher likelihood of change between our indicative and final wholesale prices this year than in recent years.

### **Impact of changes on licensees and customers occupying eligible premises**

14. Prior to the application of the leakage rebate mentioned in paragraph 10 above, the average wholesale price movements are as set out in table 1 below. The movements are shown relative to both the pre and post-rebate position of our 2019-20 typical bills.

**Table 1: Average wholesale price movements before application of leakage rebate**

	Allowed revenue basis	Water only (%)	Wastewater only (%)	Dual service (%)
Average bill impacts (2019-20 pre-rebate)	DD	-10.1	-6.8	-8.6
Average bill impacts (2019-20 post-rebate)	DD	-6.9	-6.8	-6.8
Average bill impacts (2019-20 pre-rebate)	DD response	0.3	4.3	2.0
Average bill impacts (2019-20 post-rebate)	DD response	3.8	4.3	4.1

*Source: Thames Water draft Tariff model 2020-21 v2c and v3c; Post to pre NHH wholesale bill movements*

15. Appendix 1 shows a range of typical non-household bill movements before the application of the leakage rebate with allowed revenues based on the DD. Appendix 2 shows a range of typical non-household bill movements before the application of the leakage rebate with allowed revenues based on the DD response.

### **Application of leakage rebate – water service**

16. 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 the new regulatory mechanism.

## Statement of Significant Change for 2020-21 indicative non-household wholesale charges

17. The new regulatory mechanism, which was first applied to 2019-20 bills, will again 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 2020-21 bills is just over £48m.
18. We will apply the rebate as a proportional reduction to all 2020-21 water service bills. When our indicative wholesale charges are based on the allowed revenues published in the DD, the leakage rebate equates to a reduction of around 5.8%. When our indicative wholesale charges are based on the revenue requirements included in our DD response, the leakage rebate equates to a reduction of around 5.2%.

### **Impact of leakage rebate on customer bills**

19. While it is not anticipated that bill increases will exceed 5% (and hence no handling strategies are necessary), the leakage rebate being applied will reduce the year-on-year movement in water charges by around 5.5% on average. Table 2 below sets out the impact of applying the leakage rebate on average wholesale bill movements. The movements are shown relative to the post-rebate position of our 2019-20 typical bills and should be read bearing paragraphs 7, 8 and 17 in mind to provide the context for the difference in the price movements under each scenario.

**Table 2: Average wholesale price movements after application of leakage rebate**

	Allowed revenue basis	Water only (%)	Wastewater only (%)	Dual service (%)
Average bill impacts (2019-20 post-rebate)	DD	-12.4	-6.8	-9.9
Average bill impacts (2019-20 post-rebate)	DD response	-1.6	4.3	1.0

Source: Thames Water draft Tariff model 2020-21 v2a and v3a

20. Appendix 3 shows a range of typical non-household bill movements after the application of the leakage rebate with allowed revenues based on the DD. Appendix 4 shows a range of typical non-household bill movements after the application of the leakage rebate with allowed revenues based on the DD response.
21. While the figures in table 2 show average wholesale bill movements, our impact assessments of all customer groups seen in appendix 3 and appendix 4, confirm that after the leakage rebate has been applied, no customer groups will experience increases in excess of 5%.

### **Additional information**

22. For those household customers struggling to pay their bill we will continue to offer support through our WaterSure and WaterSure Plus (soon to be renamed WaterHelp) tariffs. More information on household charges will be available in our Charges Scheme due to be published by 3 February 2020.
23. The final wholesale charges to be published in January 2020 will be based on our Final Determination to be published on 11 December 2019 and are subject to the review and final approval of the Board of Thames Water Utilities Limited.

Statement of Significant Change for 2020-21 indicative non-household wholesale charges

**Declaration**

24. In satisfying the requirements of the Wholesale charging rules, we confirm, on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the handling strategies set out in this Statement of Significant Change. This was achieved through a series of meetings of the Executive Committee and the Board of the company.
25. At the Board meeting on 26 September 2019, the Chief Financial Officer, Director of Regulation and Nick Land, one of our non-executive directors, were authorised to sign the statement of assurance on the Board's behalf.
26. In order for them to do this they must be able to confirm a review has taken place of whether any customer groups will experience bill increases in excess of 5% and that handling strategies have been appropriately reviewed and approved. This Statement of Significant Change provides the review required and sets out the handling strategies to be adopted. As such, this document is also being signed by the same three directors on behalf of the Board.

Dated: 10 October 2019 Dated: 10<sup>th</sup> October 2019

Signed Nick Land  
Nick Land, Non-Executive Director

Signed Nick Fincham  
Nick Fincham, Director of Regulation

Dated: 10 October 2019

Signed Brandon Rennet  
Brandon Rennet, Chief Financial Officer

For and on behalf of Thames Water Utilities Limited

# Statement of Significant Change for 2020-21 indicative non-household wholesale charges

## Appendix 1: Non-household indicative 2020-21 typical bill movements based on DD (with no leakage rebate applied)

Table 3 - Typical bill values of non-household customers before leakage rebate (DD)

	2019-20 (£)	2020-21 (£)	Change (%)
NHH unmeasured bill water - area 4 £500 RV	447	429	-3.9%
NHH unmeasured bill wastewater - area 4 £500 RV	1,165	1,062	-8.9%
Combined bill - unmeasured (area 4 £500 RV)	1,612	1,491	-7.5%
NHH metered bill water - 8,000m3	11,230	10,102	-10.0%
NHH metered bill wastewater - 8,000m3	7,501	6,846	-8.7%
Combined bill - metered (40mm pipe)	18,732	16,948	-9.5%
NHH metered bill water - 25,000m3	34,500	31,034	-10.0%
NHH metered bill wastewater - 25,000m3	23,864	21,780	-8.7%
Combined bill - metered (80mm pipe)	58,364	52,813	-9.5%
NHH metered bill water - 150,000m3	172,000	154,631	-10.1%
NHH metered bill wastewater - 150,000m3	130,562	119,126	-8.8%
Combined bill - metered (150mm pipe)	302,562	273,757	-9.5%
NHH metered bill water - 500,000m3	488,330	438,766	-10.1%
NHH metered bill wastewater - 500,000m3	390,102	355,800	-8.8%
Combined bill - metered (1 x 250mm pipe)	878,432	794,566	-9.5%
Bus assessed - water - 3,000m3	4,211	3,788	-10.0%
Bus assessed - wastewater band - 3,000m3	2,968	2,709	-8.7%
Combine bill - business assessed (30mm pipe)	7,179	6,498	-9.5%
TRADE EFFLUENT			
R (m3)	445	400	-10.2%
V (m3)	510	467	-8.5%
B (kg)	686	628	-8.5%
S (kg)	311	284	-8.5%
Wholesale fixed charge	-100	-60	40.0%
Total TE bill (3,000m3)	1,852	1,719	-7.2%
R (m3)	24,200	21,660	-10.5%
V (m3)	27,300	25,000	-8.4%
B (kg)	19,650	17,985	-8.5%
S (kg)	29,898	27,366	-8.5%
Annual large user charge	19,665	17,999	-8.5%
Total TE bill (200,000m3)	120,713	110,010	-8.9%

Source: Thames Water draft Tariff model 2020-21 v2c

## Statement of Significant Change for 2020-21 indicative non-household wholesale charges

### Appendix 2: Non-household indicative 2020-21 typical bill movements based on DD response (with no leakage rebate applied)

**Table 4 - Typical bill values of non-household customers before leakage rebate (DD response)**

	2019-20 (£)	2020-21 (£)	Change (%)
NHH unmeasured bill water - area 4 £500 RV	447	459	2.8%
NHH unmeasured bill wastewater - area 4 £500 RV	1,165	1,160	-0.4%
Combined bill - unmeasured (area 4 £500 RV)	1,612	1,619	0.5%
NHH metered bill water - 8,000m3	11,230	11,266	0.3%
NHH metered bill wastewater - 8,000m3	7,501	7,766	3.5%
Combined bill - metered (40mm pipe)	18,732	19,032	1.6%
NHH metered bill water - 25,000m3	34,500	34,607	0.3%
NHH metered bill wastewater - 25,000m3	23,864	24,690	3.5%
Combined bill - metered (80mm pipe)	58,364	59,296	1.6%
NHH metered bill water - 150,000m3	172,000	172,439	0.3%
NHH metered bill wastewater - 150,000m3	130,562	135,174	3.5%
Combined bill - metered (150mm pipe)	302,562	307,613	1.7%
NHH metered bill water - 500,000m3	488,330	489,284	0.2%
NHH metered bill wastewater - 500,000m3	390,102	403,804	3.5%
Combined bill - metered (1 x 250mm pipe)	878,432	893,088	1.7%
Bus assessed - water - 3,000m3	4,211	4,225	0.3%
Bus assessed - wastewater band - 3,000m3	2,968	3,067	3.3%
Combine bill - business assessed (30mm pipe)	7,179	7,291	1.6%
TRADE EFFLUENT			
R (m3)	445	455	2.2%
V (m3)	510	531	4.1%
B (kg)	686	714	4.1%
S (kg)	311	324	4.1%
Wholesale fixed charge	-100	-100	0.0%
Total TE bill (3,000m3)	1,852	1,924	3.9%
R (m3)	24,200	24,620	1.7%
V (m3)	27,300	28,420	4.1%
B (kg)	19,650	20,460	4.1%
S (kg)	29,898	31,128	4.1%
Annual large user charge	19,665	20,474	4.1%
Total TE bill (200,000m3)	120,713	125,102	3.6%

Source: Thames Water draft Tariff model 2020-21 v3c

**Statement of Significant Change for 2020-21 indicative non-household wholesale charges**

**Appendix 3: Non-household indicative 2020-21 typical bill movements based on DD (with leakage rebate applied)**

**Table 5 - Typical bill values of non-household customers after leakage rebate (DD)**

	2019-20 (£)	2020-21 (£)	Change (%)
NHH unmeasured bill water - area 4 £500 RV	432	404	-6.3%
NHH unmeasured bill wastewater - area 4 £500 RV	1,152	1,062	-7.8%
Combined bill - unmeasured (area 4 £500 RV)	1,584	1,466	-7.4%
NHH metered bill water - 8,000m3	10,850	9,512	-12.3%
NHH metered bill wastewater - 8,000m3	7,440	6,846	-8.0%
Combined bill - metered (40mm pipe)	18,290	16,358	-10.6%
NHH metered bill water - 25,000m3	33,330	29,220	-12.3%
NHH metered bill wastewater - 25,000m3	23,670	21,780	-8.0%
Combined bill - metered (80mm pipe)	57,000	50,999	-10.5%
NHH metered bill water - 150,000m3	166,170	145,597	-12.4%
NHH metered bill wastewater - 150,000m3	129,517	119,126	-8.0%
Combined bill - metered (150mm pipe)	295,687	264,723	-10.5%
NHH metered bill water - 500,000m3	471,780	413,127	-12.4%
NHH metered bill wastewater - 500,000m3	386,984	355,800	-8.1%
Combined bill - metered (1 x 250mm pipe)	858,764	768,927	-10.5%
Bus assessed - water - 3,000m3	4,069	3,567	-12.3%
Bus assessed - wastewater band - 3,000m3	2,944	2,709	-8.0%
Combine bill - business assessed (30mm pipe)	7,013	6,276	-10.5%
TRADE EFFLUENT			
R (m3)	441	400	-9.4%
V (m3)	506	467	-7.7%
B (kg)	681	628	-7.7%
S (kg)	308	284	-7.7%
Wholesale fixed charge	-100	-60	40.0%
Total TE bill (3,000m3)	1,836	1,719	-6.4%
R (m3)	24,020	21,660	-9.8%
V (m3)	27,080	25,000	-7.7%
B (kg)	19,490	17,985	-7.7%
S (kg)	29,652	27,366	-7.7%
Annual large user charge	19,503	17,999	-7.7%
Total TE bill (200,000m3)	119,745	110,010	-8.1%

Source: Thames Water draft Tariff model 2020-21 v2a

## Statement of Significant Change for 2020-21 indicative non-household wholesale charges

### Appendix 4: Non-household indicative 2020-21 typical bill movements based on DD response (with leakage rebate applied)

**Table 6 - Typical bill values of non-household customers after leakage rebate (DD response)**

	2019-20 (£)	2020-21 (£)	Change (%)
NHH unmeasured bill water - area 4 £500 RV	432	435	0.9%
NHH unmeasured bill wastewater - area 4 £500 RV	1,152	1,160	0.7%
Combined bill - unmeasured (area 4 £500 RV)	1,584	1,595	0.7%
NHH metered bill water - 8,000m3	10,850	10,678	-1.6%
NHH metered bill wastewater - 8,000m3	7,440	7,766	4.4%
Combined bill - metered (40mm pipe)	18,290	18,444	0.8%
NHH metered bill water - 25,000m3	33,330	32,803	-1.6%
NHH metered bill wastewater - 25,000m3	23,670	24,690	4.3%
Combined bill - metered (80mm pipe)	57,000	57,492	0.9%
NHH metered bill water - 150,000m3	166,170	163,445	-1.6%
NHH metered bill wastewater - 150,000m3	129,517	135,174	4.4%
Combined bill - metered (150mm pipe)	295,687	298,619	1.0%
NHH metered bill water - 500,000m3	471,780	463,780	-1.7%
NHH metered bill wastewater - 500,000m3	386,984	403,804	4.3%
Combined bill - metered (1 x 250mm pipe)	858,764	867,584	1.0%
Bus assessed - water - 3,000m3	4,069	4,004	-1.6%
Bus assessed - wastewater band - 3,000m3	2,944	3,067	4.2%
Combine bill - business assessed (30mm pipe)	7,013	7,071	0.8%
TRADE EFFLUENT			
R (m3)	441	455	3.0%
V (m3)	506	531	5.0%
B (kg)	681	714	5.0%
S (kg)	308	324	5.0%
Wholesale fixed charge	-100	-100	0.0%
Total TE bill (3,000m3)	1,836	1,924	4.8%
R (m3)	24,020	24,620	2.5%
V (m3)	27,080	28,420	4.9%
B (kg)	19,490	20,460	5.0%
S (kg)	29,652	31,128	5.0%
Annual large user charge	19,503	20,474	5.0%
Total TE bill (200,000m3)	119,745	125,102	4.5%

Source: Thames Water draft Tariff model 2020-21 v3a