

Thames Water Utilities Limited (TWUL) Wholesale  
Published date: 13 January 2021



# Statement of Assurance

## 2021-22

Wholesale charges schedule for the supply of  
water and wastewater services

## Statement of Assurance for 2021-22 wholesale charges schedule

### Introduction

1. The purpose of this document is to provide a statement of our assurance in relation to the 2021-22 wholesale tariffs (the “Charges”) that appear in our wholesale charges schedule.
2. Our Charges are those that retailers in the non-household retail market will have to pay for the period from 1 April 2021 to 31 March 2022 for any services we provide in the course of carrying out our regulated duties.
3. Our Charges are included in our Wholesale Tariff Document which is available on our website<sup>1</sup>. It should be noted that the Charges also relate to household customers who, in addition, pay a retail element. All other provisions relating to household customers are included in our Charges Schemes 2021-22 due for publication on 1 February 2021.
4. 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.
5. The Charges therefore take account of:
  - 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;
  - 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. As a result of the substantial unwinding of the leakage rebate that has featured in our wholesale water prices since 2019-20, the BYA includes a wholesale water network plus K factor of 7.44%.
7. The effect of this is that the year-on-year increase in our wholesale water allowed revenue is higher than it has been in recent years. As such, our wholesale water prices will increase by more than 5% compared to the level at which 2020-21 charges were set.
8. Our wholesale wastewater prices are increasing to a sufficiently low extent that combined bill increases for licensees and customers occupying Eligible Premises will not exceed 5% when compared to 2020-21, as can be seen in Table 1 in paragraph 16 below and Appendix 1.

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<sup>1</sup> <https://www.thameswater.co.uk/wholesale/our-charges>

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### Board endorsement of this assurance statement

9. Our Board accepts ownership of, and accountability for, the development of the Charges.
10. This statement has been approved and signed by Brandon Rennet (Chief Financial Officer), Nicola Cocks (Regulation Director) and Nick Land (Senior Independent Non-Executive Director) on behalf of the Board of Thames Water Utilities Limited (the “Company”). The Board delegated this authority at their meeting on 24 September 2020 where they also approved our indicative wholesale charges that were published in October 2020.
11. As set out in the sections below, in approving the Charges, the Board has considered:
  - all relevant legal obligations and guidance;
  - bill movements, impact assessments and associated handling strategies;
  - the existence of appropriate systems and processes used to set our charges; and
  - engagement with relevant stakeholders.

### Legal obligations and guidance

12. Our Charges have been prepared in accordance with Thames Water’s legal obligations and the Wholesale Charging Rules issued on 27 March 2020 by the Water Services Regulation Authority under sections 66E and 117I of the Water Industry Act 1991.
13. The Charges also comply with the information requirements set out in Ofwat’s Information Notice IN 20/07 (“Expectations, assurance and information requirements for water company charges for 2021-22” issued in November 2020).
14. We have also considered Thames Water’s statutory obligations relating to charging.

### Bill movements, impact assessments and handling strategies

15. The Board has assessed the effects of the Charges 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.
16. The Board recognises that the Charges will increase the water prices included within customer bills by more than 5%, however the effect on a combined bill will not exceed a 5% year-on-year increase for any dual service customer groups, as shown in Table 1 below. The impact on a range of typical non-household customers is set out in Appendix 1.

**Table 1: Maximum bill increases for non-household customers 2021-22**

	Customer type		
	Water-only	Wastewater-only	Dual service
Maximum wholesale bill increase 2021-22	7.3%	2.8%	4.8%

*Source: Thames Water tariff model 2021-22*

17. 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.
18. 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%.
19. 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 wholesale wastewater metered unit rate). As for our dual service customers who are connected to mains sewers, the small price rise for wholesale wastewater services will lead to increases in combined bills of less than 5% for customers not connected to mains sewers.
20. 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.
21. 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. A similar communication will be sent to water supply and sewerage licensees operating in the non-household retail market.

**Appropriate systems and processes**

22. In assessing whether there are systems and processes in place (including up-to-date models and data) to make sure the information published about our Charges is accurate, the Board has considered:
  - the rigorous system for compiling, collating and managing the data and information required to produce the Charges;
  - the governance framework detailing the assurance approach adopted and the outcome of the independent review of the tariff model by Internal Audit;

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- 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 Charges 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

23. We have engaged in an ongoing dialogue and consultation process with the Consumer Council for Water (“CCW”), the voice for water consumers, in relation to our Charges. In particular, we have provided CCW with information on a number of separate occasions in connection with the development of our Charges and bill impacts.
24. This consultation process continued when we met with CCW on 7 December 2020 to discuss our proposed Charges, the impact on bills to retailers and updates to charging documentation.
25. We will continue to engage with CCW following publication of this Assurance Statement on 13 January 2021.
26. We are in regular contact with our retailers and engage with them via various channels to gain insight on a range of topics. Along with other wholesalers, we are also aware of and involved in discussions relating to the simplification and standardisation of wholesale tariffs across the industry, where practical. Our proposal to leave our wholesale tariff structure materially unchanged for 2021-22 has received no objections.

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Board approval process

27. In satisfying Ofwat's requirements specified in the wholesale charging rules (27 March 2020) and Information Notice IN 20/07 ("Expectations, assurance and information requirements for water company charges for 2021-22" issued in November 2020), we confirm, on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the Charges.
28. This has been achieved through a series of meetings of the Executive Committee and the Board. At the Board meeting on the 24 September 2020 the Chief Financial Officer, the Regulation Director and the Senior Independent Non-Executive Director were authorised to sign assurance statements on the Board's behalf.

Signed by, and on behalf of the Board:

Dated: 7 January 2021

Signed

Nick Land, Senior Independent  
Non-Executive Director



Dated: 8 January 2021

Signed

Nicola Cocks, Regulation Director



Dated: 7 January 2021

Signed

Brandon Rennet, Chief Financial Officer



For and on behalf of Thames Water Utilities Limited

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Appendix 1: Non-household 2021-22 typical bill movements (with leakage rebate applied)

**Table 2 - Typical bill values of non-household customers after leakage rebate**

	2020-21 (£)	2021-22 (£)	Change (%)
NHH unmeasured bill water – area 4 £500 RV	446	479	7.3%
NHH unmeasured bill wastewater – area 4 £500 RV	1,199	1,210	0.9%
Combined bill – unmeasured (area 4 £500 RV)	1,645	1,689	2.6%
NHH metered bill water - 8,000m3	11,054	11,862	7.3%
NHH metered bill wastewater - 8,000m3	7,680	7,754	1.0%
Combined bill - metered (40mm pipe)	18,734	19,617	4.7%
NHH metered bill water - 25,000m3	33,958	36,440	7.3%
NHH metered bill wastewater - 25,000m3	24,443	24,681	1.0%
Combined bill - metered (80mm pipe)	58,401	61,121	4.7%
NHH metered bill water - 150,000m3	169,205	181,570	7.3%
NHH metered bill wastewater - 150,000m3	133,620	134,931	1.0%
Combined bill - metered (150mm pipe)	302,825	316,501	4.5%
NHH metered bill water - 500,000m3	480,120	515,205	7.3%
NHH metered bill wastewater - 500,000m3	399,046	402,966	1.0%
Combined bill - metered (1 x 250mm pipe)	879,166	918,171	4.4%
Bus assessed - water - 3,000m3	4,145	4,448	7.3%
Bus assessed - wastewater band - 3,000m3	3,043	3,072	1.0%
Combine bill - business assessed (30mm pipe)	7,188	7,521	4.6%
<b>TRADE EFFLUENT</b>			
R (m3)	447	452	1.0%
V (m3)	523	528	1.0%
B (kg)	703	710	1.0%
S (kg)	318	322	1.0%
Wholesale fixed charge	-92	-81	12.0%
Total TE bill (3,000m3)	1,900	1,931	1.6%
R (m3)	24,240	24,480	1.0%
V (m3)	27,980	28,260	1.0%
B (kg)	20,145	20,340	1.0%
S (kg)	30,648	30,948	1.0%
Annual large user charge	20,156	20,354	1.0%
Total TE bill (200,000m3)	123,169	124,382	1.0%

Source: Thames Water tariff model 2021-22

N.B. Movements are shown relative to the post-rebate position of our 2020-21 typical bills.