



Statement of Indicative Scope for 2021-22 Primary Wholesale Charges

Introduction

1. The purpose of this Statement of Indicative Scope is to provide our customers and stakeholders with information as to what, if any, significant changes we are considering making to our primary wholesale charges for the 2021-22 charging year, compared with the 2020-21 charging year.

Primary wholesale charges

2. Our primary wholesale charges are set out in Parts A and B of our Wholesale Tariff Document, as published on the wholesale pages of our website (www.thameswater.co.uk/wholesale).
3. Our primary wholesale charges also include services provided under a special agreement (as notified to Ofwat under section 142(6A) of the WIA91).

Information about significant changes to our primary wholesale charges for 2021-22

4. Ofwat's wholesale charging rules require that our Board evaluates whether year-on-year bill increases for water supply and sewerage licensees (as a whole or in groups) and/or customers occupying eligible premises (as a whole or in groups) will exceed five per cent. The Board must also assess any handling strategies developed to address significant bill increases.
5. As set out in the PR19 Final Determination (FD) published by Ofwat in December 2019, the weighted average K factor for our wholesale water service in 2021-22 is 4.7%. The weighted average K factor for our wholesale wastewater service in 2021-22 is 0.7%. Applying these figures to our 2020-21 average household bill gives a combined weighted average K factor of 2.8%.
6. Our current CPIH inflation forecast for November 2020 (being the point in time that all water companies must use for the purposes of adding inflation into their 2021-22 tariffs) is c. 0.9%.
7. As a result of outperforming our leakage target in 2019-20, the penalties resulting from the section 19 investigation that lowered our allowed wholesale water revenues in 2019-20 and 2020-21 via the leakage rebate are no longer applicable.
8. The net effect of paragraphs 5 to 7 is that, for the vast majority of customers to whom we provide a service i.e. combined service customers and wastewater-only customers, wholesale charges will be increasing by less than five per cent.
9. The customers to whom we only provide water services will be experiencing increases in their wholesale charges of more than five per cent. This group represents just under 1% of our customer base. However, based on the wholesale wastewater K factors within the PR19 Final Determinations of the companies that provide wastewater services to our water-only customers, we do not anticipate that the combined bill impact for these customers will exceed five per cent.

Our proposed approach to setting primary wholesale charges for 2021-22

10. Our current intention is to apply the 2021-22 allowed revenues as set out in the PR19 FD when setting our 2021-22 tariffs, acknowledging that price increases for wholesale water will likely be in excess of five per cent.

11. As the unwinding of the leakage rebate is the primary reason for the increase in wholesale water prices and as the vast majority of our single and dual service customers will experience combined bill increases of less than five per cent, no further mitigating action is being proposed at this time.
12. As required by the Ofwat charging rules, engagement with customers and other stakeholders such as CCW will be undertaken to ensure the changes and our proposed approach to addressing them are clearly communicated, explained and justified.
13. We do not currently intend to make any significant changes to the structure of primary wholesale charges for 2021-22.

Support for household customers

14. We continue to offer support to household customers who struggle to pay their water bill through our social tariff known as WaterHelp, as well as through the WaterSure scheme.

Status of our Statement of Significant Change

15. The indicative primary wholesale charges for 2021-22 to be published in mid-October 2020 and the final wholesale charges to be published in mid-January 2021 are subject to the review and final approval of the Board of Thames Water Utilities Limited.
16. Our Statement of Significant Change due to be published in mid-October 2020 will confirm:
 - i. what significant changes are expected to our primary wholesale charges;
 - 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.

Dated: 8 July 2020

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Signed 
Nick Land, Non-Executive Director

Signed 
Nicola Cocks, Regulation Director

Dated: 9 July 2020

Signed 
Brandon Rennet, Chief Financial Officer

For and on behalf of Thames Water Utilities Limited