

Thames Water Utilities Limited (TWUL) Wholesale
Published date: 14 October 2020



Statement of Significant Change

2021-22

Indicative wholesale charges for the supply of
water and wastewater services

Statement of Significant Change for indicative non-household wholesale charges 2021-22

Introduction

1. The purpose of this Statement of Significant Change is to provide our stakeholders with information as to the significant changes we are making to our primary wholesale charges (the “Charges”) for the 2021-22 charging year, compared with the 2020-21 charging year.
2. This statement is made in accordance with Ofwat Information Notice IN19/05 (‘Expectations, assurance and information requirements for water company charges for 2020-21’) published in October 2019 and section A4 of the Annex to the Wholesale Charging Rules published by Ofwat in March 2020. It confirms:
 - 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 or customers occupying Eligible Premises exceeding 5%. The Board must also assess any handling strategies developed to address significant bill increases.
4. The Charges covered by this statement have been set based on the allowed revenues as published by Ofwat in the PR19 Final Determination (“FD”) and Thames Water’s view of the Blind Year Adjustment (“BYA”) that relates to the true-up for our actual 2019-20 Outcome Delivery Incentive (“ODI”) performance.
5. Ofwat published a draft BYA for consultation on 28 September 2020, however this was issued too late in our governance process to be factored into our indicative Charges. There is a small net difference of c. £3m between Ofwat’s draft BYA and the view that we have used. The final BYA will be published by Ofwat in November 2020 and so will be reflected in our final Charges due for publication in January 2021.

Our Charges

6. 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.
7. Our 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 Charges for 2021-22

8. There are no significant changes in charging policy from the previous year.
9. We are planning to introduce a ‘No Access’ charge into our non-household charging structure in 2021-22. This charge is necessary in order to address non-household

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customers who are not engaging with Thames Water or their retailer despite multiple attempts to make contact where there is a need to read, replace or move a meter.

10. We continue to rebalance our wholesale wastewater fixed charges to ensure that all charges levied by pipe/meter size are set such that the relative values of the charges are consistent with factors derived from the cross-sectional area of each pipe/meter. To limit bill impact, this rebalancing exercise is being phased over a number of charging years.
11. Following our performance in 2019-20 to reduce leakage, we are of the view that the rebate that has been applied to our 2019-20 and 2020-21 wholesale water tariffs will no longer feature in our 2021-22 charges.
12. The effect of the removal of the leakage rebate is that the year-on-year increase in our wholesale water allowed revenue is higher than it has been previously. As such, our wholesale water prices will increase by more than 5% compared to the level at which 2020-21 charges were set.
13. 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 14 below and in appendix 1.

Impact of our Charges for 2021-22 on customer bills

14. In table 1 below we set out the maximum wholesale bill increases for non-household customers relative to the post-rebate position of our 2020-21 bills.

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	7.1%	2.8%	4.7%

Source: Thames Water tariff model 2021-22 draft v3a

15. Appendix 1 shows a range of typical non-household bill movements for 2021-22 relative to 2020-21 bills that are inclusive of the 2020-21 leakage rebate.
16. The figures in table 1 showing maximum wholesale bill movements and our impact assessment of all customer groups seen in appendix 1 confirm that no dual service customer groups will experience combined bill increases in excess of 5%.
17. Note that, relative to 2020-21 bills that do not include the leakage rebate, the maximum increase in water bills for non-household customers is 1.6% and the maximum combined bill increase is 2.3%.

Handling strategies to address significant changes to our Charges for 2021-22

18. 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.
19. The Board also acknowledges that the customers who only receive a water service from us will experience an increase in primary charges for services provided by Thames Water in excess of 5%. This covers around 50,000 customers, the majority of whom are households.
20. 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 wastewater K factors in 2021-22 for these companies will lead to combined bill increases of less than 5%.
21. 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.
22. Based on paragraphs 18 to 21, the Board are 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 mitigating action at this time.
23. 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.

Stakeholder engagement on changes to our Charges for 2021-22

24. 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.
25. We have had discussions with the Consumer Council for Water (“CCW”) regarding the proposed approach to our Charges and so far, no concerns have been raised. As required by the Wholesale Charging Rules, we will consult with CCW further in advance of publishing our Wholesale Tariff Document 2021-22 in January 2021.

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Declaration

26. 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.
27. At the Board meeting on 24 September 2020, the Chief Financial Officer, Regulation Director and Nick Land, our Senior Independent Non-Executive Director, were authorised to sign the Statement of Assurance on the Board's behalf.
28. 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: 12 October 2020

Signed
Nick Land, Non-Executive Director



Dated: 12 October 2020

Signed
Nicola Cocks, Regulation Director



Dated: 13 October 2020

Signed
Brandon Rennet, Chief Financial Officer



For and on behalf of Thames Water Utilities Limited

Appendix 1: Non-household 2021-22 typical bill movements

Table 2 - Typical bill values of non-household customers

	2020-21 (£)	2021-22 (£)	Change (%)
NHH unmeasured bill water - area 4 £500 RV	446	478	7.1%
NHH unmeasured bill wastewater - area 4 £500 RV	1,199	1,210	0.9%
Combined bill - unmeasured (area 4 £500 RV)	1,645	1,688	2.6%
NHH metered bill water - 8,000m3	11,054	11,839	7.1%
NHH metered bill wastewater - 8,000m3	7,680	7,755	1.0%
Combined bill - metered (40mm pipe)	18,734	19,594	4.6%
NHH metered bill water - 25,000m3	33,958	36,369	7.1%
NHH metered bill wastewater - 25,000m3	24,443	24,683	1.0%
Combined bill - metered (80mm pipe)	58,401	61,052	4.5%
NHH metered bill water - 150,000m3	169,205	181,211	7.1%
NHH metered bill wastewater - 150,000m3	133,620	134,948	1.0%
Combined bill - metered (150mm pipe)	302,825	316,159	4.4%
NHH metered bill water - 500,000m3	480,120	514,176	7.1%
NHH metered bill wastewater - 500,000m3	399,046	403,018	1.0%
Combined bill - metered (1 x 250mm pipe)	879,166	917,194	4.3%
Bus assessed - water - 3,000m3	4,145	4,440	7.1%
Bus assessed - wastewater band - 3,000m3	3,043	3,073	1.0%
Combined bill - business assessed (30mm pipe)	7,188	7,512	4.5%
TRADE EFFLUENT			
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	20,345	1.0%
S (kg)	30,648	30,954	1.0%
Annual large user charge	20,156	20,356	1.0%
Total TE bill (200,000m3)	123,169	124,395	1.0%

Source: Thames Water tariff model 2021-22 draft v3a

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