

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



Statement of assurance 2022-23

Indicative wholesale charges for the supply of
water and wastewater services

Statement of Board Assurance for indicative non-household wholesale charges 2022-23

Introduction

1. The purpose of this document is to provide a statement of our assurance in relation to our 2022-23 indicative wholesale tariffs (the “Charges”).
2. 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 the Blind Year Adjustment (“BYA”) that relates to the true-up for our actual 2019-20 Outcome Delivery Incentive (“ODI”) performance. We have also used Thames Water’s view of the in-period determination that relates to our actual 2020-21 ODI performance.
3. Ofwat published the draft in-period determination for consultation on 5 October 2021, 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. £2m between Ofwat’s draft determination and the view that we have used. The final in-period determination reflecting actual 2020-21 ODI performance will be published by Ofwat in November 2021 and so will be reflected in our final Charges due for publication in January 2022.

Board endorsement of this assurance statement

4. Our Board accepts ownership of, and accountability for, the development of the Charges.
5. This statement has been approved by the Board and signed by Alastair Cochran (Chief Financial Officer), Cathryn Ross (Strategy & Regulatory Affairs Director) and Nick Land (Non-Executive Director), on behalf of the Board of Thames Water Utilities Limited (the “Company”).
6. In approving the Charges, the Board has made the following key considerations which are discussed in more detail below:
 - 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

7. Thames Water’s Charges have been prepared in accordance with its legal obligations and the Wholesale Charging Rules published on 27 March 2020 by the Water Services Regulation Authority under sections 66E and 117I of the Water Industry Act 1991.
8. The Charges also comply with information requirements as set out in Ofwat’s Information Notice IN20/07 (‘Expectations, assurance and information requirements for water company charges for 2021-22’) published in November 2020.
9. Thames Water has also taken into account the Company’s statutory obligations relating to charging.

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Bill movements, impact assessments and handling strategies

10. 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.
11. Based on our modelling for 2022-23 charges (which uses an inflation (CPIH) forecast of 3.3%), we do not anticipate that year-on-year bill increases will exceed five per cent when compared to 2021-22 for any water supply and sewerage licensees nor for any customers occupying eligible premises.
12. In table 1 below we set out the maximum wholesale bill increases for non-household customers relative to the post-rebate position of our 2021-22 bills¹.

Table 1: Maximum bill increases for non-household customers 2022-23

	Customer type		
	Water-only	Wastewater-only	Dual service
Maximum wholesale bill increase 2022-23	3.3%	4.2%	3.8%

Source: Thames Water tariff model 2022-23 draft v4

13. The figures in table 1 showing maximum wholesale bill movements and our impact assessment of all customer groups seen in Appendix 1 of our Statement of Significant Change for indicative wholesale charges 2022-23 confirm that no customer groups will experience bill increases in excess of 5% for 2022-23. For this reason, no mitigating action is required at this time.

Appropriate systems and processes

14. 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;
 - 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;

¹ Our 2021-22 water charges are subject to a rebate relating to Ofwat's investigation into our leakage performance; tariffs before the rebate and charges after the rebate are both published in our Wholesale Tariff Document 2021-22.

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- 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

15. With regards to stakeholder engagement, the Board have considered the outcome of the discussions with CCW regarding the proposed approach to our Charges and evidence that any feedback has been duly taken into consideration.
16. We are in regular contact with our retailers and engage with them via various channels to gain insight on a range of topics. We are proactively involved in the Retailer Wholesaler Group ("RWG") project to review non-household tariff structures, so will also continue to engage with retailers in this way regarding potential changes to wholesale tariff structures.

Board approval process

17. In satisfying Ofwat's requirements specified in the Wholesale Charging Rules (published on 27 March 2020) and Information Notice IN20/07 ('Expectations, assurance and information requirements for water company charges for 2021-22') published in November 2020, the Board confirms that the Company has followed robust and rigorous procedures in developing and approving the Charges.
18. At the Board meeting on the 30 September 2021 the Chief Financial Officer, the Strategy & Regulatory Affairs Director and a Non-Executive Director were authorised to sign assurance statements on the Board's behalf, and in doing so confirm that:
 - the Charges are consistent with Thames Water's legal obligations in relation to wholesale charges;
 - the Board has considered the impact of the Charges on customer bills for different customer groups; and
 - the Board has satisfied itself that appropriate systems and processes are in place to ensure that the Charges are accurate.

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Signed by, and on behalf of the Board:

Dated: 7 October 2021

Dated: 6 October 2021



Signed
Nick Land, Non-Executive Director



Signed
Alastair Cochran, Chief Financial Officer

Dated: 8 October 2021



Signed
Cathryn Ross, Strategy & Regulatory Affairs Director

For and on behalf of Thames Water Utilities Limited