

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



# Statement of Significant Change

## 2022-23

Indicative wholesale charges for the supply of  
water and wastewater services

## Statement of Significant Change for indicative non-household wholesale charges 2022-23

### 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 2022-23 charging year, compared with the 2021-22 charging year.
2. This statement is made in accordance with Ofwat Information Notice IN20/07 (‘Expectations, assurance and information requirements for water company charges for 2021-22’) published in November 2020 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 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.
5. 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.

### 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).

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### Information about changes to our Charges for 2022-23

8. There are no significant changes in charging policy from the previous year, however a Retailer Wholesaler Group (“RWG”) project looking at the potential for simplifying and aligning non-household wholesale tariff structures across the industry is underway and could lead to some structural changes being made to our primary wholesale charges for 2022-23 (where incidence effects and bill impacts are not prohibitively significant).
9. Further details will be made available through the RWG who will be running a consultation process later in the autumn, inviting all market participants to comment on proposals and the timescales over which changes may plausibly be made.
10. 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, as can be seen in table 1 in paragraph 12 below and in appendix 1.
11. 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.

### Impact of our Charges for 2022-23 on customer bills

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 bills.

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

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

Source: Thames Water tariff model 2022-23 draft v4

13. Appendix 1 shows a range of typical non-household bill movements for 2022-23 relative to 2021-22 bills that are inclusive of the 2021-22 leakage rebate.
14. 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 customer groups will experience bill increases in excess of 5% for 2022-23. For this reason, no mitigating action is required at this time.

### Stakeholder engagement on changes to our Charges for 2022-23

15. 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 RWG project to review non-household tariff structures (see paragraphs 8 and 9 above), so will also continue to engage with retailers in this way regarding potential changes to wholesale tariff structures.

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16. We have had discussions with 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 2022-23 in January 2022.

Declaration

17. 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.

18. At the Board meeting on 30 September 2021, the Chief Financial Officer, Strategy & Regulatory Affairs Director and Nick Land, our Senior Independent Non-Executive Director, were authorised to sign the Statement of Assurance on the Board's behalf.

19. 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 any relevant handling strategies have been appropriately reviewed and approved. This Statement of Significant Change provides the review required and confirms that no handling strategies need to be adopted. As such, this document is also being signed by the same three directors on behalf of the Board.

Dated: 7 October 2021

Signed  
Nick Land, Non-Executive Director



Dated: 6 October 2021

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

Appendix 1: Non-household 2022-23 typical bill movements

Table 2 - Typical bill values of non-household customers

	2021-22 (£)	2022-23 (£)	Change (%)
NHH unmeasured bill water - area 4 £500 RV	479	494	3.2%
NHH unmeasured bill wastewater - area 4 £500 RV	1,210	1,178	-2.7%
Combined bill - unmeasured (area 4 £500 RV)	1,689	1,672	-1.0%
NHH metered bill water - 8,000m3	11,862	12,249	3.3%
NHH metered bill wastewater - 8,000m3	7,754	8,023	3.5%
Combined bill - metered (40mm pipe)	19,617	20,271	3.3%
NHH metered bill water - 25,000m3	36,440	37,627	3.3%
NHH metered bill wastewater - 25,000m3	24,681	25,497	3.3%
Combined bill - metered (80mm pipe)	61,121	63,124	3.3%
NHH metered bill water - 150,000m3	181,570	187,482	3.3%
NHH metered bill wastewater - 150,000m3	134,931	139,654	3.5%
Combined bill - metered (150mm pipe)	316,501	327,136	3.4%
NHH metered bill water - 500,000m3	515,205	531,987	3.3%
NHH metered bill wastewater - 500,000m3	402,966	417,223	3.5%
Combined bill - metered (1 x 250mm pipe)	918,171	949,210	3.4%
Bus assessed - water - 3,000m3	4,448	4,593	3.3%
Bus assessed - wastewater band - 3,000m3	3,072	3,165	3.0%
Combined bill - business assessed (30mm pipe)	7,521	7,758	3.2%
<b>TRADE EFFLUENT</b>			
R (m3)	452	470	4.1%
V (m3)	528	550	4.0%
B (kg)	710	739	4.0%
S (kg)	322	335	4.0%
Wholesale fixed charge	-81	-81	0.0%
Total TE bill (3,000m3)	1,931	2,012	4.2%
R (m3)	24,480	25,480	4.1%
V (m3)	28,260	29,400	4.0%
B (kg)	20,340	21,165	4.1%
S (kg)	30,948	32,202	4.1%
Annual large user charge	20,354	21,178	4.1%
Total TE bill (200,000m3)	124,382	129,425	4.1%

Source: Thames Water tariff model 2022-23 draft v4

N.B. Movements are shown relative to the post-rebate position of our 2021-22 typical bills.