

Thames Water Utilities Limited (TWUL) Wholesale
Published date: 12 January 2024



Statement of assurance 2024/25

Final wholesale charges for the supply of
water and wastewater services

Statement of Board Assurance for final wholesale charges 2024/25

Introduction

1. The purpose of this document is to provide a statement of our assurance in relation to our 2024/25 final wholesale tariffs (the “Charges”).
2. 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, the Blind Year Adjustment (“BYA”) that relates to the true-up for our actual 2019/20 Outcome Delivery Incentive (“ODI”) performance and the in-period determination that relates to our actual 2022/23 ODI performance and the tax treatment of ODI payments from 2020/21 and 2021/22 as published by Ofwat in November 2023.
3. The Charges therefore take account of:
 - the publication of the PR19 FD which fixes the revenue we can collect from customers in 2024/25;
 - the in-period determination which applies to our 2024/25 allowed revenues the relevant ODI payments that relate to our actual performance in 2022/23 and tax adjustments that relate to our ODI payments from 2020/21 and 2021/22;
 - the BYA that relates to the true-up for our actual 2019/20 ODI performance;
 - 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 Statistics¹, at 4.2%; and
 - the forecast changes in the levels of water usage by our household and non-household customers.

Board endorsement of this assurance statement

4. The Board of Thames Water Utilities Limited (the “Company”) 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 & External Affairs Director) and Nick Land (Senior Independent Non-Executive Director and Chair of our Audit and Risk Committee) on behalf of the Board of 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;

¹ [“Consumer price inflation, UK: November 2023”](#), Office for National Statistics, 20 December 2023

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- bill movements, impact assessments and the associated approach (“handling strategies” as referred to by Ofwat) that, if appropriate, we may adopt to mitigate the impact on customer bills;
- the existence of appropriate systems and processes used to set our Charges;
- engagement with relevant stakeholders; and
- the reasons for any significant changes to our Charges since the publication of our indicative wholesale charges in October 2023.

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 20 October 2021 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 IN 23/09 (‘Expectations, assurance and information requirements for water company charges for 2024-25’) published on 13 September 2023.
9. Thames Water has also taken into account the Company’s statutory obligations relating to charging.

Bill movements, impact assessments and mitigating actions

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 a whole or in groups) for a range of customer types.
11. The Board has identified and acknowledges that year-on-year bill increases will exceed five per cent when compared to 2023/24, assuming a constant level of consumption, for water supply and sewerage licensees and for water service and wastewater service customers occupying Eligible Premises.
12. In Table 1 below, we set out the maximum wholesale bill increases for non-household customers relative to 2023/24 bills.

Table 1: Maximum bill increases for non-household customers 2024/25

	Customer type		
	Water-only	Wastewater-only	Dual service
Maximum wholesale bill increases 2024/25	7.8%	15.2%	11.7%

Source: Thames Water tariff model 2024/25

13. The figures in Table 1 showing maximum wholesale bill movements and our impact assessment of all customer groups seen in Appendix 1 confirm that all customers will experience bill increases in excess of five per cent for 2024/25.

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14. Increases for wastewater are higher than for water due to relative ODI performance in 2021/22 and 2022/23. A small net reward position for wholesale water in 2021/22 has been followed by a significant penalty in 2022/23. The resultant impact on 2024/25 allowed revenues is a decrease relative to 2023/24 allowed revenues.
15. The opposite is true for wholesale wastewater as a large net penalty position in 2021/22 has been followed by a significantly reduced penalty position in 2022/23. The resultant impact on 2024/25 allowed wholesale wastewater revenues is a significant increase relative to the 2023/24 position.
16. An additional driver of the significant bill increases for 2024/25 is high inflation. The Board recognises the wider cost-of-living pressures, and therefore appreciates the need to identify actions to mitigate significant price rises for our customers. The scope of these actions is, however, limited by the inflationary cost pressures faced by the Company and indeed the industry as a whole, in particular those relating to wage and energy-related costs the Company incurs. These additional costs are already being incurred.
17. Our Executive and Board have considered potential approaches, including the possibility of deferring revenue, to mitigate inflationary pressures on customers' bills. Our shareholders are committed to delivering our revised Turnaround Plan and have pledged a significant amount of equity funding (subject to certain conditions) over the rest of the current and next Asset Management Plan ("AMP") periods. As these funds have been allocated to help us to meet our operational targets and improve levels of service to customers, there is no scope for using the funds to facilitate a deferral of revenue. We are therefore not in a position to be able to defer bill increases from 2024/25 to future years.
18. We continue to implement changes to our social tariff in order to help those household customers that are at risk of struggling to pay their bill. In addition, the support measure offering a bill credit to customers that have a household budget deficit will continue in 2024/25. Further details will be made available in our Statement of Significant Change for Charges Schemes 2024/25 and our Statement of Assurance for Charges Schemes 2024/25, due for publication on 12 January 2024 and 1 February 2024 respectively.

Appropriate systems and processes

19. 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;

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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 are no material issues outstanding arising from the assurance work undertaken.

Engagement with stakeholders

20. 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 charges.

21. We have had regular meetings with CCW to discuss the impact of our Charges on customers occupying Eligible Premises. This consultation process continued when we met with CCW on 4 January 2024 to discuss our proposed Charges, the impact on bills to customers and updates to charging documentation. Whilst acknowledging the impact that the current high inflation environment and the ODI payment regime have on our Charges, CCW noted the significant increases being proposed alongside the targeted support being offered through our social tariffs and, as such, did not raise any significant concerns regarding our Charges.

Changes since the publication of our indicative wholesale charges

22. In the final in-period determination² reflecting actual 2022/23 ODI performance payments, Ofwat included a backdated correction to the tax rates applied to our ODI performance payments from 2020/21 and 2021/22. This results in an additional £23m of allowed wholesale revenue being added to the level that was assumed in the modelling for our indicative wholesale charges for 2024/25.

23. Since our indicative wholesale charges were published in October 2023, further review of our forecast chargeable customer base for 2024/25 has been undertaken to reflect the most up-to-date information available. Along with the backdated adjustment to the tax rates applied to our ODI performance payments as mentioned in paragraph 22 above, this has resulted in further increases to our Charges such that wholesale water charges are 6.0% higher and wholesale wastewater charges are 4.8% higher than our indicative wholesale charges.

24. The reasons for these additional price increases relate to the following items that have been further reviewed in light of the ongoing impact of the cost-of-living pressures and the wider economic outlook on our forecast chargeable customer base:

- reductions in predicted levels of household and non-household water consumption;

² [‘Final determination of Thames Water’s in-period outcome delivery incentives for 2022-23’](#), Ofwat, November 2023

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- revisions to developer activity adversely affecting forecast levels of household growth and income from developer services; and
- household properties more frequently not being subject to water charges for the full charging year due to changes in residency and properties being temporarily empty.

Board approval process

25. In satisfying Ofwat's requirements specified in the Wholesale Charging Rules (published on 20 October 2021) and Information Notice IN 23/09 ('Expectations, assurance and information requirements for water company charges for 2024-25') published on 13 September 2023, the Board confirms that the Company has followed robust and rigorous procedures in developing and approving the Charges.

26. At the Board meeting on 27 September 2023, Cathryn Ross (Interim Co-CEO), Alastair Cochran (Chief Financial Officer and Interim Co-CEO) and Nick Land, our Senior Independent Non-Executive Director and Chair of our Audit and Risk Committee, 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 approves the approach to mitigating this customer bill impact;
- the Board has satisfied itself that appropriate systems and processes are in place to ensure that the Charges are accurate;
- the Company has consulted with relevant stakeholders in a timely and effective manner on its Charges; and
- the reasons for any significant changes to our Charges since the publication of our indicative wholesale charges have been considered and explained.

Statement of Board Assurance for final wholesale charges 2024/25

Signed by, and on behalf of the Board:

Dated: 9 January 2024

Dated: 9 January 2024

Signed 

Signed 

Nick Land
Senior Independent Non-Executive Director

Alastair Cochran
Chief Financial Officer

Dated: 8 January 2024

Signed 

Cathryn Ross
Strategy & External Affairs Director

For and on behalf of Thames Water Utilities Limited

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Appendix 1: Non-household 2024/25 typical bill movements

Table 2: Typical bill values of non-household customers

	2023-24 (£)	2024-25 (£)	Change (%)
NHH unmeasured bill water - area 4 £500 RV	573	618	7.8%
NHH unmeasured bill wastewater - area 4 £500 RV	1,241	1,322	6.5%
Combined bill - unmeasured (area 4 £500 RV)	1,814	1,940	6.9%
NHH metered bill water - 8,000m3	14,208	15,316	7.8%
NHH metered bill wastewater - 8,000m3	8,527	9,760	14.5%
Combined bill - metered (40mm pipe)	22,735	25,076	10.3%
NHH metered bill water - 25,000m3	43,645	47,049	7.8%
NHH metered bill wastewater - 25,000m3	27,094	30,963	14.3%
Combined bill - metered (80mm pipe)	70,739	78,012	10.3%
NHH metered bill water - 150,000m3	217,470	234,434	7.8%
NHH metered bill wastewater - 150,000m3	148,452	170,006	14.5%
Combined bill - metered (150mm pipe)	365,922	404,440	10.5%
NHH metered bill water - 500,000m3	617,070	665,199	7.8%
NHH metered bill wastewater - 500,000m3	443,532	508,134	14.6%
Combined bill - metered (1 x 250mm pipe)	1,060,602	1,173,333	10.6%
Bus assessed - water - 3,000m3	5,328	5,744	7.8%
Bus assessed - wastewater band - 3,000m3	3,362	3,829	13.9%
Combined bill - business assessed (30mm pipe)	8,690	9,573	10.2%
TRADE EFFLUENT			
R (m3)	479	551	15.2%
V (m3)	560	644	15.2%
B (kg)	752	866	15.2%
S (kg)	341	392	15.2%
Wholesale fixed charge	-51	-51	0.0%
Total TE bill (3,000m3)	2,080	2,403	15.5%
R (m3)	25,920	29,860	15.2%
V (m3)	29,920	34,460	15.2%
B (kg)	21,540	24,810	15.2%
S (kg)	32,778	37,752	15.2%
Annual large user charge	21,557	24,827	15.2%
Total TE bill (200,000m3)	131,715	151,709	15.2%

Source: Thames Water tariff model 2024/25

N.B. The Rateable Value (“RV”) of a property was last set by the Government in 1990 and is based on their assessment of how much the property could be let for annually. The unmeasured areas are as per the geographical ‘Charge Areas’ seen on table A.3-8 in Part A of the Wholesale Tariff Document 2024/25, as published on our website.