

Thames Water Utilities Limited (TWUL) Wholesale
Published date: 13 October 2023



Statement of assurance 2024/25

Indicative wholesale charges for the supply of
water and wastewater services

Statement of Board Assurance for indicative non-household 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 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.
3. Ofwat published the draft in-period determination for consultation on 26 September 2023. The tariff modelling that set the Charges had been finalised earlier in September and assumed that a 0% marginal tax rate would be applied to our ODI payments for 2022/23 performance. Ofwat’s draft in-period determination uses a 25% marginal tax rate which reduces our total allowed revenues in 2024/25 by £43m. We will be making further representations to Ofwat as a part of the in-period determination process. The final in-period determination reflecting actual 2022/23 ODI performance payments will be published by Ofwat in November 2023 and will be reflected in our final Charges due for publication in January 2024.

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 Cathryn Ross (Interim Co-CEO), Alastair Cochran (Chief Financial Officer and Interim Co-CEO) 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;
 - bill movements, impact assessments and the associated approach (“handling strategies” as referred to by Ofwat) that, if appropriate, we may adopt to mitigate impact on customer bills;
 - 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 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 IN23/09 (‘Expectations, assurance and information requirements for water company charges for 2024-25’) published on 13 September 2023.

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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. Based on our modelling for 2024/25 charges, we anticipate that year-on-year bill increases will exceed five per cent when compared to 2023/24 for sewerage licensees and for wastewater service customers occupying Eligible Premises. We do not anticipate that year-on-year bill increases will exceed five per cent when compared to 2023/24 for water supply licensees or for water service customers occupying Eligible Premises.

12. For the purposes of our indicative charges publication, we are using an inflation (CPIH) forecast¹ of 4.3%. Our final Charges due for publication in January 2024 will be based on November 2023 CPIH, due to be published by the Office for National Statistics on 20 December 2023.

13. In Table 1 below, we set out the maximum wholesale bill increases for non-household customers relative to 2023/24 bills.

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

	Customer type		
	Water-only	Wastewater-only	Dual service
Maximum indicative wholesale bill increases 2024/25	1.8%	10.4%	8.2%

Source: Thames Water tariff model 2024/25 draft v2.1

14. 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 2024/25 indicate that waste-only and dual service customers will experience bill increases in excess of five per cent for 2024/25.

15. 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 significant decrease relative to 2023/24 allowed revenues.

16. 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.

¹ Our CPIH consensus uses an average of forecasts from Barclays, HSBC, Morgan Stanley and Natwest Markets.

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17. An additional driver of the significant bill increases for 2024/25 is high inflation. The Board recognises the wider cost-of-living crisis, and therefore appreciates the need to identify actions to mitigate against significant price rises for our customers. The scope of these actions will, however, be 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.
18. As such, we continue to consider what mitigating actions can be taken to minimise bill increases as we approach the publication of our final wholesale charges for 2024/25 in January 2024.
19. Our indicative wholesale charges for 2024/25 as published do not include any such mitigating action, however we will communicate any approach that has been implemented at the time of publishing our final wholesale charges for 2024/25.
20. We will be publishing on our website information for customers on price rises for 2024/25 for each tariff type (metered and unmeasured) along with the reasons for the increases. Links to the relevant webpages will be shared with Ofwat and the Consumer Council for Water (“CCW”) as set out in the requirements of Information Notice IN23/09.

Appropriate systems and processes

21. 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;
 - 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.

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Engagement with stakeholders

22. We are in regular contact with our Retailers, and engage with them via various channels, to gain insight on a range of topics. We participate 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.
23. We have had discussions with CCW regarding the proposed approach to our Charges. Acknowledging the possible mitigating action being considered, as discussed above, and the unavoidable impact of inflation on customer bills, so far, no concerns have been raised by CCW. As required by the Wholesale Charging Rules, we will consult with CCW further in advance of publishing our Wholesale Tariff Document 2024/25 in January 2024.

Board approval process

24. In satisfying Ofwat’s requirements specified in the Wholesale Charging Rules (published on 20 October 2021) and Information Notice IN23/09 (‘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.
25. 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
 - the Board has satisfied itself that appropriate systems and processes are in place to ensure that the Charges are accurate.

Statement of Board Assurance for indicative non-household wholesale charges 2024/25

Signed by, and on behalf of the Board:

Dated: 4 October 2023

Dated: 2 October 2023

Signed



Signed



Nick Land
Senior Independent Non-Executive Director

Alastair Cochran
Chief Financial Officer and Interim Co-CEO

Dated: 3 October 2023

Signed



Cathryn Ross
Interim Co-CEO

For and on behalf of Thames Water Utilities Limited