

Thames Water Utilities Limited (TWUL) Wholesale
Published date: 11 January 2019

Statement of assurance

2019-20

**Wholesale charges schedule for the
supply of water and wastewater
services**



Statement of Assurance for 2019-20 wholesale charges schedule

Introduction

1. The purpose of this document is to provide a statement of our assurance in relation to our 2019-20 wholesale charges schedule (the 'Charges').
2. Our wholesale charges are the charges that our retailers have to pay for the period from 1 April 2019 to 31 March 2020 for any services we provide in the course of carrying out our regulated duties; as well as set out the terms and conditions of those charges and the times and methods of payment that our customers (or retailers) can use to pay our charges.
3. A copy of our charges will be included in our Wholesale Tariff Document and will be made available on our website (www.thameswater.co.uk). It should be noted that the wholesale charges also relate to household customers who, in addition, pay a retail element. All other provisions relating to household customers are included in the End-User Charges Scheme.
4. The wholesale charges covered in this statement have been set at a lower level than that allowed under the PR14 price control limits established in our Final Determination.
5. The charges have been set at a lower level as a consequence of two amendments:
 - We have applied a rebate for our leakage performance to our water service charges, as agreed with Ofwat as part of our overall leakage agreement; and
 - We have deferred £16m of allowed wholesale water and wastewater revenue to AMP7 in order to address issues of bill instability and to ensure tariffs do not increase above the 5% threshold, as highlighted in our October 2018 publication of indicative wholesale tariffs.
6. The result of these amendments is that bill increases for all of our customers will remain below 5% when compared with 2018-19 (see Appendix 1).

Board endorsement of this assurance statement

7. Our Board accepts ownership of, and accountability for, the development of the 2019-20 wholesale charges.
8. This statement has been approved and signed by Brandon Rennet (Chief Financial Officer), Nick Fincham (Director of Strategy and Regulation), Nick Land (Senior Independent Non-Executive Director), Ian Marchant (Chairman) and Kenton Bradbury (Non-Executive Director) on behalf of the Board of Thames Water Utilities Limited (the "Company"). The Board delegated this authority at their meeting on 27 September 2018.
9. As set out in the sections below, in approving the 2019-20 wholesale charges, the Board has considered:
 - 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.

Statement of Assurance for 2019-20 wholesale charges schedule

Legal obligations and guidance

10. Thames Waters' Charges have been prepared in accordance with its legal obligations and the Wholesale Charging Rules issued on 16 October 2018 by the Water Services Regulation Authority under sections 66E and 117I of the Water Industry Act 1991.
11. The Charges also comply with Information requirements as set out in Ofwat's Information Notice - IN18/18 (published in November 2018) – Expectations, assurance and information requirements for water company charges for 2019-20.
12. Thames Water has also taken into account the Company's statutory obligations relating to charging.

Bill movements, impact assessments and handling strategies

13. The Board has assessed the effects the wholesale charges have 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.
14. The Board recognises that the wholesale tariffs do not increase customer bills by more than 5% after the two amendments identified above in paragraph 5.
15. The following steps have been undertaken to assist the Board in assuring itself as required:
 - We have prepared a financial model which shows the level of wholesale charges for water, wastewater and combined services for the relevant period covered by the Charges publications.
 - This financial model also operates as an Impact Assessment of the charges, which sets out the level of increases for each category of customer by service.
 - We have reviewed wholesale bill increases for a range of different customer types and have not identified any that exceed 5%. The impact on a range of typical wholesale bills is set out in Appendix 1.

Appropriate systems and processes

16. In assessing whether there are systems and processes in place (including up-to-date models and data) to make sure the information published about wholesale charges is accurate, the Board has considered:
 - the rigorous system for compiling, collating and managing the data and information required to produce tariffs;
 - 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;

Statement of Assurance for 2019-20 wholesale charges schedule

- the dedicated and assured charge multiplier and tariff models used to determine wholesale and retail tariffs;
- confirmation that the wholesale 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

17. Our senior employees have engaged in an ongoing dialogue and consultation process with CC Water in relation to our wholesale charges. In particular, we have provided CC Water with information on a number of separate occasions in connection with the development of our charges and bill impacts.
18. This consultation process continued when we met with CC Water on 7 December 2018 to discuss our proposed charges, the impact on bills to retailers and updates to charges documentation.
19. We will continue to engage with CC Water following publication of this Assurance Statement on 11 January 2019.
20. We are in regular contact with retailers and have asked their views on our proposal not to make any material changes to our wholesale tariff structures when setting 2019-20 tariffs.

Changes since publication of indicative wholesale charges

21. Since our indicative wholesale charges were published in October 2018, further reviews of our chargeable customer base for 2019-20 have been undertaken. This resulted in an increase to our wholesale water charges as our forecast chargeable customer base reduced in size.
22. The main drivers for the change to our chargeable customer base relate to a reduction in our growth assumptions for household properties and a reduction in forecast metered volumes due to a further review of the impact of de-registrations from the non-household retail market.

Statement of Assurance for 2019-20 wholesale charges schedule

Board approval process

23. In satisfying Ofwat's requirements specified in the wholesale charging rules (16 October 2018) and Information Notice - IN18/18 (published in November 2018) – Expectations, assurance and information requirements for water company charges for 2019-20, we confirm on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the 2019-20 wholesale charges.
24. This has been achieved through a series of meetings of the Executive Committee and the Board. At the Board meeting on the 27 September 2018 the Chief Financial Officer, the Director of Strategy and Regulation, the Senior Independent Non-Executive Director, the Chairman and a Non-Executive Director were authorised to sign assurance statements on the Board's behalf.

Signed by, and on behalf of the Board:

Dated: 5/1/19 Dated: 10/1/19

Signed Nick Land
Nick Land, Senior Independent Non-Executive Director

Signed Nick Fincham
Nick Fincham, Director of Strategy & Regulation

Dated: 9/1/19 Dated: 8/1/19

Signed Kenton Bradbury
Kenton Bradbury, Non-Executive Director

Signed Ian Marchant
Ian Marchant, Chairman

Dated: 9/1/19

Signed Brandon Rennet
Brandon Rennet, Chief Financial Officer

For and on behalf of Thames Water Utilities Limited

Statement of Assurance for 2019-20 wholesale charges schedule

Appendix 1: Non-household 2019-20 typical bill increases (with mitigating action applied to water and wastewater service charges)

Table 1 - Typical bill values of non-household customers after mitigating action

	2018-19 (£)	2019-20 (£)	Change (%)
Non HH unmeasured bill water – area 1 £500 RV	411	432	5.0%
Non HH unmeasured bill wastewater – area 1 £500 RV	1,097	1,152	5.0%
Combined bill – unmeasured (area 1 £500 RV)	1,508	1,584	5.0%
Non HH metered bill water - 8,000m ³	10,390	10,850	4.4%
Non HH metered bill wastewater - 8,000m ³	7,086	7,440	5.0%
Combined bill - metered (40mm pipe)	17,476	18,290	4.7%
Non HH metered bill water - 25,000m ³	31,917	33,330	4.4%
Non HH metered bill wastewater - 25,000m ³	22,544	23,670	5.0%
Combined bill - metered (80mm pipe)	54,461	57,000	4.7%
Non HH metered bill water - 150,000m ³	159,122	166,170	4.4%
Non HH metered bill wastewater - 150,000m ³	123,351	129,517	5.0%
Combined bill - metered (150mm pipe)	282,473	295,687	4.7%
Non HH metered bill water - 500,000m ³	451,737	471,780	4.4%
Non HH metered bill wastewater - 500,000m ³	368,551	386,984	5.0%
Combined bill - metered (1 x 250mm pipe)	820,288	858,764	4.7%
Bus assessed - water - 3,000m ³	3,896	4,069	4.4%
Bus assessed - wastewater band - 3,000m ³	2,804	2,944	5.0%
Combine bill - business assessed (30mm pipe)	6,700	7,013	4.7%
TRADE EFFLUENT			
R (m3)	420	441	
V (m3)	482	506	
B (kg)	1,158	1,215	
S (kg)	294	308	
Wholesale fixed charge	-95	-100	
Total TE bill (3,000m ³)	2,258	2,371	5.0%
R (m3)	22,840	24,020	
V (m3)	25,800	27,080	
B (kg)	55,695	58,470	
S (kg)	23,540	24,710	
Annual large user charge	18,580	19,503	
Total TE bill (200,000m ³)	146,455	153,783	5.0%

Source: Thames Water Tariff model 2019-20 v18a