

Thames Water Utilities Limited (TWUL) Wholesale  
Published date: 14 January 2020



# Statement of Assurance

2020-21

Wholesale charges schedule for the supply of  
water and wastewater services

## Statement of Assurance for 2020-21 wholesale charges schedule

### Introduction

1. The purpose of this document is to provide a statement of our assurance in relation to our 2020-21 wholesale charges schedule (the 'Charges').
2. Our wholesale charges are the charges that our retailers have to pay for the period from 1 April 2020 to 31 March 2021 for any services we provide in the course of carrying out our regulated duties.
3. A copy of our charges will be included in our Wholesale Tariff Document and will be made available on our website (<https://wholesale.thameswater.co.uk/Wholesale-services/Our-charges>). 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 Charges Schemes.
4. The wholesale charges covered in this statement have been set to recover the revenues allowed in our PR19 Final Determination, published 16 December 2019.
5. The charges take account of:
  - Our leakage performance in 2018-19 resulting in c. £48m being returned to customers; and
  - Inflation, based on CPI-H of 1.5%.
6. The result of these amendments is that bill increases for all of our customers will remain below 5% when compared with 2019-20 (see Appendix 1).

### Board endorsement of this assurance statement

7. Our Board accepts ownership of, and accountability for, the development of the 2020-21 wholesale charges.
8. This statement has been approved and signed by Brandon Rennet (Chief Financial Officer), Nick Fincham (Director of Strategy and Regulation) and Nick Land (Senior Independent Non-Executive Director) on behalf of the Board of Thames Water Utilities Limited (the "Company"). The Board delegated this authority at their meeting on 26 September 2019.
9. As set out in the sections below, in approving the 2020-21 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;
  - the reasons for any significant changes to wholesale charges between the publication of indicative wholesale charges in October 2019 and final wholesale charges on 14 January 2020; and
  - engagement with relevant stakeholders.

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### Legal obligations and guidance

10. Thames Water's wholesale 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 the information requirements set out in Ofwat's Information Notice – IN 19/05 (published in October 2019) – Expectations, assurance and information requirements for water company charges for 2020-21.
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 notes that the wholesale tariffs do not increase customer bills by more than 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 increase 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 NHH 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;

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- 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 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. We 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 20 December 2019 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 14 January 2020.
20. We are in regular contact with retailers and can confirm that we have received no objections to our proposal to make no material changes to our wholesale tariff structures when setting 2020-21 tariffs.

### Changes since publication of indicative wholesale charges

21. In publishing our indicative wholesale tariffs, the Board chose to publish two alternatives, one based on the Draft Determination ('DD'; July 2019) and one based on our response to the DD (August 2019). This was to ensure customers had visibility of the potential range of charges they would be likely to experience for the 2020-21 charging year.
22. Since our indicative wholesale charges were published in October 2019, Ofwat has published our Final Determination (FD), formally establishing allowed revenues for 2020-21. The main drivers for the difference between the DD and the FD include an increase in our overall allowed revenue and the re-profiling of revenue to deliver better bill stability between 2020-21 to 2024-25.
23. As part of our standard tariff modelling process, we have also undertaken further reviews of our chargeable customer base for 2020-21. This resulted in an increase to some of our wholesale charges as our chargeable customer base is not forecast to expand as much as expected at the time of setting the indicative tariffs.

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24. The main drivers for the change to our chargeable customer base relate to a reduction in our growth assumptions for household properties and the impact of de-registrations from the non-household retail market.

Board approval process

25. In satisfying Ofwat's requirements specified in the wholesale charging rules (16 October 2018) and Information Notice - IN19/05 (published in October 2019) – Expectations, assurance and information requirements for water company charges for 2020-21, we confirm on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the 2020-21 wholesale charges.

26. This has been achieved through a series of meetings of the Executive Committee and the Board. At the Board meeting on the 26 September 2019 the Chief Financial Officer, the Director of Strategy and Regulation, and the Senior Independent Non-Executive Director were authorised to sign assurance statements on the Board's behalf.

Signed by, and on behalf of the Board:

Dated: ..... *9 January 2020* .....

Dated: ..... *9<sup>th</sup> January 2020* .....

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

Signed ..... *Nick Fincham* .....  
Nick Fincham, Director of Strategy & Regulation

Dated: ..... *9 January 2020* .....

Signed..... *Brandon Rennet* .....  
Brandon Rennet, Chief Financial Officer

For and on behalf of Thames Water Utilities Limited

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Appendix 1: Non-household 2020-21 typical bill movements (with leakage rebate applied)

Table 1 - Typical bill values of non-household customers after leakage rebate

	2019-20 (£)	2020-21 (£)	Change (%)
NHH unmeasured bill water – area 4 £500 RV	432	446	3.3%
NHH unmeasured bill wastewater – area 4 £500 RV	1,152	1,199	4.1%
Combined bill – unmeasured (area 4 £500 RV)	1,584	1,645	3.9%
NHH metered bill water - 8,000m3	10,850	11,054	1.9%
NHH metered bill wastewater - 8,000m3	7,440	7,680	3.2%
Combined bill - metered (40mm pipe)	18,290	18,734	2.4%
NHH metered bill water - 25,000m3	33,330	33,958	1.9%
NHH metered bill wastewater - 25,000m3	23,670	24,443	3.3%
Combined bill - metered (80mm pipe)	57,000	58,401	2.5%
NHH metered bill water - 150,000m3	166,170	169,205	1.8%
NHH metered bill wastewater - 150,000m3	129,517	133,620	3.2%
Combined bill - metered (150mm pipe)	295,687	302,825	2.4%
NHH metered bill water - 500,000m3	471,780	480,120	1.8%
NHH metered bill wastewater - 500,000m3	386,984	399,046	3.1%
Combined bill - metered (1 x 250mm pipe)	858,764	879,166	2.4%
Bus assessed - water - 3,000m3	4,069	4,145	1.9%
Bus assessed - wastewater band - 3,000m3	2,944	3,043	3.4%
Combine bill - business assessed (30mm pipe)	7,013	7,188	2.5%
<b>TRADE EFFLUENT</b>			
R (m3)	441	447	
V (m3)	506	523	
B (kg)	681	703	
S (kg)	308	318	
Wholesale fixed charge	-100	-92	
Total TE bill (3,000m3)	1,836	1,900	3.5%
R (m3)	24,020	24,240	
V (m3)	27,080	27,980	
B (kg)	19,490	20,145	
S (kg)	29,652	30,648	
Annual large user charge	19,503	20,156	
Total TE bill (200,000m3)	119,745	123,169	2.9%

Source: Thames Water tariff model 2020-21 v4a

N.B. Movements are shown relative to the post-rebate position of our 2019-20 typical bills.