

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



# Statement of Significant Change

2020-21

Wholesale charges for the supply of water and  
wastewater services

## Statement of Significant Change for 2020-21 wholesale charges

### 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 ('wholesale charges') for the 2020-21 charging year, compared with the 2019-20 charging year.
2. This statement is made in accordance with Ofwat Information Notice 19/05 ("Expectations, assurance and information requirements for water company charges for 2020-21") and section A4 of the Annex to the Wholesale charging rules issued by Ofwat in October 2018. 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 exceeding 5%. The Board must also assess any handling strategies developed to address significant bill increases.

### Our Wholesale Charges

4. 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.
5. Our wholesale charges also include services provided under a special agreement (as notified to Ofwat under section 142(6A) of the WIA91).

### Information about changes to our Wholesale Charges for 2020-21

6. A draft Statement of Significant Change was previously published on 11 October 2019. At that time, the latest information available was the PR19 Draft Determination published in July 2019. The PR19 Final Determination (FD) that sets our allowed revenues for the period 2020 – 2025 was issued by Ofwat on 16 December 2019. This re-issued statement therefore reflects our 2020-21 wholesale charges as derived from the allowed revenues set out in the FD.
7. There are no significant changes in charging policy from the previous year and we are not making any significant changes to the structure of primary wholesale charges for 2020-21. We are however amending in our charging literature the order in which our seven unmeasured charging areas appear, to align with that used in our billing systems.
8. We are again applying the new regulatory mechanism to return money to customers following the investigation into our leakage performance. This will take the form of a

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rebate which will reduce charges to our water service customers without changing the structure of our tariffs.

9. As required by the wholesale charging rules, we now disclose the elements of the wholesale wastewater charges relating to highway drainage, surface water drainage, foul drainage and trade effluent.
10. We are rebalancing our Highways Drainage charges to ensure that the same charge is applicable regardless of whether a customer is metered or unmeasured. The impact on our 2020-21 charges resulting from this review varies according to tariff type, but no customer group will experience bill increases in excess of 5%.

### Application of leakage rebate – water service

11. Following the conclusion of the investigation by Ofwat into our recent performance on leakage, we have made commitments following the section 19 undertaking to compensate customers for our poor performance. As such, we will be returning more money to customers through the regulatory mechanism, which was first applied to 2019-20 bills.
12. The regulatory mechanism will again take the form of a rebate. This will enable us to pass money back to our customers in a fair and transparent way. The total amount to be returned to our water service customers through 2020-21 bills is a little over £48m.
13. We will apply the rebate as a proportional reduction to all 2020-21 water service bills. Based on the allowed revenues published in the FD, the leakage rebate equates to a reduction of around 5.2% on each wholesale water service charge.

### Impact of our Wholesale Charges for 2020-21 on customer bills

14. In table 1 below we set out the average wholesale bill movements relative to the post-rebate position of our 2019-20 typical bills.

Table 1: Average wholesale price movements after application of 2020-21 leakage rebate

	Allowed revenue basis	Water only (%)	Wastewater only (%)	Dual service (%)
Average bill impacts (2019-20 post-rebate)	FD	1.9	3.3	2.5

Source: Thames Water tariff model 2020-21 v4a

15. Appendix 1 shows a range of typical non-household bill movements after the application of the 2020-21 leakage rebate with allowed revenues based on the FD.
16. Whilst the figures in table 1 show average wholesale bill movements, our impact assessment of all customer groups seen in appendix 1 confirms that after the leakage rebate has been applied, no customer groups will experience increases in excess of 5%.

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### New Appointments and Variations

17. The New Appointments and Variations (NAV) tariff will be updated for 2018-19 actual performance, using a methodology consistent with Ofwat guidance on bulk charges for NAVs<sup>1</sup>. From 1 April 2020, we have removed the supplementary fixed charges and aligned our NAV and large user tariffs, simplifying our NAV tariff structure.
18. The “income offset” relating to the cost of new on-site assets will be applied through a rebate against infrastructure charges from 1 April 2020.

### Stakeholder engagement on tariff changes

19. 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. We also have a team responsible for dealing with NAVs and discussed the impact of the changes in the NAV tariff with current and operators at our NAV open day in November 2019.
20. We have had regular meetings with CCWater, the customer representative body, to discuss the impact of our charges. We are required to consult with them in advance of publishing our Wholesale Charges Schedule.

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<sup>1</sup> Bulk charges for NAVs: final guidance, May 2018

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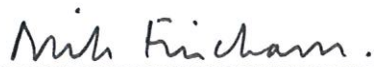
Declaration

21. 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.
22. At the Board meeting on 26 September 2019, the Chief Financial Officer, Director of Strategy & Regulation and Nick Land, our Senior Independent Non-Executive Director, were authorised to sign the statement of assurance on the Board's behalf.
23. 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 handling strategies have been appropriately reviewed and approved. This Statement of Significant Change provides the review required and sets out the handling strategies to be adopted. As such, this document is also being signed by the same three directors on behalf of the Board.

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

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

Signed   
Nick Land, Senior Independent  
Non-Executive Director

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

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

Signed .....  .....  
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 2 - 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 - 8,000m <sup>3</sup>	10,850	11,054	1.9%
NHH metered bill wastewater - 8,000m <sup>3</sup>	7,440	7,680	3.2%
Combined bill - metered (40mm pipe)	18,290	18,734	2.4%
NHH metered bill water - 25,000m <sup>3</sup>	33,330	33,958	1.9%
NHH metered bill wastewater - 25,000m <sup>3</sup>	23,670	24,443	3.3%
Combined bill - metered (80mm pipe)	57,000	58,401	2.5%
NHH metered bill water - 150,000m <sup>3</sup>	166,170	169,205	1.8%
NHH metered bill wastewater - 150,000m <sup>3</sup>	129,517	133,620	3.2%
Combined bill - metered (150mm pipe)	295,687	302,825	2.4%
NHH metered bill water - 500,000m <sup>3</sup>	471,780	480,120	1.8%
NHH metered bill wastewater - 500,000m <sup>3</sup>	386,984	399,046	3.1%
Combined bill - metered (1 x 250mm pipe)	858,764	879,166	2.4%
Bus assessed - water - 3,000m <sup>3</sup>	4,069	4,145	1.9%
Bus assessed - wastewater band - 3,000m <sup>3</sup>	2,944	3,043	3.4%
Combine bill - business assessed (30mm pipe)	7,013	7,188	2.5%
TRADE EFFLUENT			
R (m3)	441	447	
V (m3)	506	523	
B (kg)	681	703	
S (kg)	308	318	
Wholesale fixed charge	-100	-92	
Total TE bill (3,000m <sup>3</sup> )	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 (200,000m <sup>3</sup> )	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.