

Thames Water Utilities Limited (TWUL) Wholesale  
Published date: 13 October 2017

Statement of  
assurance  
2018-19

Indicative wholesale charges for the  
supply of water and wastewater  
services





## **Thames Water Utilities Limited**

### **Statement of Assurance for 2018-19 indicative non-household wholesale charges**

#### **1 Board endorsement of this assurance statement**

This statement has been approved by the Chief Financial Officer and Director of Strategy and Regulation on behalf of the Board of Thames Water Utilities Limited ("the Company").

The indicative non-household wholesale charges covered by this statement have been set at a lower level than that allowed under the PR14 price control limits set by Ofwat.

This is because we have decided that, in recognition of our recent performance, (particularly in respect of leakage), we would take the resulting outcome delivery incentive (ODI) penalties early, rather than wait to return the money through customers' bills in the period 2020-2025.

This will result in bills increasing by around 2.3% less, on average, in 2018-19 than would otherwise be the case.

#### **2 Requirements for this assurance statement**

Ofwat's wholesale charging rules (published on 24 November 2016), in respect of "indicative wholesale charges", require that:

Each undertaker (other than a small company) should provide to the Water Services Regulation Authority an assurance statement from its Board of Directors and publish its statement no later than the time of publication of its indicative wholesale charges confirming, using the best available information available at that time, that:

(a) the Company complies with its legal obligations relating to the indicative wholesale charges it has published;

(b) the Board has assessed the effects of the new 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) and approves the impact assessments and handling strategies developed in instances where bill increases for licensees (as a whole or in groups) who are retailing wholesale services to eligible customers and on customers occupying eligible premises (as a whole or in groups) exceed 5%;

(c) the Company has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published about its indicative wholesale charges is accurate; and

(d) the Company has consulted with relevant stakeholders in a timely and effective manner on its indicative Wholesale Charges.

### **3 Endorsement of this assurance statement**

We confirm, on behalf of our Board, that:

- Our Board accepts ownership of, and accountability for, the development of 2018-19 indicative wholesale charges. Our Board has ensured that these charges have been produced under agreed governance and assurance arrangements, which have enabled us to confirm that, insofar as we are aware, these charges are robust and comply with all relevant regulatory requirements in all material respects. This is the Statement of Assurance of the Company to accompany the indicative 2018-19 non-household wholesale charges as required by the Ofwat wholesale charging rules.
- The following statements of assurance are true to the best of the Board's understanding and awareness:

**A. We comply with our legal obligations relating to the indicative wholesale charges as published on our website.**

In particular, our indicative wholesale charges (if they were final charges):

- (a) Comply with the price limits imposed on us by PR14;
- (b) Comply with our legal obligations relating to charging, including under:
  - (i) Competition Act 1998;
  - (ii) Water Industry Act 1991 (sections 93A, 142-149);
  - (iii) The Water (Meters) Regulations 1988; and
  - (iv) Conditions B, D, E, and F of our Licence.
- (c) Are consistent with applicable Ofwat Wholesale Charges Scheme Rules.

**B. We have assessed the effects of the new 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).**

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 indicative wholesale charges for water, wastewater and combined services for the relevant period April 2018 to 31 March 2019.
  - This financial model also gives an impact assessment of the level of bill increases over a range of customer types.
  - We have reviewed wholesale bill increases for a range of different non-household customer types and are not aware of any that exceed 5%.
- C. The Company has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published about its indicative Wholesale Charges is accurate.**



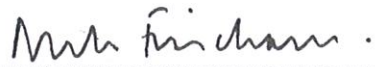
The following steps have been undertaken to assist our Board in assuring itself as required:

- We have a rigorous system for compiling, collating and managing the data and information required to produce indicative 2018-19 non-household wholesale charges.
  - We have developed internally a series of financial models which have been used to develop the indicative 2018-19 non-household wholesale charges. These financial models have been assessed, reviewed and challenged by the Company, as a result of which the Company is satisfied that the financial models are compliant with the Ofwat revenue controls provided under PR14 and which form the basis of these charges.
  - Our internal audit function has undertaken a rigorous review of various financial and customer metric models to assist the Board in finalising the Company's own financial models. Our internal assurance process provides us with confidence that the inputs and outputs from our financial and customer metric models are robust and accurate.
  - Aspects of the charges schemes are derived from data and information included in our PR14 Business Plan. Robust assurance processes implemented by our Board (and which are detailed further in the Business Plan) applied in respect of that data and information.
- D.** The company has consulted with relevant stakeholders in a timely and effective manner on its indicative wholesale charges
- We have met with and provided CCWater information in respect of our indicative wholesale charges.
  - We will continue to engage with CCWater in the ongoing development of 2018-19 wholesale charges.
  - 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 and our aim to limit wholesale price rises to a maximum of 5% when setting 2018-19 tariffs.

#### **4 Board approval process**

In satisfying the requirements of the wholesale charging rules, issued by Ofwat on 24 November 2016, I confirm, on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the 2018-19 non-household indicative primary wholesale tariffs.

This was achieved through a series of meetings of the Executive Committee, Audit and Risk Committee and the Board of the Company. At the Board meeting on 28 September 2017 the Chief Financial Officer and Director of Strategy and Regulation were authorised to sign assurance statements on the Board's behalf.

Signed .....  .....

Nick Fincham, Director of Strategy and Regulation  
For and on behalf of Thames Water Utilities Limited

Dated: ..... 12<sup>th</sup> October 2017 .....

Signed .....  .....

Brandon Rennet, Chief Financial Officer  
For and on behalf of Thames Water Utilities Limited

Dated: ..... 12 October 2017 .....

