

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



# Statement of Significant Change

## 2023-24

Final wholesale charges for the supply of water  
and wastewater services

## Statement of Significant Change for final wholesale charges 2023-24

### 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 (the “Charges”) for the 2023-24 charging year, compared with the 2022-23 charging year.
2. This statement is made in accordance with Ofwat Information Notice IN22/03 (‘Expectations, assurance and information requirements for water company charges for 2023-24’) published on 8 September 2022 and section A4 of the Annex to the Wholesale Charging Rules published by Ofwat on 20 October 2021. 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 approach (“handling strategies” as referred to by Ofwat) that, if appropriate, we may adopt to mitigate the impact on customer bills.
3. The Wholesale Charging Rules require that the Board of Thames Water Utilities Limited (the “Company”) evaluates our impact assessment of any bill increases for Retailers or customers occupying Eligible Premises exceeding five per cent. The Board must also assess any approach developed to mitigate significant bill increases.
4. The Charges covered by this statement have been set based on the allowed revenues in the PR19 Final Determination (“FD”) as published by Ofwat in December 2019 and the in-period determination that relates to our actual 2021-22 Outcome Delivery Incentive (“ODI”) performance as published by Ofwat in November 2022.
5. Whilst publication of a Statement of Significant Change for final wholesale charges is not required according to Ofwat’s Wholesale Charging Rules, further changes have been made relative to the indicative wholesale charges for 2023-24 that were published on 13 October 2022 that we need to notify our stakeholders of.

### Our Charges

6. 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.
7. Our Charges also include services provided under a special agreement (as notified to Ofwat under section 142(6A) of the WIA91).

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### Information about changes to our Charges for 2023-24

8. As a result of the Retailer Wholesaler Group (“RWG”) project and subsequent Good Practice Guide<sup>1</sup> published in September 2022 looking at Return To Sewer (“RTS”) allowances, we are making a change to our charging policy from the previous year. This was communicated to Retailers at a forum held on 2 November 2022.
9. From 1 April 2023, we will be applying a standard RTS allowance of 95% (formerly 90%) as an adjustment to the billed volume. Formerly this was applied as an inherent reduction to the volumetric rate. The bill impact for Retailers and customers occupying Eligible Premises as a result of this change is nil due to the subsequent revenue rebalancing.
10. We continue to rebalance our wastewater fixed charges to ensure that all charges levied by pipe/meter size are set such that they are consistent with the cross-sectional area of the pipe/meter and consequently are more cost reflective. To limit bill impact, this rebalancing exercise is being phased over a number of charging years.
11. Our wholesale charges are increasing such that year-on-year bill increases for water supply and sewerage licensees and for water service and wastewater service customers occupying Eligible Premises will exceed five per cent when compared to 2022-23, as can be seen in table 1 in paragraph 13 below and in appendix 1 of our Statement of Assurance for final wholesale charges 2023-24.

### Impact of our Charges for 2023-24 on customer bills

12. We have assessed the effects of the Charges on customers occupying Eligible Premises for a range of customer types and have identified that all customers occupying Eligible Premises will have year-on-year bill increases exceeding five per cent when compared to 2022-23, assuming a constant level of consumption.
13. In table 1 below we set out the maximum wholesale bill increases for non-household customers relative to 2022-23 bills.

**Table 1: Maximum bill increases for non-household customers 2023-24**

	Customer type		
	Water-only	Wastewater-only	Dual service
Maximum wholesale bill increases 2023-24	15.2%	5.6%	11.4%

Source: Thames Water tariff model 2023-24

14. Appendix 1 of our Statement of Assurance for final wholesale charges 2023-24 shows a range of typical non-household bill movements for 2023-24 relative to 2022-23 bills.

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<sup>1</sup> [“Return to Sewer Allowances – Good Practice Guide”](#), Retailer Wholesaler Group, September 2022

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15. 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 Assurance for final wholesale charges 2023-24 indicate that water-only, wastewater-only and dual service customers will experience bill increases in excess of five per cent for 2023-24.

### Approach to address significant changes to our Charges for 2023-24

16. The primary driver of significant bill increases for 2023-24 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 has, however, been limited by the inflationary cost pressures faced by the Company and indeed the industry as a whole, in particular those relating to energy costs that the Company incurs. These additional costs are already being incurred in 2022-23 and have contributed to the high inflation that will impact our customers' bills in 2023-24.
17. Our Executive and Board have considered potential approaches, including the possibility of deferring revenue, to mitigate inflationary pressures on customers' bills. Our shareholders are committed to delivering our turnaround plan and as part of this have committed £500 million in new equity in 2022-23 and a further £1.0 billion of equity funding (subject to certain conditions) over the rest of the current Asset Management Plan ("AMP") period. As these funds have been allocated to help us to meet our operational targets and improve levels of service to customers, there is no scope for using the funds to facilitate a deferral of revenue. We are, unfortunately, therefore not in a position to be able to defer bill increases from 2023-24 to future years.
18. We are however implementing changes to our social tariff in order to help those household customers that are at risk of struggling to pay their bill. In addition, a temporary support measure offering a bill credit to customers that have a household budget deficit is to be introduced. Further details will be made available in our Statement of Significant Change for Charges Schemes 2023-24 and our Statement of Assurance for Charges Schemes 2023-24, due for publication on 13 January 2023 and 1 February 2023 respectively.

### Stakeholder engagement on changes to our Charges for 2023-24

19. We are in regular contact with our Retailers and engage with them via various channels to gain insight on a range of topics. We are proactively involved in the RWG project to review non-household tariff structures (see paragraphs 8 and 9 above), so will also continue to engage with Retailers in this way regarding potential changes to wholesale charges.
20. We have had regular meetings with the Consumer Council for Water ("CCW") to discuss the impact of our Charges on customers occupying Eligible Premises. This consultation process continued when we met with CCW on 22 December 2022 to discuss our proposed Charges, the impact on bills to customers and updates to charging documentation. Whilst acknowledging the impact that the current high inflation environment has on pricing in the water industry, CCW did not raise any concerns about our proposed Charges.

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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 considering potential options to mitigate the impact on customer bills, as discussed 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 29 September 2022, the Chief Financial Officer, Strategy & External Affairs Director and Nick Land, our Senior Independent Non-Executive Director and Chair of our Audit and Risk Committee, 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 five per cent and that any relevant mitigating actions have been appropriately reviewed and approved. This Statement of Significant Change provides the review required and confirms that mitigating actions have been considered but are not being implemented for our wholesale charges for 2023-24. As such, this document is also being signed by the same three directors on behalf of the Board.

Dated: 9 January 2023

Signed



Nick Land  
Senior Independent Non-Executive Director

Dated: 7 January 2023

Signed



Alastair Cochran  
Chief Financial Officer

Dated: 10 January 2023

Signed



Cathryn Ross  
Strategy & External Affairs Director

For and on behalf of Thames Water Utilities Limited