

Thames Water Utilities Limited (TWUL) Wholesale  
Published date: 12 January 2018

Statement of  
assurance  
2018-19

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



## **Thames Water Utilities Limited**

### **Statement of Assurance for 2018-19 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.

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

Our wholesale charges are the charges that our retailers have to pay for the period from 1 April 2018 to 31 March 2019 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. 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](http://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.

Our wholesale charges are developed on the basis of the wholesale revenues which Ofwat allows us to recover from retailers as determined by Ofwat through the Price Review 2014 ("PR14").

Ofwat imposed three separate wholesale price controls as part of PR14 as follows:

- (a) Wholesale water services.
- (b) Wholesale wastewater services.
- (c) Thames Tideway Tunnel (TWUL delivered work).

Our wholesale charges reflect the wholesale and Thames Tideway Tunnel (TWUL delivered work) price controls and areas of service.

Our Assurance Statement must confirm the following (in respect of services (a) to (c) above):

- (a) We comply with our legal obligations (including competition law) relating to the wholesale charges that we have 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) We have appropriate systems and processes in place to make sure that the data and information published, and any additional information provided, is accurate.
- (d) We have consulted with relevant stakeholders in a timely and effective manner on our wholesale charges.

Our Assurance Statement must make it clear how our Board assured itself of the above conditions.

### **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 our 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, the charges are robust and comply with all relevant regulatory requirements in all material respects. Further details of our Board's approach to leadership, including details of our governance and assurance processes throughout PR14 and more generally, are included in our PR14 Business Plan.
- This is the Statement of Assurance of the Company to accompany the 2018-19 wholesale charges in accordance with the requirements set out in Ofwat's 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 (including competition law) relating to the wholesale charges, as published on our website.**

In particular, our wholesale charges:

- (a) Comply with the price limits imposed on us by PR14;
- (b) Have been prepared in accordance with our agreement with Ofwat to make the revenue correction mechanism 2010-15 final reconciliation adjustments at the level of 50% in 2018-19 and 50% in 2019-20;
- (c) Comply with our legal obligations, as appropriate to our wholesale charges, including under:
  - (i) Competition Act 1998;
  - (ii) Water Industry Act 1991 (sections 93A, 142-149);
  - (iii) Flood and Water Management Act 2010 (section 44);
  - (iv) The Water Industry (Prescribed Conditions) Regulations 1999;
  - (v) The Water (Meters) Regulations 1988; and
  - (vi) Relevant Licence conditions.
- (d) Are consistent with applicable Ofwat Charges Rules.

**B. The effects the new wholesale charges have on our customers' bills for a range of different customer types have been assessed.**

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 and service.
- Customer information has been developed in consultation with CCWater to ensure that customers receive leaflets which explain the changes clearly and appropriately.
- We have reviewed wholesale bill increases for a range of different customer types and are not aware of any that exceed 5%. The impact on a range of typical wholesale bills is set out in the table below:

Typical wholesale bill impact to retailers 2017-18 to 2018-19

	2017-18 £	2018-19 £	change %
Metered bill water 200m3	259	260	0.4%
Metered bill wastewater 200m3	196	206	4.8%
Combined bill (15mm pipe)	455	465	2.3%
Metered bill water 995m3	1,286	643	0.4%
Metered bill wastewater 995m3	825	450	4.8%
Combined bill (15mm pipe)	2,111	1,093	2.2%
Metered bill water 4950m3	6,400	6,429	0.4%
Metered bill wastewater 4950m3	4,219	4,420	4.8%
Combined bill (30mm pipe)	10,619	10,848	2.2%
Metered bill water - 8,000m3	10,343	10,390	0.4%
Metered bill wastewater - 8,000m3	6,765	7,086	4.8%
Combined bill (40mm pipe)	17,108	17,476	2.2%
Metered bill water - 25,000m3	31,775	31,917	0.4%
Metered bill wastewater - 25,000m3	21,521	22,544	4.8%
Combined bill (80mm pipe)	53,295	54,461	2.2%
Metered bill water - 150,000m3	158,407	159,122	0.5%
Metered bill wastewater - 150,000m3	117,745	123,351	4.8%
Combined bill (150mm pipe)	276,152	282,473	2.3%
Business assessed - water - 3,000m3	3,879	3,896	0.4%
Business assessed - wastewater band - 3,000m3	2,677	2,804	4.8%

Combined bill (30mm pipe)	6,555	6,700	2.2%
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Source: Thames Water charges model

**C. We have appropriate systems and processes in place to make sure that the data and information published, and any additional information provided, 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 contained in the charges documentation. We have undertaken a process of continuous improvement and development of charging data and information systems.
- We have developed internally a series of financial models which have been used to develop our 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 our wholesale 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 and charges. Our internal assurance process provides us with confidence that the inputs and outputs from our financial and customer metric models and charges are robust and accurate.
- Aspects of the charges process 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 wholesale charges.**

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

- Our senior employees have engaged in an ongoing dialogue and consultation process with CCWater in relation to our wholesale charges. In particular, we have provided CCWater with information on a number of separate occasions in connection with the development of our charges and bill impacts. This consultation process continued when we met with CCWater on 8 December 2017 to discuss our proposed charges, the impact on bills to retailers and updates to charges documentation.
- We will continue to engage with CCWater following publication of this Assurance Statement on 12 January 2018.

- 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 and Assurance Statement, I confirm, on behalf of the Board, that the Company has followed robust and rigorous procedures in developing and approving the wholesale charges and Assurance Statement.

This was achieved through a series of meetings of the Executive Committee, the 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 the statement of assurance on the Board's behalf.

Signed ..... 

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

Dated: ..... 5/1/18 .....

Signed ..... 

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

Dated: ..... 10/1/18 .....