

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



Statement of assurance 2023-24

Final wholesale charges for the supply of
water and wastewater services

Statement of Board Assurance for final wholesale charges 2023-24

Introduction

1. The purpose of this document is to provide a statement of our assurance in relation to our 2023-24 final wholesale tariffs (the “Charges”).
2. 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.
3. The Charges therefore take account of:
 - the publication of the PR19 FD which fixes the revenue we can collect from customers in 2023-24;
 - the in-period determination which applies to our 2023-24 allowed revenues the relevant ODI penalties that relate to our actual performance in 2021-22;
 - the Thames Tideway Tunnel (“TTT”) Infrastructure Provider charge that we collect on behalf of Bazalgette Tunnel Limited from our wastewater service customers;
 - inflation (CPIH) as published by the Office for National Statistics¹, at 9.3%; and
 - the changes in the levels of water usage by our household and non-household customers.

Board endorsement of this assurance statement

4. The Board of Thames Water Utilities Limited (the “Company”) accepts ownership of, and accountability for, the development of the Charges.
5. This statement has been approved by the Board and signed by Alastair Cochran (Chief Financial Officer), Cathryn Ross (Strategy & External Affairs Director) and Nick Land (Senior Independent Non-Executive Director and Chair of our Audit and Risk Committee) on behalf of the Board of the Company.
6. In approving the Charges, the Board has made the following key considerations which are discussed in more detail below:
 - all relevant legal obligations and guidance;
 - bill movements, impact assessments and the associated approach (“handling strategies” as referred to by Ofwat) that, if appropriate, we may adopt to mitigate the impact on customer bills;
 - the existence of appropriate systems and processes used to set our Charges;
 - engagement with relevant stakeholders; and

¹ [“Consumer price inflation, UK: November 2022”](#), Office for National Statistics, December 2022

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- the reasons for any significant changes to our Charges since the publication of our indicative wholesale charges in October 2022.

Legal Obligations and Guidance

7. Thames Water's Charges have been prepared in accordance with its legal obligations and the Wholesale Charging Rules published on 20 October 2021 by the Water Services Regulation Authority under sections 66E and 117I of the Water Industry Act 1991.
8. The Charges also comply with information requirements as set out in Ofwat's Information Notice IN 22/03 ('Expectations, assurance and information requirements for water company charges for 2023-24') published on 8 September 2022.
9. Thames Water has also taken into account the Company's statutory obligations relating to charging.

Bill movements, impact assessments and mitigating actions

10. The Board has assessed the effects of the 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) for a range of customer types.
11. The Board has identified and acknowledges that year-on-year bill increases will exceed five per cent when compared to 2022-23, assuming a constant level of consumption, for water supply and sewerage licensees and for water service and wastewater service customers occupying Eligible Premises.
12. 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

13. The figures in table 1 showing maximum wholesale bill movements and our impact assessment of all customer groups seen in appendix 1 confirm that all customers will experience bill increases in excess of five per cent for 2023-24.
14. 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.

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15. 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.
16. 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.

Appropriate systems and processes

17. In assessing whether there are systems and processes in place (including up-to-date models and data) to make sure the information published about our Charges is accurate, the Board has considered:
- the rigorous system for compiling, collating and managing the data and information required to produce the Charges;
 - 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;
 - 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 Charges have been calculated in a manner compliant with the individual price controls; and
 - confirmation that there are no material issues outstanding arising from the assurance work undertaken.

Engagement with stakeholders

18. 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 Retailer Wholesaler Group ("RWG") project to review non-household tariff structures, so will also continue to engage with Retailers in this way regarding potential changes to wholesale charges.

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19. We have had regular meetings with 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.

Changes since the publication of our indicative wholesale charges

20. Since our indicative wholesale charges were published in October 2022, further review of our forecast chargeable customer base for 2023-24 has been undertaken. This has resulted in further increases to our Charges such that wholesale water charges are 4% higher and wholesale wastewater charges are 2% higher than our indicative wholesale charges.

21. The reasons for these additional price increases relate to the following items that have been further reviewed in light of the more recent developments in the cost-of-living crisis and the wider economic outlook:

- our inflation assumption of 8.7% was superseded by actual inflation of 9.3%;
- reductions in developer activity adversely affecting forecast levels of household growth and income from developer services; and
- reductions in predicted levels of household and non-household water consumption.

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Board approval process

22. In satisfying Ofwat's requirements specified in the Wholesale Charging Rules (published on 20 October 2021) and Information Notice IN 22/03 ('Expectations, assurance and information requirements for water company charges for 2023-24') published on 8 September 2022, the Board confirms that the Company has followed robust and rigorous procedures in developing and approving the Charges.

23. 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 assurance statements on the Board's behalf, and in doing so confirm that:

- the Charges are consistent with Thames Water's legal obligations in relation to wholesale charges;
- the Board has considered the impact of the Charges on customer bills for different customer groups and approves the approach to mitigating this customer bill impact;
- the Board has satisfied itself that appropriate systems and processes are in place to ensure that the Charges are accurate;
- the Company has consulted with relevant stakeholders in a timely and effective manner on its Charges; and
- the reasons for any significant changes to our Charges since the publication of our indicative wholesale charges have been considered and explained.

Signed by, and on behalf of the Board:

Dated: 9 January 2023

Dated: 7 January 2023

Signed



Signed



Nick Land
Senior Independent Non-Executive Director

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

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Appendix 1: Non-household 2023-24 typical bill movements

Table 2 - Typical bill values of non-household customers

	2022-23 (£)	2023-24 (£)	Change (%)
NHH unmeasured bill water - area 4 £500 RV	498	573	15.2%
NHH unmeasured bill wastewater - area 4 £500 RV	1,185	1,241	4.7%
Combined bill - unmeasured (area 4 £500 RV)	1,683	1,814	7.8%
NHH metered bill water - 8,000m3	12,332	14,208	15.2%
NHH metered bill wastewater - 8,000m3	8,082	8,527	5.5%
Combined bill - metered (40mm pipe)	20,414	22,735	11.4%
NHH metered bill water - 25,000m3	37,883	43,645	15.2%
NHH metered bill wastewater - 25,000m3	25,685	27,094	5.5%
Combined bill - metered (80mm pipe)	63,567	70,739	11.3%
NHH metered bill water - 150,000m3	188,755	217,470	15.2%
NHH metered bill wastewater - 150,000m3	140,685	148,452	5.5%
Combined bill - metered (150mm pipe)	329,440	365,922	11.1%
NHH metered bill water - 500,000m3	535,590	617,070	15.2%
NHH metered bill wastewater - 500,000m3	420,306	443,532	5.5%
Combined bill - metered (1 x 250mm pipe)	955,896	1,060,602	11.0%
Bus assessed - water - 3,000m3	4,625	5,328	15.2%
Bus assessed - wastewater band - 3,000m3	3,188	3,362	5.5%
Combined bill - business assessed (30mm pipe)	7,813	8,690	11.2%
TRADE EFFLUENT			
R (m3)	474	479	1.0%
V (m3)	554	560	1.0%
B (kg)	745	752	1.0%
S (kg)	337	341	1.0%
Wholesale fixed charge	-84	-51	39.3%
Total TE bill (3,000m3)	2,025	2,080	2.7%
R (m3)	25,660	25,920	1.0%
V (m3)	29,620	29,920	1.0%
B (kg)	21,320	21,540	1.0%
S (kg)	32,442	32,778	1.0%
Annual large user charge	21,337	21,557	1.0%
Total TE bill (200,000m3)	130,379	131,715	1.0%

Source: Thames Water tariff model 2023-24

N.B. The Rateable Value (“RV”) of a property was last set by the Government in 1990 and is based on their assessment of how much the property could be let for annually. The unmeasured areas are as per the ‘Charge Areas’ seen on table A.3-8 in Part A of the Wholesale Tariff Document 2023-24, as published on our website.