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13 October 2023

Dear David,

### **Statement of Board Assurance in relation to 2024-25 draft wholesale charges**

This letter is to confirm that the Board of Portsmouth Water believe the draft Wholesale tariffs, published on 13 October 2023 for the charging year 2024-25, comply with the relevant regulatory requirements, which are set out in the Charges Scheme Rules published by Ofwat.

The Board discussed the 2024-25 draft Wholesale tariffs at its meeting on 27 September 2023 and asked a sub-committee led by the Chair of the Audit & Risk Committee to progress this issue further on its behalf. The sub-committee approved both this assurance statement and the draft Wholesale tariffs for 2024-25 on 9 October 2023 on behalf of the Board.

The K factors used to calculate the draft charges are consistent with the draft in-period determinations published by Ofwat on 26 September 2023. These reflect the financial impact of our 2022-23 service performance. They also include recovery of outperformance payments in respect of 2021-22, which the Board previously chose to defer to reduce bill increases to customers at a time of very high inflation. The Board considers it is appropriate that these are recovered in the 2024-25 charges, given the return to more moderate rates of inflation and the potential for significant bill increases in 2025-26 arising from the PR24 final determination.

For the purposes of these draft charges we have used a forecast for November CPIH of 4%. The Board note that there is a degree of uncertainty around the trajectory of inflation at the current time. The inflation figure used for final charges will reflect the actual CPIH figure published by the Office for National Statistics, which may differ.

We have not at this stage reflected the recommendations of the Retail Wholesaler Group on the simplification of wholesale tariff bands for non-households, which was only published on 3 October. We will consider this for the final charges to be published in the new year.

To provide assurance over final bills to household customers, we have also prepared draft Retail tariffs for 2024-25, although these are not published.

In making the statements below the Board has considered Ofwat's published Charges Scheme Rules which require the Company to determine its tariffs in accordance with four key principles, as set out in the Charges Scheme Rules annex "Information Requirements". In accordance with those principles, the Board can confirm that:

a) the company complies with its legal obligations relating to the charges set out in its charges schemes;

b) the Board has assessed the effects of the new charges on customers' bills for a range of different customer types, and approves the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%;

(c) the company has appropriate systems and processes in place to make sure that the information contained in the charges scheme, and the additional information covered by this annex is accurate; and

(d) the company has consulted the Consumer Council for Water (CCWater) in a timely and effective manner on its charges schemes.

In making this statement the Board has taken account of the factors set out below.

**a) The Company complies with its legal obligations relating to the charges set out in its charges schemes.**

Specifically, we confirm that the charges result in compliance with the revenue cap for Water Resources and network plus price controls.

In determining our wholesale tariffs, we are able to confirm that as a consequence of these wholesale tariffs:

- The bill differential between measured and unmeasured customers using the same volume of water reflects the additional cost incurred in metering.
- Assessed charges are consistent with volumes of similarly measured properties.
- The total Watersure tariff is set equal to the average measured household bill.

As such we do not believe the tariffs exhibit any undue discrimination between different classes of customer.

Whilst the Company has rigorous processes in place to accurately develop its tariffs and associated charges schemes, the Board has also obtained independent assurance from Frontier Economics who have confirmed that the charges comply with the price controls. The Board believe Frontier Economics are well placed to give this assurance given their knowledge of the water industry.

The Board therefore confirms that charges included in its draft Wholesale Charges comply with its legal obligations.

**b) The Board has assessed the effects of the new charges on customers' bills for a range of different customer types and approves the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%.**

The Company has assessed the effects of the draft Wholesale Tariffs on customers' bills, for a range of 33 customer types. On the basis of this analysis, the Board can confirm that no group of customers is expected to experience bill increases of greater than 5% as a result of the proposed wholesale price changes. The 33 groups of customers reviewed includes the average in each class and an upper and lower customer in each class as required by Ofwat guidelines.

**c) The Company has appropriate systems and processes in place to make sure that the data and information contained in the charges scheme, and additional information is accurate.**

The Company has an internal system of processes and audits which cover financial and non-financial data. These are considered by the Board and Audit & Risk Committee as part of the Company's Corporate Governance requirements and reported in the Annual Report & Accounts. In doing so the Board has also considered the extent of any relevant control deficiencies raised as a result of this external assurance and the extent that these have been mitigated.

The Board therefore confirms that has appropriate systems and processes in place to make sure that the data underlying the tariffs in this publication is accurate.

**d) the Company has consulted the Consumer Council for Water (CCWater) in a timely and effective manner on its charges schemes.**

The Company has consulted with CCWater on its draft wholesale charges. We shared an initial charges outlook with CCWater by email on 1 September 2023. We provided an update on 6 October 2023, including completion of CCW's draft charges proforma.

Finally, we note the requirement that the Company should publish its assurance statement. This statement will be published on our website on 13 October 2023 and sent to Ofwat at the same time.



**Lara Stoimenova**  
Non-Executive Director and chair of the Audit & Risk Committee



**Chris Milner**  
Chief Financial Officer

## APPENDIX 1: Portsmouth Water - Draft Wholesale tariffs 2024-25

These draft charges are based on Ofwat's PR19 final determination, as updated by the draft in-period determination published by Ofwat on 26 September 2023.

**Table 1 - Household unmeasured**

		<b>2023-24</b> <b>£</b>	<b>2024-25</b> <b>£</b>	<b>Change</b> <b>%</b>
1W	Standing Charge	11.43	11.49	0.5%
2W	Rateable Value Charge (£/RV)	0.4425	0.4504	1.8%
3W	Licence Charge	108.81	110.58	1.6%
4W	Minimum Charge	71.31	72.24	1.3%
52W	Social Tariff	71.31	72.24	1.3%
5W	Assessed Charge 1	58.99	59.86	1.5%
6W	Assessed Charge 2	93.87	94.93	1.1%

**Table 2 - Household measured**

		<b>2023-24</b> <b>£</b>	<b>2024-25</b> <b>£</b>	<b>Change</b> <b>%</b>
7W	General: 12/15 mm (0.5")	11.43	11.51	0.7%
8W	General: 20/22 mm (0.75")	16.32	16.49	1.1%
9W	General: 25/28 mm (1")	78.96	80.44	1.9%
10W	General: 40/42 mm (1.5")	172.96	176.21	1.9%
11W	General: 50/54 mm (2")	220.24	224.38	1.9%
12W	General: 75/80 mm (3")	325.92	332.04	1.9%
51W	General: 100 mm (4")	829.02	844.59	1.9%
52W	General: 150 mm (6")	1,847.80	1,882.51	1.9%
13W	Volumetric Charge (£/m3)	0.8536	0.8682	1.7%
14W	WaterSure	102.00	103.91	1.9%

**Table 3 - Non-household unmeasured**

		<b>2023-24</b> <b>£</b>	<b>2024-25</b> <b>£</b>	<b>Change</b> <b>%</b>
15W	Standing Charge	11.39	11.50	1.0%
16W	Rateable Value Charge (£/RV)	0.4422	0.4505	1.9%
17W	Licence Charge	108.59	110.66	1.9%
18W	Minimum Charge	71.21	72.27	1.5%

**Table 4 - Non-household measured**

		<b>2023-24</b> <b>£</b>	<b>2024-25</b> <b>£</b>	<b>Change</b> <b>%</b>
36W	General: 12/15 mm (0.5")	11.60	11.45	-1.3%
37W	General: 20/22 mm (0.75")	16.30	16.50	1.2%
38W	General: 25/28 mm (1")	78.96	80.44	1.9%
39W	General: 40/42 mm (1.5")	172.96	176.21	1.9%
40W	General: 50/54 mm (2")	220.24	224.38	1.9%
41W	General: 75/80 mm (3")	325.92	332.04	1.9%
42W	General: 100 mm (4")	829.02	844.59	1.9%
43W	General: 150 mm (6")	1,847.80	1,882.51	1.9%
44W	General: 200 mm (8")	3,061.67	3,119.10	1.9%
45W	General: 300 mm (12")	7,344.61	7,482.37	1.9%
27W	Volumetric Charge < 10MI (£/m3)	0.8502	0.8694	2.3%
49W	Intermediate Volume charge 10MI - 50MI (£/m3)	0.8251	0.8437	2.3%
46W	Large User Volumetric Charge > 50MI (£/m3)	0.7031	0.7190	2.3%
48W	Site Fee 10MI - 50MI	250.88	256.44	2.2%
47W	Large User Site Fee	6,100.25	6,237.78	2.3%

**Note:** Charges shown above apply on a July-July basis. They are consistent with Ofwat price controls which apply from 1 April 2024 to 31 March 2025.