

Statement of Board Assurance in relation to 2025-26 Indicative Wholesale Charges


Based on the considerations set out in the appendix to this statement, and the results of independent third-party assurance provided by Frontier Economics, to the best of its ability the Board can confirm 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 licensees (as a whole or in groups) who are retailing wholesale services to eligible customers, and to business end-users (as a whole or in groups), and approves the impact assessments and handling strategies developed in instances where bill increases for potential licensees (as a whole or in groups) who are retailing wholesale services to eligible customers and eligible business end-users (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.

In providing this statement the Board notes that based on the published indicative Wholesale Charges, charge increases for all customers will exceed 5%. This reflects the profile of allowed revenues set out in the Draft Determination published in July 2024, combined with a forecast CPIH for November of 3.0%. The Board will consider further the need for mitigating actions following publication of Ofwat's Final Determination. To inform those discussions, the company will engage further with customers and CCWater prior to publication of the final Wholesale charges, as well as considering the impact on financial resilience of any deferral of revenues.

A handwritten signature in blue ink, appearing to read "Lara Stoimenova", written over a horizontal line.

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

A handwritten signature in blue ink, appearing to read "Chris Milner", written over a horizontal line.

Chris Milner
Chief Financial Officer

4 October 2024

Appendix to the Wholesale Charges Assurance Statement

The Board considered the proposed indicative wholesale charges for 2025-26 at its meeting of 25 September 2024, including consideration of the impact of the proposed tariffs on typical bills for a range of customers. The Board noted that the indicative Wholesale Charges are based on the Draft Determination published by Ofwat in July 2024, and that the final charges will reflect the outcome of the Final Determination, which may be materially different.

The Board agreed to delegate sign off of the indicative Wholesale Charges to a sub-committee comprising the Chair of the Audit & Risk Committee, the Chief Executive Officer and the Chief Financial Officer. A meeting to approve the indicative tariffs and assurance statements was held on 4 October 2024.

Based on these considerations the Committee, on behalf of the Board, felt able to provide the assurance statement above. Further details of the Board's considerations in relation to each of the assurance statements provided is set out below.

(a) The Company complies with its legal obligations relating to the indicative Wholesale Charges it has published.

Specifically, we confirm that the indicative Wholesale Charges comply with the proposed revenue cap for Water Resources and Network Plus price controls as specified in the Draft Determination. We are able to confirm that as a consequence of these indicative wholesale tariffs:

- The bill differential for customers using the same volume of water, but charged on a different basis, 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 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 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 its indicative Wholesale Charges comply with its legal obligations.

- (b) the Board has assessed the effects of the new charges on water supply licensees (as a whole or in groups) who are retailing wholesale services to eligible customers, and to business end-users (as a whole or in groups), and approves the impact assessments and handling strategies developed in instances where bill increases for potential licensees (as a whole or in groups) who are retailing wholesale services to eligible customers and eligible business end-users (as a whole or in groups) exceed 5%;**

The Company has assessed the effects of the new charges on customers' bills, for a range of 33 customer types. The 33 groups of customers analysed include the average in a class and an upper and lower customer in the class, as required by Ofwat guidelines. The bill impact analysis was reviewed by Frontier Economics as part of their assurance work.

This analysis shows that bill increases for all customers will exceed 5%. This reflects the profile of allowed revenues set out in the Draft Determination published in July 2024, combined with a forecast CPIH for November of 3.0%.

At this stage the Board has decided that the company should freeze the value of the Social Tariff, which is provided to customers in financially vulnerable circumstances.

The Board will consider further the need for additional mitigating actions following publication of Ofwat's Final Determination. To inform those discussions, the company will engage further with customers and CCWater prior to publication of the final Wholesale charges, as well as considering the impact on financial resilience of any deferral of revenues.

- (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 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.

Based on the review carried out by Frontier Economics it can also confirm that the company has appropriate models in place to ensure that the tariffs are calculated are accurate and comply with the relevant price controls.

- (d) The Company has consulted with relevant stakeholders in a timely and effective manner on its wholesale charges.**

We shared an initial charges outlook with CCWater in our regular quarterly meeting held on 23 September 2024. We provided an update on 7 October 2024, including completion of CCW's draft charges proforma and discussed this with CCWater at a meeting held on 8 October 2024. We will engage further with CCWater and customers in developing our final charges.