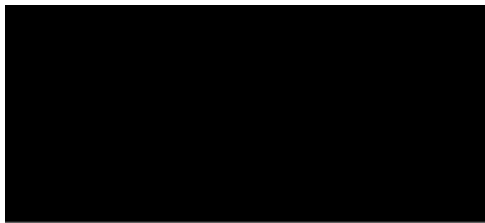


## **Statement of Board Assurance in relation to the 2025-26 Charges Scheme**

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 charges set out in its Charges Scheme;
- (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 accompanying it is accurate; and
- (d) the Company has consulted the Consumer Council for Water (CCWater) in a timely and effective manner on its Charges Scheme.



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



**Chris Milner**  
**Chief Financial Officer**

**9 January 2025**

## **Appendix to the 2025-26 Charges Scheme Assurance Statement**

The Board considered the Wholesale Charges for 2025-26 at its meeting of 30 November 2024, including consideration of the impact of proposed changes to tariffs and of the increase anticipated from the PR24 final determination.

To allow for more detailed scrutiny of the final charges following the publication of the PR24 final determination and the publication of the final CPIH value for November, the Board agreed to delegate sign off of the final 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 final tariffs and assurance statements was held on 9 January 2025. The company's assurers attended the meeting to present their assurance findings and provide members of the Committee with the opportunity to ask questions on the review work undertaken.

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 charges set out in its charges schemes.**

Specifically, we confirm that the charges result in compliance with the price controls for water resources, network plus and household retail. We are able to confirm that as a consequence of these household tariffs:

- The total 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 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 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 the charges included in its Charges Scheme 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 Board has assessed the effects of the new charges on customers' bills, for a range of 33 customer types. The 33 groups analyses 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% by a significant margin. This reflects the profile of allowed revenues set out in the Ofwat final determination published in December 2024, combined with CPIH for November of 3.5%.

As a result, the Board considered what handling strategies might be appropriate. This included reviewing the outputs of specific research commissioned by the Company to understand customer views on the profiling of bill increases over the AMP8 period.

Based on its considerations, and review of the customer research, the Board recognised the challenges these may present to customers in more financially vulnerable circumstances. The Board therefore determined that it should provide protection from significant bill increases for these customers. It therefore concluded that it was appropriate to freeze the value of the Social Tariff, which is provided to customers in financially vulnerable circumstances.

The Board also determined that it was appropriate to implement a wider handling strategy to reduce customer impact at the allowed bounds of the revenue forecasting mechanism to profile bill increases 2% below Ofwat's final determination. This reflects a number of key considerations:

- (i) The profile of price controls, combined with the 1 July billing year, means there is a risk of price reductions being required in 2026-27. Deferring 2% of revenue reduces this risk and provides a smoother profile over the two years.
- (ii) The final determination reflects the underlying cost drivers, so deferring significant revenues to later periods may negatively impact the financial resilience of the business. The proposed deferral should have a low impact on our resilience over the two years before recovery.
- (iii) The independent customer research carried out to test customer preferences in relation to bill profiling showed no clear preference for smoother bill increases, which would result in higher bills by the end of the period, or a step change in 2025-26 followed by flatter bill increases.

While the bill increases expressed in percentage terms are large, our bills are the lowest in the sector and the level of increase equates to just over £2 per month for most customers.

**(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 accompanying it is accurate; and**

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. The tariff model was subject to a detailed review and update for the final Wholesale charges. The tariff model was subject to an update to improve transparency and functionality for the final Wholesale charges. The updates to the model were reviewed by Frontier Economics who confirmed that they are content that the models continue to function as intended.

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

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 completing CCWater's charges proforma and discussed this with CCWater at a meeting held on 8 October 2024.

We provided a further update on our final charges to CCW, including our proposed approach to metering transition, on 10 January 2025. We also provided CCW with details of our final charges and the drivers of changes, using CCW's charges template.