Statement of Board Assurance in relation to 2026-27 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.

[redacted]

[redacted]

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

Chris Milner
Chief Financial Officer

13 October 2025

Appendix to the Wholesale Charges Assurance Statement

The Board considered the proposed indicative wholesale charges for 2026-27 at its meeting of 25 September 2025, including consideration of the impact of the proposed tariffs on typical bills for a range of customers. The Board noted that the indicative charges reflect a forecast of CPIH for November of 3.8% and the company's own assessment of adjustments relating to the 'PR24 Blind Year'[1]. Final charges will reflect the actual CPIH figure published by the Office for National Statistics, as well as Ofwat's final determination of the Blind Year adjustments.

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 10 October 2025.

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 revenue caps for Water Resources and Network Plus price controls.

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 has also considered the cost reflectivity and incentive properties of the indicative wholesale charges. It notes that the Company considers that, based on the typical usage of unmetered customers, prior year charges for unmetered customers may be too low relative to measured charges. To begin to address this imbalance, higher increases have been applied to unmeasured charges for 2026-27.

The Board also notes that the Company considers that discounts to large and intermediate user customers, which were based on non-use of the local network are no longer appropriate given the need to promote the efficient use of water by all customers. It has therefore begun to progressively reduce the level of large and intermediate user discounts with a view to ensuring all customers face the same incentive to save water. The Board considers this approach strikes an appropriate balance between Ofwat's charging principles and is consistent with Ofwat's recent consultation on promoting water efficiency for business customers.

The Board therefore confirms that the Company's indicative Wholesale Charges comply with its legal obligations.

[1] The PR24 blind year adjustments relate to performance in 2024-25 which was not available to Ofwat when it set price controls for the 2025-2030 period. Any differences between forecast and actual performance for 2024-25 are corrected for as blind year adjustments.

(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.[2]

This analysis shows that bill increases for a small number of customers will exceed 5%. This principally reflects the forecast CPIH for November of 3.8% as well as:

(i) the decision to begin to rebalance charges between fixed and variable elements to simplify charges and maximise the incentive for customers to save water; and,

(ii) the progressive reduction in the level of large user discounts noted above.

The Board has considered the need for handling strategies to minimise the impact on customers of these changes in charging policy and has determined that phasing in these changes over time is appropriate. This phasing-in approach has been reflected in the 2026-27 indicative charges.

(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.

[2] The Company is changing the start of its billing period from July to April, from 2026. The bill analysis is based on the change in prices between those applying for the period from 1 July 2025-31 March 2026 and 1 April 2026-31 March 2026.

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

The Company discussed these indicative wholesale charges with CCWater on 9 October 2025, including completion of CCWater's draft charges proforma. It will engage further with CCWater, its Independent Challenge Group and customers in developing its final wholesale charges.