



Wessex Water Services Ltd
Assurance Statement for the
2018-19 Wholesale Charges

Introduction

Our Wholesale Charges document fixes the charges that, in the absence of any contractual agreement, our licensed providers have to pay for services we provide in the course of carrying out our duties as a water and sewerage undertaker. Our Wholesale Charges document sets out the terms and conditions of those charges. A copy of our Wholesale Charges document is available on our website, at www.wessexwater.co.uk/our-charges.

Under the Water Industry Act our Wholesale Charges for 2018-19 must comply with the Wholesale Charges Rules issued by Ofwat in November 2016 (“the Charges Rules”). In addition our Wholesale Charges should comply with our obligations under our Operating Licence and law.

Board ownership

The Board owns and is accountable for the development of the Wholesale Charges Document.

On 24 July 2017 the Board considered and approved the strategy for wholesale charges and the associated governance processes.

On 25 September 2017 the Board considered proposals for changes to wholesale charges policies to be implemented from 1 April 2018 and approved indicative wholesale charges for 2018-19. These charges were subsequently published on 30 September 2017.

On 27 November 2017, following further stakeholder engagement, the Board confirmed the decisions above and considered analysis of expected bill changes.

The Board further confirmed that to the best of its knowledge and belief the Ofwat Assurance Requirements were met and duly approved the giving of this Assurance Statement.

The Board therefore authorised the Company’s Managing Director to sign-off of the final Assurance Statement and Charges Document subject to there being no material changes save those required following the publication of November RPI.

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The Assurance Statement

In making this Assurance Statement, the Board has considered the requirements set out by Ofwat in its Wholesale Charges Rules (“the Ofwat Assurance Requirements”).

The Board confirms that:

1. The Company complies with its legal obligations relating to the charges set out in its Wholesale Charges Document
2. The Board has assessed the effects of the new charges on water supply and sewerage licensees who are retailing wholesale services and on customers occupying Eligible Premises and confirms that no premises or licensee is expected to see an increase in bill in excess of 5% as a result of the charges proposals
3. The Company has appropriate systems and processes in place to make sure that the information contained in the Charges Document and additional information is accurate
4. The Company has consulted with its stakeholders in a timely and effective manner on its Wholesale Charges
5. The Board does not consider final wholesale charges to be significantly different from indicative charges published for the same period

The Board authorised the Company’s Managing Director to sign-off of the final Assurance Statement and Wholesale Charges Document.



Date:

21.12.17

Andy Pymer
Managing Director
(on behalf of the Board)

Board considerations

In making this Assurance Statement the Board has considered the following requirements set out by Ofwat in its Wholesale Charges Rules (“the Ofwat Assurance Requirements”):

1. *The Company complies with its legal obligations relating to the wholesale charges it has published*

The Company engaged Mott MacDonald who reviewed and confirmed that:

- a. Our Wholesale Charges Document for 2018-19 is appropriate to meet our obligations under:
 - The Water Industry Act 1991 (as amended in 1999 and 2014) – sections 93A (in so far as the Wholesale Charges do not derogate from the duty to promote the efficient use of water), 142/149;
 - The Water Industry (Charges) (Vulnerable Groups) Regulations 1999;
 - The Water (Prescribed Conditions) Regulations 1999;
 - Water (Meters) Regulations 1988;
 - Measuring Equipment (Cold Water Meters) Regulations 1988; and
 - The Flood and Water Management Act 2010 – sections 43 and 44.
- b. Our Wholesale Charges Document is consistent with Ofwat’s Wholesale Charges Rules (published in November 2016).
- c. Our Wholesale Charges Document is consistent with the Company’s obligations under licence conditions E and R.
- d. That our charges calculations are:
 - based on a reasoned forecast of charge multipliers for the charging year; and
 - consistent with the Company’s obligations under licence condition B and the PR14 determination of prices.

In addition the Company engaged Frontier Economics to review the methodologies by which the Company’s charges are set to confirm that they are defensible under the Competition Act 1998.

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- 2. *The Board has assessed the effects of the new wholesale charges on water and sewerage licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying eligible premises (as a whole in groups). It confirms that none of the above groups is expected to see an increase in bill in excess of 5% as a result of the charges proposals***

In making this statement the Board reviewed all proposed changes in charges compared to the previous charging year, and considered how these translated into bill changes for a selection of eligible premises.

The main driver for increases to 2018-19 charges is an RPI value of 3.9%. The Board is returning previous over-recovery to customers totalling £9.6m, which ensures bill increases are subdued.

The Board expects the following changes to wholesale bills:

Usage (m3/yr)	Water		Sewerage		Trade Effluent	
	£	% change	£	% change	£	% change
100	£221	+2.0%	£217	+1.9%	£169	+2.8%
500	£1,100	+2.0%	£920	+1.4%	£850	+2.8%
1,000	£2,200	+2.0%	£1,800	+1.3%	£1,700	+2.8%
10,000	£21,800	+2.0%	£17,500	+1.3%	£17,000	+2.8%
50,000	£97,000	+2.1%	£90,000	+1.2%	£85,000	+2.8%
100,000	£186,000	+2.1%	£178,000	+1.2%	£160,000	+2.7%
250,000	£409,000	+2.2%	£444,000	+1.2%	£336,000	+2.6%
Unmeasured	£479	+3.5%	£407	+2.5%	N/A	N/A

In addition the Company engaged Mott MacDonald who reviewed and confirmed that no eligible premises' or retail licensee's wholesale charges will increase by more than 5%. As part of the review the incidence effect for every wholesale tariff at every possible volume or Rateable Value was calculated and assessed.

- 3. *The Company has appropriate systems and processes in place to make sure that the information published in its Wholesale Charges Document and additional information is accurate***

The Board reviewed and approved the governance and assurance processes and procedures for the setting of charges in July 2017.

In addition to the external assurance laid out above, the Company continues with its internal charges assurance processes including:

- annual update of a charges compliance manual
- a requirement for data owners and compilers to sign certificates assuring the accuracy of their data and associated calculations
- ensuring clear ownership of the process resides with a senior manager, in this case the Director of Regulation and Reform.

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The charges setting process requires the economic regulation team to engage with internal and external stakeholders to ensure that the charges proposals are well rounded and practical, in particular there is significant engagement with the Company's internal lawyers and those responsible for billing and collecting charges.

4. *The Company has consulted with relevant stakeholders in a timely and effective manner on its Wholesale Charges*

The Board was informed that stakeholders have been engaged with in a timely manner. The Company has engaged with its external stakeholders in the following ways:

- The Wessex Water Partnership considered and made comments on our approach to wholesale charges in September 2017. The Partnership proposed the approach to return previously over-recovered regulated income to customers. The Board then subsequently agreed this approach.
- The Company met with a number of licensed providers regularly throughout the year. Wholesale charging policy was a standing item on the agenda. We have taken into account a number of comments and clarifications on charging policy, including on large user charges, surface water drainage charges, trade effluent charges and trade effluent sampling. As a result of the engagement with licensed providers we have:
 - introduced a new policy for trade effluent sampling which will improve the existing process, increasing transparency and consistency of the charges calculation, and
 - clarified the Wholesale Charges Document in a number of minor areas.
- The Company met with CCWater's local representatives in November 2017, explained our approach to setting wholesale charges for 2018-19 and provided them a draft of our Wholesale Charges Document highlighting any changes made. At this meeting CCWater commented and agreed with the following changes to wholesale charging policy:
 - the approach to preparing for the bioresources price control to avoid incidence effects to Trade Effluent charges, and
 - changing the structure of the charges schemes to make them more accessible.

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5. *Where final Wholesale Charges are significantly different from the indicative Wholesale Charges published for the same period, the Board has considered the reasons why those changes occurred and has issued a statement explaining why those changes were not anticipated and/or mitigated.*

Since publication of the Indicative Wholesale Charges, the following changes have been made:

- Minor reductions to forecast metered consumption based on new information. This results in increases to volume and RV charges in the region of +0.5%
- Updates to standing charges based on up to date cost information. This increases the standing charges for some tariffs
- Cost information has been updated, changing some fixed tariffs
- Outturn November RPI of 3.9% was less than the forecast value of 4.1%; this reduced charges by 0.2%

Incidence effects remain under 5% for all customers, eligible premises and licensees.