Wessex Water Services Limited
Assurance Statement for 2019/20 Indicative 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.

Ofwat’s Wholesale Charging Rules published in March 2018 requires undertakers to publish 2019/20 indicative wholesale charges in October 2018.

For the purposes of this document we provide information on wholesale charges defined by Ofwat in its Wholesale Charging Rules.

Indicative charges were reviewed by the Board of Directors in September 2018 based on the best information at the time. Final charges will be updated for November RPI, published in January 2019 and be part of a Wholesale Charges document which will fix charges from 1 April 2019. In the event that new information becomes available, including that received through ongoing stakeholder engagement, 2019/20 wholesale charges will be updated accordingly before their final approval.

**Board ownership**

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

On 30 July 2018 the Board considered and approved the strategy for wholesale charges and the associated governance processes.

On 24 September 2018 the Board considered proposals for changes to wholesale charges policies to be implemented from 1 April 2019 and approved indicative wholesale charges for 2019-20. These charges were subsequently published on 30 September 2018.

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 Assurance Statement.
The Assurance Statement

In making this Assurance Statement the Board has considered the requirements set out by Ofwat in its Wholesale Charging Rules published in March 2018 and confirms that, to the best of its knowledge and belief:

1. The company complies with its legal obligations relating to the indicative wholesale charges it has published;

2. The Board has assessed the effects of the new charges on water supply and sewerage 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 finds that there are no cases where the impact exceeds +5%;

3. 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

4. The company has consulted with relevant stakeholders in a timely and effective manner on its indicative wholesale charges.

In addition, the Board considers the Indicative Wholesale Charges consistent with Ofwat’s Wholesale Charging Rules.

The Board has made this statement based on the information available to it at the current time.

In the event that new information becomes available, including that received through stakeholder engagement and consultation, 2019/20 wholesale charges will be updated accordingly before their final approval.

Signed

Andy Pymer
Managing Director
(on behalf of the Board)

Date 27.9.18
Wessex Water Services Ltd
Assurance Statement for 2019/20 Indicative Wholesale Charges

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 indicative wholesale charges it has published**

   The Company engaged Mott MacDonald who reviewed and confirmed that:
   
   a. Our Indicative Wholesale Charges for 2019/20 are appropriate to meet our obligations under:
      
      - Ofwat’s Wholesale Charging Rules published in March 2018;
      - 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;
      - The Flood and Water Management Act 2010 – sections 43 and 44.

   b. Our Wholesale Charges Document is consistent with the Company’s obligations under licence conditions E and R.

   c. 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, in 2017 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. The balance of charges has not materially changed since then.

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 2019/20 charges is a forecast RPI value of 3.1%. This is the central view of the HM Treasury’s August 2018 publication “Forecasts for the UK Economy”. The Board is returning previous over-recovery to customers, which ensures bill increases are subdued.

   The Board expects the following changes to wholesale bills:
Wessex Water Services Ltd  
Assurance Statement for 2019/20 Indicative Wholesale Charges  

<table>
<thead>
<tr>
<th>Usage (m³/yr)</th>
<th>Water (£)</th>
<th>% change</th>
<th>Sewerage (£)</th>
<th>% change</th>
<th>Trade Effluent (£)</th>
<th>% change</th>
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<tbody>
<tr>
<td>100</td>
<td>£222</td>
<td>+0.2%</td>
<td>£220</td>
<td>+1.3%</td>
<td>£171</td>
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<td>500</td>
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<td>£930</td>
<td>+1.6%</td>
<td>£850</td>
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<td>+0.2%</td>
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<td>£427</td>
<td>+2.4%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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 about its Indicative Wholesale Charges and additional information is accurate

The Board reviewed and approved the governance and assurance processes and procedures for the setting of charges in July 2018.

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.

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 Indicative 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 in 2018/19 and 2019/20. 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 not received any specific proposals on or changes to our wholesale charges, other than minor clarifications to the Wholesale Charges Document which will be incorporated before publication in January 2019.