



Wessex Water Services Ltd
Assurance Statement for the
2022-23 Wholesale Charges

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Introduction

Our Wholesale Charges scheme sets out the charges that, in the absence of any contractual agreement, our Licensed Providers must pay for services we provide in the course of carrying out our water and sewerage undertaker duties.

Our Wholesale Charges scheme sets out the terms and conditions of those charges. This statement provides assurance from the Wessex Water Services Ltd Board of those Wholesale Charges. Both documents are available on our website, at www.wessexwater.co.uk/our-charges.

Under the Water Industry Act our Wholesale Charges for 2022-23 must comply with the Wholesale Charges Rules issued by Ofwat in October 2021 (“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.

On 26th July 2021, the Board considered and approved the strategy for Wholesale Charges and the associated governance processes.

On 27th September 2021, the Board considered proposals for changes to the Wholesale Charges policies to be implemented from 1 April 2022 and approved indicative Wholesale Charges for 2022-23. These charges were subsequently published on 13th October 2021.

On 29th November 2021, 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 signing of this Assurance Statement.

The Board therefore authorised the Company’s Executive Director of Finance and Regulation to sign-off the final Assurance Statement and Charges Document.

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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 Charging Rules and confirms that, to the best of its knowledge and belief:

1. The Company complies with its legal obligations relating to the wholesale charges as 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 and on customers occupying Eligible Premises (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 Wholesale Charges is accurate; and
4. The Company has consulted with relevant stakeholders in a timely and effective manner on its Wholesale Charges.
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.

In addition, the Board considers the 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.

The Board authorised the Company's Executive Director of Finance and Regulation to sign the final Assurance Statement.

Signed



Date: 12/01/2022

Andy Pymer
Executive Director of Finance and Regulation
(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 for 2022-23 are appropriate to meet our obligations under:

- Ofwat’s Wholesale Charging Rules published in October 2021;
- 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), 142-148 (as currently in force);
- The Water Industry (Charges) (Vulnerable Groups) Regulations 1999;
- The Water (Prescribed Conditions) Regulations 1999;
- The Water (Meters) Regulations 1988 (Amended 1988); and
- The Flood and Water Management Act 2010 – section 43.

b. Our Wholesale Charges are 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 PR19 final 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 Wholesale Charges for 2022-23 are calculated using the November CPIH of 4.6%.

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The Board expects the following changes to wholesale bills:

| Price Control | 100 m ³ pa (£) | Change vs. last year | 1,000 m ³ pa (£) | Change vs. last year | 50,000 m ³ pa (£) | Change vs. last year |
|-----------------------------|---------------------------|----------------------|-----------------------------|----------------------|------------------------------|----------------------|
| Wholesale Water | 210 | 3.2% | 2,063 | 3.2% | 91,894 | 3.1% |
| Wholesale Wastewater | 209 | 4.7% | 1,699 | 4.7% | 85,518 | 4.7% |
| Total combined bill | 419 | 3.9% | 3,762 | 3.9% | 177,413 | 3.9% |

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 (including up-to-date models and data) to make sure that the information published about its 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 2021.

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

- A requirement for data owners and compilers to sign certificates assuring the accuracy of their data and associated calculations; and
- Ensuring clear ownership of the process resides with a senior manager, in this case the Director of Economic Regulation.

The charge 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; and

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 Company engaged the Consumer Council for Water (CCWater) in September who considered and provided comments on our Wholesale Charges.
- 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.

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, we have made the following changes:

- Used the published CPIH figure of 4.6%
- Updated our forecasts taking account of the most recent information

Mott MacDonald have audited these changes and they are not considered to be significantly different to the indicative Wholesale Charges.

Incidence effects remain under 5% for all customers, Eligible Premises and Licensees.