



Anglian Water Services Limited

Statement of Assurance for 2018/19 Wholesale Charges and Developer Charging Arrangements (New Connections)

I. Requirements for this Assurance Statement

Wholesale Charges

In its charging rules Ofwat sets out that it requires a statement from the Board in order to provide assurance:

- of compliance with legal obligations in relation to charging;
- of the impact assessment and handling strategies in relation to the Company's charges;
- as to the accuracy of the Company's charges; and
- on the process that the Company has followed in engaging with customer representatives on the charges.

Developer Charging Arrangements

In its charging rules for new connections Ofwat sets out that it requires a statement from the Board in order to provide assurance:

- that the Company is complying with those charging rules;
- that the Company has appropriate systems and processes to make sure that relevant information is accurate; and
- as to how the present balance of charges between Developers and other customers is broadly maintained.

II. How the Requirements have been met: Wholesale Charges

Our Wholesale Charges Schedule ("Charges Schedule") fixes the charges that our customers are required to pay for the period from 1 April 2018 to 31 March 2019 for any services we provide in the course of carrying out our regulated duties. The Charges Schedule sets out the terms and conditions of those charges, and the times and methods of payment that our customers may use to pay our charges. A copy of the Charges Schedule has been provided to Ofwat and is available on our website (www.anglianwater.co.uk).

Our Charges Schedule is developed on the basis of the revenues which Ofwat allows us to recover from our customers as determined by Ofwat through the Price Review 2014 ("PR14").

Commencing in April 2015, Ofwat imposed four separate revenue controls as part of PR14. These revenue controls relate to four separate areas of service:

- a) Household retail water and wastewater services;
- b) Non-household retail water and wastewater services (as amended by PR16);
- c) Wholesale water services; and
- d) Wholesale wastewater services.

Anglian Water Services Limited exited the non-household retail market on 1 April 2017, divesting its non-household retail operation to Anglian Water Business (National) Limited.

Our Charges Schedule therefore reflects the wholesale revenue controls and areas of service, together with those non-primary charges which cover these areas.

The Board can confirm that in relation to the Wholesale Charges Schedule, (household and non-household) to the best of its knowledge, the following statements are true:

- a) The Charges Schedule and supporting information have been prepared in accordance with the Company's legal obligations relating to charging, including under:
 - (i) Water Industry Act 1991, as modified ("the 1991 Act"), and other relevant legislation;
 - (ii) Licence Condition B (and, in particular, the requirement that charges must comply with price limits);
 - (iii) Licence Condition E (and, in particular, the requirement no undue preference is shown to, and that there is no undue discrimination against any class of customers or potential customers);
 - (iv) Those provisions of Licence Conditions C, D, F and R that are relevant to the Company's obligations in respect of customer charging; and
 - (v) Charging rules published by Ofwat, where applicable.
- b) Management has taken reasonable steps to assess the fitness for purpose of the models that are used to generate wholesale charges.

- c) No charges have been set with the objective of distorting competition to supply customers in contestable markets.
- d) Wholesale Charges are not significantly different from those indicative Wholesale Charges published previously for the 2018/19 Charging Year.
- e) The effect of the new charges on our customers' bills are reasonable, based on a review of details as to average measured and unmeasured household bills and the incidence effects for household and wholesale non-household customers by service and by tariff at typical consumption points. Where bill increases are above the 5% benchmark set by Ofwat the Board has been provided with details of those customer types affected, the level of the increase across a range of typical consumption points and the number of customers likely to be adversely impacted. The Board has approved of the proportionate impact assessments and handling strategies for these customers.
- f) To ensure its accuracy, the information on which the Charges Schedule and other incidental information is based, including information relating to the regulatory accounts, and information drawn from the billing system reports to assist in the generation of reasonable forecasts of demand and customer numbers, is produced in accordance with the Company's quality assurance processes which are subject to internal and external audit under the oversight of the Audit Committee of the Board.
- g) Ofwat has been informed of any new special agreements entered into since 14 July 2014.
- h) The Consumer Council for Water ("CC Water") has been consulted in relation to the preparation of the Charges Schedule, in particular its comments were sought on charging strategy, and then reflected in the Charges Schedule, specifically in relation to the following:
 - (i) the glide path for phasing out the SoLow tariff and the accompanying customer handling strategies; and
 - (ii) the glide path for the transitional tariff for customers not eligible to be migrated on non-household charging to the new retail market.

In approving the 2018/19 Charges Schedule, the Board has considered the following information:

- a) The charging guidance to Ofwat published by the UK Government which requires (inter alia) that:
- (i) any moves towards greater cost reflectivity of charges should be introduced in a measured fashion and should be to the overall benefit of all customers; and
 - (ii) the extent and impact of de-averaging on charges for particular groups such as rural customers should be limited by Ofwat.
- b) Details of the charging strategy, cost allocation and tariff setting process, and compliance with Ofwat's PR14 Rulebook, as set out in the Board paper on 22 November 2017, which was developed reflecting the basis of charging and to provide for appropriate revenue recovery across tariff groups; and the glide paths for both the transitional tariff for customers not eligible to be migrated to non-household charging under the new retail market, and for phasing-out the SoLow tariff.
- c) The report prepared by the Financial Auditor following the completion of certain assurance work the scope of which was to (i) confirm the allowed revenue for 2018/19 and (ii) confirm that the charges proposed recover this revenue.
- d) That in relation to c) above, and in line with licence condition B, the allowed wastewater wholesale revenue for 18/19 has been reduced by £2.1m to take account of the RAG guidelines for 2016/17 which excluded sewer adoption supervision fees from reported revenue and thereby understated actual versus allowed revenues in table 2I.
- d) An assessment of the customer bill impacts for an extensive range of customer groups, including impact assessments and handling strategies.
- e) The outcome from discussions with CC Water in respect of charges strategy, bill incidence effects arising from the application of the strategy and compliance with the revenue controls and Ofwat's Charging Rules for 2018/19.

III. How the Requirements have been met: Developer Charging Arrangements

Our Developer Charging Arrangements fix the charges that our developer customers are required to pay for the period from 1 April 2018 to 31 March 2019 for the following services, which we provide in the course of carrying out our regulated duties:

- the provision of requisitioned water mains under section 41(1) of the 1991 Act and of requisitioned sewers under section 98(1) of that Act;
- the connection of premises to a water main under section 45(1) of the 1991 Act, ancillary works in making such a connection under section 46(1), the provision of requisitioned lateral drains under section 98(1A), the construction of lateral drains following construction of a public sewer under section 101B and the exercise of an undertaker's right to make a communication with a public sewer under section 107(1) of that Act;
- entering into agreements for the self-lay of water infrastructure under section 51A of the 1991 Act or of sewerage infrastructure under section 104 of that Act; and
- diverting pipes and other apparatus under section 185 of the 1991 Act.

In approving the Developer Charging Arrangements, the Board considered the following information:

- a) Assurances provided by Management to the effect that the charging arrangements and our proposed charges comply with the charging rules;
- b) Information regarding the extensive stakeholder engagement that has taken place as part of the development of the new charges;
- c) Details of the approach undertaken to ensure accuracy of the information on which the charging arrangements are based, including (but not limited to) reliance on quality assurance processes which are subject to internal and external audit;
- d) Details of the analysis of historic schemes undertaken in order to ensure that an appropriate balance of charges as between developers and the generality of customers is maintained.

The Board can confirm to the best of its knowledge:

- a) in formulating and implementing its Developer Charging Arrangements, the Company is complying with the charging rules for new connections services;
- b) that the Company has appropriate systems and processes in place to make sure that the information contained in the Developer Charging Arrangements, and the information contained in III of this letter of assurance is accurate; and

- c) The balance of charges between Developers (seeking the services set out above) and other customers is broadly maintained in the following way:
- (i) charges for the "site-specific" element of requisitioned water mains and sewers are designed so as to apply a percentage similar overall to the pre-existing off-set proportion in a methodology that replicates approximately the costs of construction of those site-specific elements;
 - (ii) connection charges are also designed to replicate overall the costs of providing the connection;
 - (iii) in respect of self-lay agreements, we have sought to preserve an asset payment that is the inverse of the requisition off-set proportion, as was previously the case, as well as categories of charge as previously existed;
 - (iv) we have not altered the way we charge for pipe diversions;
 - (v) "network reinforcement" charges are designed to recover a similar amount overall as two current heads of charge, being (i) infrastructure charges; and (ii) current requisition charges in relation to elements that are not site-specific; and
 - (vi) we intend to scrutinise charging levels and where the balance of charges begins to alter will make adjustments in the following charging year(s) to redress the balance.

IV. Board Approval

The Board acknowledges its responsibilities in relation to the development of the Charges Schedule and the Developer Charging Arrangements.

The Board confirms that it approved the Wholesale Charges, the Developer Charging Arrangements, this statement of assurance and the Statement of Significant Changes at the meeting held on 22 November 2017, subject to confirmation as to published RPI, the final determination of the in-period ODI, changes to the PR14 Rulebook and the report of the financial auditor, to be provided to the Board prior to publication.

In that meeting, the Board agreed to sign this Assurance Statement for submission to Ofwat.

Signed:	Name	Position
	Stephen Billingham	Chairman
	James Bryce	Non-Executive Director
	Polly Courtice	Independent Non-Executive Director
	Steve Good	Independent Non-Executive Director
	John Hirst	Independent Non-Executive Director
	Scott Longhurst	Group Finance Director
	Niall Mills	Non-Executive Director
	Chris Newsome	Director of Asset Management
	Peter Simpson	Chief Executive Officer
	Jean Spencer	Strategic Growth and Resilience Director
	Duncan Symonds	Non-Executive Director
	Paul Whittaker	Independent Non-Executive Director

