



Anglian Water Services Limited

Statement of Assurance for 2017/18 Wholesale Charges Schemes

I. Requirements for this Assurance Statement

In its charges scheme 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 scheme;
- as to the accuracy of the Company's charges scheme; and
- on the process that the Company has followed in engaging with customer representatives on the charges scheme.

II. How the Requirements have been met

Our Charges Schemes fix the charges that our customers are required to pay for the period from 1 April 2017 to 31 March 2018 for any services we provide in the course of carrying out our regulated duties. The Charges Schemes set 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 Schemes has been provided to Ofwat and they are available on our website (www.anglianwater.co.uk).

Our Charges Schemes are 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") and in relation to non-household retail revenues, the Price Review 2016 ("PR16").

Commencing in April 2015, Ofwat imposed four separate price controls as part of PR14. These price controls relate to four separate areas of our 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.

Our Charges Schemes reflect these separate price controls and areas of service, with charges that relate to one of these areas, together with those non-primary charges which we consider are covered by the scheme.

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

- a) The Charges Schemes and supporting information have been prepared in accordance with the Company's legal obligations relating to customer charging, including under:
 - (i) Water Industry Act 1991 (as modified), 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 2017/18 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 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 Schemes 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 Schemes, in particular its comments were sought on charging strategy, and then reflected in the Charges Schemes, 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 decision to offer a transitional tariff for customers not eligible to be migrated on non-household charging to the new retail market.

In approving the 2017/18 Charges Schemes, 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 as set out in the Board paper on 30 November 2016, which was developed reflecting amendments to the basis of charging and to provide for appropriate revenue recovery across tariff groups; the introduction of the transitional tariff for customers not eligible

to be migrated to non-household charging under the new retail market; and the glide path 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 2017/18 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 2017/18 has been reduced by £1.9m to take account of the RAG guidelines for 2015/16 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 the 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 2017/18.

II. Board Approval

The Board acknowledges its responsibilities in relation to the development of the Charges Schemes.

The Board confirms that at the meeting held on 3 January 2017 it approved the Wholesale Charges Schemes, this Statement of Assurance, and the Statement of Significant Changes in relation to Customer charges.

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	Regulation Director
	Duncan Symonds	Non-Executive Director
	Paul Whittaker	Independent Non-Executive Director