



Statement of Significant Changes in relation to the Anglian Water Services Charges Scheme 2017/18

- Our tariff structure for 2017/18 is broadly unchanged from our 2016/17 scheme.
- There are two exceptions: the withdrawal of the transitional tariff known as Streamline Transition, and the introduction of small, medium and large household transition tariffs.
- Our charges recover, at 2017/18 prices, the revenue allowed in the wholesale and household retail revenue controls published in Ofwat's Final Determination of 2014 (together with adjustments as set out in the PR14 Rulebook and other relevant documents) and the PR16 determination for non-household retail revenue.
- Charges include an allowed increase (K) plus RPI for wholesale revenue.
- In general, typical bill increases for each customer class are in line with this RPI+K increase. No customer class will experience increases that exceed five per cent, with the exception of customers on our SoLow tariff, which is discussed below.

Streamline Transition and Household Transition tariffs

We introduced a transitional tariff from April 2016 to help those customers transferring from household to non-household charges as a result of eligibility guidance for the new non-household market.

The transitional tariff had a smaller fixed charge compared to Streamline Green. This allowed the increase to the higher fixed charge to be phased in, so that customers would be paying the full rate from 2017/18.

The tariff will be withdrawn as of 1 April 2017.

We will be introducing transition tariffs for customers that historically have been charged on non-household tariffs but based on Ofwat's guidance are not eligible for the new market, and so would otherwise be switched to the household Standard tariff as of 1 April. A number of the affected customers are served by bulk meters, being principally blocks of flats, either private landlord, local authority, housing association or sheltered housing. These customers do not present as a customer class with

distinct cost to serve characteristics. However, on an individual basis there may be significant bill incidence effects for customers and end-user consumers.

The proposal is to migrate these premises based on a minimum 3 year glide path in order to manage bill impacts, reducing the fixed charges they currently pay but increasing the volumetric rate, with tariffs based on small, medium and large users. The following table sets out the expected incidence effects:

Usage band (m ³ per annum)	Bill increase %	No. of Customers	No. of End Users
400 – 1,500	Up to 3%	365	6,000
1,501 – 4,000	Up to 6%	81	1,800
4,001- 50,000	Up to 8%	7	1,300

Our proposals have been discussed with the Consumer Council for Water, and we have taken account of their view in setting the glide path.

We are developing a communications strategy to outline the bill impacts to customers, our proposals for the transition tariff, and particularly to highlight tariff options where end-user consumers served through bulk meters might otherwise benefit from being charged directly. We will continue to consult with CC Water in relation to our communications strategy.

SoLow

The SoLow tariff was introduced in 1997/98 to help with our metering programme. It was designed to make sure people in properties with a low Rateable Value did not see their bills rise unduly when switching to a meter. It did this by removing the relatively high fixed charge on a Standard, metered bill and charging a higher volumetric rate.

New research, together with better information on customers water use, and changes to the way fixed charges are set, have now led us to conclude that the tariff no longer serves the purpose intended.

The average consumption per customer on SoLow is the same as that for all our metered customers. This means SoLow was benefitting small households rather than those that were more water efficient. Also, where there are no fixed charges included in a bill there is a risk, particularly for very low users, that the fixed costs of serving the customer are not appropriately recovered.

The removal of the fixed charge for SoLow customers was subsidised by increasing charges for those on the Standard tariff. Larger households

were effectively subsidising smaller ones, regardless of their relative water efficiency or their financial circumstances.

For these reasons, we closed SoLow to new entrants in April 2015 and introduced a fixed charge, creating the same structure as the Standard tariff. This charge will steadily increase each year for SoLow customers, while the volumetric charge reduces.

The break-even point remains at 75m³ so all customers on SoLow remain better off on the tariff, albeit by a reducing amount each year, until charges are finally aligned and all customers charged on the Standard tariff. SoLow charges will be aligned with the Standard tariff by 2020/21 at the earliest.

This approach has been developed following discussions with the Consumer Council for Water.

What this means for bills

The following table sets out the approximate bill incidence effects at various typical consumption bands:

Usage band (m ³ per annum)	Bill increase %	Bill increase £	No. of customers
10m ³	12%	£11	12,000
20m ³	8%	£10	24,000
30m ³	6%	£9	40,000
35m ³	5%	£9	24,000

We have previously communicated our proposals to effected customers but will continue to provide information for SoLow customers on future bills and online.

We will also continue to work with Citizens Advice and other third sector organisations, like Age Concern, to raise awareness about our social tariff (LITE) among SoLow customers who may struggle to pay their bill in full. Details are available on our website.