



Wessex Water Services Limited
Assurance statement for 2022-23 indicative Wholesale Charges

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Introduction

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

Ofwat's Wholesale Charging Rules, published in March 2020, requires undertakers to publish their 2022-23 indicative Wholesale Charges in October 2021.

This document sets out our indicative Wholesale Charges for 2022-23.

Indicative charges were reviewed by the Board of Directors in September 2021 based on the best information at the time. We will publish our final Wholesale Charges for 2022-23 in January 2021. Our final Wholesale Charges will be updated to reflect the latest available information, including November CPIH and any information received through ongoing stakeholder engagement before their final approval by the Board.

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 Wholesale Charges policies to be implemented from 1 April 2022 and approved the indicative Wholesale Charges for 2022-23. These charges were subsequently published in October 2021.

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 of the assurance statement.

Assurance statement for 2022-23 indicative Wholesale Charges

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 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 and on customers occupying Eligible Premises (as a whole or in groups) and approves the impact assessments and handling strategies developed in instances where bill increases for licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) exceed 5% 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, 2022-23 Wholesale Charges will be updated accordingly before their final approval.

Signed :



Date: 07/10/2021

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 indicative Wholesale Charges it has published

The Company engaged Mott MacDonald who reviewed and confirmed that:

a. Our indicative Wholesale Charges for 2022-23 are appropriate to meet our obligations under:

- Ofwat’s Wholesale Charging Rules published in March 2020;
- The Water Industry Act 1991 (as amended in 1999 and 2014) – sections 93A (in so far as the indicative 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 indicative 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 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 approves the impact assessments and handling strategies developed in instances where bill increases for licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) exceed 5% 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%;

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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 indicative Wholesale Charges for 2022-23 are calculated using a forecast November CPIH of 3.5% in line with the most recent forecasts published by the Bank of England and two other leading banks.

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	207	+1.9%	2,038	+2.0%	90,667	+1.7%
Wholesale Wastewater	206	+3.1%	1,677	+3.4%	84,428	+3.4%
Total combined bill	414	+2.5%	3,715	+2.6%	175,094	+2.5%

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. Should inflation exceed the forecast 3.5%, we are likely to see end user bill increases of greater than 5% for some specific customer groups. In this scenario, we will proceed with the statement of significant changes. We are developing a full customer communication strategy should it be required.

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 2021.

In addition to the external assurance laid out above, the Company continues with its internal charges assurance processes including ensuring clear ownership of the process resides with a senior manager, in this case the Director of Economic Regulation.

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