



Anglian Water Services Limited

Statement of Assurance for 2018/19 Customer Charges Scheme

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 Scheme 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 Scheme 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 Scheme has been provided to Ofwat and they are available on our website (www.anglianwater.co.uk).

Our Charges Scheme 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 price controls as part of PR14. These price 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 Scheme therefore reflects the other three separate price controls and areas of service excluding non-household retail, with charges that relate to those service areas, together with those non-primary charges which we consider are covered by the scheme.

The Board can confirm to the best of its knowledge, the following statements are true:

- a) The Charges Scheme 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 ("the 1991 Act"), and other relevant legislation;
 - (ii) Floods and Water Management Act 2010 (in relation to the company social tariff);
 - (iii) Licence Condition B (and, in particular, the requirement that charges must comply with price limits);
 - (iv) 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);
 - (v) Those provisions of Licence Conditions C, D, F and R that are relevant to the Company's obligations in respect of customer charging; and
 - (vi) 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 charges.
- c) No charges have been set with the objective of distorting competition to supply customers in contestable markets.
- d) 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.

- e) To ensure its accuracy, the information on which the Charges Scheme 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.
- f) Ofwat has been informed of any new special agreements entered into since 14 July 2014.
- g) The Consumer Council for Water ("CC Water") has been consulted in relation to the preparation of the Charges Scheme, in particular its comments were sought on charging strategy, and then reflected in the Charges Scheme, specifically in relation to the following:
 - (i) the glide path for phasing out the SoLow tariff and the accompanying customer handling strategies;
 - (ii) the level of cross-subsidy from non-eligible customers for the social tariff (LITE) introduced under section 44 of the Floods and Water Management Act 2010; and
 - (iii) 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 Scheme, 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.

IV. Board Approval

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

The Board confirms that it approved the Customer Charges Scheme and this statement of assurance at the meeting held on 24 January 2018.

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