

South Staffordshire Water PLC

Board Approval of end user charges for 2017-18

Assurance Statement

In approving the charges for 2017/18, the Directors confirm that they comply with the following provisions. This statement also sets out how the Board has assured itself of each provision.

1. The Company complies with its legal obligations (including competition law) relating to the charges set out in its charges schemes.

The water industry is subject to UK and EU competition law. The Company confirms that it complies with the charging rules as set out by Ofwat and its Instrument of Appointment so that no undue preference or discrimination has been shown to any class of customer. The Company has applied clear principles in setting wholesale tariffs such that customers pay the same amount for the same service, resulting in household and non-household tariffs being the same, except for any larger user discount that could be justified, measured and unmeasured differentials represented by additional metering costs, and the historic differential between South Staffs and Cambridge regions being maintained. In addition, the Company believes that the metered fixed charge should only be based on the cost of the meter (including installation) with all other wholesale activities being charged based on the volume of water used. Retail tariffs have been set to ensure that they are fully cost reflective of the activities undertaken.

With the opening of non-household retail competition in April 2017 companies must ensure that there is a level playing field with regards new entrants into the market. To ensure compliance with the above, the Company has:

- a. Recovered average retail costs and margins in line with the PR16 Final Determination for each business tariff band. These costs have been built up on a cost reflective basis as part of the PR16 business plan submission using appropriate cost allocation drivers.
- b. Ensured that wholesale charges are allocated between household and non-household customers in the same proportion as in the Final Determination. The Company has also undertaken an exercise to confirm that using the allocation methodology of its wholesale charges in line with the Final Determination is reasonable.

- 2. The Board has assessed the effects the new charges have on customers' bills for a range of different customer types, and approves the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%.**

No customer type will experience a bill increase of greater than 5%. A sample of 35 different customers on different tariffs has been chosen to ensure this compliance.

- 3. The Company has appropriate systems and processes in place to make sure that the data and information contained in the charges scheme, and additional information is accurate.**

Internally the majority of information is sourced from either Business Plan or Final Determination data and from established reports from the Company's billing systems. The exception to this is where metered household customer numbers and consumption used for 2017/18 has been based on the latest actual 2016/17 data.

The staff involved at both Echo and South Staffs Water have been with the Company for a number of years and are familiar with the processes and information sources. In addition, although external assurance is not required, the Group's internal audit function has been used to give additional assurance on the data used.

Finally, the Company along with three other water only companies have continued to use the services of Frontier Economics to produce a tariffs model to aid the setting of compliant charges.

- 4. The Company has consulted CCWater in a timely and effective manner on their charges schemes.**

CCWater has reviewed the Company's draft charges schemes and any comments and changes have been incorporated.

Approved by the Board of Directors on the 10 January 2017 and signed on its behalf



Adrian Page
Chairman
South Staffordshire Water PLC