

## South Staffordshire Water PLC

### Board Approval of End User Charges for 2018-19

#### Assurance Statement

Overall, the average household bill in the South Staffs region will increase from £142 in 2017-18 to £147 in 2018-19, and will increase from £135 to £140 in the Cambridge region.

In setting last year's charges, the expectation was for the average bill in the Cambridge Region for 2017-18 to be £132 compared to a current forecast of £135. This is as a result of non-household customers in the Cambridge region who are not eligible for the retail business market now being part of the household average bill calculation. The average consumption for these customers is 647m<sup>3</sup> which has increased the overall average consumption by 6m<sup>3</sup> and the average bill by £5.

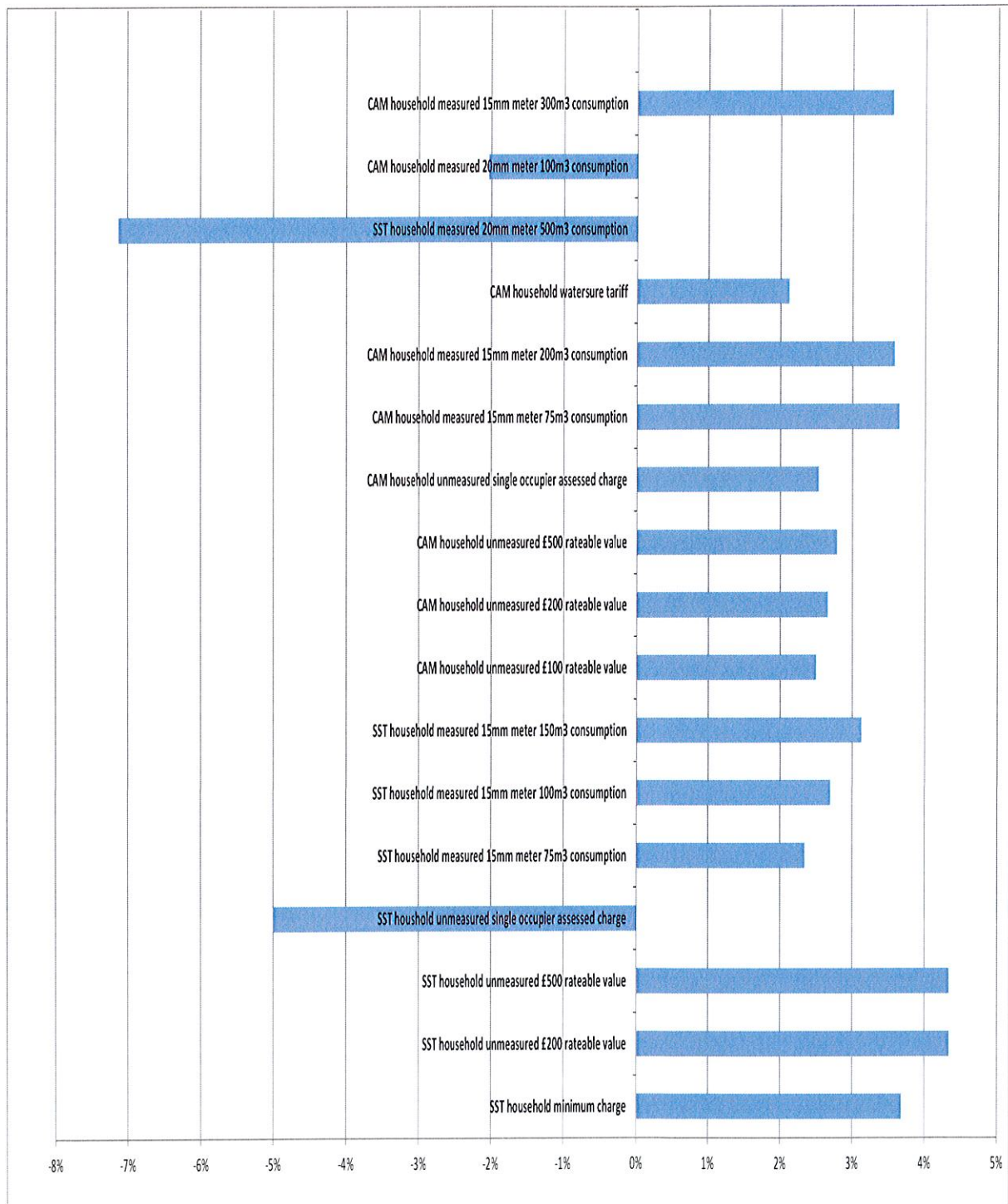
In approving the charges for 2018-19, the Directors confirm that they comply with the following provisions. This statement also sets out how the Board has assured itself of each provision.

#### **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.

**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%, although individual customers may experience an increase greater than 5% depending on their own characteristics. A sample of 17 different residential customers on different tariffs has been chosen to ensure this compliance and the results are set out graphically below:





The bill reductions for customers with a 20mm meter in both regions is as a result of aligning all retail meter standing charges to be the same charge irrespective of meter size. Customers should pay the same price for the same service as there is no difference in the retail service provided to customers on different meter sizes. Previously a larger meter size incurred a higher retail charge.

The single occupier assessed charge in the South Staffs region is higher than an equivalent person on a meter using average consumption. There are around 1,600 customers on this tariff and the charge has been reduced by 5% in 2018-19 and will be fully cost reflective for 2019-20 charges.

**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 2018-19 has been based on the latest actual 2017-18 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 has 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.**

The Company has consulted with CCWater on customers previously classed as non-household but who are not eligible for the retail business market. These customers need to be migrated to the equivalent household tariff. This results in an increase in their standing charge of between £6 and £8 which for customers with low consumption would mean an increase greater than 5%.

This has been discussed with CCWater who suggested that the Company consider engaging with these customers and transition them to the household tariff straight away. This is because although some customers would experience a bill increase greater than 5%, in absolute terms it would be a relatively small increase.

Ultimately, the Company has decided it would be better to avoid any significant bill changes for these customers and so in 2018-19 they will remain on the same standing charge as that they are currently on for 2017-18.

In doing this, the Company has not sought to subsidise this lower charge across other customers. The Company will fund this small difference which it believes is in the best interest of all customers.

CCWater have also reviewed the Company's draft charges schemes and any comments and changes have been incorporated to the final published version.

Approved by the Board of Directors on the 11 January 2018 and signed on its behalf.



**Phil Newland**  
**Managing Director**  
**South Staffordshire Water PLC**