

South Staffordshire Water PLC

Board Approval of Wholesale Charges for 2023-24

Assurance Statement

In approving the charges for 2023-24, 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 wholesale charges published.

The water industry is subject to UK and EU competition law.

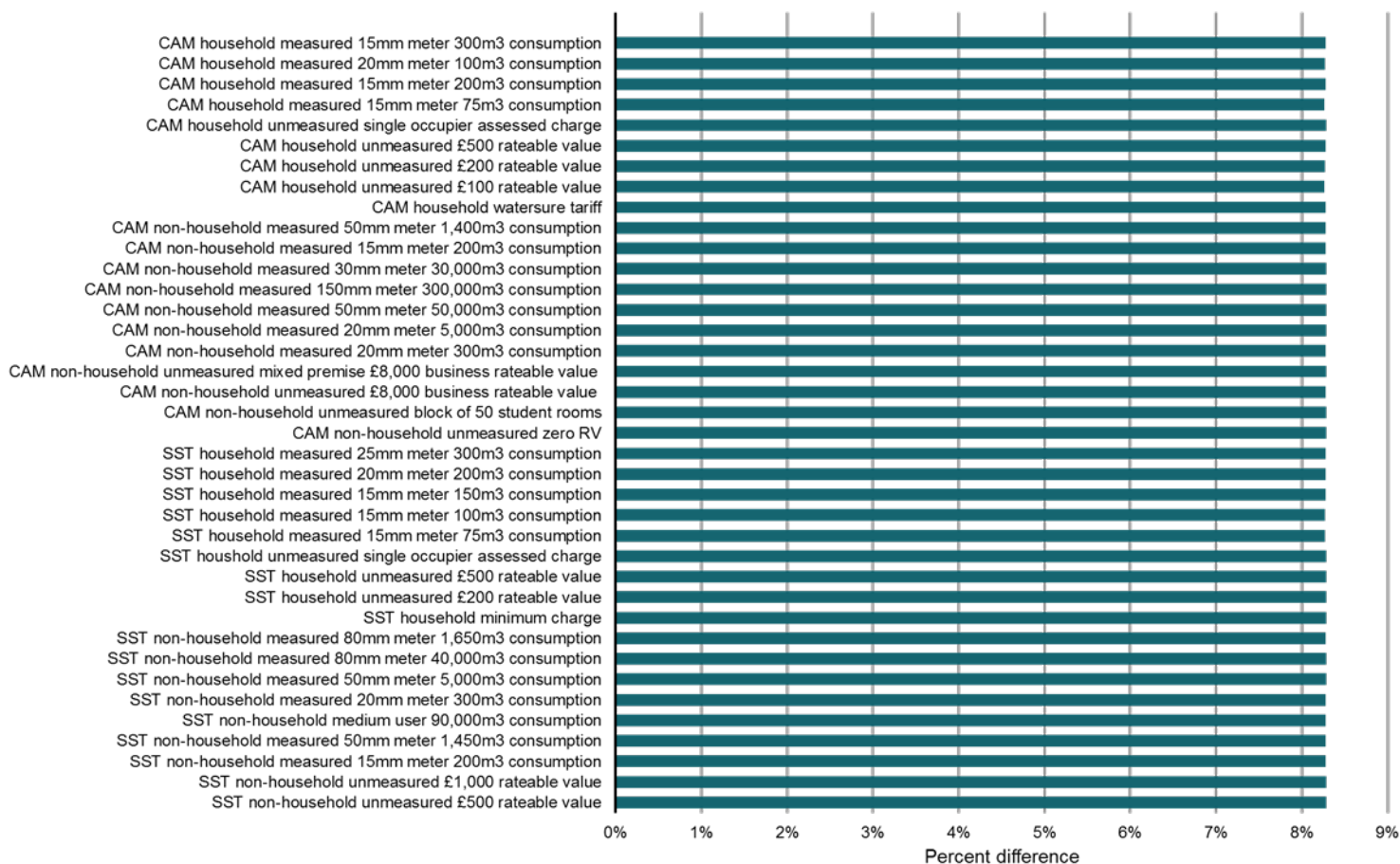
In order to ensure compliance, the Company has adhered to the Wholesale charging rules as set out by Ofwat in its Instrument of Appointment so that no undue preference or discrimination has been shown to any class of customer. Clear principles have been applied in setting tariffs such that customers pay the same amount for the same service. This includes:

- Household and non-household tariffs being the same, except for any large user discount that could be justified;
- The difference between metered and unmetered charges only representing the additional metering charges;
- The historic differential between South Staffs and Cambridge region is being broadly maintained at the same value;
- 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.

2. The Board has assessed the effects of the new charges on water supply 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%.

Most customers will experience a bill increase of around 8.2%, although individual customers may experience a higher or lower increase depending on their own characteristics. A sample of 38 different customers on different tariffs has been chosen to ensure this compliance and the results are set out graphically below:

Incidence effects on selected customers - Wholesale bill



The Board has approved the impact assessment and handling strategies the Company is proposing.

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 wholesale charges is accurate.

Internally the majority of information is sourced from the PR19 Final Determination, in-period adjustment models and from established reports from the Company's billing systems. The exception to this is metered customer numbers and consumption used for 2023-24. As a result of Covid-19, we have estimated the likely continued impact on consumption as result of homeworking and the economic impact on businesses of the forecast economic recession. We have assumed that household consumption will be 3.5% higher and non-household consumption will be 10.5% lower compared to pre-covid levels.

The individuals involved at both Echo and the Water Company 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 independent assurance on the data used. This approach is reviewed annually.

Finally, the Company has continued to use a tariffs model developed by Frontier Economics to aid the setting of compliant charges.

4. Where final Wholesale Charges are significantly different from the Indicative charges published for the same period, the Board has considered the reasons why those changes occurred and has issued a statement explaining why those changes were not anticipated and/or mitigated.

Final wholesale charges are increasing by 8.3% compared to 7.2% when setting indicative charges. For final charges we have reviewed the likely impact of the projected economic recession on business customers by analysing the impact of the last recession in 2008/09 and have applied a 3% reduction to consumption. This has increased overall charges by 0.6%.

5. The Company has consulted with relevant stakeholders in a timely and effective manner on its wholesale charges schemes.

A statement setting out the proposed Wholesale charges was circulated to all Retailers supplied by the Company in September 2022.

We have also confirmed with CCWater that we are not planning any changes to charges or rebalancing which will create bill shocks for some customers.

Approved by the Board of Directors on 9 January 2023 and signed on its behalf.



Andy Willcott
Managing Director
South Staffordshire Water PLC