

The Northumbrian Water Limited (NWL) Board has overseen the development of the charges for 2017/18. The governance arrangements and assurance processes which have been applied to the development of these charges are summarised below.

- The charges setting process falls within our robust Quality and Environmental Management System which reflects the implementation of a number of quality standards in the business, including ISO 9001, ISO 14001 and OHSAS 18001. These quality processes are subject to internal audits and external accreditation.
- A specific quality assurance procedure sets out the process to be followed in setting charges each year, and is reviewed annually to ensure that any necessary changes to the approval process are incorporated.
- The NWL Internal Audit department has reviewed our assessment of compliance and confirmed that input data from Company systems and the calculation of allowed revenues are robust.
- The Charges Steering Group (CSG), comprising a sub-group of the Executive Management Team and senior managers, met several times to discuss charging policy, strategy and governance.

The charges have been developed through the following process:

- 21 April 2016 - CSG agreed the 2017/18 assurance approach and inclusion of partial surface water drainage;
- 17 May 2016 - NWL Board approved a change to charging structures to enable partial surface water drainage charging;
- 1 June 2016 - CSG reviewed the first draft of the charges and developer charges;
- 15 July 2016 - CSG approved the Statement of Significant Changes for publication and draft indicative wholesale access charges;
- 9 August 2016 - NWL Board approved the process to assure and publish the indicative wholesale access charges for 2017/18 for non-household customers; noted the draft indicative wholesale access charges for 2017/18; and delegated authority to approve the final indicative wholesale access charges to the Finance Director (FD), supported by the CSG;
- 20 September 2016 - CSG confirmed final assumptions and final indicative wholesale access charges;
- 29 September 2016 - indicative wholesale access charges approved by the FD under delegated authority from the Board;
- 17 October 2016 - Assurance Sub-Group of the NWGL Audit Committee endorsed the assessment of compliance of the 2017/18 charges with charging related obligations; the governance and assurance arrangements for the 2017/18 charges; and the draft Board Statement of Assurance;
- January 2017 - Executive Committee of NWL Board approved the final 2017/18 charges and Statement of Assurance, under delegated authority from the NWL Board.

The strong governance and assurance arrangements that have been applied in the development of the wholesale and household charges provide the Board with a sound basis to confirm that:

- NWL's charges for 2017/18, as set out in its charges schemes, comply with our legal obligations (including Ofwat Charging Rules and Competition Law);
- We have assessed the effects the charges have on customers' bills for a range of different customer classes and confirm that there are no instances where bill increases exceed 5%;
- NWL has consulted CCWater on charging proposals for 2017/18 charges; and
- NWL has appropriate systems and processes in place to make sure that the data and information contained in the charges schemes, and additional information, is reliable and fit for purpose.

Signed on behalf of the NORTHUMBRIAN WATER LIMITED Board



CHRIS JOHNS
Finance Director