

## **NORTHUMBRIAN WATER LIMITED (NWL) – BOARD STATEMENT OF ASSURANCE FOR FINAL WHOLESALE CHARGING RULES**

The NWL Board has overseen the development of the charges for 2018/19. 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. 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 Leadership Team and senior managers, met several times to discuss charging policy, strategy and governance.

The charges have been developed through the following process:

- February 2017 – The CSG agreed the 2018/19 agenda items for consideration and the assurance approach. A project was set up for Developer Services Charging.
- April 2017 – A detailed presentation was given to the CSG regarding the Ofwat guidance for Developer Services charging for 2018/19 onwards. Special Agreements were discussed with regards to the transfer scheme arrangements for non-household customers.
- June 2017 – The CSG received a progress update on the Developer Services charging project and on the opening of the non-household market. The detailed timetable was discussed for the charges setting process. An early update was received regarding Social Tariff research which was carefully considered by the CSG.
- July 2017 – The CSG approved the Statement of Significant Changes to Charges for publication.
- August 2017 – The NWL Board was given an indicative overview of potential charges for 2018/19.
- October 2017 – The NWL Assurance Sub-Committee and Board approved the process to assure and publish the indicative primary wholesale charges for 2018/19 for non-household customers; noted the draft charges for 2018/19; and delegated authority to approve the final charges to the Executive Committee of the NWL Board, supported by the CSG.
- January 2018 - Executive Committee of NWL Board approved the final 2018/19 charges and Statement of Assurance.

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

- NWL's charges for 2018/19, as set out in its charges schedule, comply with our legal obligations;
- We have assessed the effects the new charges have on water supply and sewerage licensees who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) and can confirm that there are no instances where bill increases to licensees exceed 5%;
- NWL has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published about Wholesale Charges is accurate;
- NWL has consulted CCWater on charging proposals for 2018/19 charges and has taken into account its feedback, as appropriate; and
- We can confirm that final Wholesale Charges are not significantly different from the indicative Wholesale Charges published for 2018/19.

**Signed on behalf of the NORTHUMBRIAN WATER LIMITED Board**



**CHRIS JOHNS**  
Finance Director