

NORTHUMBRIAN WATER LIMITED (NWL) – BOARD STATEMENT OF ASSURANCE – INDICATIVE WHOLESALE ACCESS CHARGES 2017-18

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

- Robust Quality Management Systems reflect the implementation of a number of quality standards in the business covering ISO 9001, ISO 14001 and OHSAS 18001. Our 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 reviewed our assessment of compliance and checked input data from Company systems and calculation of allowed revenues.
- The Charges Steering Group (CSG), comprising a sub-group of the Executive Management Team and senior managers, met on at least a bimonthly basis to discuss charging policy, strategy and governance.

The charges have been developed through the following process:

- 21 April 2016 – The CSG agreed the 2017-18 assurance approach and inclusion of partial surface water drainage.
- 1 June 2016 - The CSG reviewed the first draft of the indicative wholesale access charges and developer charges.
- 15 July 2016 – The CSG approved the Statement of Significant Changes for publication and draft indicative wholesale access charges.
- 9 August 2016 – The 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 - Agreement of final assumptions and final indicative wholesale access charges.
- 29 September 2016 - Approval by the FD under delegated authority from the Board.

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

- NWL's indicative wholesale access charges for 2017-18 comply with our legal obligations (including Ofwat Charging Rules and Competition Law);
- These are the wholesale access charges that we expect to set for 2017-18 subject to any unforeseen significant changes in assumptions; and
- We have assessed the effects the indicative wholesale access charges have on customers' bills for a range of different customer classes and confirm that there are no instances where bill increases exceed 5%.

Signed on behalf of the NORTHUMBRIAN WATER LIMITED Board



CHRIS JOHNS
Finance Director
29 September 2016