

HOUSEHOLD CHARGES SCHEME 2023/24

Board Statement of Assurance

NORTHUMBRIAN WATER LIMITED

BOARD STATEMENT OF ASSURANCE FOR CHARGES SCHEMES CHARGES 2023/24

The Northumbrian Water Limited (NWL) Board has overseen the development of customer charges for 2023/24.

The latest charges scheme rules, issued under sections 143(6A) and 143B of the Water Industry Act 1991, were issued by Ofwat in December 2022 and come into effect on 1 April 2023.

The charging scheme rules state that each undertaker should provide the Water Services Regulation Authority an assurance statement from its Board of Directors and publish its statements no later than the time of publication of the Charges Schemes confirming that:

- a) the company complies with its legal obligations relating to the charges set out in its Charges Schemes;
- b) the Board has assessed the effects of the new charges 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%;
- c) the company has appropriate systems and processes in place to make sure that the information contained in the Charges Schemes, and the additional information covered in the annex is accurate; and
- d) the company has consulted the Consumer Council for Water (CCW) in a timely and effective manner on its charges schemes.

The purpose of this statement is to clearly state that NWL has satisfied these requirements.

Governance and Assurance

We closely monitor the rules published by Ofwat and ensure that all changes are incorporated into our charges publications. In order to do this we have strong governance arrangements and assurance processes which have been applied to the development of these charges throughout the year and are summarised below.

- 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. This assurance builds on the work and recommendations previously carried out on our charges model by our external advisors.
- The NWL Internal Audit department confirmed that input data from Company systems and the calculation of allowed revenues are robust.
- NWL have previously engaged Ernst & Young LLP (EY) to perform testing of the logical operation of certain financial models prepared by, or on behalf of, NWL to generate its tariffs. The scope of EY's work was determined by NWL and EY is only responsible to NWL for their work. This model has been used to generate tariffs published for 2023/24.
- The Charging and Markets Leadership Group (CMLG) is a sub-group of the Executive Leadership Team (ELT) and discusses charging issues and the annual charge setting process for NWL, in addition to promoting and monitoring market arrangements across NWL. The CMLG is chaired by the Chief Financial Officer and includes the Customer Director, the Regulation & Assurance Director and the Corporate Affairs Director along with senior managers from various disciplines within the business. The group met several times in the year to discuss charging policy, external markets, strategy and governance. Any significant decisions and matters arising have been reported to the ELT and, as required, to the Board.
- Charges movements were reviewed by the CMLG (see appendix 1 for a summary of changes to household bills).
- NWL representatives attended the Ofwat workshop on charging trials and affordability in November 2022. Tariff innovation and the change in the Charging Rules to allow the introduction of tariff trials was covered. NWL intends to introduce innovative tariff trials during the coming year in accordance with the revised Charging Rules.
- CCW has been consulted to highlight the charges and the impact on bills.

We operate a well-established approach to corporate governance and assurance, which is summarised in our Assurance Framework, more information on our overall Assurance Plan can be found at <https://www.nwg.co.uk/about-us/nwl/governance2/assurance/>.

Development of charges

We have a well-established timetable for the production and approval of our tariffs and charges schemes and schedules and this is incorporated into our Assurance Plan for the year. The charges have been developed through the following process:

DEVELOPMENT OF CHARGES

2022							2023				
Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
Agree charges setting and Assurance timetable	CMLG meeting	Developer Services Charges planning	CMLG meeting	RWG Consultation on tariff simplification	CMLG meeting		CMLG meeting	Consult with CCW re indicative primary wholesale charges	Communications planning for potential bill increases	CMLG meeting	Internal audit assurance
							Update NWL Audit Committee noting governance and Assurance processes for 23/24 charges	Internal audit assurance	Response to Ofwat non-statutory consultation on Charging Rules and Innovation to support affordability	Final November indexation published	Update Board with final charges
							Update NWL Board with draft charges for 2023/24	Ofwat publish draft determination of in-period ODIs and consult	Ofwat issue final determination of in-period ODIs	Communications planning for potential bill increases	Consult with CCW regarding final charges and handling strategies
							Ofwat non-statutory consultation on Charging Rules and Innovation to support affordability	Publish indicative primary wholesale charges		Notify Ofwat of early indication of bill increases	Notify Ofwat of average and typical bill increases
							Communications planning for potential bill increases	Communications planning for potential bill increases		Developer Services consultation sessions	Finalise and publish tariffs and associated documents in accordance with Ofwat timetable

Forecasts

Since the start of the Covid-19 pandemic we have experienced changing patterns in consumption in both our household and non-household customer base. We have therefore based our model assumptions and consumption forecasts on the best information we have available at this point however the situation continues to evolve.

Indexation

Our charges incorporate the November 2022 CPIH rate which was 9.4%.

Impact assessments and handling strategies

The high inflation rate means our charges are increasing by greater than 5% from 2022/23 charges, assuming a similar level of consumption. However, the inclusion of other regulatory adjustments (e.g. Revenue Forecasting Incentive and in-period ODIs) mean the increases in our average and typical bills are below inflation (Nov 2022 CPIH). We have a detailed plan of handling strategies to communicate with our customers which has previously been presented to our Water Forum which includes representatives from CCW.

Summary

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

- a) NWL's charges for 2023/24, as set out in its Charges Schemes, comply with our legal obligations;
- b) We have assessed the effects the new charges have on customers' bills for a range of different customer types and confirm that there are instances where bill increases exceed 5% and we approve the impact assessments and handling strategies developed;
- c) NWL has appropriate systems and processes in place to make sure that the information contained in the Charges Schemes, and additional information, is accurate; and
- d) NWL has consulted CCW on its Charging Schemes for 2023/24 charges in a timely and effective manner.

Signed on behalf of the NORTHUMBRIAN WATER LIMITED Board



































MICHAEL PORTER
Chief Financial Officer







Appendix 1











SUMMARY OF HOUSEHOLD BILL CHANGES 2023/24

The table below summarises the household bill changes for 2023/24 for a typical range of household customer types (assuming a constant level of consumption). This includes measured customers and highlights examples of low, average and high consumption customers. Our unmeasured examples use low, average and high rateable values. We have also included the bill changes for our assessed charges.

NORTHUMBRIAN WATER - MEASURED CUSTOMERS			
 Low volume	 £5.27	 Low volume	 £11.24
 Average volume	 £8.07	 Average volume	 £14.73
 High volume	 £19.24	 High volume	 £28.70
WATER		SEWERAGE	
INCREASE		INCREASE	

NORTHUMBRIAN WATER - UNMEASURED CUSTOMERS			
 Low rateable value	 £10.19	 Low rateable value	 £14.27
 Average rateable value	 £12.45	 Average rateable value	 £18.84
 High rateable value	 £21.48	 High rateable value	 £37.13
 Assessed charge	 £7.66	 Assessed charge	 £17.00
 Assessed charge (single occupier)	 £4.06	 Assessed charge (single occupier)	 £12.50
WATER		SEWERAGE	
INCREASE		INCREASE	

ESSEX & SUFFOLK WATER - MEASURED CUSTOMERS	
 Low volume	 £7.19
 Average volume	 £11.90
 High volume	 £30.74
WATER	
INCREASE	

ESSEX & SUFFOLK WATER - UNMEASURED CUSTOMERS	
 Low rateable value	 £12.31
 Average rateable value	 £20.10
 High rateable value	 £51.23
 Assessed charge	 £10.30
 Assessed charge (single occupier)	 £5.60
WATER	
INCREASE	

KEY

 Water  Sewerage  Increase