

Anglian Water Services Limited

Statement of Assurance for 2021/22 Customer Charges Scheme

I. Requirements for this Assurance Statement

In its charging rules Ofwat sets out that it requires a statement from the Board in order to provide assurance with regards to the published Charges Scheme:

- of compliance with legal obligations in relation to charging;
- of the impact assessment and handling strategies considered;
- as to the accuracy of the charges; and
- on the process that the Company has followed in engaging with stakeholders.

II. How the Requirements have been met

Our Charges Scheme fixes the charges that our customers are required to pay for the period from 1 April 2021 to 31 March 2022 for any services we provide in the course of carrying out our regulated duties. The Charges Scheme sets out the terms and conditions of those charges, and the times and methods of payment that our customers may use to pay our charges. A copy of the Charges Scheme has been provided to Ofwat and is available on our website (www.anglianwater.co.uk).

Our Charges Scheme is developed on the basis of the revenues which Ofwat allows us to recover from our customers as determined by Ofwat through the Price Review 2019 (“PR19”).

Commencing in April 2020, Ofwat has imposed five separate revenue controls as part of PR19. These revenue controls relate to five separate areas of service:

- a) Household water and wastewater retail services;
- b) Wholesale water resources;
- c) Wholesale water network plus;
- d) Wholesale wastewater network plus; and
- e) Wholesale Bioresources.

Our Charges Scheme reflects these revenue controls and areas of service, together with those non-primary charges which we consider are covered by the scheme.

The Board can confirm that to the best of its knowledge, the following statements are true:

- a) The Charges Scheme and supporting information have been prepared in accordance with the Company's legal obligations relating to charging, including under:
 - (i) Water Industry Act 1991, as modified ("the 1991 Act"), and other relevant legislation;
 - (ii) Floods and Water Management Act 2010 (in relation to the company social tariff);
 - (iii) Licence Condition B (and, in particular, the requirement that charges must comply with price limits);
 - (iv) Licence Condition E (and, in particular, the requirement no undue preference is shown to, and that there is no undue discrimination against any class of customers or potential customers);
 - (v) Those provisions of Licence Conditions C, F, H and R that are relevant to the Company's obligations in respect of customer charging; and
 - (vi) Charging rules published by Ofwat, where applicable.
- b) Management has taken reasonable steps to assess the fitness for purpose of the models that are used to generate the charges.
- c) No charges have been set with the objective of distorting competition to supply customers in contestable markets.
- d) The effect of the new charges on our customers' bills are reasonable, based on a review of details as to average measured and unmeasured household bills and the incidence effects for household customers by service and by tariff at typical consumption points. Where bill increases are above the 5% benchmark set by Ofwat the Board has been provided with details of those customer types affected, the level of the increase across a range of typical consumption points and the number of customers likely to be adversely impacted. The Board has

approved of the proportionate impact assessments and handling strategies for these customers.

- e) To ensure its accuracy, the information on which the Charges Scheme and other incidental information is based, including information relating to the regulatory accounts, and information drawn from the billing system reports to assist in the generation of reasonable forecasts of demand and customer numbers, is produced in accordance with the Company's quality assurance processes which are subject to internal and external audit under the oversight of the Audit Committee of the Board.
- f) Ofwat has been informed of any new special agreements entered into since 14 July 2014.
- g) The Consumer Council for Water ("CC Water") has been consulted in relation to the preparation of the Charges Scheme through a series of iterative discussions that included the opportunity to raise any concerns. Specifically, CC Water's comments were sought on the following:
 - (vii) the glide path for phasing out the SoLow tariff and the accompanying customer handling strategies; and
 - (viii) the level of cross-subsidy from non-eligible customers for the social tariff (LITE) introduced under section 44 of the Floods and Water Management Act 2010.

Their comments have been reflected in the Charges Scheme and handling strategies adopted except in relation to the level of social tariff cross-subsidy. Following a further round of customer consultation in September 2020 seeking views as to willingness-to-pay ("WTP") a cross-subsidy to support our social tariff, the outcome was majority support for an increase from £4 per annum per dual service customer to £12 per annum. However, CCW in reviewing the results do not agree we have "broad" support for £12 per annum and argued that we have "broad" support for £10 per annum and no more. We took the matter to Ofwat, proposing a £12 cross-subsidy for 2021/22 with the overall cross-subsidy for AMP7 as a whole balanced back to £10 per annum in the event that take-up on the tariff did not require £12 per annum. Ofwat noted that this was a large increase in cross-subsidy year on year and was proposed on the back of a significant increase in the forecast of customers seeking support as a result of the delayed financial impact of Covid-19. Ofwat advised us to consider the impact of the proposal in the round, including having regard to how the pandemic is impacting the company and the potential impact on end customers over time. The board have therefore agreed that charges for 2021/22 are set based on a £12 per annum cross-subsidy.

In approving the 2021/22 Charges Scheme, the Board has considered the following information:

- a) The charging guidance to Ofwat published by the UK Government which requires (inter alia) that:
 - (ix) any moves towards greater cost reflectivity of charges should be introduced in a measured fashion and should be to the overall benefit of all customers; and
 - (x) the extent and impact of de-averaging on charges for particular groups such as rural customers should be limited by Ofwat.
- b) As set out in the Board paper dated 7 January 2021, details of the charging strategy, cost allocation and tariff setting process, which was developed reflecting the basis of charging and to provide for appropriate revenue recovery across tariff groups; plus compliance with Ofwat's charging rules; and the glide path for the transitional tariffs for customers not eligible to be migrated to non-household charging under the new retail market, and for the phasing-out of the SoLow tariff.
- c) The report prepared by the Financial Auditor following the completion of certain assurance work the scope of which was to (i) confirm the allowed revenue for 2021/22 and (ii) confirm that the charges proposed recover this revenue.
- d) An assessment of the customer bill impacts for an extensive range of customer groups, including impact assessments and handling strategies.
- f) The outcome from discussions with CC Water in regard to charges strategy, bill incidence effects arising from the application of the strategy and resulting handling strategies, compliance with legislation, the revenue controls and Ofwat's Charging Rules for 2021/22.

III. Board Approval

The Board acknowledges its responsibilities in relation to the development of the Charges Scheme.

The Board confirms that it approved the Customer Charges and this statement of assurance at the meeting held on 26 January 2021.

In that meeting, the Board agreed to sign this assurance statement for submission to Ofwat.

Signed by members of the Board of Directors for Anglian Water Services Limited

Signed	Position
<i>John Barry</i>	Non-Executive Director
<i>Steve Buck</i>	Chief Financial Officer
<i>James Bryce</i>	Non-Executive Director
<i>Natalie Ceeney, CBE</i>	Independent Non-Executive Director
<i>Dame Polly Courtice, DBE, LVO</i>	Independent Non-Executive Director
<i>John Hirst, CBE</i>	Chairman
<i>Niall Mills</i>	Non-Executive Director
<i>Zarin Patel</i>	Independent Non-Executive Director
<i>Peter Simpson</i>	Chief Executive Officer
<i>Duncan Symonds</i>	Non-Executive Director
<i>Paul Whittaker</i>	Independent Non-Executive Director