

Anglian Water Services Limited

Statement of Assurance for Indicative Wholesale Charges 2021-22

Referral to Competition and Markets Authority ("CMA")

The allowed revenues that we recover through customer charges are set by Ofwat in its Final Determination of Price Controls at the end of a price review process. The last price review was PR19, covering the period April 2020 to March 2025 ("AMP7"). The allowed revenues were set out in Ofwat's Final Determination ("FD") published on 11 December 2019. We have asked Ofwat to refer this determination to the Competition & Markets Authority ("the CMA").

See the link below for the notice of referral:

<https://assets.publishing.service.gov.uk/media/5e749bf3d3bf7f46816e0bad/005 - Reference of the PR19 final determinations - Notice of reference for Anglian Water Redacted.pdf>

The CMA is expected to publish in December 2020 a redetermination of allowed revenues for AMP7. As a result, allowed revenues are likely to vary from those set out in Ofwat's Final Determination.

For the purposes of calculating the published Indicative Wholesale Charges for 2021/22 we have used the allowed revenues as set out in Ofwat's FD. This is in line with our licence obligations. However, following the CMA's redetermination, our final charges, published next year, will likely vary from these Indicative Charges as a result of any change in allowed revenues arising from the CMA's Redetermination.

I. Requirements for this Assurance Statement

In its Wholesale Charging Rules published in December 2018 Ofwat has set out the requirement that companies publish Indicative Wholesale Charges at least three months prior to publishing final charges.

As part of this process Ofwat requires companies to provide it with an assurance with regards to the published indicative charges:

- 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.

At its meeting on 29 May 2020 the Board agreed to delegate authority to management to sign this statement of assurance in relation to Indicative Wholesale Charges.

II. How the Requirements have been met

Our Charges Schemes are developed on the basis of the revenues that Ofwat allows us to recover each year from our customers during AMP7. These are determined by Ofwat through the Price Review 2019 (“PR19”) and as set out in the Final Determination, together with the mechanisms set out in the PR19 Rulebook that adjust those allowed revenues for performance in prior years. Our Indicative Charges reflect the allowed revenues set out in the Final Determination published on 11 December 2019. We have asked Ofwat to refer this determination to the Central Markets Authority (“the CMA”). The CMA is expected to publish in December a redetermination of allowed revenues for AMP7. As a result, allowed revenues for AMP7 may vary from those published to date.

Ofwat imposed five separate price controls as part of PR19. These price controls relate to five separate areas of our 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.

Indicative Wholesale Charges cover wholesale services subject to primary charges. We understand primary charges to be charges that typically involve a meter based annual charge and/or volumetric charge for the wholesale service provision of a supply of water, or sewerage services, including foul, trade effluent and other discharges from eligible premises, and for highway drainage collection and treatment, and including charges for services provided by a water company under a special agreement (as notified to Ofwat under section 142(6A) of the WIA91). These are the charges per tariff class as set out each year in our Wholesale Charges Schedule.

Non-primary charges, relating to services that may be provided by a water company and requested by a licensed retailer in order to deliver services to their customers at an eligible premises, including connection charges, meter re-sizing charges and trade effluent application fees etc. and charges that do not relate to the provision of services to an eligible premises (for example, fire hydrant charges and treatment of septic tanks), are therefore not included in Indicative Charges.

The management of Anglian Water Services Limited (“Management”) can confirm that, to the best of their knowledge, the following statements are true:

- a) The Indicative Wholesale Charges and supporting information have been prepared in accordance with the Company’s legal obligations relating to customer charging, including under:

- (i) The Water Industry Act 1991 (as modified), and other relevant statutory legislation;
 - (ii) Licence Condition B (and, in particular, the requirement that charges must comply with price limits);
 - (iii) 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);
 - (iv) Those provisions of Licence Conditions C, F, H and R that are relevant to the Company's obligations in respect of customer charging; and
 - (v) Charging rules published by Ofwat, where applicable.
- b) The charges that the company will set and publish for the Charging Year 2021-22 ("Final Charges") may vary from the Indicative Charges, being subject to the following:
- (i) Publication by the CMA in December of the price control redetermination including potential changes in the revenue allowed compared to the previous PR19 Final Determination allowed revenue on which the Indicative Charges are based;
 - (ii) publication of actual November CPIH;
 - (iii) the impact of updated charge multiplier data, available just prior to fixing our charges for publication; and
 - (iv) the review and final approval by the Board of Anglian Water Services Limited of Final Charges prior to publication.

In order to provide this statement of assurance, Management is satisfied that:

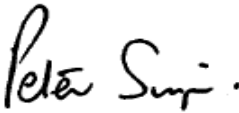

- a) The Company has taken reasonable steps to assess the fitness for purpose of the models that are used to generate the Indicative Wholesale charges.
- b) No charges have been set with the objective of distorting competition to supply customers in contestable markets.
- c) The effect of the new charges on bills are reasonable, based on a review of the incidence effects for customers by service and by tariff group, as assessed at typical consumption points. Where indicative bill increases are above the 5% benchmark set by Ofwat in its Charging Rules, the Company has reviewed 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 Company has developed proportionate impact assessments and handling strategies for these customers as a result of this review.

- d) To ensure its accuracy, the information on which the Indicative Wholesale Charges are 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.
- e) Ofwat has been informed of any new special agreements entered into since 14 July 2014.
- f) The Consumer Council for Water ("CCW") has been consulted in relation to the preparation of the Indicative Wholesale Charges Schedule, specifically in a conference call held on 1 October 2020 to discuss the proposed charges and the impact on bills, including our communication strategy for those retailers serving customers where bill incidence effects may exceed 5%. CCW has confirmed that they do not have concerns with our approach to the Indicative Charges.

III. Approval

Management acknowledges its responsibilities in relation to the development of the Charges Schemes.

The Indicative Wholesale Charges and this statement of assurance were approved on 9 October 2020.

Signed	Name	Position
	Peter Simpson	Chief Executive Officer
	Alex Plant	Regulation Director