



BRISTOL
WATER

Indicative Charges 2022/23 Assurance Statement

13 October 2021



STATEMENT OF ASSURANCE 2022/23 INDICATIVE WHOLESale CHARGES

The Board of Bristol Water confirms that:

- a) the company complies with its legal obligations relating to the wholesale charges it has published;
- b) the Board has assessed the effects of the new charges on licensees (as a whole or in groups) who are retailing wholesale services to eligible customers and to business end-users (as a whole or in groups). The Board has also assessed the impact on New Appointment and Variation (NAV) appointees who receive bulk supplies from Bristol Water;
 - a. This assessment has identified there are instances where bill increases for licensees (as a whole or in groups) who are retailing wholesale services to eligible customers and business end-users (as a whole or in groups) exceed 5%. This reflects the impact of the CMA price control determination and is not related to specific charging assumptions or changes in tariff structures.
 - b. We will consult with retailers and stakeholders before finalising our wholesale and user charges, and as such no further impact assessment or specific handling strategies are required, beyond those normally maintained by the company.
 - c. The Board notes that there are specific uncertainties related to the outcome of the CMA merger investigation of Bristol Water and Pennon, and forecasts of customer numbers and volumes due to the ongoing impacts of Covid-19. We will revisit the impacts and any relevant decisions by the CMA before finalising charges in January 2022.
- c) the company has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published about its indicative wholesale charges is accurate;
- d) the company has consulted with relevant stakeholders in a timely and effective manner on its indicative wholesale charges schemes, through the Bristol Water Challenge Panel;
- e) there are no significant changes to the structure of our indicative wholesale charges, NAV charges or new connection charges. Bristol Water is publishing



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both indicative wholesale charges and indicative new development charging arrangement documents in order to facilitate engagement.

We summarise our key changes in charges and other useful information that provides context for this statement at the end of this document.

We are changing the structure of elements of our new connection charging arrangements, consistent with the consultation responses that we received and discussed with Ofwat in response to their consultation on the release of Bristol Water from the developer services market commitments. This consultation is in the form of an indicative new connections charging arrangements document, and we will reflect the outcome of this consultation in our final proposals for 2022/23 developer services charges.

Signed on behalf of the Board of Bristol Water:

Mel Karam
Chief Executive



Supporting information for indicative household, wholesale and new connection charges

We have published our indicative Wholesale charges for 2022/23 in order to provide retailers and customers with information on the expected levels and to facilitate consultation on these. Wholesale charges principally apply to non-household customers, in that they provide the basis for Retailers to set end-user charges.

We also provide information on projected bill impacts for households as well as retailers.

There is a level of uncertainty related to the indicative wholesale charges information due to the acquisition of Bristol Water by Pennon Group in June 2021. If there are any adjustments to our revenues or charges that arise following the Competition & Markets Authority inquiry into this acquisition and are made and applicable to 2022/23, these will be incorporated in the final tariffs. 2022/23 revenues will also be adjusted in line with the outcome of Ofwat's in-period determination relating to 2020/21 performance.

Additional uncertainty is created by the ongoing impact of the Covid-19 pandemic, and the effect on the number of customers (particularly business customers), consumption patterns and the level of support we need to provide through our social tariffs. These indicative tariffs include our current assumptions, which will be updated for final charges as the potential impact on 2022/23 becomes clearer.

These charges will be finalised upon release of Ofwat's in-period determination (expected mid-November 2021) and the November 2021 CPI(H) figure (due to be published 15th December 2021).

The table below presents the example bill changes for Household customer charges affecting customers on measured (metered) and unmeasured charges for 2022/23 compared to 2021/22. For measured household customers we show a range of typical volumes (m³ per annum) and for unmeasured household customers a range of Rateable Values (£). The changes in different customer categories largely reflect that retail standing charges do not have CPI(H) inflation applied. For ease of presentation, the components of the example bills are shown later in this statement.

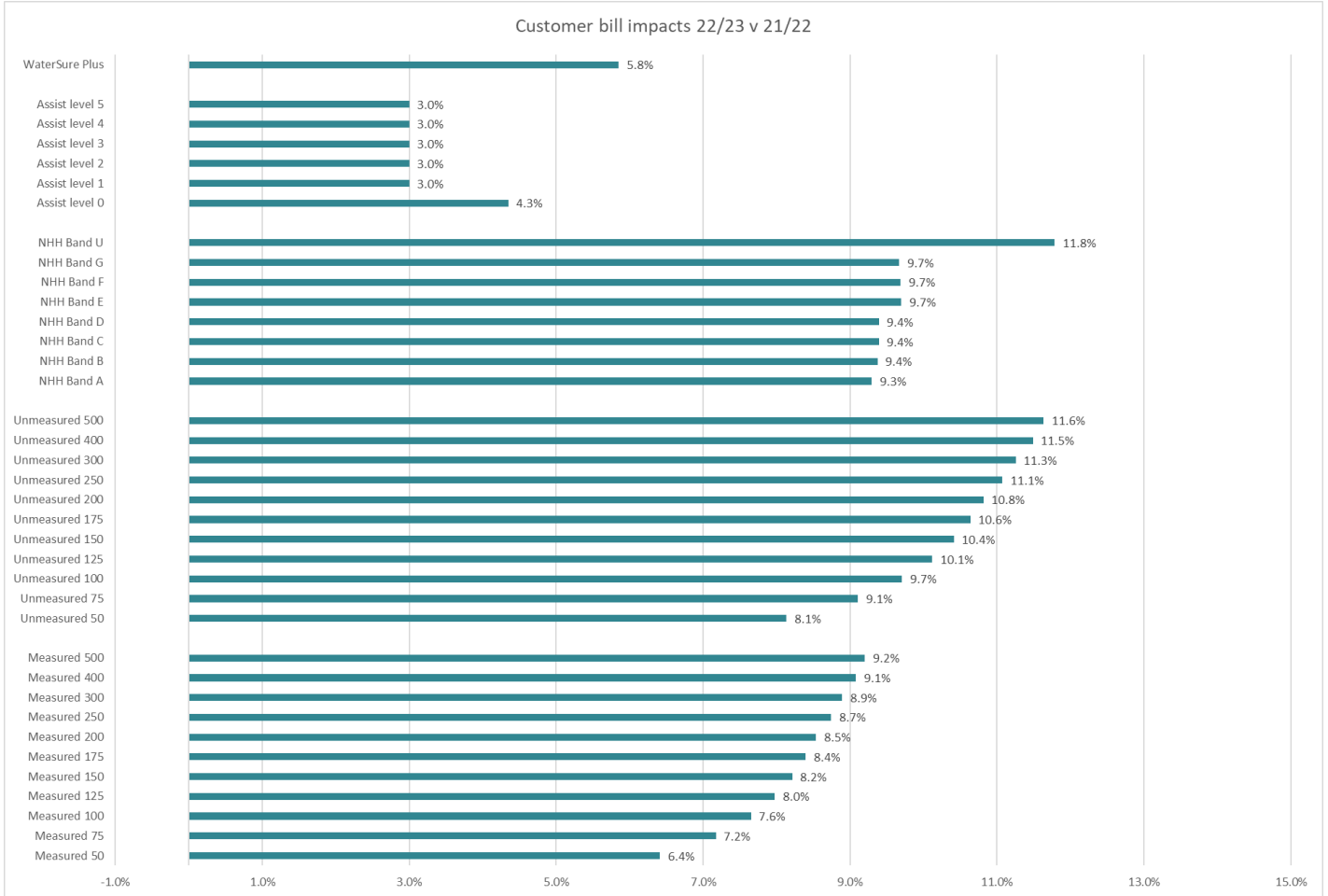


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Household Customers	Customer Group	Water used (litres per day)	Typical Bill 2021/22 (£)	Typical Bill 2022/23 (£)	Change (£)
Measured Households	Measured 50	50	107.89	114.81	6.92
	Measured 75	75	140.14	150.19	10.05
	Measured 100	100	172.38	185.57	13.19
	Measured 125	125	204.63	220.94	16.32
	Measured 150	150	236.87	256.32	19.45
	Measured 175	175	269.12	291.70	22.59
	Measured 200	200	301.36	327.08	25.72
	Measured 250	250	365.85	397.84	31.99
	Measured 300	300	430.34	468.60	38.26
	Measured 400	400	559.32	610.11	50.79
Measured 500	500	688.30	751.63	63.33	
Unmeasured Households	Unmeasured 50	50	88.49	95.68	7.19
	Unmeasured 75	75	115.73	126.26	10.54
	Unmeasured 100	100	142.97	156.85	13.88
	Unmeasured 125	125	170.21	187.43	17.22
	Unmeasured 150	150	197.46	218.02	20.56
	Unmeasured 175	175	224.70	248.60	23.90
	Unmeasured 200	200	251.94	279.19	27.25
	Unmeasured 250	250	306.43	340.36	33.93
	Unmeasured 300	300	360.91	401.53	40.62
	Unmeasured 400	400	469.88	523.86	53.98
Unmeasured 500	500	578.85	646.20	67.35	



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Proposed Wholesale Charges

The table below presents example bill changes for wholesale charges affecting licenced retailers that supply eligible Non-Household (business) customers on measured (metered) and unmeasured charges for 2022/23 compared to 2021/22¹. This reflects our non-Household charges as set out in our published Wholesale Charges Schedule. Charges for measured Non-Household customers (Bands A to G) are based on forecasts of annual water used (m³ per annum) and for unmeasured Non-Household customers (Band U) the charge is based on the Rateable Value (£).

Non-Household Customers by Band		Water used (m ³ per annum)	Typical Bill 2021/22 (£)	Typical Bill 2022/23 (£)	Change (£)	Change (%)
Non-Households	Band A	375000	375446	410339	34893	9.3%
	Band B	175000	183936	201177	17241	9.4%
	Band C	75000	83082	90883	7802	9.4%
	Band D	32500	37892	41451	3559	9.4%
	Band E	10000	12558	13776	1218	9.7%
	Band F	2000	2551	2798	247	9.7%
	Band G	500	648	711	63	9.7%
	Band U	200	230	257	27	11.8%

Bill Impact for Assessed Charges (Household and Non-Household)

Assessed charges are levied for customers who have requested to be charged on a measured (metered) basis but for whom it is not possible to install a water meter at their property. Assessed charges are available to both Household customers, in which case the Assessed charge is based on the number of bedrooms in their property, and Non-Household customers in which case the Assessed charge is based on the number of employees. Single Household occupiers receive the 1 bedroom assessed charge.

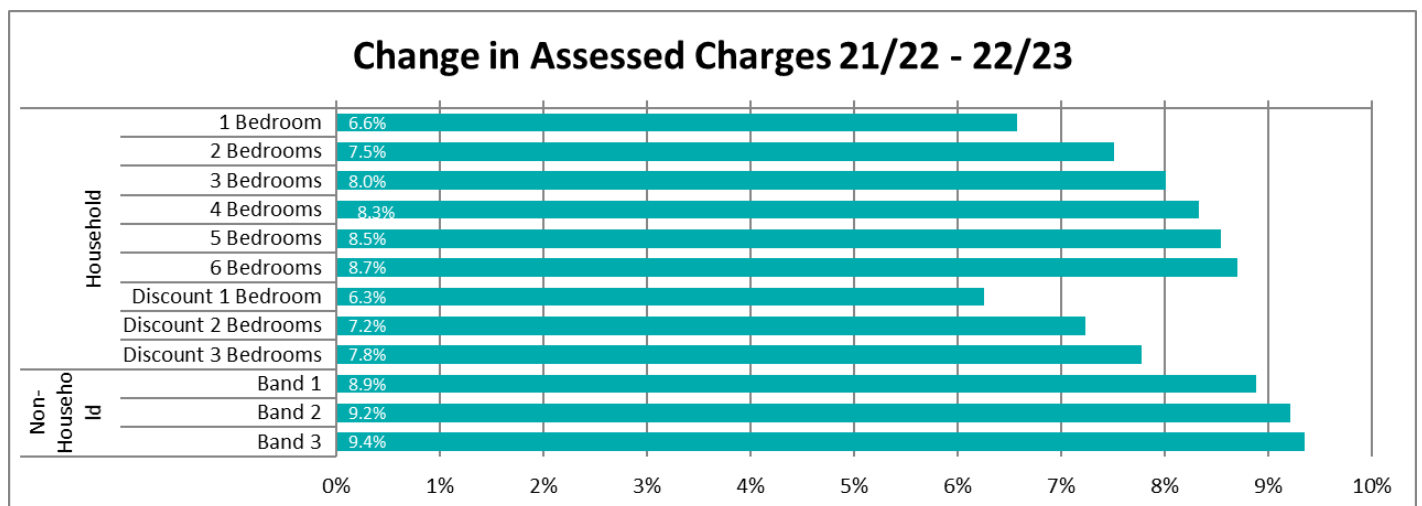
¹ Charges for retail services provided by retailers will be added to the wholesale charge payable by Non-Household (business) customers.



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The table below presents typical bill changes for Assessed Household and non-Household customer charges for 2022/23 compared to 2021/22, as reflected in our standard charges publications. The change in charges is also presented in the graph overleaf.

Assessed Charges		Bill 2021/22 (£)	Bill 2022/23 (£)	Change (£)	Change (%)
Household	1 Bedroom	113.78	121.27	7.49	6.6%
	2 Bedrooms	161.57	173.71	12.14	7.5%
	3 Bedrooms	209.36	226.14	16.78	8.0%
	4 Bedrooms	257.15	278.57	21.42	8.3%
	5 Bedrooms	304.94	331.01	26.07	8.5%
	6 Bedrooms	352.73	383.44	30.71	8.7%
	Discount 1 Bedroom	103.22	109.69	6.46	6.3%
	Discount 2 Bedrooms	143.84	154.26	10.41	7.2%
	Discount 3 Bedrooms	184.47	198.83	14.36	7.8%
Non-Household	Band 1	60.96	66.38	5.42	8.9%
	Band 2	101.01	110.32	9.31	9.2%
	Band 3	141.06	154.26	13.20	9.4%
	Band 4	113.78	121.27	7.49	6.6%



NAV charge approach

New Appointments or Variations (NAVs) operate within defined areas within an incumbent water company's supply region. They are responsible for operation and



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maintenance of the supply network within their own areas of appointment, and for billing and customer service relationships. These are typically on new build housing developments.

The starting point for our NAV tariffs is our wholesale charging structure, which sets standing and volumetric charges for households, and for non-households in seven different consumption bands.

The principle of our NAV tariffs is that we then deduct from the wholesale charges the costs that we avoid within the NAV site. This recognises that we do not incur certain types of costs within NAV sites because some activities that we undertake where we serve customers directly

We no longer apply a standing charge to properties on NAV sites.

Variable charges

- We apply discounts in relation to:
 - the ongoing costs we avoid at NAV sites:
 - not having to replace communication pipes and stop taps
 - not having to replace meters and their chambers
 - not having to renew or replace water mains within the sites
 - not having to clean (“flush”) the water mains
 - leakage allowances for volumes not used by NAV customers compared to our bulk meter.
 - depreciation costs avoided at NAV sites (an annuity for asset replacement)
 - the operating margin for risks we do not face without end customers.
- Where relevant we adjust the calculated discounts for larger non-household properties in recognition of the discounts already included within wholesale charges, reflecting that for larger users they are receiving a discount for on site operations, flushing and leakage etc.

Our proposed NAV tariffs are shown below.

Tariff Band	Customer consumption (m3 p.a.)	Standard rate wholesale tariff £ per m3	On going costs - discount £/m3	Depreciation - discount £/m3	Operating margin and leakage	Variable NAV Tariff £/m3 2022/23	Variable NAV Tariff £/m3 2021/22	% Change
NHH A	<500000	24444.99	-0.02299	0.0000	-0.0095	0.9966	0.9226	8.02



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NHH B	<250000	9726.29	-0.02325	-0.0284	-0.0395	1.0029	0.9231	8.64
NHH C	<100000	4175.62	-0.03012	-0.0284	-0.0825	1.0151	0.9301	9.14
NHH D	<50000	1891.08	-0.03405	-0.0584	-0.0825	1.0423	0.9519	9.50
NHH E	<15000	39.10	-0.16875	-0.0584	-0.0825	1.0641	0.9609	10.74
NHH F	<5000	11.36	-0.16960	-0.0584	-0.0825	1.0831	0.9782	10.72
NHH G	<1000	5.24	-0.11945	-0.0584	-0.0825	1.1513	1.0434	10.34
H Household tariff		12.34	-0.04848	-0.0584	-0.0825	1.2258	1.1154	9.90



Infrastructure charges and income offset

Our infrastructure charges are forecast to increase from £273 for 2021/22 to £309 for 2022/23. The cost and connection assumptions behind this are set out in our indicative new connection charging arrangements consultation document.

In addition, the infrastructure payment / “income offset” reflects a payment necessary to developers (including NAVs and SLPs) to reflect the balance between charges paid by developers and those paid by other customers. For 2022/23 this is expected to be £691, a slight increase from 21/22 in order to maintain the balance of infrastructure charges.

Value of income offset to maintain balance of charges	£3,635,399
Number of properties connected	5,265
Value of income offset per property based on 85% discount to requisition charges	-£691
Infrastructure charge per property	£309
Net infrastructure payment per connection	-£382



Bill Impacts and Handling Strategies

As this supporting information sets out, we currently anticipate that all wholesalers will receive a bill increase greater than 5% between 2021/22 and 2022/23, although a number of uncertain elements may impact final 22/23 charges. Wholesale bill increases for measured non-household customers are currently estimated at 9-10%. Whilst unmeasured bill increases are higher, these represent a small proportion of non-household customers and no retailer serves only unmeasured customers.

Household bill increases are currently forecast at 6-9% for measured customers, and between 8-12% for unmeasured customers, with larger increases for the largest users or properties with the highest rateable values. This reflects a number of factors, including:

- the outcome of the CMA redetermination of PR19, which resulted in an increased revenue allowance for Bristol Water, to be applied over the remaining three years of the price control period
- CPI(H) inflation forecast of 3.2% for November 2021 (impacted by the suppression of some prices in 2020 due to Covid-19)
- Ongoing Covid-19 impacts on non-household demand, increasing the proportion of our revenue we must recover from household customers
- Growth in the number of customers on social tariffs, in part due to the economic impacts of Covid-19

We will work with stakeholders and customer representatives, in particular CCW and the Bristol Water Challenge Panel, to explain these impacts and the support we can provide for customers affected, in particular through our social tariffs. We have simplified the application process for our Assist tariff, which can provide discounts of up to 88% on average bills, in order to ensure we can support those customers most in need.

We forecast that infrastructure charges will increase by 13%, due to new infrastructure required to support the development of a number of NAV development sites in the Fishpool area. The impact of income offset payments is that the net impact of infrastructure charges and income offset is an 8% increase. We do not anticipate other new connection charges increasing by more than 10%.

The changes we plan to make in new connection charges for 2022/23 take some specific costs out of overheads we apply to mains and service connection charges into separate application and design fees. We are consulting on whether to make this change, and how to structure the changes into bands to avoid a net impact on



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developments of different sizes. There is no net impact on the total amount paid by developers.