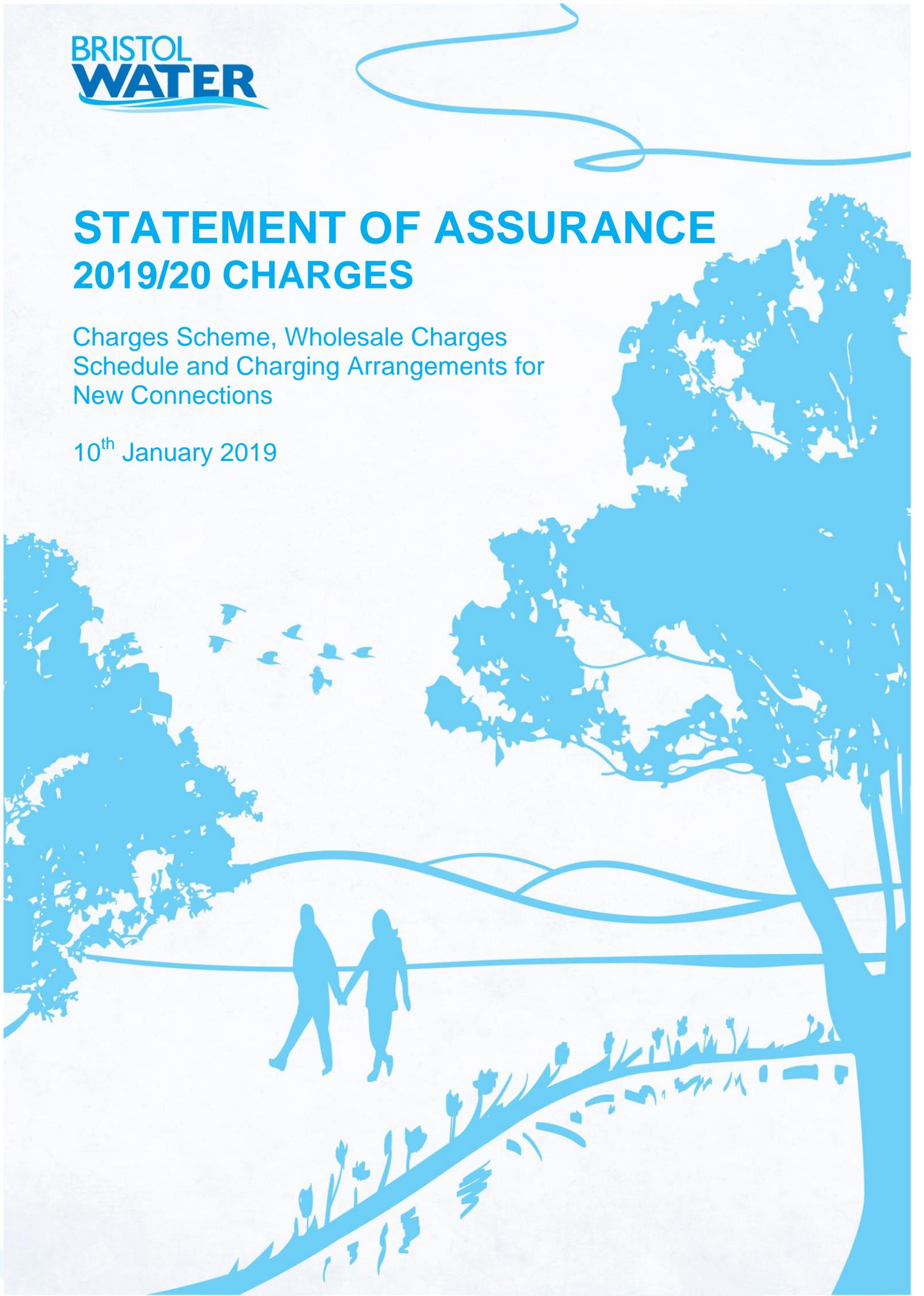


STATEMENT OF ASSURANCE 2019/20 CHARGES

Charges Scheme, Wholesale Charges
Schedule and Charging Arrangements for
New Connections

10th January 2019



1 Introduction

This statement of assurance is provided in accordance with Ofwat’s expectations as set out in Information Notice IN18/ 18 and relevant Charges Rules publications¹. This statement covers the Charges Scheme that applies to end user customer tariffs and charges, wholesale charges to licensed retailers supplying eligible business customer premises and new connection charging arrangements to developers. Our statement is accompanied by supporting useful information on our charges.

A summary of the annual charges publications that this statement of assurance applies to is provided below.

Annual Charges Publications

Charges Scheme

Our charges to all **domestic customers** for the supply and billing of water.

Wholesale Charges Schedule

Our wholesale charges to **licensed retailers** supplying eligible **non-household (business) premises**; and the wholesale element of our charges to **household customers** for the supply of water, and to New Appointments and Variations (NAVs).

Charging Arrangements for New Connections

Our charges for setting up new water supply connections applicable to **developers, retailers, households and businesses**

Statement of Assurance

A statement of assurance provided by the Bristol Water plc. Board that our Charges Scheme, Wholesale Charges Schedule and Charging Arrangements for New Connection Service are compliant with the Ofwat charging rules.

¹ Wholesale Charging rules (October 2018); Charges Scheme Rules (June 2018); and Charging rules for new connection services – English undertakers (June 2018).

2 Statement of Assurance

2019/20 CHARGES SCHEMES, WHOLESALE CHARGE SCHEDULE AND NEW CONNECTION CHARGING ARRANGEMENTS

The Board of Bristol Water confirms that:

- a) The company complies with its legal obligations relating to the charges set out in its charges schemes, wholesale charge schedule and new connection charging arrangements.
- b) The Board has assessed the effects of the 2019/20 charges on customers' bills and wholesale service charges to retailers supplying customers occupying eligible premises for a range of different customer types, and confirms that there are no instances where bill increases for particular customer types exceed 5%, given a constant level of consumption;
 - a. We have revised our assessed charges for the latest information on measured consumption following the introduction of our selective metering programme. This results in reductions in assessed charges without a material impact on other customer types.
 - b. We summarise our key changes in charges and other useful information that provides context for this statement at the end of this document.
- c) No significant changes to charges have been made, other than that associated with publishing a tariff formula for the calculation of bulk charges that apply to New Appointments and Variations (NAVs). The final wholesale charges are not significantly different to the indicative wholesale charges published in October 2018.
- d) The company has appropriate systems and processes in place to make sure that the information contained in the charges scheme, wholesale charge schedule and new connection charging arrangements, and the additional information requested by Ofwat is accurate; and
- e) The company has consulted the Consumer Council for Water and other relevant stakeholders in a timely and effective manner on its charges schemes, wholesale charge schedule and new connection charging arrangements.

The submission is signed by the Board of Bristol Water and we confirm that the Board has reviewed and endorsed it.

STATEMENT OF ASSURANCE

2019/20 CHARGES SCHEMES, WHOLESALE CHARGE SCHEDULE AND NEW CONNECTION CHARGING ARRANGEMENTS

Board Approval			
Name	Role	Signature	Date
Keith Ludeman	Chairman		10.1.19
Tim Tutton	Senior Independent Non-Executive		10.1.19
Jeremy Bending	Independent Non-Executive		10.1.19
Paul Francis	Independent Non-Executive		10.1.19
Jim McAuliffe	Independent Non-Executive		10.1.19
Indradoot Dhar	Non-Executive		10.1.19
Hajime Ichishi	Non-Executive		10.1.19
Paul Malan	Non-Executive		10.1.19
Mel Karam	Chief Executive Officer		10.1.19
Laura Flowerdew	Chief Financial Officer		10.1.19

3 Supporting Information on our Household, Wholesale and New Connection Charges

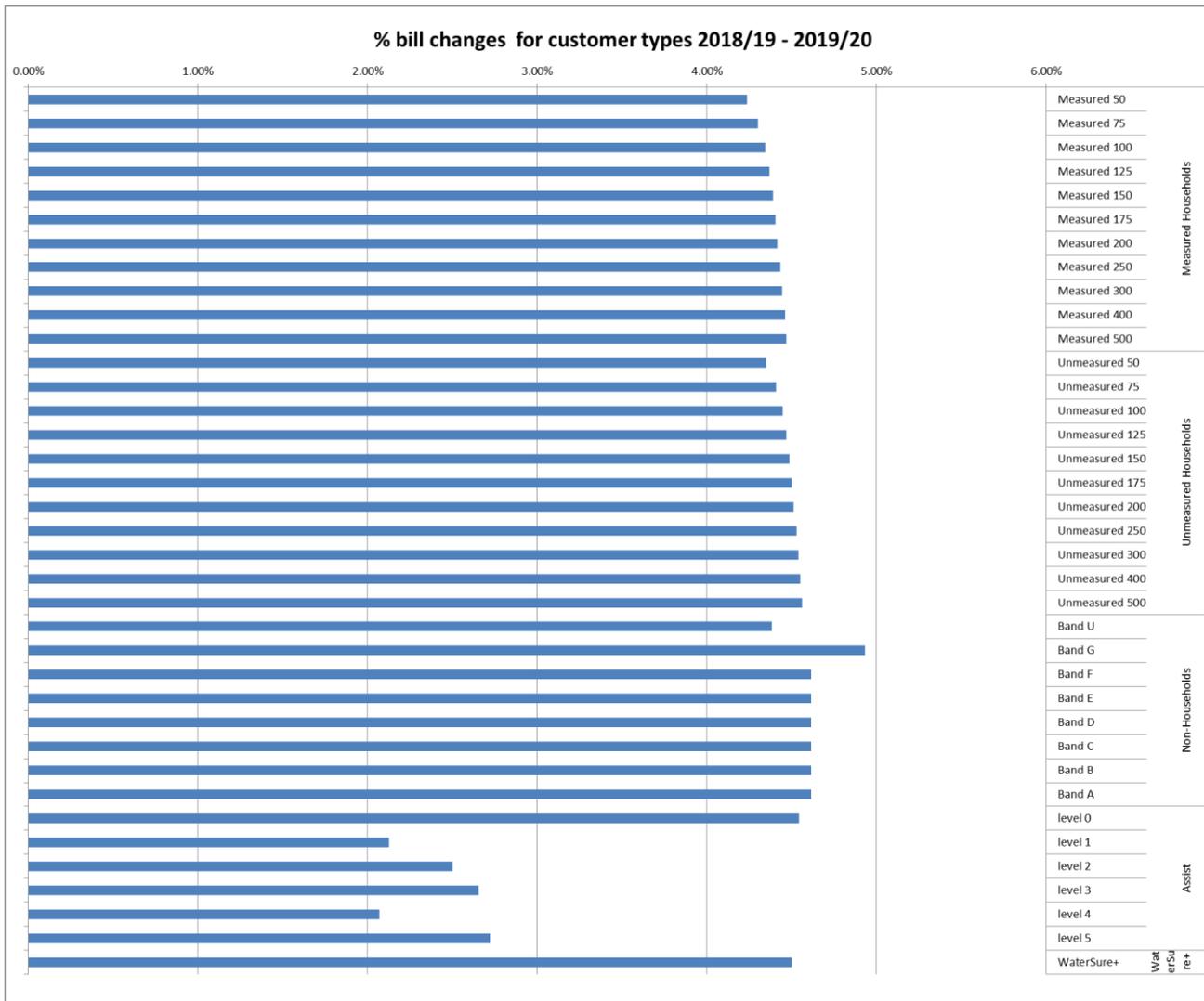
3.1 Bill Impact for Household Customer Charges

Table 3-1 presents the example bill changes for Household customer charges affecting customers on measured (metered) and unmeasured charges for 2019/20 compared to 2018/19, showing that the bill impact for each customer type is less than 5%. This reflects our measured and unmeasured charges as set out in our charges publications². 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 RPI inflation applied. For ease of presentation, the components of the example bills are shown later in this statement.

Table 3-1 - Movement in example bills, by Household Customer Group and Levels of Water Usage, 2019/20 charges compared to 2018/19

Household Customers	Water used (m ³ per annum) / Rateable Value £RV	Example Bill 2018/19 (£)	Example Bill 2019/20 (£)	Change (£)	Change (%)
Measured Households	50	103.27	107.64	4.38	4.24%
	75	135.15	140.96	5.82	4.30%
	100	167.03	174.28	7.25	4.34%
	125	198.91	207.61	8.69	4.37%
	150	230.80	240.93	10.13	4.39%
	175	262.68	274.25	11.57	4.41%
	200	294.56	307.57	13.01	4.42%
	250	358.33	374.21	15.89	4.43%
	300	422.09	440.85	18.76	4.45%
	400	549.62	574.14	24.52	4.46%
Unmeasured Households	50	84.76	88.45	3.69	4.35%
	75	111.27	116.17	4.91	4.41%
	100	137.77	143.90	6.13	4.45%
	125	164.28	171.62	7.35	4.47%
	150	190.78	199.34	8.56	4.49%
	175	217.29	227.07	9.78	4.50%
	200	243.79	254.79	11.00	4.51%
	250	296.80	310.24	13.44	4.53%
	300	349.81	365.69	15.88	4.54%
	400	455.83	476.58	20.75	4.55%
500	561.85	587.48	25.63	4.56%	

² Household Charges Scheme and Wholesale Charges Arrangement



3.2 Bill Impacts for Wholesale Charges to Retailers

Table 3-2 presents example bill changes for wholesale charges affecting licenced retailers that supply eligible Non-Household (business) customers on measured (metered) and unmeasured charges for 2019/20 compared to 2018/19³. 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 (£).

³ Charges for retail services provided by retailers will be added to the wholesale charge payable by Non-Household (business) customers.

Table 3-2 - Movement in the typical bill, by Non-Household Customer Group and Levels of Water Usage, 2019/20 charges compared to 2018/19

Non-Household Customers by Band	Water used (m ³ per annum)	Typical Bill 2018/19 (£)	Typical Bill 2019/20 (£)	Change (£)	Change (%)
Band U	200	223	233	10	4.5%
Band G	500	636	667	31	4.9%
Band F	2,000	2,508	2,624	116	4.6%
Band E	10,000	12,348	12,918	570	4.6%
Band D	32,500	37,283	39,004	1,721	4.6%
Band C	75,000	81,758	85,532	3,774	4.6%
Band B	175,000	180,987	189,343	8,356	4.6%
Band A	375,000	369,542	386,604	17,062	4.6%

3.3 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.

We have changed our approach to applying assessed charges for 2019/20. For 2018/19 charges we identified that the level of water usage we had assumed to inform our single-occupier Assessed Charges for household customers was higher than new information from our water resource management plan. Our revised approach is based on the average level of water consumption for an individual person, with a 10% addition to reflect the additional non-occupancy related water usage requirements (for example in gardening or cleaning). We completed our transition to this new level of charges in 2019/20, and as metering increases we will have improved information to refine the assessed charge in future years.

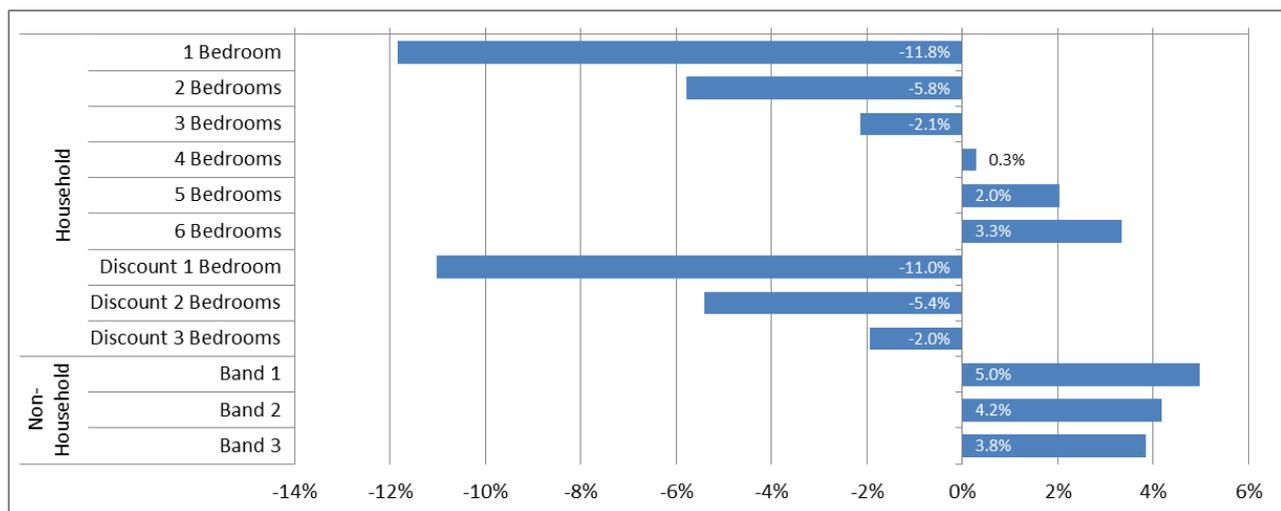
Table 3-3 presents the typical bill changes for Assessed Household and non-Household customer charges for 2019/20 compared to 2018/19, as reflected in our standard charges publications. The change in charges is also presented in Figure 3-1 to illustrate the impact that the revised approach to calculating the charges has had.

Table 3-3 – Bill Movement for Household and non-Household customers on Assessed Charges, 2019/20 charges compared to 2018/19

Assessed Charges		Bill 2018/19 (£)	Bill 2019/20 (£)	Change (£)	Change (%)
Household	1 Bedroom	127.24	112.17	-15.07	-11.8%
	2 Bedrooms	169.42	159.62	-9.80	-5.8%

Assessed Charges		Bill 2018/19 (£)	Bill 2019/20 (£)	Change (£)	Change (%)
Household	3 Bedrooms	211.60	207.06	-4.54	-2.1%
	4 Bedrooms	253.78	254.51	0.73	0.3%
	5 Bedrooms	295.96	301.96	6.00	2.0%
	6 Bedrooms	338.14	349.40	11.26	3.3%
	Discount 1 Bedroom	114.08	101.50	-12.58	-11.0%
	Discount 2 Bedrooms	149.93	141.83	-8.11	-5.4%
	Discount 3 Bedrooms	185.79	182.15	-3.63	-2.0%
Non-Household	Band 1	58.01	60.89	2.88	4.96%
	Band 2	96.79	100.83	4.04	4.2%
	Band 3	135.57	140.78	5.21	3.8%

Figure 3-1- Bill Movement for Household and non-Household customers on Assessed Charges, 2019/20 compared to 2018/19 (% change)



3.4 Average Household Customer Bills

Average household bills are forecast to be £189 for 2018/19, compared to £183 in 2018/19, which represents an increase of 3.6%. The movement in the average bill since 2014/15 is summarised in Figure 3-2, showing the 2019/20 level similar after inflation to that in previous years, after the 16% reduction in 2015.

Figure 3-2 - Average Household Customer Bill, 2014/15 to 2019/20 (£)

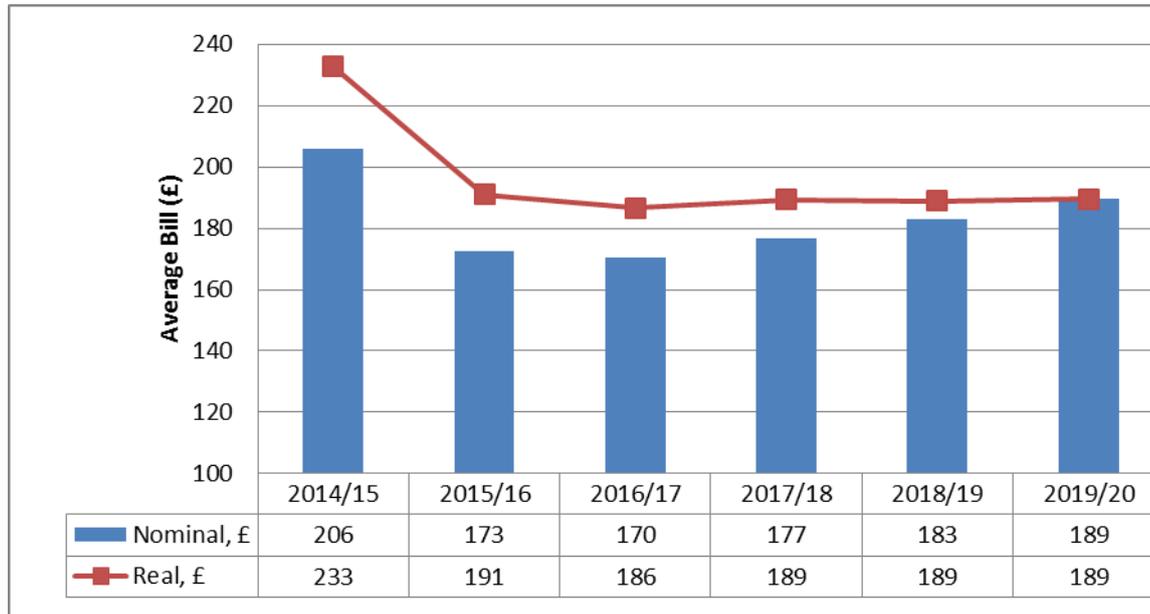


Table 3-4 presents a breakdown of the average bill for Household customers charged on an Unmeasured and Measured (metered) basis for 2019/20 compared to 2018/19.

Table 3-4 - Average Household Customer Bill, by Measured and Unmeasured Charges, 2019/20 compared to 2018/19 (£)

Household Customers	2018/19 average bill (£)	2019/20 average bill (£)	Change (£)	Change (%)
Measured	163	170	7	4.8%
Unmeasured	208	220	12	5.9%
Overall	183	189	6	3.6%

The average bill has increased by 3.6% compared to 2018/19. In setting the 2019/20 charges we accounted for November RPI inflation (3.2%) and an allowed wholesale K factor of 0.2% for 2019/20, a total of 3.4%. With the commitment of the Bristol Water Board, we have also decided to apply an early deduction of £1.3m to our revenue recovery in 2019/20 to reflect that we expect to incur a Outcome Delivery Incentive (ODI) penalty in respect of our Leakage performance for 2015/16-2017/18, rather than wait for it to be included within the PR19 determination and applied over 2020/21-2024/25, The overall calculated allowed wholesale revenue also includes £2.4m related to revenue under-recovery in 2014/15 to 2017/18.

The overall average bill movement is lower than that for unmeasured or measured customers due to the effect of customers switching from higher unmeasured bills to lower measured bills through optional and selective metering.

The movement in charges for measured and unmeasured household customers for 2019/20 compared to 2018/19, broken down by the component standing and variable charges, are summarised in Table 3-5 and Figure 3-3.

Table 3-5 - Movement in Charges for Measured and Unmeasured Customers, by Charging Component, 2019/20 compared to 2018/19

Household Customer	Charging Component	2018/19	2019/20	Change	% change
Measured Household	Standing (£)	39.50	41.00	1.50	3.8%
	Variable (£/m3)	1.2753	1.3328	0.0576	4.5%
	Retail Standing (£)	27.34	28.41	1.07	3.9%
	Wholesale Standing (£)	12.16	12.59	0.43	3.6%
	Wholesale Variable (£/m3)	1.2753	1.3328	0.0576	4.5%
Unmeasured Household	Standing (£)	31.75	33.00	1.25	3.9%
	Variable (£/RV)	1.0602	1.1090	0.0487	4.6%
	Retail Standing (£)	21.08	22.16	1.08	5.1%
	Wholesale Standing (£)	10.67	10.84	0.17	1.6%
	Wholesale Variable (£/RV)	1.0602	1.1090	0.0487	4.6%

Figure 3-3 - Movement in Standing Charges for Measured and Unmeasured Customers, by Charging Component, 2019/20 compared to 2018/19

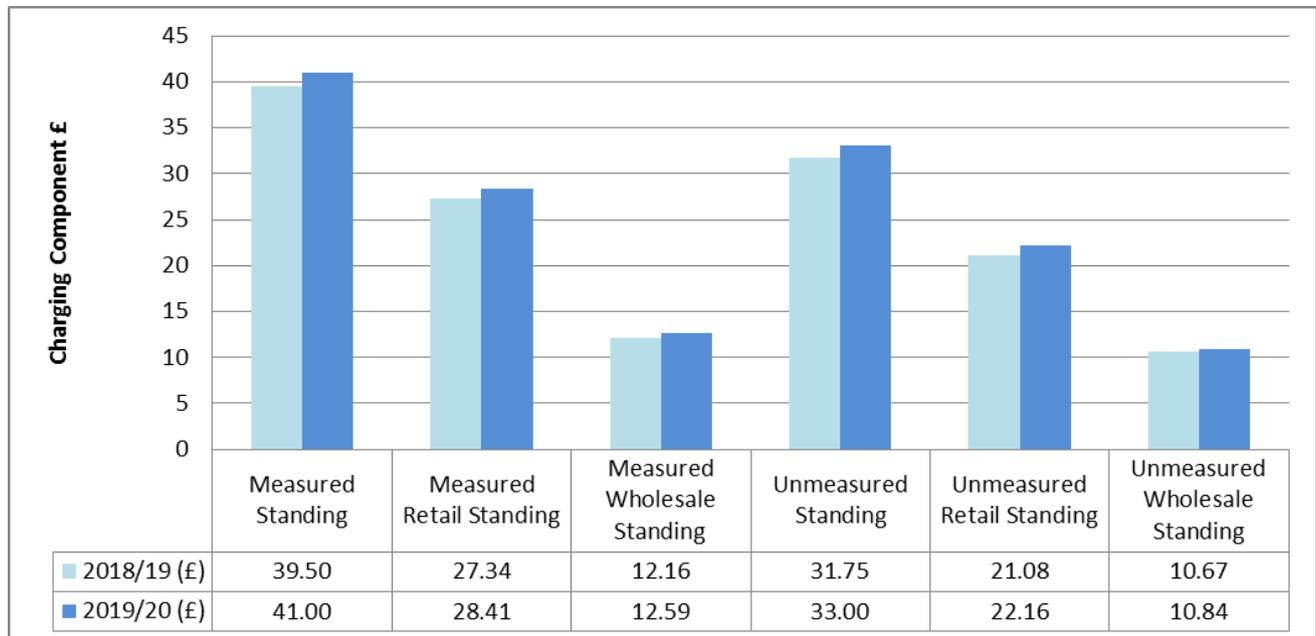
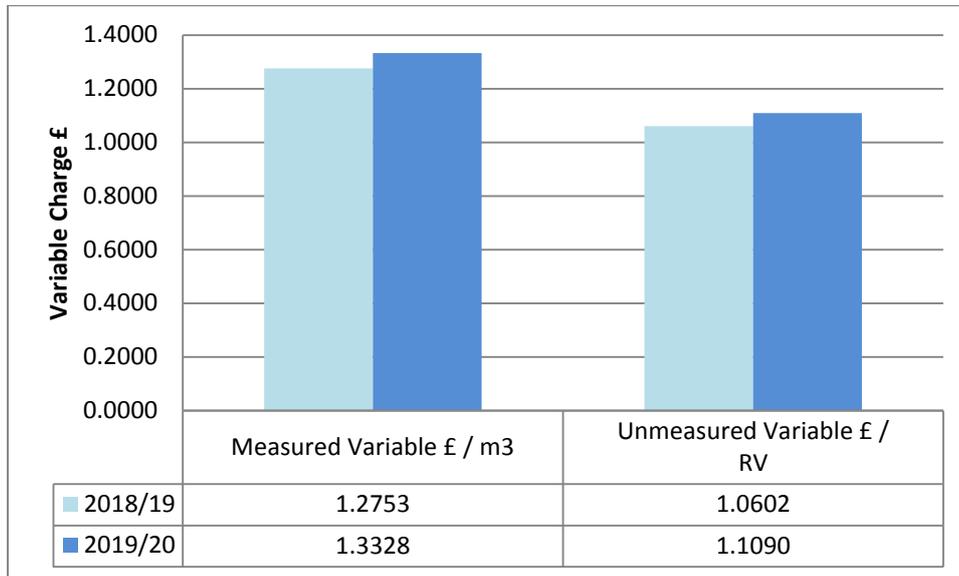


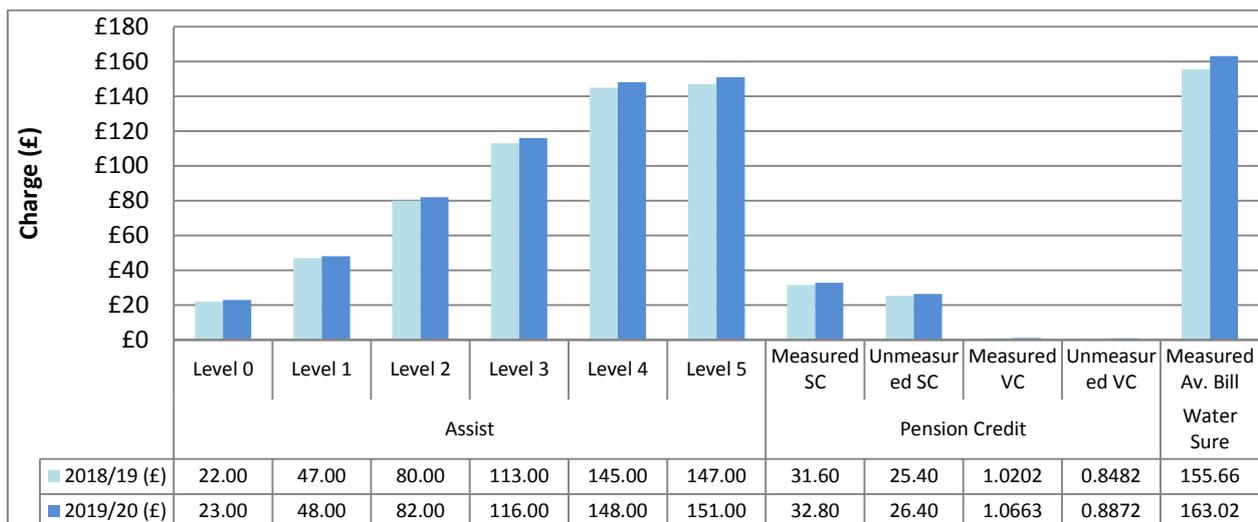
Figure 3-4 - Movement in Variable Charges for Measured and Unmeasured Customers, 2019/20 compared to 2018/19



3.5 Social Tariffs and Cross Subsidies

Social Tariffs and the amount recovered through other customer bills vary dependent on the number of claimants and by the level of the social tariff charged. As Figure 3-5 presents, there has been a slight increase across all social tariffs charged in 2019/20 compared to 2018/19.

Figure 3-5 - Movement in Social Tariff Charges, 2019/20 compared to 2018/19 (£)

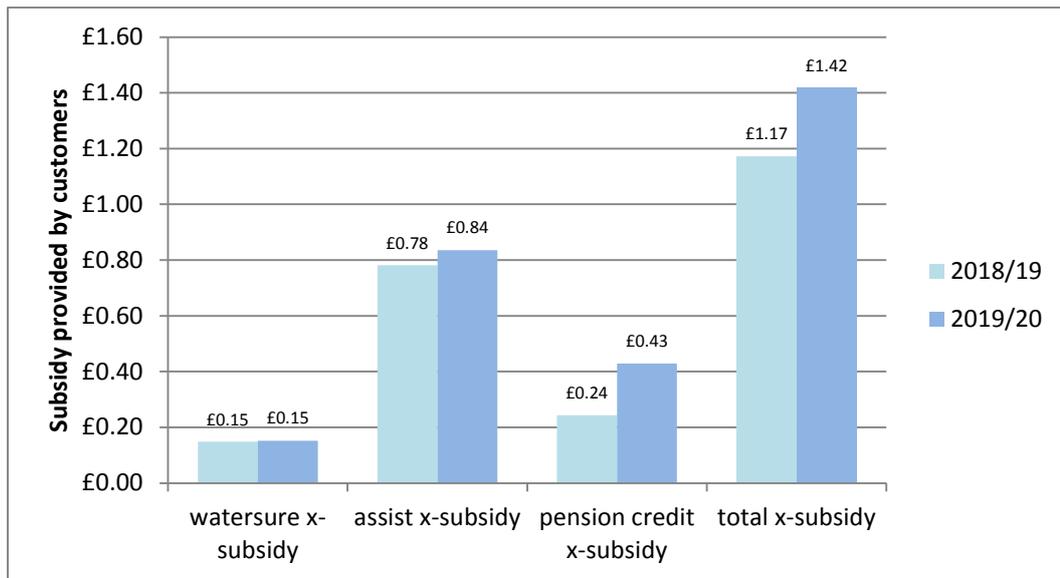


The overall level of the social tariff cross-subsidy for 2019/20 is £1.42 per customer, compared to £1.17 per customer in 2018/19, due to the growth in the number of customers we expect to support, particularly on our Pension Credit tariff.. However, the forecast

2019/20 cross-subsidy remains below the target threshold of £1.51 established by our customer research carried out in August 2015.

Figure 3-6 presents a summary of the social-tariff cross subsidy by each tariff.

Figure 3-6 - Summary of the Movement in the Social Tariff Cross-subsidy, by Tariff, 2019/20 compared to 2018/19 (£ per customer)



3.6 New connection charging arrangements

Infrastructure charges will reduce from £351 to £334 for 2019/20. This reflects a reducing amount of network reinforcement expenditure being required, and an increased forecast in customer numbers. Full details of the expenditure and property number forecasts are included in the new connection charging arrangements document. Revenue from developer services is expected to amount to £4.3m, compared to £4.1m forecast for 2018/19 and £3.9m originally expected for 2018/19 when charges were set. The reduction in infrastructure charges therefore maintains the balance of charges between developers and other customer groups.

4 Summary Log of Engagement with CCWater, Customers and Stakeholders

The table below provides a summary of the engagement we have had with our customers and stakeholders in the development of our household customer charges, wholesale charges to licensed retailers supplying eligible business customer premises and new connection charging arrangements to developers for 2019/20.

Date	Relevant Charges	Activity	Discussion	Considerations and Actions
Summer 2018	NAV	Discussion of NAV bulk charges formula	Discussion with existing and new NAV Licensees on NAV bulk charges formula.	NAVs were pleased with the approach taken and were content to have the option to transition to the new approach in light of Ofwat guidance. The draft approach was provided to four NAVs in total, and included in one contract as part of a NAV application to Ofwat, confirming satisfaction with our proposed approach. The approach including the income offset approach to new connection charging arrangements.
08/11/18	All	Call with Ofwat	Provision of feedback by Ofwat on our 2018/19 communication of charges	We have updated all publications to improve customer accessibility, transparency and understanding of our charges and how they are derived. We have created this log as a summary of our engagement with customers and stakeholders
27/11/18	Household	Quarterly liaison meeting with CCWater	Provision of our indicative charges for 2019/20 to CCWater	No concerns raised. Previous discussions with CCWater indicated no concerns currently with our new connection charging arrangements, in particular the fixed approach to income offset.
12/12/18	Household	Meeting with Bristol Water Challenge Panel ⁴ (attended by CCWater and Environment Agency)	Proposed final charges presented	CCWater said that it had met with BW to discuss the proposed tariffs and that it was happy with the company's proposals. With regard to the company's New Applicant and Variation (NAV) tariff, EA enquired if NAV's are responsible for leakage and pipe repairs. BW confirmed they are.

⁴ A customer panel of 17 members (2018) representing a range of stakeholders in our supply area

Date	Relevant Charges	Activity	Discussion	Considerations and Actions
Nov 2018	Wholesale Accredited Entity incentive contribution	Accredited Entity Panel meeting	<p>Discussion through Accredited Entity panel meetings and account meetings on how best we can support this scheme.</p> <p>This will also encourage further competition in the market, of which Bristol Water played a vital part in developing this scheme.</p> <p>We also recognise the Water Industry Registration Scheme – Accredited Entity (WIRSAE).</p>	<p>Consideration taken around cost and helping support this initiative moving forward.</p> <p>We are considering introducing a contribution incentive on a trial basis to promote this.</p> <p>Minor impact on Non-Primary income.</p>
Nov 2018	Wholesale Data requests from logged meters	<p>Retailer account meetings (18 Retailers)</p> <p>Internal stakeholder meetings</p>	<p>Through engagement with retailers and NAV's logging data is a critical area for customers in providing a value service to customers.</p> <p>We would like to think this will encourage monitoring of usage, which will have a positive effect on our leakage levels.</p>	<p>Through feedback from external stakeholders and Retailers the charge for supplying this data from our loggers has been removed from non primary charges.</p> <p>Minor impact on Non-Primary income.</p>
Dec 2018	Wholesale Wholesale Non-Primary (all)	Retailer account meetings (18 Retailers)	If we fail to meet the required Service Level Agreement (SLA) within the Wholesale Retail Code under any non-primary activity, we will not charge for this activity.	<p>Our Market Performance so far, retailer relationship and the end users experience.</p> <p>Also taken into consideration Ofwat's present stance on wider poor performance in the market, which does not appear to apply to Bristol Water significant given the positive feedback.</p> <p>Minor impact on Non-Primary income.</p>

Date	Relevant Charges	Activity	Discussion	Considerations and Actions
Nov & Dec 2018	Wholesale and New connection charges	Retailer and developer account meetings	Any issues with service levels and charges approach	<p>None identified. New connection charges continue to be well received. Further reduction in infrastructure charges welcomed.</p> <p>Our popular “Market Engagement Days” are being held in January 2019 to confirm our charges in advance of formal publication.</p>

4.1 Bill Impacts and Handling Strategies

As the supporting information in Section 3.1 sets out, no customer group will receive a bill impact greater than 5% between 2018/19 and 2019/20. Therefore no specific impact analysis or handling strategies are required beyond the normal approaches to communicating bill changes to customers.