

# **Yorkshire Water Indicative Wholesale Charges 2020-2021 Board Assurance Statement**

October 2019

# CONTENTS

1. Board Assurance Statement	03
2. Charges data assurance summary	06
3. Stakeholder consultation table	10
4. Revenue control compliance 2020-21	12

**1.**

# Board Assurance Statement

# YORKSHIRE WATER SERVICES LIMITED

## INDICATIVE WHOLESALE CHARGES 2020-21

### BOARD ASSURANCE STATEMENT

In making this assurance statement, the Board has considered the requirements set out by Ofwat in its Wholesale Charging Rules, published in December 2018 and confirms that, to the best of its knowledge, having made all due inquiries and based on sources of evidence, that:

- a. the company complies with its legal obligations relating to the indicative Wholesale Charges it has published;
- b. the Board has assessed the effects of the new charges on water supply and sewerage licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) and approves the impact assessments and handling strategies developed in instances where bill increases for licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) exceed 5%;
- 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.

The Board would like to highlight the impact of the timings of the 2019 Price Review (PR19), which will confirm our wholesale revenue allowances in the Final Determination (FD). As the FD is not published until December 2019, we have set our indicative Wholesale Charges using a reasonable expectation of the allowed revenues that we will receive. We have reported a range of tariffs within our indicative wholesale charges 2020-21, based on the overall revenues set in the Draft Determination (DD) and the revenues proposed in our subsequent DD representations. We anticipate that the final Wholesale Charges will differ by more than an indexation variance to the indicative Wholesale Charges.

**The Board owns and is accountable for the development of the indicative Wholesale Charges document. The indicative Wholesale Charges document and this supporting assurance statement was approved collectively by the Board in October 2019.**

Signed by Yorkshire Water Services Limited Board of Directors



**Anthony Rabin**  
Independent Chairman



**Liz Barber**  
Chief Executive



**Nevil Muncaster**  
Director of Asset Management



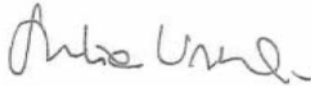
**Andrew Merrick**  
Independent Non-Executive Director



**Raymond O'Toole**  
Independent Non-Executive Director



**Andrew Wyllie**  
Independent Non-Executive Director



**Julia Unwin**  
Independent Non-Executive Director



**Scott Auty**  
Non-Executive Director



**Andrew Dench**  
Non-Executive Director



**Mike Osborne**  
Non-Executive Director

# **2.** **Charges data assurance summary**

## **2. CHARGES DATA ASSURANCE SUMMARY - YORKSHIRE WATER**

The governance in place and the assurance process detailed below in the production of the indicative Wholesale Charges, allows the Board to review and provide confidence in the charges we publish and the assurance processes we have followed.

The Board of Directors sign the 'Board Assurance Statement' which confirms:

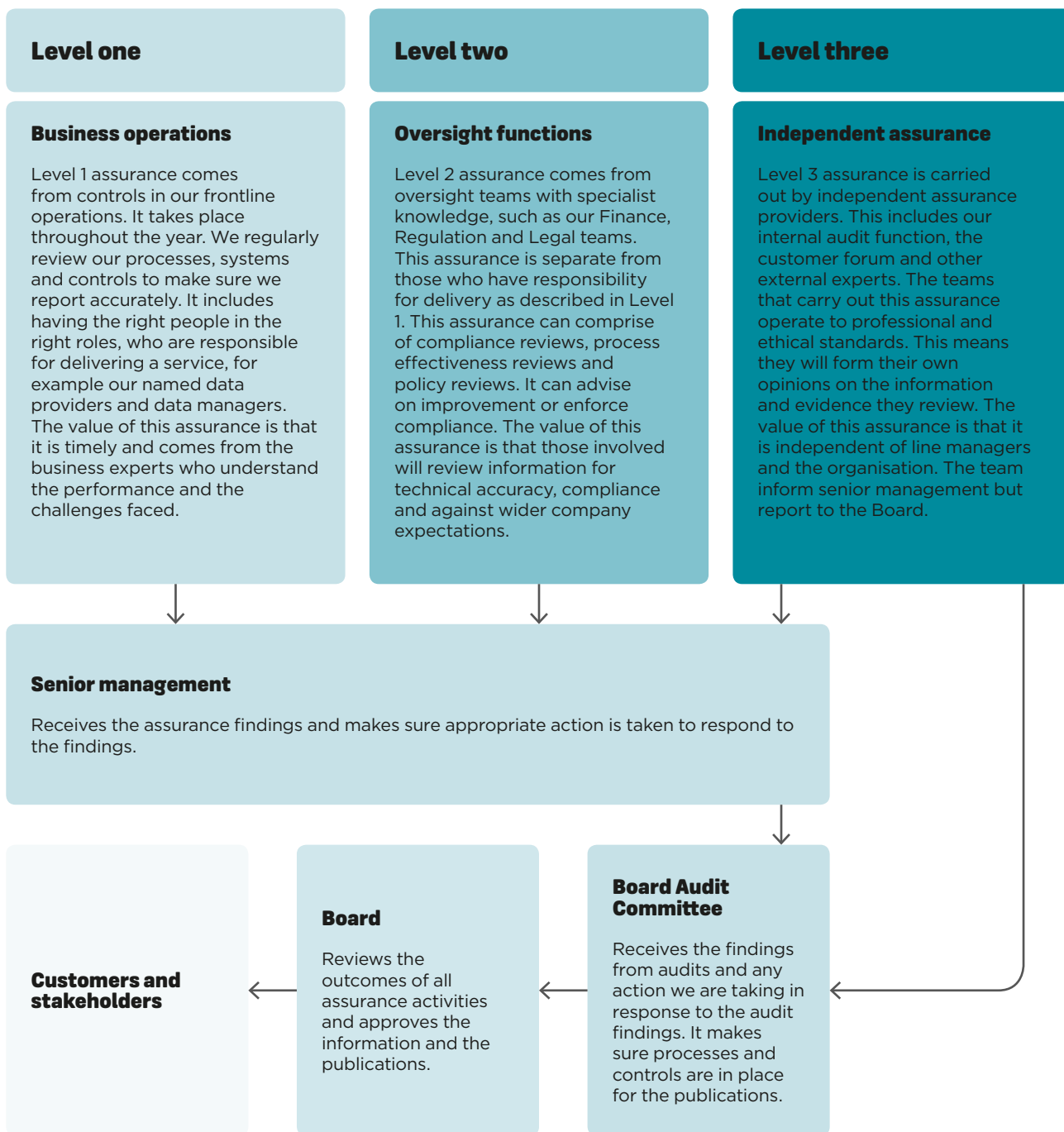
- The Charges comply with our legal requirements.
- The Board has reviewed the effects of the 2020-21 charges on customer bills for a range of customer types to assess if bill increases have exceeded 5%.
- We have consulted with the relevant stakeholders in a timely and effective manner.
- Appropriate systems and processes are in place to ensure the data and information contained in the Charges and additional information is accurate.

We would like to highlight the impact of the timings of the 2019 Price Review (PR19), which will confirm our wholesale revenue allowances in the Final Determination (FD). As the FD is not published until December 2019, we have set our indicative Wholesale Charges using a reasonable expectation of the allowed revenues that we will receive. We have reported a range of tariffs within our indicative wholesale charges 2020-21, based on the overall revenues set in the Draft Determination (DD) and the revenues proposed in our subsequent DD representations. We anticipate that the final Wholesale Charges will differ by more than an indexation variance to the indicative Wholesale Charges.

### **COMPLETED ASSURANCE LEVELS EXPLAINED**

- By mapping our assurance activities into three levels, the Board are given confidence that sufficient assurance is provided at the right time. Challenges can be investigated and an explanation provided at the earliest opportunity. A description of the levels of assurance is provided in the diagram on the next page. This includes both internal and external review.

## CHARGES ASSURANCE LEVELS EXPLAINED



### Level 1:

- All data inputs into the tariff model are from assured data sources, internal experts or forecasted.
- The tariff model is updated, and calculation input checks are reviewed.
- All movements in tariffs are reviewed and bill impacts assessed.
- Level 1 assurance ensures we remain compliant with the relevant revenue controls.
- Level 1 assurance confirms we are compliant with the published charges principles and guidelines.



**Level 2:**

- The Tariff Steering Group, which included internal business experts in regulatory finance, retail services and tariffs held several meetings to discuss charging policy, strategy and governance.
- A qualified member of our internal legal team is asked to agree any changes to the charges scheme book.
- The Tariff Steering Group has confirmed that the methodology has been followed, the resulting charges comply with the charging guidance requirements, the proposed tariffs meet regulatory requirements and the assurance process has been completed.

**Level 3:**

- External independent assurance was provided by two firms of auditors;
  - Deloitte audited the charges model to ensure the calculations are robust and the model is fit for purpose.
  - Jacobs audited the charges model for compliance with charging principles and guidelines.
- A paper is submitted to the Board which contains;
  - a summary of both auditor's findings - this allows a check to the Charging principles and guidelines;
  - the timetable for completion - this gives confidence the process is under control and all reporting requirements will be achieved;
  - tables comparing charges - this provides a transparent review of the movements in charges.
- Internal Audit complete an annual billing audit, to confirm that the tariffs have been included within the billing system correctly.

# 3.

# Stakeholder consultation table

### 3. STAKEHOLDER CONSULTATION TABLE

Date	Overview	Details of correspondence	Yorkshire Water Response
25/06/2019	Consultation with CCWater	Consulted on our approach to proactive communications relating to changes to charges for 2020/21.	
03/09/2019	Telephone conference call CCWater.	CCWater discussion around the Charges process for 2020-2021.	We confirmed that we anticipate no significant bill impacts and no requirements for any rebalancing of charges. We confirmed that we would be publishing a separate HWD charge to comply with the change in the Charging guidance from Ofwat
03/09/2019	The Yorkshire Water Wholesale Non-Household Charges Scheme consultation was sent to all contracted Retailers.	The aim of this survey was to capture Retailers feedback on the 2019/20 charges scheme and encourage feedback on what future changes they would like to see. The survey had 11 questions and focused on three keys areas: - Transparency - Ease of use - Simplicity	The survey closed mid-September with 3 retailers participating. Overall the feedback has been very positive, and Yorkshire Water are pleased with the results. The next steps are to analyse the feedback and make recommendations.
23/09/2019	Consultation with CCWater.	Consulted on the proposed wording on bills due to the introduction of Highway Drainage charges.	
26/11/2019	A liaison meeting with CC water will also be held on the 26th November 2019 which will provide an opportunity to discuss any further issues.	TBC	TBC

**4.**

# **Revenue control compliance 2020-2021**

## 4. REVENUE CONTROL COMPLIANCE 2020-2021

Draft Determination - Revenue Control	Wholesale water (£m)	Wholesale wastewater (£m)	Total (£m)
Allowed Revenue	421.6	486.8	908.4
RFI	-	-	-
Adjusted allowed revenue	421.6	486.8	908.4
Forecasted Revenue	421.6	486.8	908.4
Variance	-	-	-

Draft Determination Representation - Revenue Control	Wholesale water (£m)	Wholesale wastewater (£m)	Total (£m)
Allowed Revenue	454.7	546.8	1,001.5
RFI	-	-	-
Adjusted allowed revenue	454.7	546.8	1,001.5
Forecasted Revenue	454.7	546.8	1,001.5
Variance	-	-	-

**YORKSHIREWATER.COM**

Yorkshire Water Services Limited, Western House, Halifax Road,  
Bradford, BD6 2SZ. Registered in England and Wales No.2366



**YorkshireWater**