

Yorkshire Water Indicative Wholesale Charges Scheme 2021-2022

**Board Assurance Statement
October 2020**

1

2

Navigating this document

Contents page

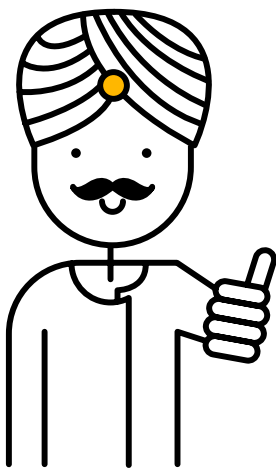
The contents page is linked to every section within this document. Clicking on a specific section will instantly take you to it.

- 1 Click on the contents button to return to the contents page.
- 2 The back button returns you to the last page you visited.
- 3 This button takes you to the previous page.
- 4 This button takes you to the next page.

3

There are also many other clickable links within this document which we've made easy to spot by underlining and highlighting them in [blue](#). If you click on one of these links, but then wish to navigate back to the page you were viewing previously, simply click the **'Back'** button at the top of the page.

4



Contents

1.	2021-2022 Wholesale charges board assurance statement	04
2.	Charges data assurance summary	07
3.	Stakeholder consultation table	11

1. 2021-2022 Wholesale Charges Board Assurance Statement

2021-22 indicative Wholesale Charges 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 ongoing Competition and Market Authority (CMA) redetermination of our Price Review (PR19) Final Determination. The findings from this process should be published by 17 December 2020 to allow for the final Wholesale Charges published in January to reflect the outcome of this process.

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 2021-22, based on the overall revenues set in the Final Determination and the revenues based on the CMA provisional findings published 29 September 2020.

The CMA provisional findings did not provide an annual breakdown of the revenue allowances, however indicated an overall average bill of £379 at 2017-18 CPIH average. We have assumed the revenue controls in 2021-22 will achieve this average bill.

In addition to the CMA provisional findings, the Board would like to highlight the ongoing Covid-19 situation, the impacts of which will not be fully understood in the short term. We have included assumptions within our forecasts based on the best information available to date with regards to customer and consumption forecasts.

After taking the considerations noted above, we anticipate that the final Wholesale Charges will differ by more than an indexation variance to the indicative Wholesale Charges.

2021-2022 Wholesale Charges Board Assurance Statement

Signed by Yorkshire Water Services Limited Board of Directors

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 2020.



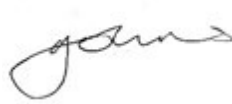
Anthony Rabin
Independent Chairman



Liz Barber
Chief Executive Officer



Nevil Muncaster
Chief Strategy and Regulation Officer



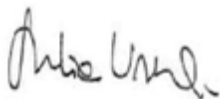
Chris Johns
Chief Finance Officer



Raymond O'Toole
Independent Non-Executive Director



Andrew Merrick
Independent Non-Executive Director



Julia Unwin
Independent Non-Executive Director



Andrew Wyllie
Independent Non-Executive Director



Andrew Dench
Non-Executive Director



Scott Auty
Non-Executive Director



Mike Osborne
Non-Executive Director

2. Charges data assurance summary

Charges data assurance summary

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 2021-2022 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.

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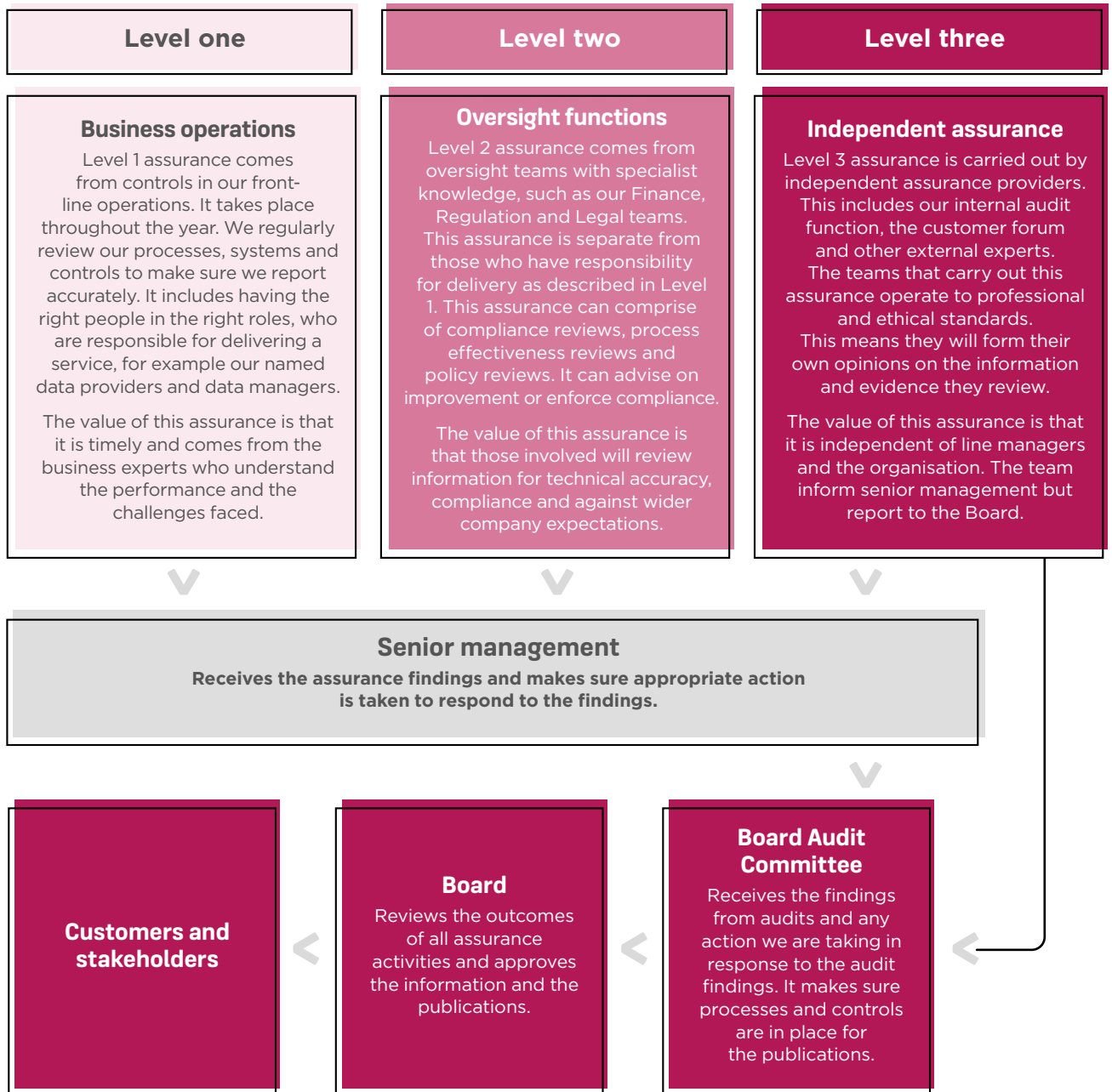
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Completed assurance levels explained

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 our assurance provider Baringa, they;
 - audited the charges model to ensure the calculations are robust and the model is fit for purpose.
 - audited the charges model for compliance with charging principles and guidelines.
- A paper is submitted to the Board which contains;
 - a summary of the 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

Stakeholder consultation table

Date	Overview	Details of correspondence	Yorkshire Water Response
10/08/2020	CCWater request for information on 2021-22 impacts	We received a request for information from CCWater for an update on our plans for 2021-22 charges with respect to whether we are planning any changes to our charges or attempting any rebalancing of charges that could potentially create bill shocks (or changes in charges which are significantly different from the norm) for some customers.	We responded by email on 21 August 2020 stating that we currently have no plans that should create bill shock at this stage of the charge setting process. We did highlight that we were aware of a number of factors which could change this position, including the CMA response and assumptions relating to Covid-19. We stated that if we felt that these were resulting in any anticipated material changes then we would contact them in order to work together to protect any impact on customers.
	The Yorkshire Water Wholesale Non Household Charges Scheme consultation was sent to all contracted Retailers.	<p>The aim of this survey was to capture Retailers feedback on the 2020-2021 charges scheme and encourage feedback on what future changes they would like to see. The survey had 14 questions and focused on three keys areas:</p> <ul style="list-style-type: none"> - Transparency - Ease of use - Simplicity. 	The survey closed at the end of September with two 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 for any improvements if necessary.
06/10/2020	Telephone call with CCWater	We contacted CCWater to discuss the implications of the CMA provisional findings, which were received on the 29 September 2020, on the 2021-22 charging process.	<p>We spoke to CCWater and explained that we were publishing a range of charges within our indicative Wholesale Charges which were 'bound' by the FD and a phased revenue profile from the CMA provisional findings. We explained that we had used a flat real bill of £379 (2017-18 CPIH) to allocate the revenues that were included within the CMA documents, we highlighted that this was an assumption at the moment and will change in light of:</p> <ul style="list-style-type: none"> - the CMA final determination - the revenue profile that the CMA publishes in December 2020. <p>We also discussed that the impact of the current pandemic is still uncertain and the assumptions may have to change from the indicative to the final charges.</p>
26/11/2020	A liaison meeting with CCWater will also be held on the 26th November 2020 which will provide an opportunity to discuss any further issues.		

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