

Anglian Water Services Limited

Statement of Assurance for 2021/22 Wholesale Charges

I. Requirements for this Assurance Statement

In its charging rules Ofwat sets out that it requires a statement from the Board in order to provide assurance with regards to the published Wholesale Charges Schedule:

- 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.

II. How the Requirements have been met

Our Wholesale Charges Schedule (“Charges Schedule”) fixes the charges that our customers are required to pay for the period from 1 April 2021 to 31 March 2022 for any services we provide in the course of carrying out our regulated duties. The Charges Schedule sets out the terms and conditions of those charges, and the times and methods of payment that our customers may use to pay our charges. A copy of the Charges Schedule has been provided to Ofwat and is available on our website (www.anglianwater.co.uk).

Our Charges Schedule is developed on the basis of the revenues which Ofwat allows us to recover from our customers as determined by Ofwat through the Price Review 2019 (“PR19”).

Commencing in April 2020, Ofwat has imposed five separate revenue controls as part of PR19. These revenue controls relate to five separate areas of 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.

Our Charges Schedule reflects the wholesale revenue controls and areas of service, together with those non-primary charges which cover these areas.

The Board can confirm that in relation to the Wholesale Charges Schedule, (household and non-household) to the best of its knowledge, the following statements are true:

- a) The Charges Schedule and supporting information have been prepared in accordance with the Company's legal obligations relating to charging, including under:
 - (i) Water Industry Act 1991, as modified ("the 1991 Act"), and other relevant 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) Management has taken reasonable steps to assess the fitness for purpose of the models that are used to generate wholesale charges.
- c) No charges have been set with the objective of distorting competition to supply customers in contestable markets.
- d) Wholesale Charges are higher than the Indicative Wholesale Charges published previously for the 2021/22 Charging Year. This reflects the final decision by Ofwat on the treatment of the ODI "Blind Year Adjustment". This adjustment reduces allowed revenue. For Indicative Charges 100% of the adjustment was provisionally taken into 2021/22, reducing allowed revenues by approximately £35.6m. However, in order to facilitate bill stability, Ofwat set out in its final decision published on 13 November that only 25% of the adjustment would be taken into 2021/22 allowed revenues, with the balance deferred to later periods.
- e) The effect of the new charges on our customers' bills are reasonable, based on a review of details as to average measured and unmeasured household bills and the incidence effects for household and wholesale non-household customers by service and by tariff at typical consumption points. Where bill increases are above the 5% benchmark set by Ofwat the Board has been provided with 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 Board has approved of the proportionate impact assessments and handling strategies for these customers.

- f) To ensure its accuracy, the information on which the Charges Schedule and other incidental information is 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.
- g) Ofwat has been informed of any new special agreements entered into since 14 July 2014.
- h) The Consumer Council for Water ("CC Water") has been consulted in relation to the preparation of the Charges Schedule through a series of iterative discussions that included the opportunity to raise any concerns. Specifically, CC Water's comments were sought on charging strategy and in particular in relation to the treatment of the Blind Year Adjustment. The comments received back have been reflected in the Charges Schedule and handling strategies adopted.

In approving the 2021/22 Charges Schedule, the Board has considered the following information:

- a) The charging guidance to Ofwat published by the UK Government which requires (inter alia) that:
 - (i) any moves towards greater cost reflectivity of charges should be introduced in a measured fashion and should be to the overall benefit of all customers; and
 - (ii) the extent and impact of de-averaging on charges for particular groups such as rural customers should be limited by Ofwat.
- b) As set out in the Board paper dated 7 January 2021, details of the charging strategy, cost allocation and tariff setting process, which was developed reflecting the basis of charging and to provide for appropriate revenue recovery across tariff groups; plus compliance with Ofwat's charging rules.
- c) The report prepared by the Financial Auditor following the completion of certain assurance work the scope of which was to (i) confirm the allowed revenue for 2021/22 and (ii) confirm that the charges proposed recover this revenue.
- d) An assessment of the customer bill impacts for an extensive range of customer groups, including impact assessments and handling strategies.
- f) The outcome from discussions with CC Water in regard to charges strategy, bill incidence effects arising from the application of the strategy and resulting handling strategies, compliance with the revenue controls and Ofwat's Charging Rules for 2021/22.

IV. Board Approval

The Board acknowledges its responsibilities in relation to the development of the Charges Schedule.

The Board confirms that it approved the Wholesale Charges and this statement of assurance at a meeting of the Board held on 7 January 2021.

At that meeting, the Board agreed to sign this assurance statement for submission to Ofwat.

Signed by members of the Board of Directors of Anglian Water Services Ltd:

Signed:	Position:
<i>John Barry</i>	Non-Executive Director
<i>Steve Buck</i>	Chief Financial Officer
<i>James Bryce</i>	Non-Executive Director
<i>Natalie Ceeney, CBE</i>	Independent Non-Executive Director
<i>Dame Polly Courtice, DBE, LVO</i>	Independent Non-Executive Director
<i>John Hirst, CBE</i>	Chairman
<i>Niall Mills</i>	Non-Executive Director

Signed by members of the Board of Directors of Anglian Water Services Ltd:

Signed:	Position:
<i>Zarin Patel</i>	Independent Non-Executive Director
<i>Peter Simpson</i>	Chief Executive Officer
<i>Duncan Symonds</i>	Non-Executive Director
<i>Paul Whittaker</i>	Independent Non-Executive Director