

The Board of Northumbrian Water Limited (NWL) has overseen the development of the indicative primary wholesale charges for 2018/19. The governance arrangements and assurance processes which have been applied to the development of these charges are summarised below.

- The charges setting process falls within our robust Quality and Environmental Management System which reflects the implementation of a number of quality standards in the business including ISO 9001, ISO 14001 and OHSAS 18001. These quality processes are subject to internal audits and external accreditation.
- A specific quality assurance procedure sets out the process to be followed in setting charges each year, and is reviewed annually to ensure that any necessary changes to the approval process are incorporated.
- The NWL Internal Audit department has reviewed our assessment of compliance and confirmed that input data from Company systems and the calculation of allowed revenues are robust.
- The Charges Steering Group (CSG), comprising a sub-group of the Executive Leadership Team and senior managers, met on at least a bimonthly basis to discuss charging policy, strategy and governance.

The charges have been developed through the following process:

- February 2017 – The CSG agreed the 2018/19 agenda items for consideration and the assurance approach. A project was set up for Developer Services Charging.
- April 2017 – A detailed presentation was given to the CSG regarding the Ofwat guidance for Developer Services charging for 2018/19 onwards. Special Agreements were discussed with regards to the transfer scheme arrangements for NHH customers.
- June 2017 – The CSG received a progress update on the Developer Services charging project and on the opening of the NHH market. The detailed timetable was discussed for the charges setting process. An early update was received regarding Social Tariff research.
- July 2017 – The CSG approved the Statement of Significant Changes for publication.
- August 2017 – The NWL Board was given an update as to the charges for 2018/19.
- October 2017 – The NWL Assurance Sub-Committee approved the process to assure and publish the indicative primary wholesale charges for 2018/19 for non-household customers; noted the draft charges for 2018/19; and delegated authority to approve the final charges to the Executive Committee of the NWL Board, supported by the CSG.

The strong governance and assurance arrangements that have been applied in the development of the indicative primary wholesale charges provides the Board with a sound basis to confirm that:

- NWL's indicative primary wholesale charges for 2018/19 comply with our legal obligations (including Ofwat Charging Rules and Competition Law);
- These are the wholesale charges that we expect to set for 2018/19 subject to any unforeseen significant changes in assumptions; and
- We have assessed the effects the indicative primary wholesale charges have on customers' bills for a range of different customer classes and confirm that there are no instances where bill increases exceed 5%.
- NWL has consulted CCWater on charging proposals for 2018/19 charges and has taken into account its feedback, as appropriate.

**Signed on behalf of the NORTHUMBRIAN WATER LIMITED Board**



**CHRIS JOHNS**  
Finance Director