

# HOUSEHOLD CHARGES SCHEME 2024/25

Board Statement of Assurance

## **NORTHUMBRIAN WATER LIMITED**

### **BOARD STATEMENT OF ASSURANCE FOR CHARGES SCHEMES CHARGES 2024/25**

The Northumbrian Water Limited (NWL) Board has overseen the development of customer charges for 2024/25.

The latest charges scheme rules, issued under sections 143(6A) and 143B of the Water Industry Act 1991, were issued by Ofwat in December 2022 and come into effect on 1 April 2023.

The charging scheme rules state that each undertaker should provide the Water Services Regulation Authority an assurance statement from its Board of Directors and publish its statements no later than the time of publication of the Charges Schemes confirming that:

- a) the company complies with its legal obligations relating to the charges set out in its Charges Schemes;
- b) the Board has assessed the effects of the new charges on customers' bills for a range of different customer types, and approves the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%;
- c) the company has appropriate systems and processes in place to make sure that the information contained in the Charges Schemes, and the additional information covered in the annex is accurate; and
- d) the company has consulted the Consumer Council for Water (CCW) in a timely and effective manner on its charges schemes.

The purpose of this statement is to clearly state that NWL has satisfied these requirements.

#### **Governance and Assurance**

We closely monitor the rules published by Ofwat and ensure that all changes are incorporated into our charges publications. In order to do this we have strong governance arrangements and assurance processes which have been applied to the development of these charges throughout the year and are summarised below.

- 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. This assurance builds on the work and recommendations previously carried out on our charges model by our external advisors.
- The NWL Internal Audit department confirmed that input data from Company systems and the calculation of allowed revenues are robust.
- NWL have previously engaged Ernst & Young LLP (EY) to perform testing of the logical operation of certain financial models prepared by, or on behalf of, NWL to generate its tariffs. The scope of EY's work was determined by NWL and EY is only responsible to NWL for their work. This model has been used to generate tariffs published for 2024/25.
- The Charging and Markets Leadership Group (CMLG) is a sub-group of the Executive Leadership Team (ELT) and discusses charging issues and the annual charge setting process for NWL, in addition to promoting and monitoring market arrangements across NWL. The CMLG is chaired by the Chief Financial Officer and includes the Customer Director, the Regulation & Assurance Director and the Corporate Affairs Director along with senior managers from various disciplines within the business. The group met several times in the year to discuss charging policy, external markets, strategy and governance. Any significant decisions and matters arising have been reported to the ELT and, as required, to the Board.
- Charges movements were reviewed by the CMLG (see appendix 1 for a summary of changes to household bills).
- NWL representatives attended the Ofwat workshop on charging trials and affordability in November 2022. Tariff innovation and the change in the Charging Rules to allow the introduction of tariff trials was covered. NWL intends to introduce innovative tariff trials during the coming year in accordance with the revised Charging Rules.
- CCW has been consulted to highlight the charges and the impact on bills.

We operate a well-established approach to corporate governance and assurance, which is summarised in our Assurance Framework, more information on our overall Assurance Plan can be found at <https://www.nwg.co.uk/about-us/nwl/governance2/assurance/>.

## **Development of charges**

**We have a well-established timetable for the production and approval of our tariffs and charges schemes and schedules and this is incorporated into our Assurance Plan for the year. The charges have been developed through the following process:**

# DEVELOPMENT OF CHARGES

2023											2024
Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
Agree charges setting and Assurance timetable	CMLG meeting	RWG Consultation on tariff simplification	RWG Consultation on tariff simplification	RWG Consultation on tariff simplification		Ofwat consultation on revenue forecasting incentive	CMLG meeting	Consult with CCW re indicative primary wholesale charges	Communications planning for potential bill increases	CMLG meeting	Internal audit assurance
				CMLG meeting			Update NWL Audit Committee noting governance and Assurance processes for 24/25 charges	Internal audit assurance	Ofwat issue final determination of in-period ODIs	Final November indexation published	Update Board with final charges
							Update NWL Board with draft charges for 2024/25	Publish indicative primary wholesale charges		Communications planning for potential bill increases	Consult with CCW regarding final charges and handling strategies
							Ofwat publish draft determination of in-period ODIs and consult	Communications planning for potential bill increases		Developer Services consultation sessions	Notify Ofwat of average and typical bill increases
											Finalise and publish tariffs and associated documents in accordance with Ofwat timetable

## **Forecasts**

Since the start of the Covid-19 pandemic we have experienced changing patterns in consumption in both our household and non-household customer base. We have therefore based our model assumptions and consumption forecasts on the best information we have available at this point. While the position appears to be more settled than in recent years there is still a degree of uncertainty.

## **Indexation**

Our charges incorporate the November 2023 CPIH rate which was 4.2%.

The indicative charges published on 13 October 2023 reflected the draft determination of in-period outcome delivery incentives (ODIs) for 2022/23, issued by Ofwat in September 2023. The final determination (FD) of ODIs for 2022/23 was issued by Ofwat on 15 November 2023. There were no material changes.

## **Impact assessments and handling strategies**

The high indexation rate and positive K factors means our charges are increasing by greater than 5% from 2023/24 charges, assuming a similar level of consumption.

## **Summary**

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

- a) NWL's charges for 2024/25, as set out in its published wholesale charges schedule, comply with our legal obligations;
- b) we have assessed the effects the new charges have 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 can confirm that there are instances where bill increases to licensees (as a whole or in groups) who are retailing wholesale services exceed 5% and we approve the impact assessments and handling strategies developed;
- c) NWL has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published in the wholesale charges schedule is accurate;
- d) NWL has consulted with relevant stakeholders in a timely and effective manner on its wholesale charges; and
- e) where final wholesale charges are significantly different from the indicative wholesale charges published for the same period, the Board has considered the reasons why those changes occurred and has issued a statement explaining why those changes were not anticipated and/or mitigated. For these purposes 'indicative Wholesale Charges' means the information referred to in Annex A3 of the Wholesale Charging rules and charges are 'significantly different' if a reasonable person would consider the changes to be material.

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















**Matt Williams**  
**Chief Financial Officer**





















## Appendix 1







### SUMMARY OF HOUSEHOLD BILL CHANGES 2024/25











The table below summarises the household bill changes for 2024/25 for a typical range of household customer types (assuming a constant level of consumption). This includes measured customers and highlights examples of low, average and high consumption customers. Our unmeasured examples use low, average and high rateable values. We have also included the bill changes for our assessed charges.

## SUMMARY OF HOUSEHOLD BILL CHANGES 2024/25

NORTHUMBRIAN WATER - MEASURED CUSTOMERS			
 Low volume	 £12.29	 Low volume	 £16.36
 Average volume	 £19.41	 Average volume	 £20.57
 High volume	 £47.88	 High volume	 £37.41
WATER		SEWERAGE	
INCREASE		INCREASE	

NORTHUMBRIAN WATER - UNMEASURED CUSTOMERS			
 Low rateable value	 £20.19	 Low rateable value	 £22.03
 Average rateable value	 £25.71	 Average rateable value	 £27.64
 High rateable value	 £47.80	 High rateable value	 £50.06
 Assessed charge	 £22.70	 Assessed charge	 £22.43
 Assessed charge (single occupier)	 £13.44	 Assessed charge (single occupier)	 £17.23
WATER		SEWERAGE	
INCREASE		INCREASE	

ESSEX & SUFFOLK WATER - MEASURED CUSTOMERS	
 Low volume	 £16.13
 Average volume	 £26.47
 High volume	 £67.82
WATER	
INCREASE	

ESSEX & SUFFOLK WATER - UNMEASURED CUSTOMERS	
 Low rateable value	 £26.11
 Average rateable value	 £40.35
 High rateable value	 £97.28
 Assessed charge	 £25.65
 Assessed charge (single occupier)	 £15.45
WATER	
INCREASE	

#### KEY

 Water  Sewerage  Increase