

UNITED UTILITIES WATER LIMITED

ASSURANCE STATEMENT

Household Charges Scheme 2018/19



ASSURANCE STATEMENT AS AT 20 DECEMBER 2017

This assurance statement is provided in relation to United Utilities Water Limited's (UUV) Household Charges Scheme for 2018/19.

Our Household Charges are the charges payable by premises which are not eligible to choose their retailer, as defined by the Ofwat eligibility guidance, for 2018/19 for any services we provide in the course of carrying out our regulated duties.

The charges presented are consistent with UUV's revenue control for 2018/19, for Household Retail, published by Ofwat on 12 December 2014. Our Household Charges Scheme reflects this price control and also includes non-primary regulated charges.

1. LEGAL OBLIGATIONS AND GUIDANCE

UUV's Charges Schemes have been prepared in accordance with its legal obligations and the Charges scheme rules issued by the Water Services Regulation Authority under sections 143(6A) and 143B of the Water Industry Act 1991.

UUV has also taken into account the Company's statutory obligations relating to charging.

UUV's legal department has provided a legal review of the Charges Schemes to check for and enable consistency with UUV's operating and legislative requirements under its Instrument of Appointment and principal governing legislation.

Management has undertaken a review of each charging rule to demonstrate how each charging rule has been complied with, and this document will be published on the United Utilities website.

2. CUSTOMER BILLS, IMPACT ASSESSMENTS AND HANDLING STRATEGIES

The charges presented for 2018/19 have been subject to a cost reflectivity review and the impact of this review on our customers has been assessed. Where this review indicated that a charge should be subject to a material change in order to improve its cost reflectivity (particularly where this involves an increase to a charge), UUV has implemented transitional arrangements in order to manage the impact on customers' bills. Senior managers have reviewed options and strategies for mitigating the impact on customers' bills in the year.

The Board has assessed the effects the new charges have on customers' bills for a range of different customer types and approves the impact assessments and handling strategies being developed in instances where bill increases for particular customer types exceed 5%.

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UUW does not expect any household customers to experience bill increases of more than 5% in 2018/19, assuming constant characteristics such as consumption. Appendix 1 contains a table which illustrates the expected bill impacts of the 2018/19 Household Charges when compared to 2017/18 Household Charges for a representative set of household customers.

3. SYSTEMS AND PROCESSES

The Board manages the effective and efficient delivery of its obligations and operation of everyday activities within the business by the interaction of:

- **Authorisations, approvals and procedures.** These are set out in the United Utilities Group PLC (UUG) Internal Control Manual (ICM) to provide guidance to employees as to the system of internal controls which they must follow when acting on behalf of UUW and UUG as a whole. The ICM sets out a framework within which underlying detailed procedures and policies operate.
- **Policies.** The Board has adopted an overriding set of business principles. These are supported by a range of underlying policies that provide guidance to its employees as to how they should conduct themselves when acting on behalf of UUW and UUG as a whole. Everybody working for or on behalf of UUW must comply with the policies (to the extent they are applicable to their roles). Failure to do so may result in disciplinary action being taken. This could lead to dismissal and possible civil or criminal prosecution in serious cases. Significant policy changes are presented to the appropriate committee for discussion to review the potential impacts to customers of proposed changes, prior to being approved for implementation.
- **Governance and control.** The Board delegates responsibility for specific matters to a number of committees and working groups, which meet on a regular basis. This provides a framework that employees are expected to be aware of and comply with where relevant to their role to ensure business decisions are taken in accordance with best business governance practices. Potential changes to charges are presented to the appropriate committee for discussion and potential impacts to customers of proposed changes are reviewed. The Charges Reform Group acts as a focal point for the Company to review all developments in charges to ensure that charging issues are given proper consideration by the directors and senior managers with accountability for signing off the Company's annual Charges Schemes.

To oversee and take decisions affecting the execution of its obligations, the UUW Board:

- Receives and reviews performance reports from the relevant employees of the Company.
- Receives and reviews presentations from the UUG Corporate Audit Team, the financial and technical Auditors.
- Receives and reviews presentations from the wholesale, household retail, and functional (eg finance and IT) directorates.

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- Has access to executive and senior managers in the Company to verify information.

Specifically in relation to charges, the UUW Board:

- Reviews and approves the Charges Assurance Statements.
- Reviews and approves the Statement of Significant Changes.
- Receives board reports, highlighting progress and any issues from the relevant business areas.
- Has access to senior managers in the Company to verify information.
- Is presented with information regarding compliance with Ofwat charging rules and the management of the various constraints
- Is presented with evidence of stakeholder consultation
- Is presented with significant proposed changes to the Charges Schemes and any modifications to the tariff structure prior to inclusion within the Charges Schemes.
- Receives updates on progress with proposed changes at appropriate times.

Policy statements have been developed to support the application of the high level charging principles contained within the Charges Schemes. These statements are allocated, owned and reviewed by appropriate operational managers. A process is defined for approval of both changes to policy statements and for the introduction of new policies.

There are processes that support these policy statements with a plan to review these to reflect changes made to the Charges Schemes for 2018/19.

The Company's charges processes also include procedural and quality controls designed to provide assurance of the accuracy, completeness and reliability of data reported. The Company's procedures for the charges include:

- The written methodologies are subject to annual review and sign off by an appropriate manager.
- The Charges Schemes are subject to a series of reviews by members of the Company's legal team for compliance with the relevant legislation.
- On completion, each section of the Charges Scheme is reviewed and approved by operational and senior managers.

The Charges Scheme preparation is subjected to an established series of internal reviews and approvals by employees who are independent of the data compilation process.

The Board considers that the Company has appropriate systems and processes in place to make sure that the information contained in the Charges Schemes is accurate.

4. ENGAGEMENT WITH THE CONSUMER COUNCIL FOR WATER (CCWATER)

UUW has consulted with stakeholders in a timely and effective manner in the development of the Household Charges Schemes for 2018/19.

The Company has shared with CCWater the changes proposed to the scheme and significant policy changes. We have considered all the feedback provided by CCWater as

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part of the review both in relation to the proposed changes and other issues raised by CCWater about our Charges Schemes.

UW has also shared with CCWater our approach to the development of Household Charges, discussing with them the strategies developed for managing incidence effects on customers' bills. UW have shared with CCWater the expected bill impacts for representative customer groups. CCWater have confirmed that they do not have any concerns with our approach to the strategies proposed to manage incidence effects.

A summary of engagement with CCWater on charging in relation to all of our Charges Schemes, and the response taken by UW is contained in appendix 2.

5. DIRECTORS' STATEMENTS

The Board considers that in preparing and approving the Household Charges Schemes the Company has applied the processes, procedures, governance and internal systems of control described above. They have been applied in a manner which, has enabled it to satisfy itself, to the extent that it is able to do so from the facts and matters available to it, that the Household Charges Schemes are reliable, accurate and complete in all material respects and meets its obligations.

SIGNED ON BEHALF OF THE BOARD



Steve Mogford

Chief Executive Officer

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APPENDIX 1 – EXPECTED BILL INCREASES FOR HOUSEHOLD CUSTOMERS

Metered households

Volume m ³ /a	50	100	150	200	typical measured bill
Water Only					
£ Change	5.60	9.95	14.30	18.65	8.64
% Change	4.63%	4.74%	4.78%	4.81%	4.72%
Sewerage Only					
£ Change	6.99	8.79	10.59	12.39	8.25
% Change	4.27%	3.94%	3.75%	3.62%	4.02%
Dual Service					
£ Change	12.86	19.01	25.16	31.31	17.17
% Change	4.54%	4.40%	4.33%	4.29%	4.43%

Unmetered households

Rateable Value	100	150	200	250	typical unmeasured bill
Water Only					
£ Change	8.32	10.92	13.52	16.12	11.34
% Change	4.94%	4.94%	4.95%	4.95%	4.94%
Sewerage Only					
£ Change	8.00	12.00	16.00	20.00	12.64
% Change	4.97%	4.97%	4.97%	4.97%	4.97%
Dual Service					
£ Change	16.32	22.92	29.52	36.12	23.98
% Change	4.95%	4.96%	4.96%	4.96%	4.96%

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Assessed household charges

	Single occupier	Other property	Semi-detached	Detached
Water Only				
£ Change	4.64	7.66	10.43	11.55
% Change	4.92%	4.92%	4.92%	4.92%
Sewerage Only				
£ Change	8.02	9.47	10.62	11.08
% Change	5.00%	4.69%	4.43%	4.34%
Dual Service				
£ Change	12.66	17.13	21.05	22.63
% Change	4.97%	4.79%	4.66%	4.62%

Other tariffs

	Water Sure	Help To Pay	Back on Track Band 1	Back on Track Band 2	Back on Track Band 3	Back on Track Band 4	Back on Track Band 5	Back on Track Band 6
Water Only								
£ Change	8.18	-	-	2.88	2.88	2.88	-	2.88
% Change	4.09%	0.00%	0.00%	3.23%	2.27%	1.72%	0.00%	1.28%
Sewerage Only								
£ Change	7.99	-	-	3.12	3.12	3.12	-	3.12
% Change	3.65%	0.00%	0.00%	3.23%	2.27%	1.72%	0.00%	1.28%
Dual Service								
£ Change	16.17	-	-	6.00	6.00	6.00	-	6.00
% Change	3.86%	0.00%	0.00%	3.23%	2.27%	1.72%	0.00%	1.28%

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APPENDIX 2 – SUMMARY OF CONSULTATION WITH CCWATER ON 2018/19 CHARGES

Date	Activity	CCWater feedback	U UW action
30 March 2017 - April	Discussion with CCWater on introduction of concessionary surface water and highway drainage charges for Schools for 2018/19 and potential bill impacts on other customers.	Requested confirmation of expected customer bill impact	Provided responses
23 May 2017	Shared correspondence sent to Schools with CCWater.	Acknowledged.	
15 June 2017	Informed CCWater that statement of significant changes to be published will include introduction of Schools concession and tariffs will be subject to November RPI.	Requested agenda items for September meeting – including understand bill impacts for 2018/19 and how being managed and significant policy changes planned.	Exchanged emails on questions asked and discussed relevant items during September meeting.
16 June 2017	UU presented initial findings and proposals to extend the “Help to Pay” social tariff to CCWater.	Requested further information on UU’s view on interpretation of results and alignment with Government guidelines.	Provided further information on UU’s view of findings and alignment with Government guidelines.
3 July 2017	Notified CCWater that Statement of significant changes had been published on website.	Acknowledged.	
15 August 2017	UU presented final findings and proposals to extend the “Help to Pay” social tariff to CCWater for review.	Acknowledged.	
21 September 2017	Meeting held between U UW and CCWater to discuss 2018/19 charges. The expected impact of 2018/19 wholesale charges on a representative set of NHH and HH customers was presented.	Required further information on proposed change to charging of properties on the AVC tariff on	AVC policy discussed further with U UW Customer Services Director.

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	Provided summary of changes to be made to the charges schemes.	change of occupier.	
13 October 2017	Final review with CCWater of social tariff research.	Agreed with the proposed extension to the "Help to Pay" social tariff.	Provide further information on UU funded customer support.
20 October 2017	Shared draft Household, Wholesale Water and Wholesale Wastewater charges schemes with CCWater for comment.	Requested further information be included on price promise trial in Household charges scheme and requested further discussion to take place with CCWater on the policy change proposed in relation to change of occupier of AVC properties. No comments raised on Wholesale Water and Wholesale Sewerage charges schemes.	Price promise trial wording amended. AVC policy discussed further with U UW Customer Services Director
26 October 2017	Shared draft New Connections and Developer Services charges scheme with CCWater for comment.	No comments raised on content of charges scheme.	None
September to November 2017	Exchanged correspondence with CCWater on the transitional arrangements in place regarding customers who moved between NHH and HH as a result of eligibility guidance and were expected to experience significant bill increases.	Requested details of customers' impacted and transitional arrangement in place.	Provided information as required.

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28 November 2017	Discussed the AVC policy at the quarterly meeting between CCWater and U UW Customer Services Director.	Requested analysis be undertaken during 2018/19 where there is a change of occupier to an AVC property.	To provide regular feedback to CCWater during 2018/19.
28 November 2017	Met with CCWater to discuss stakeholder engagement undertaken on new connections charges and information presented to developers at the UU annual developer day which took place in October, which included the impact on example schemes.	Requested information on impact of developers of change in income offset.	Information provided.
5 December 2017	Contacted CCWater to confirm wording in Household charges scheme on AVC would remain as per version shared in October. Stated expected impact of latest RPI forecast on bills for 2018/19.	Acknowledged.	
7 December 2017	Shared wording with CCWater to be included in Assurance Statements about CCWater engagement.	Agreed.	