

# Assurance statement

## Household charges scheme 2022/23

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### ASSURANCE STATEMENT AS AT 17 DECEMBER 2021

This assurance statement is provided in relation to United Utilities Water Limited's (UUW) household charges scheme for 2022/23.

Our household charges are the charges that are payable by premises which are not eligible to choose their retailer, as defined by the Ofwat eligibility guidance, for 2022/23 for any services we provide in the course of carrying out our regulated duties.

The charges presented here are consistent with UUW's revenue control for 2022/23, for household retail, published by Ofwat on 16 December 2019, updated for the net outperformance payment from 2020/21 in-period ODIs<sup>1</sup>. Our household charges scheme reflects this price control and also includes our non-primary regulated charges.

The Board is delighted to have achieved the Crystal Mark for the household charges scheme for 2022/23.

### 1. LEGAL OBLIGATIONS AND GUIDANCE

UUW's charges schemes have been prepared in accordance with its legal obligations and the Charges Scheme Rules issued by the Water Services Regulation Authority ("Ofwat") under sections 143(6A) and 143B of the Water Industry Act 1991.

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

UUW's legal department has provided a legal review of the charges schemes to check for and enable consistency with UUW'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 2022/23 have been subject to a forward looking cost reflectivity review and the impact of this review on customers has been assessed. Where this review indicated that a charge should be subject to a material change in order to improve its forward looking cost reflectivity (particularly where this involves an increase to a charge), UUW 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 which the 2022/23 charges have on customers' bills for a range of different customer types. The Board approves the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%.

For 2022/23, no household customers are expected to experience bill increases of more than 5% compared to the previous year (assuming constant characteristics such as consumption).

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<sup>1</sup> Outcome Delivery Incentives – Ofwat published its final determination of in-period outcome delivery incentives for 2020/21 on **11 November 2021**

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Appendix 1 contains a table which illustrates the expected bill impacts of the 2022/23 household charges when compared to the 2021/22 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 approving 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 directorates with responsibility for wholesale and household retail services, and functional (e.g. Finance and IT) directorates;
- 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 Statements 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; and
- Receives updates on progress with proposed changes at appropriate times.

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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 2022/23.

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 approval 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 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 scheme is accurate.

## 4. ENGAGEMENT WITH THE CONSUMER COUNCIL FOR WATER (CCW)

UW has consulted with relevant stakeholders in a timely and effective manner in the development of the household charges scheme for 2022/23.

The Company has shared with CCW the changes proposed to the charges scheme and significant policy changes. We have considered all the feedback provided by CCW as part of the review both in relation to the proposed changes and other issues raised by CCW about our charges schemes.

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

Please refer to our separate Engagement With Stakeholders document for a summary of engagement with CCW on charging in relation to all of our Charges Schemes, and the response taken by UW.

## 5. INTRODUCTION OF ENHANCED METERING

In 2022/23 we will continue with our plans to install additional meters on an "enhanced metering" basis. This will entail installing meters at customer properties (targeting areas where metering would likely be most advantageous) in advance of customers opting for a meter. The unmeasured customer will be charged the lesser of the relevant unmeasured charge for their property and a metered charge based on their consumption (with a decision point after two years to continue being metered or to revert to unmeasured). Consent to being metered is still required from the customer, but that consent is effectively deferred by up to two years. If customers do not contact us, then the default billing approach will continue to be the use of unmeasured charges. We therefore believe that our proposal is reasonable and appropriate, consistent with the metering rules, and provides a sufficient level of customer protection.

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## 6. DIRECTORS' STATEMENTS

The Board considers that in preparing and approving the household charges scheme the Company has, using the best information available at the current time, 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 scheme is 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 CHANGES FOR HOUSEHOLD CUSTOMERS

#### Metered households

Volume m <sup>3</sup> /yr	50	100	150	200	Typical measured bill
<b>Water Only</b>					
£ Change	-1.10	-2.00	-2.90	-3.80	-1.73
% Change	-0.9%	-1.0%	-1.0%	-1.0%	-0.9%
<b>Sewerage Only</b>					
£ Change	-1.52	-2.52	-3.52	-4.52	-2.22
% Change	-0.9%	-1.1%	-1.2%	-1.3%	-1.0%
<b>Dual Service</b>					
£ Change	-2.62	-4.52	-6.42	-8.32	-3.95
% Change	-0.9%	-1.0%	-1.1%	-1.1%	-1.0%

#### Unmetered households

Rateable Value	100	150	200	250	Typical unmetered bill
<b>Water Only</b>					
£ Change	2.62	3.32	4.02	4.72	3.43
% Change	1.5%	1.4%	1.4%	1.4%	1.4%
<b>Sewerage Only</b>					
£ Change	1.40	2.10	2.80	3.50	2.21
% Change	0.8%	0.8%	0.8%	0.8%	0.8%
<b>Dual Service</b>					
£ Change	4.02	5.42	6.82	8.22	5.64
% Change	1.2%	1.1%	1.1%	1.1%	1.1%

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## Assessed household charges

	Single occupier	Other property	Semi-detached	Detached	Larger property
<b>Water Only</b>					
<b>£ Change</b>	-0.35	-0.87	-1.38	-1.57	-4.19
<b>% Change</b>	-0.4%	-0.5%	-0.6%	-0.6%	-0.9%
<b>Sewerage Only</b>					
<b>£ Change</b>	-1.13	-1.71	-2.27	-2.49	-2.46
<b>% Change</b>	-0.7%	-0.8%	-0.9%	-0.9%	-0.6%
<b>Dual Service</b>					
<b>£ Change</b>	-1.48	-2.58	-3.65	-4.06	-6.65
<b>% Change</b>	-0.6%	-0.7%	-0.8%	-0.8%	-0.7%

## Other tariffs

	Water Sure	Help To Pay Tier 1	Help To Pay Tier 2	Back on Track Band 0	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
<b>Water Only</b>										
<b>£ Change</b>	-0.83	0.86	2.02	-	-0.29	2.30	2.30	2.02	4.61	4.61
<b>% Change</b>	-0.4%	0.7%	1.2%	-	-0.5%	2.4%	1.8%	1.2%	2.4%	2.0%
<b>Sewerage Only</b>										
<b>£ Change</b>	-2.13	0.94	2.18	-	-0.31	2.50	2.50	2.18	4.99	4.99
<b>% Change</b>	-1.0%	0.7%	1.2%	-	-0.5%	2.4%	1.9%	1.2%	2.4%	2.0%
<b>Dual Service</b>										
<b>£ Change</b>	-2.96	1.80	4.20	-	-0.60	4.80	4.80	4.20	9.60	9.60
<b>% Change</b>	-0.7%	0.7%	1.2%	-	-0.5%	2.4%	1.9%	1.2%	2.4%	2.0%

N.B. The lower Back on Track Band 0 is newly introduced for 2022/23, therefore no change to the 2021/22 charge is stated.