

ASSURANCE STATEMENT

Household Charges Scheme 2020/21

ASSURANCE STATEMENT AS AT 20 DECEMBER 2019

This assurance statement is provided in relation to United Utilities Water Limited's (U UW) Household Charges Scheme for 2020/21.

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 2020/21 for any services we provide in the course of carrying out our regulated duties.

The charges presented are consistent with U UW's revenue control for 2020/21, for Household Retail, published by Ofwat on 16 December 2019. Our Household Charges Scheme reflects this price control and also includes non-primary regulated charges.

1. LEGAL OBLIGATIONS AND GUIDANCE

U UW's Charges Schemes have been prepared in accordance with its legal obligations and the Charges scheme rules issued by the Water Services Regulation Authority.

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

U UW's legal department has provided a legal review of the Charges Schemes to check for and enable consistency with U UW'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 2020/21 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), U UW 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%.

U UW expects the majority of customers, 99.9%, will experience bill increases of no more than 5% in 2020/21, assuming constant characteristics such as consumption.

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Bill increases above 5% are expected to be experienced by 26 households that were moved onto the assessed charge for larger properties in 2019/20, with increases to be phased in over three years. These customers will experience bill increases of between 13.5% and 35.7% as part of the transitional approach.

Appendix 1 contains a table which illustrates the expected bill impacts of the 2020/21 Household Charges when compared to 2019/20 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 UUG 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 UUG and UUG as a whole. Everybody working for or on behalf of UUG 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 UUG 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;

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- Receives and reviews presentations from the directorates with responsibility for wholesale and household retail services, and functional (eg 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 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; and
- 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 2020/21.

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.

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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 2020/21.

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

UUW 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. UUW 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.

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

5. DIRECTORS' STATEMENTS

The Board considers that in preparing and approving the Household Charges Scheme 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 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 INCREASES FOR HOUSEHOLD CUSTOMERS

Metered households

Volume m ³ /a	50	100	150	200	Typical measured bill
Water Only					
£ Change	-10.42	-15.12	-19.82	-24.52	-13.71
% Change	-8.2%	-6.8%	-6.2%	-5.9%	-7.0%
Sewerage Only					
£ Change	-4.23	-5.08	-5.93	-6.78	-4.83
% Change	-2.4%	-2.1%	-2.0%	-1.9%	-2.2%
Dual Service					
£ Change	-14.02	-19.57	-25.12	-30.67	-17.91
% Change	-4.6%	-4.2%	-4.0%	-4.0%	-4.3%

Unmetered households

Rateable Value	100	150	200	250	Typical unmetered bill
Water Only					
£ Change	-9.00	-11.60	-14.20	-16.80	12.02
% Change	-4.9%	-4.9%	-4.8%	-4.8%	-4.9%
Sewerage Only					
£ Change	-4.70	-7.05	-9.40	-11.75	-7.43
% Change	-2.7%	-2.7%	-2.7%	-2.7%	-2.7%
Dual Service					
£ Change	-13.70	-18.65	-23.60	-28.55	-19.44
% Change	-3.8%	-3.7%	-3.7%	-3.6%	-3.7%

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Assessed household charges

	Single occupier	Other property	Semi-detached	Detached	Larger property*
Water Only					
£ Change	-5.80	-9.07	-12.07	-13.30	-25.18
% Change	-5.8%	-5.4%	-5.3%	-5.3%	-5.3%
Sewerage Only					
£ Change	-7.50	-7.95	-8.34	-8.53	-9.67
% Change	-4.3%	-3.6%	-3.2%	-3.1%	-2.3%
Dual Service					
£ Change	-13.30	-17.02	-20.41	-21.83	-34.85
% Change	-4.8%	-4.4%	-4.2%	-4.1%	-3.9%

* New tariff introduced in 1 April 2019. This change is being phased in over three years. Customers moving from an existing assessed charge in 2018/19 to the new assessed charge will experience bill increases of between 13.5% and 35.7% in 2020/21 (based on a combined water and sewerage bill). Properties moved onto an Assessed Charge for the first time will be charged the full price in 2020/21.

Other tariffs

	Water-Sure	Help To Pay Tier 1*	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	-13.53	-	-	-	-	-	-	-
% Change	-6.4%	-	-	-	-	-	-	-
Sewerage Only								
£ Change	-7.96	-	-	-	-	-	-	-
% Change	-3.4%	-	-	-	-	-	-	-
Dual Service								
£ Change	-21.49	-	-	-	-	-	-	-
% Change	-4.9%	-	-	-	-	-	-	-

*held at 2019/20 prices for 2020/21