

Board Assurance Statement

Scheme of Charges 2022/23

The Board has considered the Scheme of Charges 2022/23 at the Board meetings held on 8 September, 8 October and 2 December 2021. The Board considered the charges and relevant supporting materials and made appropriate enquiries of the Executive Team, in particular the Strategy and Regulation Director. The Board considered a report from Jacobs, who had been engaged to provide external assurance that the systems and processes used to produce the information published about the wholesale charges are robust and to review the process for ensuring compliance with legal obligations.

Having made reasonable and relevant enquiries as detailed above, we are able to confirm that, to the best of our understanding, the charges contained in Dŵr Cymru's Scheme of Charges 2022/23 comply with the legal obligations to which the company is subject under the Water Industry Act 1991 (as modified) and other relevant legislation, taken as a whole.

The document and the required additional information have been prepared by experienced staff using appropriate processes and internal systems of control and have accordingly been prepared to a standard that could be reasonably expected of a diligent undertaker.

Having regard to the 'Charges scheme rules issued by the Water Services Regulation Authority under sections 143(6A) and 143B of the Water Industry Act 1991' published in March 2020, we are of the opinion that our charges are consistent with these requirements, taking the Charges Scheme rules as a whole.

The Board has been given relevant information on the effects the new charges have on customer bills for a range of customer types. The November CPI(H) figure of 4.6% placed a particular upward pressure on bills for 2022/23. The Board has sought to mitigate this through:

- a) Deferring £15m of revenue under-recovery until future years;
- b) Taking £2m of ODI penalties accrued in 2021/22 in 2022/23 rather than 2023/24; and
- c) Immediately returning £10m of retail revenue over-recovery, rather than waiting until the next price control.

Despite these actions, the charges for 2022/23 will cause bills for unmetered dual service customers to increase by 6%, bills for metered water-only households to increase by 5%, bills for unmetered non-households to increase by 6%, large user industrial tariffs to increase by 6%, and for customers who have a "foul only" connection to increase by 7-8%.

The Board is satisfied that appropriate communication and handling strategies are in place for these customers, as detailed in the statement of significant changes.

The company has consulted with the Consumer Council for Water in a timely and effective manner in respect of the charges scheme, as detailed below.

At the Board meeting of 2 December 2021, the Board delegated responsibility for final approval of the Scheme of Charges 2022/23 (and the required additional information), following publication of the Consumer Prices Index including owner occupiers' housing costs (CPIH) on 15th December 2021, to the Chief Executive.



Peter Perry
Chief Executive

On behalf of the Board
16 December 2021

Appendix – Schedule of Engagement with the Consumer Council for Water

Date	Purpose	Outcome
29 Sep 21	Charging update – CCW standard template	Confirmed no plans to charges structure, but highlighted risk of high inflation, revenue under recovery in 202/21 and ODI penalties. Confirmed in response to CCW question that we are not currently considering a guarantee that metered customers will remain on the cheapest bill until they are no longer eligible for financial assistance.
5 Oct 21	Charging update – MS Teams Meeting	We set out that Dŵr Cymru's allowed revenue for 2022/23 is an increase of some 8% over the prior year (CPIH planning assumption: 3%). This is driven by higher inflation and c.£35m under recovery of revenue in 2020-21, which falls due to be collected in 2022-23 (using Ofwat's revenue true-up mechanism). We are endeavouring to keep increases to around 5%, depending on the published November CPIH (current analysis has based Nov CPIH at 3%). To do this we are exploring options to mitigate bill rises and looking at the potential to defer revenue to later years in the AMP to maintain bill stability, without causing a bill shock at a future date. CCWater understand our logic of prioritising bill stability in this uncertain time and understand our efforts on affordability support. We explained to CcWater that we are experiencing sways in consumption due to the impact of the covid lockdown, but we don't want to react to these changes until we understand what the 'new normal' consumption pattern looks like. We emphasised that our priority is bill stability over cost reflectivity. CcWater agreed with this proposal.
10 Nov 21	Charging update – email	Email setting out likely level of charges increase based on CPI(H) of 4%.
30 Nov 21	Charging proposal discussions – update	Explained likely level of charges increases given updated forecast CPI(H) at 4.5% .
16 Dec 21	Presentation of draft charges after publication of CPIH.	Information on the bill impacts from our finalised charges was provided to CCW by email on 16th December.
Jan 22	Charges update	Following finalisation of 22/23 charges we will submit an updated version of CCW's template setting out average bill values and % changes.