

## Statement of significant changes

### Scheme of Charges 2021/22

This statement has been completed in accordance with the information requirements of the Charges Scheme Rules published in March 2020.

### Section 1 – Significant bill increases

a) Confirmation of whether the undertaker is expecting there to be any bill increases of more than 5% from the previous year (for a given customer type assuming a constant level of consumption) and, if such increases are expected:

- what size increase is expected;
- which customer types are likely to be affected; and
- the handling strategies adopted by the company or why the company considered that no handling strategies are required.

The changes in end bills of both residential and business customers arising from the Scheme of Charges 2021/22 have been reviewed by the Board.

The pandemic has put pressure on bills and would have caused some customers' bills to increase by more than 5%. The Board has decided to bring forward expected Outcome Delivery Incentive (ODI) penalties arising from 2020/21 performance as part of the handling strategy (see table 1 below).

**Table 1: ODI adjustments for the “Blind Year Adjustment” for 2019/20 and forecast performance in 2020/21**

The 2020/21 charges contained a £2.6m revenue adjustment for estimated ODI penalties arising in 2019/20. Ofwat published the final determination of the ODIs and Wholesale Revenue Forecasting Incentive Mechanism (WRFIM) for 2019/20 and the PR14 Totex true-up on 13 November 2020. The table below shows the 2021/22 revenue adjustments for these. The table also shows the estimated ODI penalties for current year performance which have been brought forward. The true-up and forecast performance have been applied to the respective wholesale revenue controls and incorporated in the revenue allowance used for setting 2021/22 charges.

	Revenue adjustment included in 2020/21 charges	Blind year adjustment - WRFIM	Blind year adjustment - Totex	Current year ODI penalties brought forward	Adjustment to 2021/22 Revenue Allowance
(Outturn £m)	A	B	C	D	B+C+D-A
Wholesale water	-2.1	-0.1	0.7	-6.2	-3.5
Wholesale wastewater	-0.5	-0.2	-0.0	-0.1	0.2

The Board also considered the impact of the charges on a range of different customer types and made decisions to rebalance revenue between customer classes to achieve a level of bill stability (in accordance with Rule 8). Additionally, the Board was mindful of the fact that, during periods of high consumption variability, Ofwat's requirement to assess the impact on bills assuming constant consumption does not provide a complete view of the likely impact of the charges on measured customers. Therefore, the likely effect of the charges on the actual bills that measured customers could experience was also taken into consideration. Table 2 shows what bills would be at constant consumption, as prescribed by Ofwat charges rules, alongside the measured bills for a household that was working from home in 2020/21 and a non-household that was closed during the lockdowns<sup>1</sup> in 2020/21. The consumption used in this illustration is the average for these customer groups assumed in setting 2021/22 charges. Finally, the Board reviewed the impact of the charges on the total bill for customers who received both services and customers who receive only one service.

<sup>1</sup> The Company did not collect fixed charges for a large number of non-household customers during the spring lock-down, and so for these customers, the steps between 2019/20 to 2020/21 and 2020/21 to 2021/22 would be even greater

After reviewing the actual impact of the 2021/22 tariffs, it was clear that whilst the waste element of the bill was increasing by 5% the dual bill received by most customers was not materially increasing. The Board concluded that there was a need for a handling strategy for unmeasured customers who only receive a wastewater bill from us. In particular, there was a need to work with cross-border water suppliers to inform unmeasured wastewater customers of the 5% increase in the waste element of their bill. The Company will ensure that these customers are aware of the possible impact on their bill and will work with them to minimize the impact, including recommending that they consider moving to measured charging.

**Table 2: Bills experienced by measured customers**

The table below shows the bill of measured customers using average consumption for each of the three years shown and the changes in the bill that would be experienced compared to the changes in the bill calculated assuming constant consumption as prescribed by Ofwat.

For the actual bill the household customer's consumption is higher in 2020/21 to reflect the impact of working from home, and the non-household customer's consumption is lower because of lockdown-related closures.

	Measured Bill (£ - outturn)			Change (%)	
	19/20	20/21	21/22	19/20 - 20/21	20/21 - 21/22
<b>Household customer</b>					
<b>Water</b>					
Actual bill	153	161	145	5%	-10%
Ofwat's charges rules	154	152	145	-1%	-4%
<b>Wastewater</b>					
Actual bill	220	235	235	6%	0%
Ofwat's charges rules	221	224	235	1%	5%
<b>Both services</b>					
Actual bill	374	396	380	6%	-4%
Ofwat's charges rules	375	377	380	0%	1%
<b>Non Household customer</b>					
<b>Water</b>					
Actual bill	642	546	623	-15%	14%
Ofwat's charges rules	611	634	623	4%	-2%
<b>Wastewater</b>					
Actual bill	793	678	824	-15%	22%
Ofwat's charges rules	757	780	824	3%	6%
<b>Both services</b>					
Actual bill	1,435	1,224	1,447	-15%	18%
Ofwat's charges rules	1,368	1,413	1,447	3%	2%

HelpU customers in receipt of the tariff before 1 August 2020 and WaterSure Wales customers will see the cap on their bill increasing by 5% to ensure that the tariffs remain available for the widest number of customers.

Tables 3 and 4 show the effect of the published charges on a representative sample of customers in accordance with the Information Requirements of the Charges rules.

**Table 3: Illustrative bills – Household customers**

The table below follows the Charges Scheme Rules Information Requirements and shows the bill arising from the Scheme of Charges 2021/22 for a range of typical residential customers and shows the variance from the bill of the previous year (assuming constant consumption for measured customers).

	2021/22	2020/21		
	Total Bill (£)	Total Bill (£)	Variance (£)	Variance (%)
<b>Household</b>				
<b>Dual Service customers</b>				
<b>Unmetered Dual Service</b>				
Low RV	440	432	8	2%
Medium RV	595	583	11	2%
High RV	762	748	14	2%
<b>Metered Dual Service</b>				
Low consumption	282	279	3	1%
Medium consumption	368	364	4	1%
High consumption	533	529	5	1%
<b>Uniform Service Charge Dual Service</b>				
Full Service	612	600	12	2%
<b>Unmetered Dual Service - foul only</b>				
Low RV	389	382	6	2%
Medium RV	543	534	9	2%
High RV	711	698	12	2%
<b>Metered dual Service - foul only</b>				
Low consumption	248	246	2	1%
Medium consumption	328	326	2	1%
High consumption	482	481	1	0%
<b>Uniform Service Charge Dual Service - foul only</b>				
USC Foul Only	560	551	10	2%
<b>Social Tariffs</b>				
HelpU – pre-1 August 2020 customers	221	211	10	5%
HelpU – Customers from 1 August 2020	250	250	0	0%
WaterSure Wales	360	343	17	5%
<b>Single Service customers</b>				
<b>Water Only</b>				
Unmetered medium RV	236	240	-4	-2%
Metered medium consumption	140	147	-7	-4%
<b>Wastewater Only - full sewerage service</b>				
Unmetered medium RV	359	343	16	5%
Metered medium consumption	228	218	10	5%
<b>Wastewater Only - foul only</b>				
Unmetered medium RV	307	294	14	5%
Metered medium consumption	188	179	8	5%

**Table 4: Illustrative bills – Non-household customers**

The table below shows the bill arising from the Scheme of Charges 2020/21 for a range of typical business customers and shows the variance from the bill of the previous year (assuming constant consumption for measured customers).

	2021/22	2020/21		
	Total Bill (£)	Total Bill (£)	Variance (£)	Variance (%)
<b>Non Household</b>				
<b>Unmetered Dual Service</b>				
Medium RV	748	729	20	3%
<b>Metered Standard Dual Service</b>				
Medium consumption	1,763	1,734	29	2%
<b>Water Only</b>				
<b>Industrial Tariffs</b>				
Band 1 (50 MI - 100 MI)	90,818	91,653	-835	-1%
Band 2 (100 MI - 250 MI)	182,658	184,490	-1,832	-1%
Band 3 (250 MI - 500 MI)	356,818	360,148	-3,330	-1%
Band 4 (500 MI - 1000 MI)	658,374	661,153	-2,778	-0%
<b>Non Potable</b>				
Raw Band A	1,813	1,848	-35	-2%
Partial Band A	1,318	1,343	-24	-2%
Raw Band B	187,635	189,481	-1,846	-1%
Partial Band B	997,728	1,008,235	-10,506	-1%
<b>Wastewater Only</b>				
Medium RV	448	427	22	5%
Average consumption	1,049	1,000	49	5%
<b>Trade Effluent</b>				
Trade effluent (<100MI) Total Bill	10,362	10,138	224	2%
Trade effluent (>100MI) Total Bill	390,101	371,242	18,859	5%

## Section 2 – Changes in charging policy

(b) Details of any significant changes in charging policy by the company from the previous year.

### 2020/21 Changes - update

#### **Review of the recovery of highways drainage charges**

The review of the recovery of highways drainage charges is complete. The household charge for both measured and unmeasured customers for 2021/22 has been set at £8.81, non-household customers at £28.16 and industrial customers discharging more than 100Ml per year set at £11,602.74. Highways drainage is recovered through the fixed element of the customer's bill.

#### **Review of the recovery of surface water charges**

The policy for charging for surface water was reviewed for 2019/20 charges and changed to align the recovery of the costs through the fixed element of both unmeasured and measured customers' bills. An immediate switch of the structure of the measured charge to effect this at that time would have resulted in a significant impact on foul only customers taking high volumes. This was only partially implemented to allow for full alignment of the volumetric rate to be completed in later years. The potential incidence arising from implementing this in the 2021/22 charges was considered too great and so this has not been fully implemented. This has been discussed with CCWater.

#### **Welsh Water Assist transition**

The sewerage only transition tariff increased by 5% in line with the transition plan. The glide-path to move these sewerage-only customers onto the full WaterSure Wales tariff was expected to be complete by 2022. The glidepath has been extended to ensure that these customers do not see a material increase in their bill. The proposal was discussed with CCWater.

Any customer who was eligible for HelpU was transferred as part of the original handling strategy.

### 2021/22 Changes

There are no charging policy changes for the Scheme of Charges 2021/22.