

Yorkshire Water Board Assurance Statement 2018-19



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Yorkshire Water

Board Assurance Statement 2018-19

Directors' Statement

As a Director of Yorkshire Water at the time of the publication of the company's Charges, I, the undersigned, confirm that:

- a) so far as I am aware, there is no relevant audit information of which the auditors of the company's Charges are unaware; and
- b) I have taken all the steps that I ought to have taken as a director in order to make myself aware of any relevant audit information and to establish that the auditors of the company's Charges are aware of the information.

consistent with the Companies (Audit, Investigations and Community Enterprise) Act 2004.

And that, to the best of my knowledge, having made all due inquiries and based on sources of evidence, that:

- c) the company complies with its legal obligations relating to the Charges it has published
- d) the Board has assessed the effects of the new charges on water supply and sewerage licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as whole or in groups) and approves the impact assessments and handling strategies developed in instances where bill increases for licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) exceed 5%;
- e) the company has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published about its Wholesale Charges is accurate; and
- f) the company has consulted the Consumer Council for Water(CCWater) in a timely and effective manner on its charges schemes
- g) to ensure the quality of the charges the Company has completed internal and external assurance processes. It has engaged, as auditors, Halcrow (its technical auditors) and Deloitte (its statutory auditors). The Board confirms that these processes and internal systems of control are sufficient to ensure the quality of the proposed charges.



Anthony Rabin
Chairman



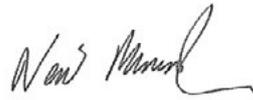
Richard Flint
Chief Executive



Liz Barber
Director of Finance, Regulation & Markets



Pamela Doherty
Director of Service Delivery



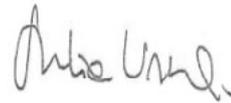
Nevil Muncaster
Director of Asset Management



Ray O'Toole
Senior Non-Executive Director



Teresa Robson-Capps
Non-Executive Director



Julia Unwin
Non-Executive Director



Chantal Forrest
Company Secretary



Andrew Wyllie
Non-Executive Director



Michael Osborne
Director



Scott Auty
Director



Andrew Dench
Director

Charges Data Assurance Summary - Yorkshire Water Services Ltd

The governance in place and the assurance process detailed below in the production of the household and non-household charges allows the Board to review and provide confidence in the charges we publish and the assurance processes we have followed. The Board of Directors sign the 'Board Assurance Statement' which confirms:

- The Charges comply with our legal requirements.
- The Board has reviewed the effects of the 2018-19 charges on customer bills for a range of customer types to assess if bill increases have exceeded 5%.
- We have consulted with the relevant stakeholders in a timely and effective manner.
- Appropriate systems and processes are in place to ensure the data and information contained in the Charges and additional information is accurate.

Completed assurance levels explained

- By mapping our assurance activities into three levels, the Board are given confidence that sufficient assurance is provided at the right time. Errors missed at one level will be captured and corrected at the next. A description of the levels of assurance is provided in the diagram below. This includes both internal and external review.



Charges assurance levels explained

Level 1:

- All data inputs into the tariff model are from assured data sources, internal experts or forecasted.
- The tariff model is updated and calculation input checks are reviewed.
- All movements in tariffs are reviewed and bill impacts assessed.
- Level 1 assurance ensures we remain compliant with the four revenue price controls;
 - Wholesale water
 - Wholesale wastewater
 - Retail household
 - Retail non-household
- Level 1 assurance confirms we are compliant with the published charges principles and guidelines.

Level 2:

- The Tariff Steering Group, which included internal business experts in regulatory finance, retail services and tariffs held several meetings to discuss charging policy, strategy and governance.
- A qualified member of our internal legal team is asked to agree any changes to the charges scheme book.
- The Head of Financial Planning and Pricing and the Regulation Director have reviewed the Charges and customer bill impacts. As part of the assurance process both are required to sign off and comment on their observations, any queries raised are resolved prior to the Board review.

Level 3:

- External independent assurance was provided by two firms of auditors. These reports are included in their entirety as an appendix in the paper submitted to the Board for review.
 - Deloitte audited the charges model to ensure the calculations are robust and the model is fit for purpose.
 - Halcrow audited the charges model for compliance with charging principles and guidelines.
- A paper is submitted to the Board which contains;
 - a copy of both auditor's findings – this allows a check to the Charging principles and guidelines;
 - the timetable for completion – gives confidence the process is under control and all reporting requirements will be achieved;
 - tables comparing charges – this provides a transparent review of the movements in charges.
- Internal Audit complete an annual billing audit, to confirm that the tariffs have been included within the billing system correctly.

There are two Board Assurance statements;

- Charges Scheme – this relates to the end user charges.
- Wholesale Charges – excluding retail.

These are clearly visible in the separate sections to which they apply.

www.yorkshirewater.com/charges

www.yorkshirewater.com/business/services#ls2

Charges 2018-19 – Yorkshire Water Charges rules compliance review

RULE NUMBER	SCHEME RULE	ARE WE COMPLIANT?	EVIDENCE
1 - 6	Introduction and interpretation	n/a	
	Consumer council for water		
7	Before making a charges scheme a relevant undertaker must consult the Consumer Council for Water about its proposed scheme in a timely and effective manner	Compliant	We work together with CCWater. Table 1 CCWater timetable provides detail of the discussions and actions taken.
	Bill stability		
8	Undertakers should carry out a proportionate impact assessment whenever the nominal value of bills for a given customer type (assuming a constant level of consumption) is expected to increase by more than 5% from the previous year.	Compliant	Per our statement no customer will experience an increase in their bill greater than 5%. This is illustrated for a representative set of household and non-household customers by Table 2 Bill stability.
	Publication		
9	Charges schemes must be published no later than the first working day of the February immediately preceding the Charging Year in relation to which they have effect.	Compliant	Our charges will be published within the required timeframe.
10	Charges schemes must be published on a relevant undertaker's website and in such other manner as the undertaker considers appropriate for the purpose of bringing it to the attention of persons likely to be affected by it.	Compliant	All household customer charges can be accessed from one landing place on the web-site. This makes it easy for stakeholders to access the documents they are interested in.
11	Where a relevant undertaker has published or fixed standard charges otherwise than under a charges scheme for any services provided by that undertaker, charges schemes must state how customers may obtain a copy of such charges and, if applicable, where on a relevant undertaker's website those charges may be found.	Compliant	There are clear menus and links to other charges. Live chat and request call back facilities have been added to improve the customer experience.
	Principles for determining the amounts of charges		
12	Consistent principles and approaches must be applied to the calculation of charges for different classes of customers.	Compliant	Regardless of the services provided consistent principles and approaches are applied.
13	Charging structures must reflect the long run costs associated with providing the relevant service.	Compliant	The revenue controls were set at the FD14 for the 5 year period and these controls are then applied to all tariff calculations for each relevant service.
14	Charges for services provided to domestic premises must be fixed so that the average difference between metered charges and unmetered charges only reflects any differences in the costs of, and the additional benefits of, the provision of one service relative to the other;	Compliant	The tariff differential between measured and unmeasured maintained and remains within £2.00 across water and sewerage services.

RULE NUMBER	SCHEME RULE	ARE WE COMPLIANT?	EVIDENCE
15	Differences between charges for services provided to larger users of water and charges for services provided to smaller users of water must only be based on cost differences associated with differential use of network assets, differential peaking characteristics, different service levels and/or different service measurement accuracy.	Compliant	YWS has agreement with Ofwat to apply a 'falling block' tariff structure, on the basis that larger users do not tend to use the same types of infrastructure as smaller household users.
16	Where cost differences associated with differential peaking characteristics are used as a basis for differences between charges for services provided to larger users of water and charges for services provided to smaller users of water, the charges fixed on that basis must be structured on an appropriate peak demand basis.	Compliant	The falling block tariff structure is applied. Seasonal peaking characteristics are not applied.
17	Charges for sewerage services must take into account the different pollutant loads associated with household foul sewage, non-household foul sewage, trade effluent, surface water draining from premises and surface water draining from highways.	Compliant	We have separate charges for household and non-household sewage and trade effluent. Our surface water charges are currently based on surface area. The surface water draining from highways is currently incorporated in the standing charge applied.
Assessed charges			
18	Charges schemes must allow a customer to choose to pay an assessed charge determined in accordance with this rule in the specified circumstances:	Compliant	Assessed volumes are in line with CCWater guidelines. The volumes are based on historic billed information. Where we determine that it is impractical or unreasonably expensive to install a meter at domestic premises the customer may opt to pay an assessed charge.
18	(a) The type and amount(s) of an assessed charge must be determined in accordance with the following principles:	Compliant	Comments as above
18	(i) assessed charges should, as closely as practicable, reflect the metered charges that would apply in relation to the volume of water that is likely to be supplied; and	Compliant	Comments as above
18	(ii) the amount of an assessed charge payable by an individual who is the sole occupier of domestic premises (a single occupier assessed charge) should reflect the volume of water that is likely to be supplied to domestic premises occupied by one individual in the relevant area.	Compliant	Comments as above
18	(b) The specified circumstances for the purposes of this rule are where a water undertaker has received a measured charges notice in accordance with section 144A of the Water Industry Act 1991 but was not obliged to give effect to it because:	Compliant	Comments as above

RULE NUMBER	SCHEME RULE	ARE WE COMPLIANT?	EVIDENCE
18	(i) it is not reasonably practicable to fix charges in respect of the premises by reference to the volume of water supplied; or	Compliant	Comments as above
18	(ii) to do so would involve the incurring by the undertaker of unreasonable expense	Compliant	Comments as above
Unmetered charges			
19	Charges schemes that include any unmetered charges must clearly state the basis on which those charges are fixed or determined and, in the case of rateable value charges, state:	Compliant	The basis of unmetered charges applied is set out in the 'charges scheme' booklet prepared for each submission and is based on a fixed standing charge and an RV based charge. This methodology is in line with previous years.
19	(a) which rating valuation list charges are fixed or determined by reference to; and	Compliant	Comments as above
19	(b) if the undertaker uses a different value or other amount to that specified in such a list, the methodology or other basis on which that different value or other amount is calculated.	Compliant	Comments as above
Wastewater charges			
20	Sewerage undertakers' charges schemes must provide for a cost reflective reduction in the charges payable for the provision of sewerage services to any premises where the sewerage undertaker knows, or should reasonably have known, that surface water does not drain to a public sewer from those premises.	Compliant	The basis of the surface water rebate to non-household properties is clearly documented in the 'charges scheme' booklet and is consistent with previous years.
21	Sewerage undertakers must set out in their charges schemes how any reduction in the charges payable for the provision of sewerage services to any premises will be calculated if customers can demonstrate that they have significantly reduced the volume of surface water draining to a public sewer from their premises or explain why there is no such provision.	Compliant	The surface water area charging bands are clearly documented within the 'charges scheme' booklet, whereby the charge per surface area band has been tabled. As such, a non-household customer is able to easily assess the potential benefit (through reduced charges), of reducing the surface area draining to the sewer, resulting in movement to a lower tariff band. We currently make no provision for household customers to reduce the surface water charge. Household customers are either connected or not connected.
Trade Effluent			
22	Charges to be paid in connection with the carrying out of a sewerage undertaker's trade effluent functions must be based on the Mogden formula, a reasonable variant of the Mogden formula or on a demonstrably more cost-reflective basis.	Compliant	The 'charges scheme' booklet clearly sets out the use of the Mogden formula as the basis of the trade effluent charge applied.

RULE NUMBER	SCHEME RULE	ARE WE COMPLIANT?	EVIDENCE
	Social tariffs / Concessionary drainage charges		
23	Charges must state: (a) whether or not undertakers have decided to include in the charges scheme:	Compliant	We currently have two social tariff schemes in place, 'Water Sure' and 'Water Support'. Whilst 'Water Sure' is an Ofwat initiative ensuring capped average charges for a number of specified metered customer types, the 'Water Support' scheme is a more comprehensive company specific scheme available to all vulnerable customers. We do not make provision for reduced charges or discounts to community groups. Instructions on how eligible customers can apply for reduced charges through 'Water Sure' and 'Water Support' is detailed within the 'charges scheme' booklet. Applications can be made directly by phone or through the YWS website.
23	(i) provision designed to reduce charges to community groups in respect of surface water drainage from their property (having had regard to any guidance issued by the Minister under section 43 of the Flood and Water Management Act 2010);	Compliant	Comments as above
23	(ii) provision designed to reduce charges for individuals who would have difficulty paying in full (having had regard to any guidance issued by the Minister under section 44 of the Flood and Water Management Act 2010); and	Compliant	Comments as above
23	Charges must state: (b) if any such provision is included, how eligible customers can apply for such reduced charges.	Compliant	Comments as above
Times and methods of payment			
24	Charges schemes must include provisions giving customers a reasonable choice as to the times and methods of payment of the charges fixed by the scheme.	Compliant	Various payment options and methods of payment are available and are detailed within the 'charges scheme' book.
New appointees			
25	Rule 9 does not apply to new appointees. Instead new appointees must publish charges schemes no later than the 22 February immediately preceding the Charging Year in relation to which they have effect.	n/a	
Infrastructure charges (English undertakers)			
26 - 33	Infrastructure charges	Compliant	This has been updated to reflect the changes in new connection charges. A copy of the relevant documentation relating to Charging Rules for New Connection Services can be found on our website.

RULE NUMBER	SCHEME RULE	ARE WE COMPLIANT?	EVIDENCE
Annex: Information requirements			
	A1 Each undertaker should provide to the Water Services Regulation Authority an assurance statement from its Board of Directors and publish its statement no later than the time of publication of the charges schemes confirming that:	Compliant	Per our timetable we will submit our signed Board Assurance Statement to Ofwat. This will be published on our website the same day.
	(a) the company complies with its legal obligations relating to the charges set out in its charges schemes;	Compliant	Licence Condition B - Companies must make sure their charges comply with their four separate revenue controls. I.e. they do not project to raise more revenue in each of the four separate price controls. (Water, Waste Water, Retail - Household, Retail – Non-household.) See Table 3. Halcrow have provided assurance to the board we are compliant with this rule. Licence Condition E - Companies must make sure, when fixing their charges, that no undue preference is shown to, and that there is no undue discrimination against, any class of customers or potential customers. The audit report from Halcrow provided assurance to the board we are compliant with these licence conditions.
	(b) the Board has assessed the effects of the new charges on customers' bills for a range of different customer types, and approves the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%;	Compliant	Assuming a constant level of consumption for a representative range of customer types we have not found any customer group who will experience a bill increase greater than 5%. This is illustrated in Table 2.
	(c) the company has appropriate systems and processes in place to make sure that the information contained in the charges scheme, and the additional information covered by this annex is accurate; and	Compliant	Deloitte and Halcrow combined audit the charges model its inputs and calculations. The Board are furnished with a detailed report from each.
	(d) the company has consulted the Consumer Council for Water (CCWater) in a timely and effective manner on its charges schemes.	Compliant	The timetable detailing our continued correspondence is included see Table 1.
	A2 With the exception of Cholderton and District Water and new appointees, each undertaker should provide to the Water Services Regulation Authority a statement setting out any significant changes anticipated by the undertaker, and publish the statement, at least three weeks before the publication of the charges schemes. The statement should include the following.	Compliant	Per the Ofwat timetable we published on our website on the 11th January our Statement of significant changes. This states we do not anticipate any significant increases in our Charges Scheme.
	(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:	Compliant	Comments as above

RULE NUMBER	SCHEME RULE	ARE WE COMPLIANT?	EVIDENCE
	(i) what size increase is expected;	Compliant	Comments as above
	(ii) which customer types are likely to be affected; and	Compliant	Comments as above
	(iii) the handling strategies adopted by the company or why the company considered that no handling strategies are required.	Compliant	Comments as above
	(b) Details of any significant changes in charging policy by the company from the previous year.	Compliant	Comments as above
	A3 In addition to the assurances set out in A1 above, new appointees' assurance statements must include assurance that their charges schemes offer:	n/a	
	(a) levels of service at least comparable to the previous appointee's charges scheme;	n/a	
	(b) prices that do not exceed those in the previous appointee's charges scheme for similar services; and	n/a	
	(c) prices equivalent to those specified in the new appointee's application for each individual appointment or variation area.	n/a	

Appendix

Yorkshire Water CCWater consultation table

DATE	OVERVIEW	DETAILS OF CORRESPONDENCE	YORKSHIRE WATER RESPONSE
21/07/2017	Charges review 2018-19 received	<p>“Significant bill impacts - Is the company planning any changes to charges or rebalancing which will create bill shocks for some customers?”</p> <p>Reclassification impact - Is the company phasing bill changes for customers who have been reclassified from HH to NHH due to the opening of the retail market?</p> <p>Single Occupiers Assessed charges (SOAC) – Charging rules require that single occupier assessed charges reflect the metered charges which would apply to the volume of water likely to be supplied to domestic premises occupied by one individual in the relevant area.</p> <p>Other Policy Changes - Please advise of any other changes to charging policy which are planned and any associated impacts</p>	<p>We do not intend to make any significant changes for 2018-19 to the structure or methodology for calculating such charges.</p> <p>As part of the housekeeping exercise prior to the opening of the retail market there were a number of customers who were reclassified to NHH from HH. There was no significant customer impact which resulted in any phased bill changes.</p> <p>York 65m3/a Yorkshire 52m3/a. The volumes used in our model were within the guidelines on the CCWater website.</p> <p>Currently there are no planned changes to charging policy for the charging period 2018/19.</p>
28/10/17	Telephone conference call	Sight of household charges	By email we agreed to supply an overview of charges @ 30.10.17. This subject to change, Board review and final RPI.
30/10/17	Email sent to CCWater	Sight of household charges	<p>RPI comparison</p> <p>WRFIM adjustment</p> <p>Average household bill</p> <p>Bill stability</p>
16/11/17	Suggested wording received	Recovery of undercharging wording: discussion regarding the inclusion in the charges book CCwater suggestion: While we strive to ensure that all bills for charges are correct, in the case of error we reserve the right to make retrospective adjustments. This will always happen if the adjustment is in the customer’s favour. We will not make retrospective adjustments in our favour if there is clear evidence that undercharging has been due to a failure or error on our part.’	We are happy to include a statement in the Charges book and will review this with our Tariff Steering group and Legal department prior to publication.
17/11/17	Connection charges telephone call between CCWater and Yorkshire Water	My policy colleague, Sarah Thomas, is holding discussions with all companies regarding connection charges and would like to arrange to speak to Yorkshire Water. As I am on annual leave next week, could you please liaise directly with Sarah to arrange a suitable date and time (ideally she would like to have the discussion in the next couple of weeks)	We put Sarah in touch with our Developer Services department
29/11/17	Telephone call regarding connection charges between CCWater and Yorkshire Water	Proposals of charges and consultation with customers shared with CCWater	Details of incident affects forwarded to CCWater

Yorkshire Water bill stability review 2018-2019

Assuming a constant level of consumption for a representative range of customer types we have not found any customer group who will experience a bill increase greater than 5%. This is illustrated below.

The tables below are for the representative majority, which are dual service customers. The assumption of a return to sewer of 95% is applied to the sewerage volumes calculated.

Household assessed customers (Yorkshire Water excluding York Waterworks)

CUSTOMER	2017-18	2018-19	£ VARIANCE	INCREASE
Detached House	415.89	434.94	19.05	4.56%
Semi-Detached House	351.06	367.41	16.35	4.65%
Other Household Premises	311.60	326.30	14.70	4.72%
Single person household	215.76	226.47	10.71	4.99%

Household assessed customers (York Waterworks)

CUSTOMER	2017-18	2018-19	£ VARIANCE	INCREASE
Detached House	358.18	374.51	16.33	4.56%
Semi-Detached House	304.00	318.13	14.13	4.65%
Other Household Premises	269.43	282.15	12.71	4.72%
Single person household	196.22	206.01	9.79	4.99%

Rateable value customers Yorkshire

CUSTOMER	2017-18	2018-19	£ VARIANCE	INCREASE
Low RV £75k	325.24	338.35	13.10	4.03%
Average RV £121k	466.06	483.26	17.21	3.69%
High RV £175k	631.35	653.38	22.02	3.49%

Rateable value customers York

CUSTOMER	2017-18	2018-19	£ VARIANCE	INCREASE
Low RV £75k	273.13	283.79	10.65	3.90%
Average RV £121k	386.45	399.92	13.46	3.48%

Rateable value customers York

CUSTOMER	2017-18	2018-19	£ VARIANCE	INCREASE
High RV £175k	519.48	536.25	16.76	3.23%

Measured customers Yorkshire Water

CUSTOMER	2017-18	2018-19	£ VARIANCE	INCREASE
Single person 55m ³	230.07	241.22	11.15	4.85%
Low volume 66m ³	261.07	273.52	12.45	4.77%
Average volume 78m ³	306.17	320.50	14.33	4.68%
High volume 150m ³	497.84	520.16	22.31	4.48%

Measured customers York Waterworks

CUSTOMER	2017-18	2018-19	£ VARIANCE	INCREASE
Single person 55m ³	199.37	209.08	9.71	4.87%
Low volume 66m ³	224.24	234.95	10.71	4.78%
Average volume 78m ³	260.41	272.57	12.17	4.67%
High volume 150m ³	414.13	432.49	18.37	4.44%

Watersure customer Yorkshire Water

CUSTOMER	2017-18	2018-19	£ VARIANCE	INCREASE
Watersure	374.64	386.39	11.75	3.14%

Watersure customer York Waterworks

CUSTOMER	2017-18	2018-19	£ VARIANCE	INCREASE
Watersure	329.21	337.29	8.07	2.45%

Trade effluent

VOLUME USAGE	2017-18	2018-19	£ VARIANCE	INCREASE
0<5MI Trade Eff User (4.5MI)	7,136	7,466	329.93	4.62%
5<50MI Trade Eff User (20MI)	31,748	33,242	1,493.63	4.70%
50-250MI Trade Eff User	287,143	301,132	13,988.87	4.87%
>250MI Trade Eff User	580,250	607,217	26,966.30	4.65%

Assessed non-household charges Yorkshire Water

VOLUME USAGE	2017-18	2018-19	£ VARIANCE	INCREASE
Small	450	468	18.35	4.08%
Medium	757	790	33.31	4.40%
Large	1,618	1,693	74.61	4.61%
Extra Large	2,904	3,041	136.76	4.71%

Assessed non-household charges York Waterworks

VOLUME USAGE	2017-18	2018-19	£ VARIANCE	INCREASE
Small	369	383	14.01	3.80%
Medium	615	640	25.69	4.18%
Large	1,311	1,369	58.16	4.44%
Extra Large	2,346	2,453	106.87	4.55%

Measured non-household charges Yorkshire Water

VOLUME USAGE	2017-18	2018-19	£ VARIANCE	INCREASE
350MI	719,338	755,432	36,094	5.02%
75MI	187,561	196,820	9,259	4.94%
10MI	28,589	29,988	1,399	4.89%
5MI	14,343	15,043	700	4.88%
0.25MI	818	851	33	4.07%
0.1MI	385	399	13	3.50%

Measured non-household charges York Waterworks

VOLUME USAGE	2017-18	2018-19	£ VARIANCE	INCREASE
350MI	648,535	680,447	31,912	5.02%
75MI	155,165	162,603	7,438	4.94%
10MI	23,023	24,113	1,090	4.89%
5MI	11,560	12,105	545	4.88%
0.25MI	678	704	26	4.07%
0.1MI	330	340	10	3.50%

Yorkshire Water revenue control compliance 2018-19

REVENUE CONTROL £m	WHOLESALE WATER	WHOLESALE WASTEWATER	RETAIL HOUSEHOLD	TOTAL
Allowed Revenue	435.4	535.8	64.5	1,035.8
WRFIM adjustment - customer	(5.3)	(0.1)	–	(5.4)
Adjusted allowed revenue	430.1	535.7	64.5	1,030.4
Forecasted Revenue	430.2	535.8	64.0	1,029.9
Variance	(0.0)	(0.0)	0.5	0.4

www.yorkshirewater.com

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