

Yorkshire Water

Indicative Wholesale Charges publication 2019-20

Board Assurance Statement

As a Director of Yorkshire Water at the time of the publication of the company's indicative Wholesale 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 indicative Wholesale 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 indicative Wholesale Charges are aware of the information;*

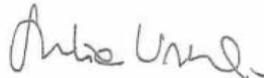
consistent with the Companies (Audit, Investigations and Community Enterprise) Act 2004.

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 indicative Wholesale 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 indicative Wholesale Charges is accurate; and*
- f) *the company has consulted with relevant stakeholders in a timely and effective manner on its indicative Wholesale Charges.*



YorkshireWater

 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
 Kathy Smith Company Secretary	 Andrew Wyllie Non-Executive Director
 Michael Osborne Director	 Scott Auty Director
 Andrew Dench Director	 Julia Unwin Non-Executive Director

Charges Data Assurance Summary - Yorkshire Water Services Ltd

The governance and assurance processes detailed in this document in the production of the indicative Wholesale Charges allows the Board to review and provide confidence in the charges we publish and the assurance processes we have followed.

In order to meet the requirements of this publication, we calculate the revenues that are allowed under our PR14 final determination and apply the impact of the wholesale revenue forecasting incentive mechanism. We use an audited tariff model to calculate the tariffs that are required to hit the revenue controls, this model includes the relevant tariff differential calculations that are used to ensure that there is no undue preference shown across customer types.

The impact of the tariff changes over the main customer groups are assessed within a separate control document. This model shows the bill impact across customer groups, this would indicate where impacts would be over 5% requiring a handling strategy to be published. No handling strategy is required.

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. A description of the levels of assurance is provided in the diagram below. This includes both internal and external review.



Background to requirements

Wholesale charging rules issued by the Water Services Regulation Authority (Ofwat/WSRA) under sections 66E and 117I of the Water Industry Act 1991. The indicative Wholesale Charges are produced and published in line with the Wholesale charging rules. We are required to demonstrate that we have followed the guidance within the process of setting the Charges and in line with the Ofwat timetable.

Assurance requirements and summary of assurance findings

The Board is required to sign a Board Assurance Statement when publishing the indicative Wholesale Charges. This confirms compliance with its legal obligations, that the effects of the charges have been assessed, that the company has appropriate systems and processes in place to make sure the data is accurate and that the company has consulted with relevant stakeholders.

Assurance for the indicative Wholesale Charges has followed the three levels of assurance model, as set out in this document.

The key findings from assurance are as follows:

Level 1 assurance has been provided by the Regulatory Tariff Accountant and the Regulatory Finance Manager. The areas checked were that:

- the latest guidance from Ofwat was used;
- the approach to setting the charges met the latest guidance;
- the company has consulted with relevant stakeholders in a timely and effective manner;
- the tariff model was reviewed to confirm that it met the latest requirements;
- the most recent forecast for November 2018 RPI 3.01%, supplied by our internal Tax and Treasury team;
- compliance with the revenue controls and implementation of the wholesale revenue forecasting incentive mechanism, £3.93m;
- the inputs used within the tariff model were assured, and,
- the customer group impacts were assessed to confirm that they were not above 5%.

Level 1 assurance has confirmed that our methodology and model meet the requirements of the current regulatory guidance.

Level 2 assurance has been provided by the Head of Financial Planning & Pricing. These activities have confirmed that the methodology has been followed, the resulting charges comply with the charging guidance requirements, the proposed tariffs meet regulatory requirements and the assurance process has been completed.

Level 3 assurance has been provided by external independent auditors Jacobs and Deloitte. Copies of both audit reports were provided to the Board. The audits raised no issues.

The Deloitte assurance completed a review of the tariff model to confirm that the functionality was correct.

The Jacobs assurance process covers:

- the latest Ofwat guidance has been followed;
- the charges that are calculated are from the tariff model;
- the regulatory requirements have been met.

In summary, Jacobs confirm that:

On the basis of the above review, we confirm that the indicative wholesale charges to be submitted/published by YWS on 12th October 2018 is compliant with the 'Wholesale Charging Rules', as issued by WSRA on 16th March 2018. Subject to the results of the parallel review of the tariff model, which we understand did not raise any concerns, we consider the YWS Board can provide an assurance statement, accompanying their October submission, confirming:

- compliance with its legal obligations
 - the effect of the proposed charges on licensees has been assessed,
 - appropriate systems and processes are in place, and
 - YWS has consulted with relevant stakeholders in advance of submission, see stakeholder consultation table.
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Yorkshire Water stakeholder consultation table
Charges 2019-2020

Date	Overview	Details of correspondence	Comments
01/07/2018	CCWater charges review 2019-2020 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>Is there still any on going phasing bill changes for customers who have been reclassified from HH to NHH or vice versa due to the opening of the retail market?</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 2019/20 to the structure or methodology for calculating such charges. The current predicted average household bill was supplied with the understanding data was still being sourced and the model updated.</p> <p>n/a</p> <p>No policy changes 2019-2020. We have an ongoing project to implement the Ofwat requirement for the separation of the HWD charges from April 2020 within the Charges Scheme.</p>
07/08/2018	CCWater telephone call	CCWater discussion around the charges process for 2019-2020	A high level discussion around the process, timetable and bill expectations at this time for household and non-household customers. It was agreed we would provide an update in September or contact CCWater sooner should any issues or concerns come to light.
09/08/2018	The Yorkshire Water Wholesale Non-Household Charges Scheme Consultation was sent to all contracted Retailers on the 09/08/2018.	The aim of this survey was the capture Retailers feedback on the 2018/19 charges scheme and to encourage feedback on what amendments they would like to see made going forward. The survey had 19 questions and focused on three key areas Transparency, Easy of Use and Simplicity.	The survey closed mid-September with 6 Retailers participating. Overall, the feedback has been very positive and Yorkshire Water are pleased with the results. The next steps are to analyse the feedback and make recommendations.
20/09/2018	Email sent to CCWater	Charges update	We confirmed to CCWater the expectation no customer group would be impacted above 5%, audits of the model and the process were complete and our Board paper drafted in line with our timetable.