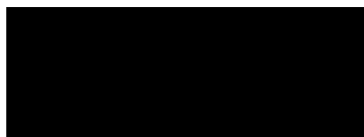


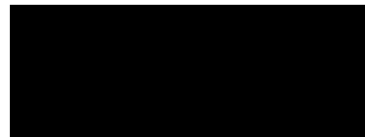
Statement of Board Assurance in relation to 2024-25 Wholesale Charges

Based on the considerations set out in the appendix to this statement, and the results of independent third-party assurance provided by Frontier Economics, to the best of its ability the Board can confirm that:

- (a) the Company complies with its legal obligations relating to the final wholesale charges it has published;
- (b) the Board has assessed the effects of the new charges on potential licensees (as a whole or in groups) who are retailing wholesale services to eligible customers, and to business end-users (as a whole or in groups), and approves the impact assessments and handling strategies developed in instances where bill increases for potential licensees (as a whole or in groups) who are retailing wholesale services to eligible customers and eligible business end-users (as a whole or in groups) exceed 5%;
- (c) 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
- (d) The Company has consulted with relevant stakeholders in a timely and effective manner on its wholesale charges;
- (e) Where final Wholesale Charges are significantly different from the indicative Wholesale Charges published for the same period, the Board has considered the reasons why those changes occurred and has issued a statement explaining why those charges were not anticipated and/or mitigated.



Lara Stoimenova
Non-Executive Director and
chair of the Audit & Risk Committee



Chris Milner
Chief Financial Officer

13 January 2023

Appendix to the Wholesale Charges Assurance Statement

The Board considered the proposed wholesale charges for 2024-25 at its meeting of 29 November 2023, including consideration of the impact of the proposed tariffs on typical bills for a range of customers.

At this stage the final CPIH value for November was not available and the Board agreed to delegate sign off of the final charges to a sub-committee comprising the Chair of the Audit & Risk Committee, the Chief Executive Officer and the Chief Financial Officer. A meeting to approve the final tariffs and assurance statements was held on 10 January 2024. The company's assurers attended the meeting to present their assurance findings and provide members of the Committee with the opportunity to ask questions on the review work undertaken.

Based on these considerations the Committee, on behalf of the Board, felt able to provide the assurance statement above. Further details of the Board's considerations in relation to each of the assurance statements provided is set out below.

(a) The Company complies with its legal obligations relating to the final wholesale charges it has published.

Specifically, we confirm that the charges result in compliance with the revenue cap for water resources and network plus price controls. We are able to confirm that as a consequence of these wholesale tariffs:

- The bill differential for customers using the same volume of water, but charged on a different basis, reflects the additional cost incurred in metering.
- Assessed charges are consistent with volumes of similarly measured properties.
- The total Watersure tariff is set equal to the average measured household bill.

As such we do not believe the tariffs exhibit any undue discrimination between different classes of customer.

Whilst the Company has rigorous processes in place to accurately develop its tariffs and associated charges schemes, the Board also obtained independent assurance from Frontier Economics who have confirmed that the charges comply with the price controls. The Board believe Frontier Economics are well placed to give this assurance given their knowledge of the water industry.

The Board therefore confirms that charges included in its final Wholesale Charges comply with its legal obligations.

(b) The Board has assessed the effects of the new charges on potential licensees (as a whole or in groups) who are retailing wholesale services to eligible customers, and to business end-users (as a whole or in groups), and approves the impact assessments and handling strategies

developed in instances where bill increases for potential licensees (as a whole or in groups) who are retailing wholesale services to eligible customers and eligible business end-users (as a whole or in groups) exceed 5%.

The Board has assessed the effects of the new charges on customers' bills, for a range of 33 customer types. The 33 groups analyses include the average in a class and an upper and lower customer in the class as required by Ofwat guidelines. The bill impact analysis was reviewed by Frontier Economics as part of their assurance work.

Based on this analysis, the Board is satisfied that no customers will experience a bill increase of greater than 5% as a result of the proposed wholesale price changes.

- (c) 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.**

The Company has an internal system of processes and audits which cover financial and non-financial data. These are considered by the Board and Audit & Risk Committee as part of the Company's corporate governance requirements and reported in the Annual Report & Accounts. In doing so the Board has also considered the extent of any relevant control deficiencies raised as a result of this external assurance and the extent that these have been mitigated. The Board therefore confirms that has appropriate systems and processes in place to make sure that the data underlying the tariffs in this publication is accurate.

Based on the review carried out by Frontier Economics it can also confirm that the company has appropriate models in place to ensure that the tariffs are calculated are accurate and comply with the relevant price controls.

- (d) The Company has consulted with relevant stakeholders in a timely and effective manner on its wholesale charges.**

We shared an initial charges outlook with CCWater by email on 1 September 2023 prior to publishing our draft wholesale tariffs. We provided an update on 6 October 2023, including completion of CCW's draft charges proforma. We provided a further update on our final charges to CCW on 18 December 2023, including notifying them of the proposed change to our non-household meter size bands to align with the recommendations of MOSL's tariff simplification group. On 9 January 2024 we provided CCW with details of our final charges and the drivers of changes, using CCW's charges template.

In respect of the proposed changes to our non-household meter size bands, we also wrote to all Retailers in December 2023 to alert them to the proposals and provide the opportunity to comment.

- (e) **Where final Wholesale Charges are significantly different from the indicative Wholesale Charges published for the same period, the Board has considered the reasons why those changes occurred and has issued a statement explaining why those charges were not anticipated and/or mitigated.**

With the exception of changes to the structure of our non-household meter size bands, the only significant change from the indicative charges published in October is in the value of CPIH used. The draft wholesale charges were based on a forecast CPIH of 4.0%, whilst the final charges reflect the actual published value of 4.2%.

The change to our non-household meter size bands was made in response to recommendations from the MOSL RWG tariff simplification group. These recommendations were published on 3 October 2023 meaning that there was insufficient time to incorporate these changes into our indicative tariffs, which were required to be published by 13 October 2023. However, we did highlight in our Board assurance statement that we would be considering the MOSL recommendations for the final charges to be published in January.

Potential change to billing period

We are currently assessing the feasibility of changing our billing period. We currently levy charges for a period that runs from 1 July to 30 June each year. Our annual price controls are set by Ofwat and run from the 1 April each year to 31 March in the subsequent year. Charges are therefore weighted to ensure that we comply with the annual Ofwat price controls.

Most companies in the sector have a billing period that aligns with the price controls set by Ofwat (i.e., from 1 April to 31 March). We are currently updating our billing system and as part of that programme we are looking at the benefits of aligning our billing period to the Ofwat price control period.

If we were to change the billing period, it is likely that when we issue annual bills in July 2024, these would be for a shorter period – up to 31 March 2025 - with bills in all subsequent years being levied from April to the following March, covering a 12-month period. We will consult with CCW and engage further with our customers before making any change. For the avoidance of doubt, this change would not have any impact on the overall level of charges, only the timing.