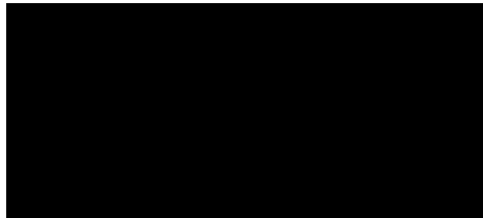


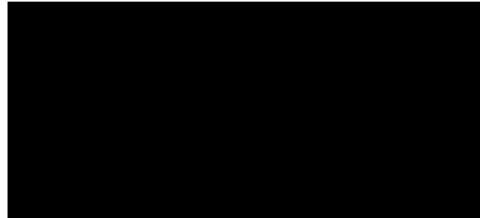
Statement of Board Assurance in relation to 2025-26 Wholesale Charges

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 water supply 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

9 January 2025

Appendix to the Wholesale Charges Assurance Statement

The Board considered the Wholesale Charges for 2025-26 at its meeting of 30 November 2024, including consideration of the impact of proposed changes to tariffs and of the increase anticipated from the PR24 final determination.

To allow for more detailed scrutiny of the final charges following the publication of the PR24 final determination and the publication of the final CPIH value for November, 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 9 January 2025. 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 price controls for water resources and network plus. We are able to confirm that as a consequence of these wholesale tariffs:

- 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.

This analysis shows that bill increases for all customers will exceed 5% by a significant margin. This reflects the profile of allowed revenues set out in the Ofwat final determination published in December 2024, combined with CPIH for November of 3.5%.

As a result, the Board considered what handling strategies might be appropriate. This included reviewing the outputs of specific research commissioned by the Company to understand customer views on the profiling of bill increases over the AMP8 period.

Based on its considerations, and review of the customer research, the Board recognised the challenges these may present to customers in more financially vulnerable circumstances. The Board therefore determined that it should provide protection from significant bill increases for these customers. It therefore concluded that it was appropriate to freeze the value of the Social Tariff, which is provided to customers in financially vulnerable circumstances.

The Board also determined that it was appropriate to implement a wider handling strategy to reduce customer impact at the allowed bounds of the revenue forecasting mechanism to profile bill increases 2% below Ofwat's final determination. This reflects a number of key considerations:

- (i) The profile of price controls, combined with the 1 July billing year, means there is a risk of price reductions being required in 2026-27. Deferring 2% of revenue reduces this risk and provides a smoother profile over the two years.
- (ii) The final determination reflects the underlying cost drivers, so deferring significant revenues to later periods may negatively impact the financial resilience of the business. The proposed deferral should have a low impact on our resilience over the two years before recovery.
- (iii) The independent customer research carried out to test customer preferences in relation to bill profiling showed no clear preference for smoother bill increases, which would result in higher bills by the end of the period, or a step change in 2025-26 followed by flatter bill increases.

While the bill increases expressed in percentage terms are large, our bills are the lowest in the sector and the level of increase equates to just over £2 per month for most customers.

(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. The tariff model was subject to an update to improve transparency and functionality for the final Wholesale charges. The updates to the model were reviewed by Frontier Economics who confirmed that they are content that the models continue to function as intended.

(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 in our regular quarterly meeting held on 23 September 2024. We provided an update on 7 October 2024, including completing CCWater's charges proforma and discussed this with CCWater at a meeting held on 8 October 2024.

We provided a further update on our final charges to CCW, including our proposed approach to metering transition, on 10 January 2025. We also provided CCW with details of our final charges and the drivers of changes, using CCW's charges template.

(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.

Our draft charges were based on Ofwat's Draft Determination published in July 2024. These final charges reflect the Final Determination published on 19 December 2024. In addition, the draft wholesale charges were based on a forecast CPIH of 3.0%, whilst the final charges reflect the actual published value of 3.5%.

There are two changes to the structure of our charges since publication of the draft Wholesale Charges.

The first change is in relation to our metering programme. Between 2025 and 2035 we will be providing all our household and business customers with a smart meter to enable them to better manage their consumption. For many customers this will result in lower charges, but for some it may result in an increase in their water bill. In our draft Wholesale charges we highlighted that we were examining how we could best help customers adjust to their new metered charges, in particular where the metered bill is higher than the current unmetered bill. We have now determined that during the first year of charges upon switching to a meter we will offer all customers a 'lowest bill' guarantee. This means that for the first twelve months following the installation of the meter customers will be billed the lower of the new measured bill or the bill that would have been charged, based on the unmeasured tariffs.

The second change is in relation to combining standing charges for 0.5" and 0.75" meters to align with changes made to simplify our non-household charges in 2024-25. The impact is an increase of £1.72 for customers with a 0.5" meter and a reduction £4.77 for customers with a 0.75" meter. This change is being made ahead of our universal metering programme which commences in 2025-26 to ensure that all customers with a standard-sized domestic meter pay the same charges. The need for this change was not identified in time for the publication of draft Wholesale charges.