

South Staffordshire Water PLC

Board Approval of End User Charges for 2019-20

Assurance Statement

Overall, the average household bill in the South Staffs region will fall from £147 in 2018-19 to £146 in 2019-20, and will fall from £140 to £139 in the Cambridge region. The total combined bill across both regions is £144 which is in line with our Business Plan submission.

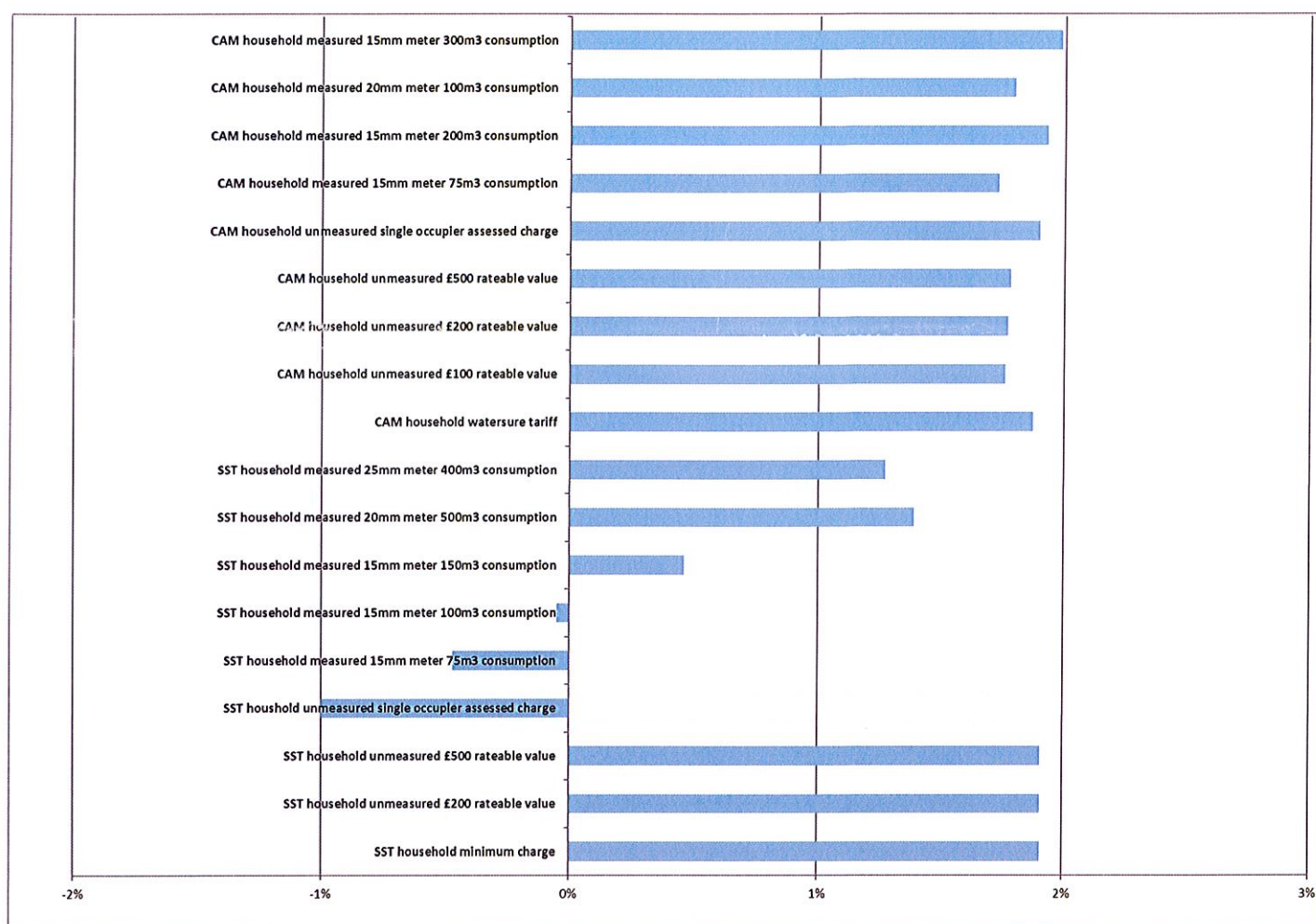
In approving the charges for 2019-20, the Directors confirm that they comply with the following provisions. This statement also sets out how the Board has assured itself of each provision.

1. The Company complies with its legal obligations (including competition law) relating to the charges set out in its charges schemes.

The water industry is subject to UK and EU competition law. The Company confirms that it complies with the charging rules as set out by Ofwat and its Instrument of Appointment so that no undue preference or discrimination has been shown to any class of customer. The Company has applied clear principles in setting wholesale tariffs such that customers pay the same amount for the same service, resulting in household and non-household tariffs being the same, except for any larger user discount that could be justified, measured and unmeasured differentials represented by additional metering costs, and the historic differential between South Staffs and Cambridge regions being maintained. In addition, the Company believes that the metered fixed charge should only be based on the cost of the meter (including installation) with all other wholesale activities being charged based on the volume of water used. Retail tariffs have been set to ensure that they are fully cost reflective of the activities undertaken.

2. The Board has assessed the effects the new charges have 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%.

No customer type will experience a bill increase of greater than 5%, although individual customers may experience an increase greater than 5% depending on their own characteristics. A sample of 18 different residential customers on different tariffs has been chosen to ensure this compliance and the results are set out graphically below:



The impact of increasing the contribution from customers to fund our social tariff from £1.50 to £3.00 is reflected in the graph above.

The bill reduction for customers with 15mm meters in the South Staffs region is as a result of reducing the standing charge from £42.49 to £40.43 so that it reflects the cost of the meter (including installation).

The reduction in the single occupier assessed charge in the South Staffs region is to align to the equivalent person on a meter using average consumption.

3. The Company has appropriate systems and processes in place to make sure that the data and information contained in the charges scheme, and additional information is accurate.

Internally the majority of information is sourced from either Business Plan or Final Determination data and from established reports from the Company's billing systems. The exception to this is where metered household customer numbers and consumption used for 2019-20 has been based on the latest actual 2018-19 data.

The staff involved at both Echo and South Staffs Water have been with the Company for a number of years and are familiar with the processes and

information sources. In addition, although external assurance is not required, the Group's internal audit function has been used to give additional assurance on the data used.

Finally, the Company along with three other water only companies has continued to use the services of Frontier Economics to produce a tariffs model to aid the setting of compliant charges.

4. The Company has consulted CCWater in a timely and effective manner on their charges schemes.

The Company has consulted with CCWater throughout the setting of charges with a number of face to face meetings from August 2018 onwards.

For 2019-20, the Company has consulted with customers on increasing the subsidy for the social tariff from £1.50 to £3.00 and CCW have been integral to this process, expressing support for the proposal.

There has also been discussion with CCW on customers previously classed as non-household but who are not eligible for the retail business market. These customers need to be migrated to the equivalent household tariff. This would result in an increase in their standing charge of £7.50 which for customers with low consumption would mean an increase greater than 5%.

It has been agreed that to avoid any significant bill changes, these customers should be migrated over time with those in the South Staffs region being fully aligned by 2021 and those in Cambridge by 2023.

In doing this, the Company has not sought to subsidise this lower charge across other customers. The Company will fund this small difference which it believes is in the best interest of all customers.

Finally, the single occupier assessed charge in the South Staffs region is now aligned to the equivalent person on a meter using average consumption. This has been achieved with support from CCW by reducing the charge over a five-year period.

CCWater have also reviewed the Company's draft charges schemes and any comments and changes have been incorporated to the final published version.

Approved by the Board of Directors on the 11 January 2019 and signed on its behalf.



Phil Newland
Managing Director
South Staffordshire Water PLC