



# Statement of Assurance for 2023/24 Charges

13 January 2023

Charges Scheme and Wholesale Charges Schedule



## Introduction

This statement of assurance is provided in accordance with Ofwat's expectations as set out in Information Notice IN22/03 and relevant Charges Rules publications<sup>1</sup>. This statement covers the Charges Scheme that applies to end user customer tariffs and charges, and wholesale charges to licensed retailers supplying eligible business customer premises. It also describes significant changes in charges. Our statement is accompanied by supporting useful information on our charges.

A summary of the annual charges publications that this statement of assurance applies to is provided below.

### Annual Charges Publications

#### Charges Scheme

Our charges to all **domestic customers** for the supply and billing of water.

#### Wholesale Charges Schedule

Our wholesale charges to **licensed retailers** supplying eligible **non-household (business) premises**; and the wholesale element of our charges to **household customers** for the supply of water, and to New Appointments and Variations (NAVs).

#### Charging Arrangements for New Connections

Our charges for setting up new water supply connections applicable to **developers, retailers, households and businesses**

### Statement of Assurance

A statement of assurance provided by the Board that our Charges Scheme and Wholesale Charges Schedule are compliant with the Ofwat charging rules.

On the 1 February 2023, Ofwat terminated the Licence of Bristol Water and varied the Licence of South West Water to cover the area served by Bristol Water, following the acquisition of Bristol Water plc by Pennon. The revised Licence of South West Water provides for separate price controls (and therefore charges) for the Bristol Water area.

<sup>1</sup> Wholesale Charging Rules (October 2021) and Charges Scheme Rules (December 2022).



## STATEMENT OF ASSURANCE 2023/24 CHARGES SCHEMES AND WHOLESALE CHARGES SCHEDULE

The Board of Bristol Water confirms that:

- a) The company complies with its legal obligations relating to the charges set out in its charges schemes and wholesale charge schedule.
- b) The Board has assessed the effects of the 2023/24 charges on household customers' bills and wholesale service charges to retailers supplying customers occupying eligible premises for a range of different customer types, and confirms that there are instances where bill increases for particular customer types exceed 5%, given a constant level of consumption.

We summarise our key changes in charges and other useful information that provides context for this statement at the end of this document.

- The increases above 5% reflect a number of key factors:
  - i. the outcome of the CMA PR19 Final Determination, which increased K factors by c. 4.5% for 2023/24;
  - ii. the higher CPIH of 9.4%;
  - iii. movements in in-period ODI performance of 2.2%
  - iv. mitigated by a 1% reduction from the financing cost as a benefit of the acquisition by Pennon;
  - v. mitigated by regulatory adjustments such as performance incentives and higher household demands. Unmeasured tariffs increase by c.1.5% more than measured due to demand changes.
- c) The Board has recognised the high allowed increase in wholesale charges and have agreed with Ofwat a 5% voluntary deferral of "K" increases until 2025. We are grateful for Ofwat's confirmation that this approach is appropriate given the cost of living crisis. This has allowed us to propose wholesale and end-user charges at or below the level of CPIH inflation.
- d) No significant changes to end user or wholesale charges have been made.



## BRISTOL WATER CHARGES SCHEME AND WHOLESALE CHARGES ASSURANCE STATEMENT 2023/24

- i. Our consultation with retailers has not raised any issues concerning the structure or level of charges
  - ii. We also discussed the indicative household charges we published in September/October 2022 with the Consumer Council for Water (CCW) and the Bristol Water Challenge Panel. Our final charges are lower than these discussions by the reduced level of CPIH (9.4% rather than the anticipated 11.8%). We consider that appropriate handling strategies are in place, including, our promotion and individual customer targeting of social tariffs, and our promotion of metering including the introduction of a two-year money-back guarantee for meter optants.
  - iii. The application of the WaterShare+ mechanism to Bristol Water customers commenced in December 2022, with the option of a £13 bill reduction or shares to the equivalent value in Pennon. Alongside the c£2 benefit of the merger through lower financing cost and the c£9 benefit of the voluntary K deferral, this amounts to a c£24 benefit to customers compared to the average bill for 2022/23 of £202.
- e) The company has appropriate systems and processes in place to make sure that the information contained in the charges scheme, wholesale charge schedule and the additional information requested by Ofwat is accurate.
- f) The company has consulted with relevant stakeholders in a timely and effective manner on its indicative wholesale charges schemes, through the Bristol Water Challenge Panel and CCW.
- g) There are no significant changes to the structure of our wholesale charges or NAV charges. Bristol Water publishes our indicative wholesale charges document to facilitate early engagement and feedback from our stakeholders.
- h) The final wholesale charges are not significantly different to the indicative wholesale charges, particularly once accounting for changes in CPIH.
- i) We consider the charges we propose meet Ofwat's general charging principles and reflect:
  - i. fairness and affordability;
  - ii. environmental protection;
  - iii. stability and predictability; and



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- iv. transparency and customer-focused service.

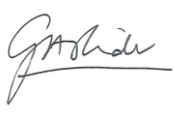






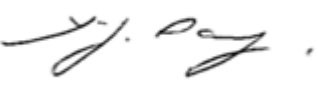

We summarise our key changes in charges and other useful information that provides context for this statement at the end of this document.

### Board Signatures

Signed by the Board of Bristol Water:



## BRISTOL WATER CHARGES SCHEME AND WHOLESALE CHARGES ASSURANCE STATEMENT 2023/24

Name	Role	Signature	Date
Gill Rider	Chair		10 January 2023
Neil Cooper	Senior Independent Non-Executive		10 January 2023
Iain Evans	Independent Non- Executive		10 January 2023
Claire Ighodaro	Independent Non- Executive		10 January 2023
Jonathan Butterworth	Independent Non- Executive		10 January 2023
Dorothy Burwell	Independent Non- Executive		10 January 2023
Loraine Woodhouse	Independent Non- Executive		10 January 2023
Susan Davy	Chief Executive Officer		10 January 2023
Paul Boote	Chief Financial Officer		10 January 2023



## Supporting information for household and wholesale charges

### Bill Impacts for Household Customers

The table below presents examples of bill changes for household customer charges affecting customers on measured (metered) and unmeasured charges for 2023/24 compared to 2022/23. This reflects our measured and unmeasured charges as set out in our charges publications<sup>2</sup>. It reflects the outcome of the CMA PR19 Final Determination, updated to reflect the Ofwat in-period ODI determination in November 2022. For measured household customers we show a range of typical volumes (m<sup>3</sup> per annum) and for unmeasured household customers a range of Rateable Values (£). The changes in different customer categories largely reflect that retail standing charges do not have CPI(H) inflation applied. For ease of presentation, the components of the example bills are shown later in this statement.

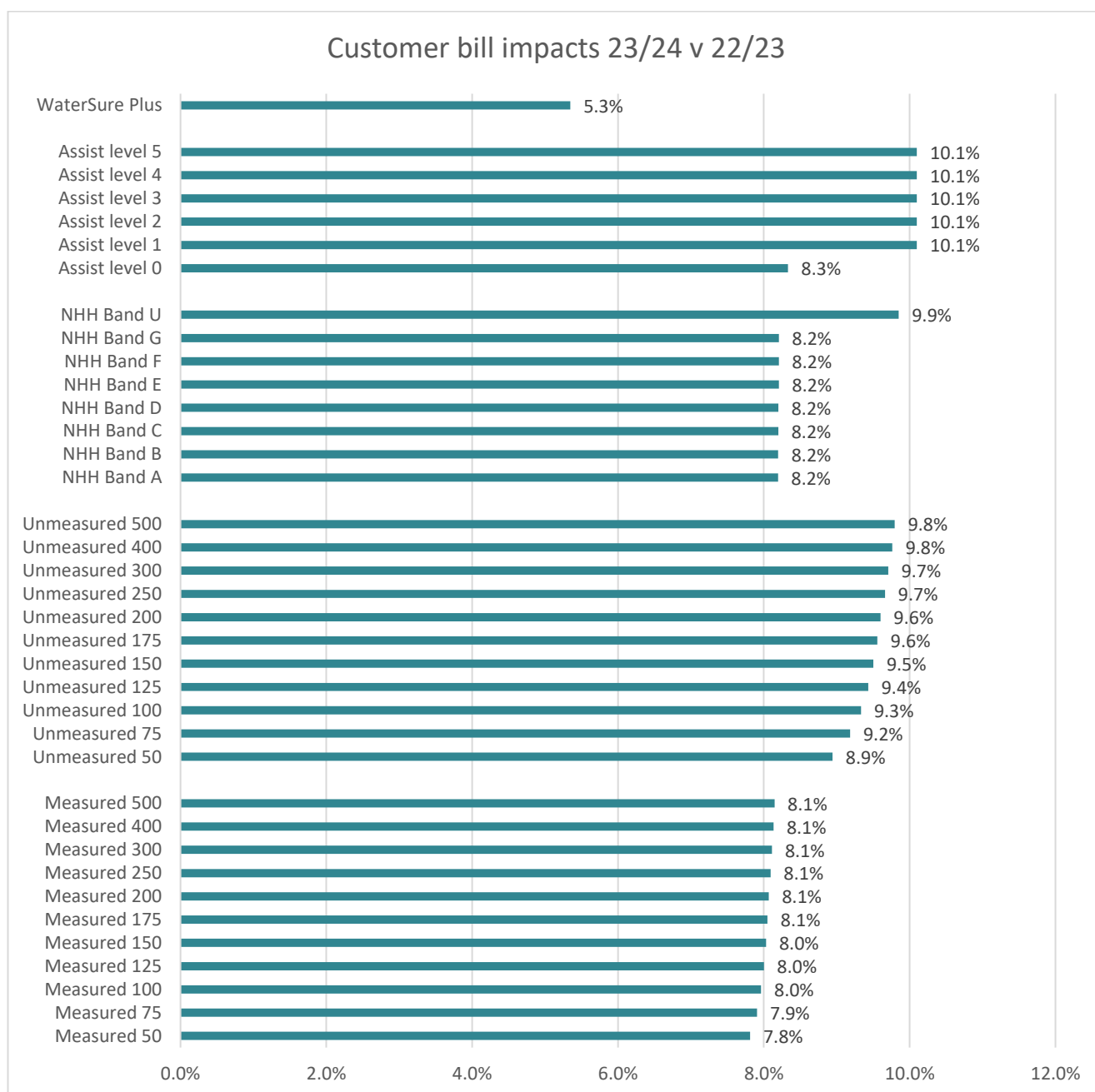
Household Customers	Customer Group	Water used (litres per day)	Typical Bill 2022/23 (£)	Typical Bill 2023/24 (£)	Change (£)
Measured Households	Measured 50	50	114.77	123.74	8.97
	Measured 75	75	149.70	161.53	11.83
	Measured 100	100	184.62	199.32	14.70
	Measured 125	125	219.55	237.11	17.57
	Measured 150	150	254.47	274.90	20.43
	Measured 175	175	289.40	312.70	23.30
	Measured 200	200	324.32	350.49	26.17
	Measured 250	250	394.17	426.07	31.90
	Measured 300	300	464.02	501.65	37.63
	Measured 400	400	603.72	652.82	49.10
	Measured 500	500	743.42	803.99	60.57
Unmeasured Households	Unmeasured 50	50	96.29	104.90	8.61
	Unmeasured 75	75	126.84	138.49	11.65
	Unmeasured 100	100	157.39	172.08	14.69
	Unmeasured 125	125	187.94	205.67	17.73
	Unmeasured 150	150	218.49	239.26	20.77
	Unmeasured 175	175	249.04	272.84	23.80
	Unmeasured 200	200	279.59	306.43	26.84

<sup>2</sup> Household Charges Scheme and Wholesale Charges Arrangement



## BRISTOL WATER CHARGES SCHEME AND WHOLESALE CHARGES ASSURANCE STATEMENT 2023/24

Household Customers	Customer Group	Water used (litres per day)	Typical Bill 2022/23 (£)	Typical Bill 2023/24 (£)	Change (£)
	Unmeasured 250	250	340.69	373.61	32.92
	Unmeasured 300	300	401.79	440.79	39.00
	Unmeasured 400	400	523.99	575.14	51.15
	Unmeasured 500	500	646.19	709.50	63.31







## BRISTOL WATER CHARGES SCHEME AND WHOLESALE CHARGES ASSURANCE STATEMENT 2023/24

### Bill Impacts for Wholesale Charges to Retailers

The table below presents example bill changes for wholesale charges affecting licenced retailers that supply eligible Non-Household (business) customers on measured (metered) and unmeasured charges for 2023/24 compared to 2022/23<sup>3</sup>. This reflects our non-Household charges as set out in our published Wholesale Charges Schedule. Charges for measured Non-Household customers (Bands A to G) are based on forecasts of annual water used (m<sup>3</sup> per annum) and for unmeasured Non-Household customers (Band U) the charge is based on the Rateable Value (£).

Non-Household Customers by Band		Water used (m <sup>3</sup> per annum)	Typical Bill 2022/23 (£)	Typical Bill 2023/24 (£)	Change (£)	Change (%)
Non-Households	Band A	375000	405,750	439,002	33,252	8.2%
	Band B	175000	198,877	215,180	16,303	8.2%
	Band C	75000	89,838	97,203	7,365	8.2%
	Band D	32500	40,972	44,331	3,359	8.2%
	Band E	10000	13,600	14,716	1,116	8.2%
	Band F	2000	2,763	2,989	227	8.2%
	Band G	500	702	760	58	8.2%
	Band U	200	257	282	25	9.9%

### Bill Impact for Assessed Charges (Household and Non-Household)

Assessed charges are levied for customers who have requested to be charged on a measured (metered) basis but for whom it is not possible to install a water meter at their property. Assessed charges are available to both Household customers, in which case the Assessed charge is based on the number of bedrooms in their property, and Non-Household customers in which case the Assessed charge is based on the number of employees. Single Household occupiers receive the 1 bedroom assessed charge.

The table below presents typical bill changes for Assessed Household and non-Household customer charges for 2023/24 compared to 2022/23, as reflected in our standard charges publications. The change in charges is also presented in the graph overleaf.

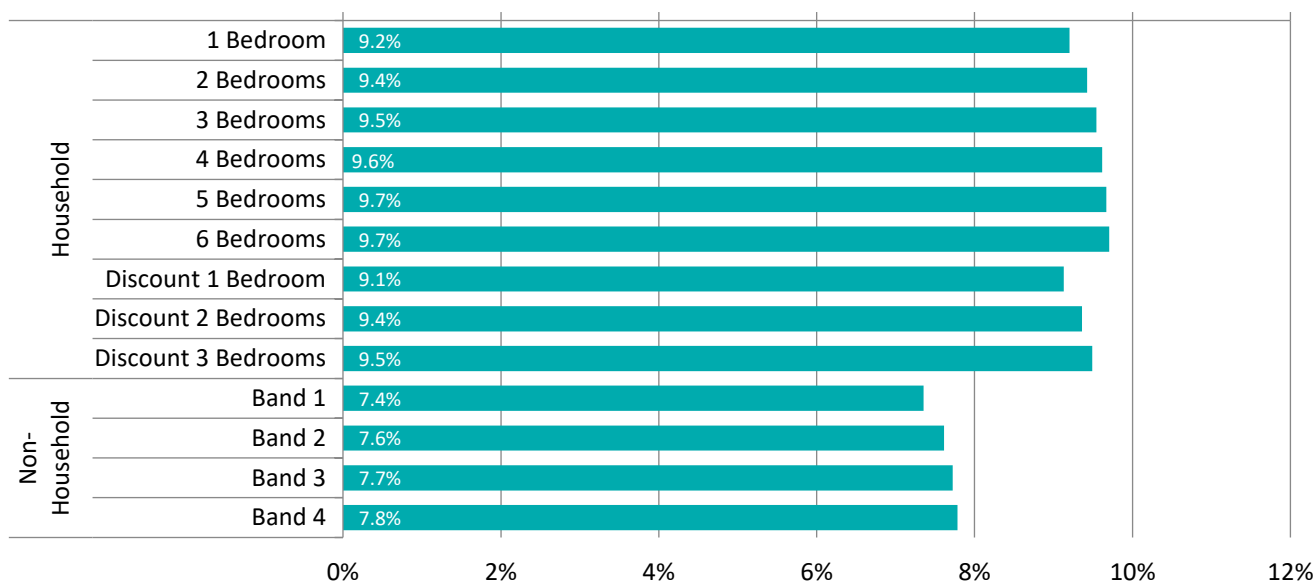
<sup>3</sup> Charges for retail services provided by retailers will be added to the wholesale charge payable by Non-Household (business) customers.



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Assessed Charges		Bill 2022/23 (£)	Bill 2023/24 (£)	Change (£)	Change (%)
Household	1 Bedroom	124.02	135.43	11.41	9.2%
	2 Bedrooms	176.12	192.72	16.60	9.4%
	3 Bedrooms	228.21	249.99	21.78	9.5%
	4 Bedrooms	280.30	307.26	26.96	9.6%
	5 Bedrooms	332.39	364.53	32.14	9.7%
	6 Bedrooms	384.48	421.80	37.32	9.7%
	Discount 1 Bedroom	112.51	122.78	10.27	9.1%
	Discount 2 Bedrooms	156.80	171.47	14.67	9.4%
	Discount 3 Bedrooms	201.08	220.16	19.08	9.5%
Non-Household	Band 1	66.05	70.91	4.86	7.4%
	Band 2	109.71	118.06	8.35	7.6%
	Band 3	153.36	165.20	11.84	7.7%
	Band 4	197.02	212.36	15.34	7.8%

### Change in Assessed Charges 22/23 - 23/24



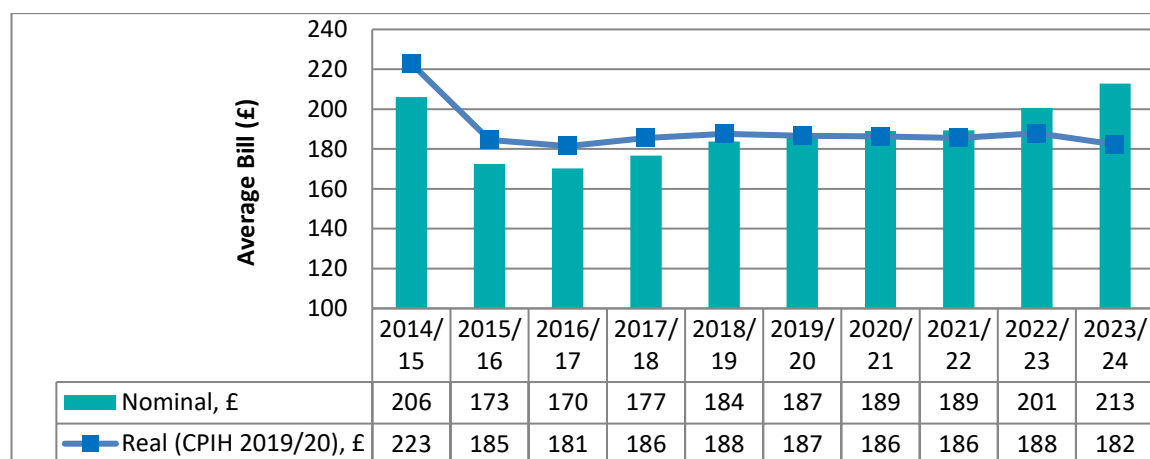
### Average Household Customer Bills

Average household bills are forecast to be £213 for 2023/24. This is 6.1% higher than the average bills we expect customers to have paid during 2022/23. Average bills for 2022/23 are 0.6% lower than the forecast we had for 2022/23 when we set tariffs.



## BRISTOL WATER CHARGES SCHEME AND WHOLESALE CHARGES ASSURANCE STATEMENT 2023/24

The movement in the average bill since 2014/15 is summarised in the figure below. The proposed bill for 2023/24 is a 3% reduction in real terms, and in constant prices is the lowest level since 2016/17. This reflects the impact of the 5% deferral of revenues to support customers during the cost of living crisis, which will be smoothed out over 2025-2030.



The table below presents a breakdown of the average bill for Household customers charged on an Unmeasured and Measured (metered) basis for 2023/24 compared to 2022/23.

**Average Household Customer Bill, by Measured and Unmeasured Charges, 2023/24 compared to 2022/23 (£)**

Household Customer type	2022/23 average bill – original estimate (£)	2022/23 average bill – latest forecast (£)	2023/24 average bill (£)	Movement vs original (%)	Movement vs updated forecast (%)
Measured	186.79	185.36	196.56	6.0%	5.2%
Unmeasured	228.57	227.52	247.28	8.7%	8.2%
Overall	201.86	200.59	212.89	6.1%	5.5%

The movement in charges for measured and unmeasured household customers for 2023/24 compared to 2022/23, broken down by the component standing and variable charges, are summarised below.

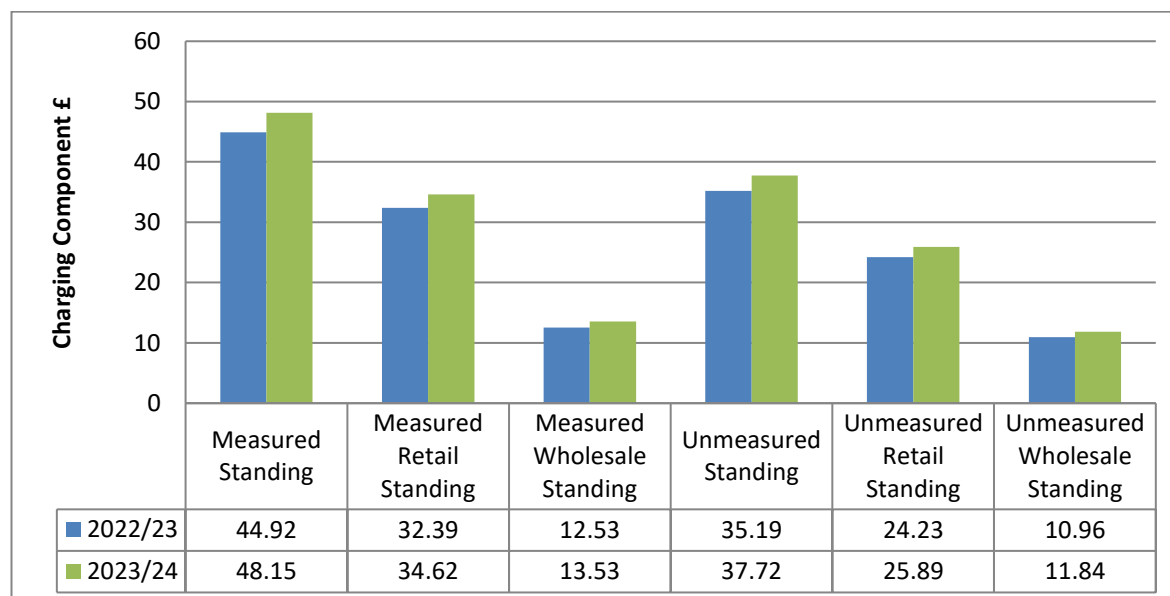


## BRISTOL WATER CHARGES SCHEME AND WHOLESALE CHARGES ASSURANCE STATEMENT 2023/24

### Movement in Charges for Measured and Unmeasured Customers, by Charging Component, 2023/24 compared to 2022/23

Household Customer	Charging Component	2022/23	2023/24	Change	% change
Measured Household	Standing (£)	44.92	48.15	3.23	7.2%
	Variable (£/m3)	1.3970	1.5117	0.11	8.2%
	Retail Standing (£)	32.39	34.62	2.23	6.9%
	Wholesale Standing (£)	12.53	13.53	1.00	8.0%
	Wholesale Variable (£/m3)	1.3970	1.5117	0.11	8.2%
Unmeasured Household	Standing (£)	35.19	37.72	2.53	7.2%
	Variable (£/RV)	1.2220	1.3435	0.12	9.9%
	Retail Standing (£)	24.23	25.89	1.66	6.8%
	Wholesale Standing (£)	10.96	11.84	0.88	8.0%
	Wholesale Variable (£/RV)	1.2220	1.3435	0.12	9.9%

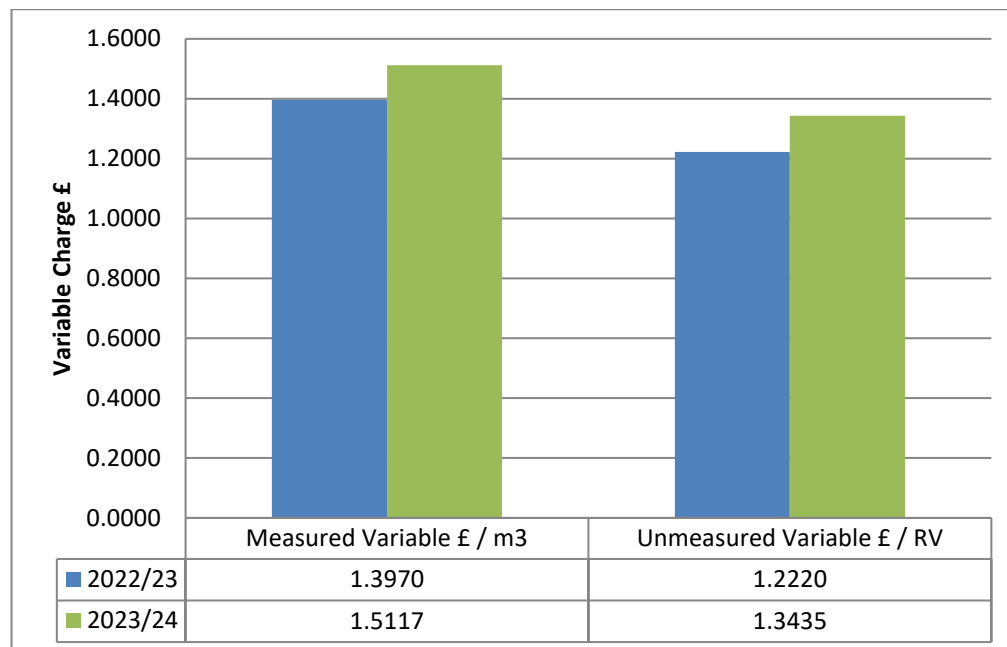
### Movement in Standing Charges for Measured and Unmeasured Customers, by Charging Component, 2022/23 - 2023/24





## BRISTOL WATER CHARGES SCHEME AND WHOLESALE CHARGES ASSURANCE STATEMENT 2023/24

### Movement in Variable Charges for Measured and Unmeasured Customers, 2023/24 compared to 2022/23



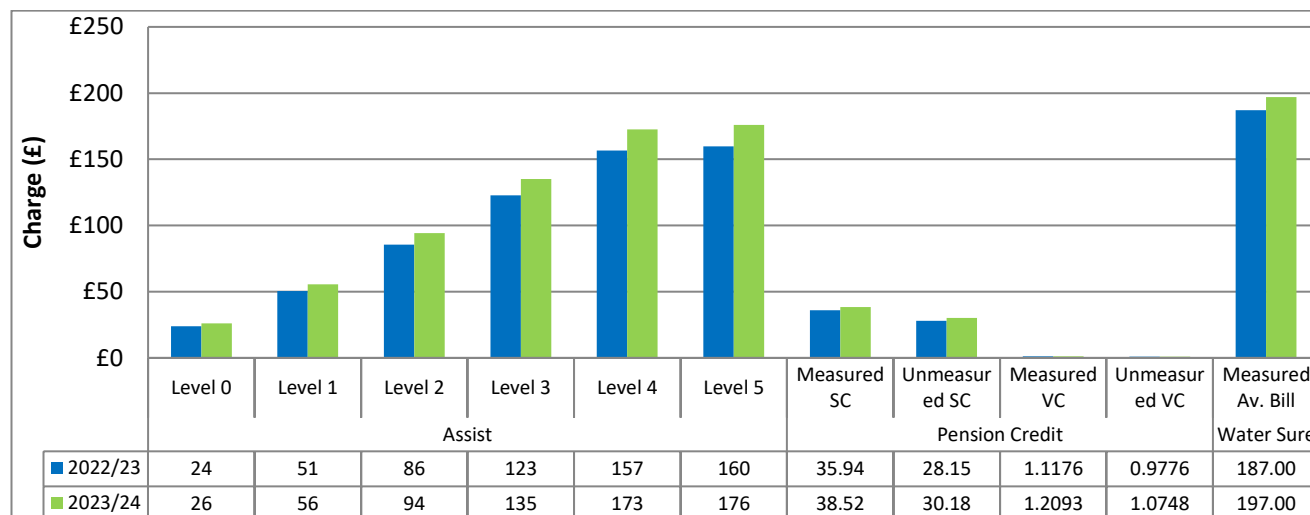
### 3.5 Social Tariffs and Cross Subsidies

Social Tariffs and the amount recovered through other customer bills vary dependent on the number of claimants and by the level of the social tariff charged. As the figure below presents, our Pension Credit tariffs have increased in line with the increases to standard charges, and continue to offer a 20% discount. Assist charges are subject to inflationary increases in line with September CPI (the figure used to index government benefits) of 10.1%, but we round these tariffs to the nearest pound.



## BRISTOL WATER CHARGES SCHEME AND WHOLESALE CHARGES ASSURANCE STATEMENT 2023/24

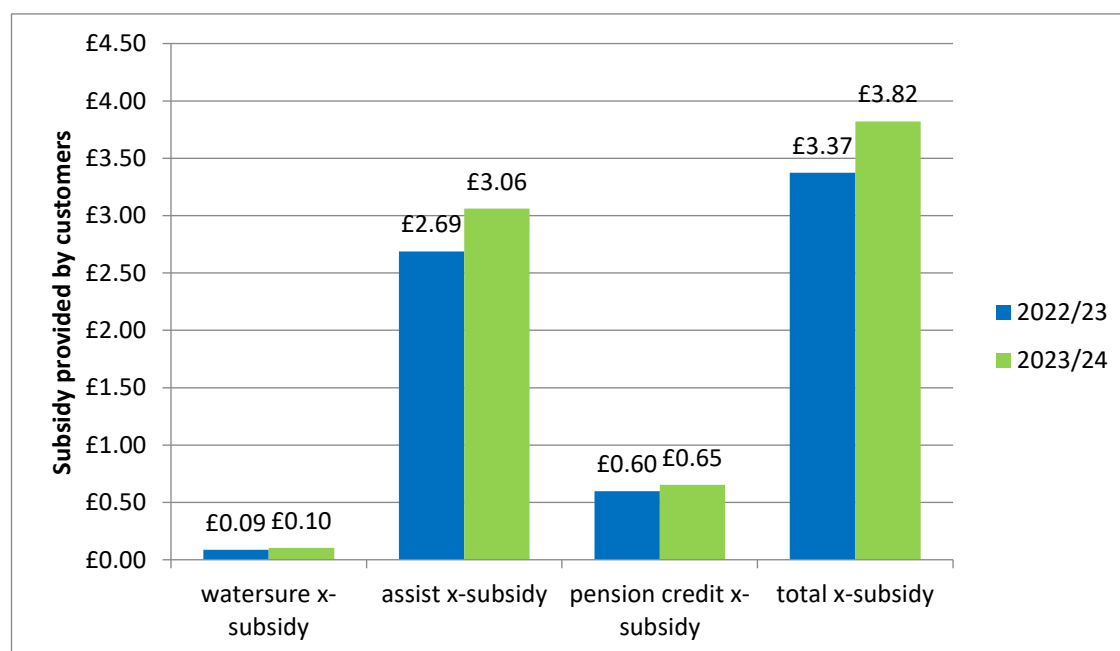
### Movement in Social Tariff Charges, 2023/24 compared to 2022/23 (£)



The overall level of the social tariff cross-subsidy for 2023/24 is £3.82 per customer, compared to £3.37 per customer in 2022/23, due to the growth in the number of customers we expect to support. This level of subsidy is below the mean value of customer Willingness to Pay of £8.11 found in our social tariff research.

The figure below presents a summary of the social tariff cross subsidy by each tariff.

### Summary of the Movement in the Social Tariff Cross-subsidy, by Tariff, 2023/24 compared to 2022/23 (£ per customer)





## NAV charge approach

New Appointments or Variations (NAVs) operate within defined areas within an incumbent water company's supply region. They are responsible for operation and maintenance of the supply network within their own areas of appointment, and for billing and customer service relationships. These are typically on new build housing developments.

The starting point for our NAV tariffs is our wholesale charging structure, which sets standing and volumetric charges for households, and for non-households in seven different consumption bands.

The principle of our NAV tariffs is that we then deduct from the wholesale charges the costs that we avoid within the NAV site. This recognises that we do not incur certain types of costs within NAV sites because some activities that we undertake where we serve customers directly

We do not apply a standing charge to properties on NAV sites.

### Variable charges

- We apply discounts in relation to:
  - the ongoing costs we avoid at NAV sites:
    - costs of taking and analysing water quality samples
    - costs of detecting and solving on-site leakages
    - not having to replace communication pipes and stop taps
    - not having to replace meters and their chambers
    - not having to renew or replace water mains within the sites
    - not having to clean ("flush") the water mains
  - leakage allowances for volumes not used by NAV customers compared to our bulk meter.
  - depreciation costs avoided at NAV sites (an annuity for asset replacement)
  - the operating margin for risks we do not face without end customers.
- Where relevant we adjust the calculated discounts for larger non-household properties in recognition of the discounts already included within wholesale charges, reflecting that for larger users they are receiving a discount for on site operations, flushing and leakage etc.



## BRISTOL WATER CHARGES SCHEME AND WHOLESALE CHARGES ASSURANCE STATEMENT 2023/24

Our proposed NAV tariffs are shown below. No fixed charges are applied, so the comparison below shows both the standard fixed and volumetric charges.

Tariff Band	Customer consumption (m3 p.a.)	Standard rate wholesale tariff fixed £	Standard rate wholesale tariff volumetric £/m3	On going costs - discount £/m3	Depreciation - discount £/m3	Operating margin and leakage	Variable NAV Tariff £/m3 2023/24	Variable NAV Tariff £/m3 2022/23	% Change
NHH A	<500000	26810.70	1.0992	-0.0058	-0.0014	-0.0460	1.0459	0.9882	5.84
NHH B	<250000	10667.57	1.1686	-0.0061	-0.0533	-0.0530	1.0562	0.9936	6.30
NHH C	<100000	4579.72	1.2350	-0.0136	-0.0533	-0.1060	1.0620	1.0050	5.67
NHH D	<50000	2074.10	1.3002	-0.0280	-0.0633	-0.1260	1.0829	1.0313	5.00
NHH E	<15000	42.89	1.4673	-0.1760	-0.0733	-0.1260	1.0919	1.0505	3.94
NHH F	<5000	12.46	1.4885	-0.1769	-0.0733	-0.1260	1.1122	1.0693	4.01
NHH G	<1000	5.75	1.5079	-0.1220	-0.0733	-0.1260	1.1865	1.1381	4.25
H Household tariff		13.53	1.5117	-0.0441	-0.0733	-0.1260	1.2682	1.2136	4.50





## Bill Impacts and Handling Strategies

As this supporting information sets out, bill increases are forecast to be above 5% to be households and wholesale charges to retailers. This is net of 5% bill deferral to 2025-30, which forms part of our bill impact and handling strategy.

Average household bill increases are forecast at 6% for measured customers, and 9% for unmeasured customers. Individual tariff increases are c. 8% for measured customers and c. 9.5% for unmeasured customers. This reflects a number of factors, including:

- the outcome of the CMA redetermination of PR19, which resulted in an increased revenue allowance for Bristol Water, to be applied over the remaining three years of the price control period
- CPI(H) inflation of 9.4% for November 2022
- The impact of a move from outcome incentive underperformance penalties reflected in 2022/23 bills to outperformance payments within 2023/24 bills.
- Growth in the number of customers on social tariffs
- Offset by higher base revenues from increased demand
- Offset by a c.1% reduction in bills reflecting the benefits of the acquisition of Bristol Water Plc by Penmon, reflecting the removal from 2013/14 charges of the higher cost of borrowing.
- A 5% voluntary deferment of wholesale revenues until 2025, agreed with Ofwat, that help to keep tariff increases broadly at or below CPIH inflation.

We will work with stakeholders and customer representatives, in particular CCW and the Bristol Water Challenge Panel, to explain these impacts and the support we can provide for customers affected, in particular through our social tariffs. We have simplified the application process for our Assist tariff, which can provide discounts of up to 88% on average bills, in order to ensure we can support those customers most in need.

Our handling strategies for households include:

- Partnering with CACI (through our water poverty tool) and DWP through our datashare agreement to proactively identify, engage and auto enrol individual customers who are in water poverty onto social tariffs.
- Rolling out WaterShare+ to all our customers, who will receive a bill credit of £13, unless they choose to opt-in to become a shareholder in Penmon Group plc.
- Voluntarily deferring 5% of allowed wholesale revenues to smooth out bill changes for customers.
- Publishing a new quarterly e-newsletter called The Drop, which will promote metering and inform customers on ways they can save water and money.



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- Changing our Assist tariff process to accelerate the implementation of the Assist tariff; the criteria to apply for Assist does not change, only the urgency to see debt advice before we reduce a bill.
- Supporting North Somerset Council's public living rooms, which are warm spaces for our most vulnerable customers by providing funding to help run some of these living rooms. We will also be showing how we're supporting customer affordability in the council's 'worrying about money' feature online and in leaflets.
- Refreshed 'helping hand leaflets' that are distributed to customers through our field teams to include more information on how we can help customers with their bills.
- Offering metering, water efficiency support and flexible payment plans to customers who may need support paying but do not need as much assistance as a social tariff.
- A money back guarantee scheme for metering which promises customers that we will refund the difference if their bills aren't lower after switching to a meter. This also acts as a further incentive to promote water efficiency.
- Implementing a change to our existing bill format to ensure our primary promotion message is the signposting for support available to those who may be struggling to pay their bill.
- Working together with CCW to promote more support with local authority data shares at a more national level with the Local Government Association.
- Partnering with Wales & West Utilities and National Grid through our Resource West campaign to launch a trial of how energy and water messaging and support can be delivered together allowing us to reach even more customers.
- Announcing our charges and support through clear communications, including through social media. We will make clear the causes of the increase, which include inflation and the impact of the CMA final determination of our PR19 revenue allowances.

We will work with stakeholders and customer representatives to explain these impacts and the support we can provide for customers affected. Many unmetered customers could experience a bill reduction through switching to a meter, and we will continue to promote that option through our bill design and proactive campaigns and messaging.



## BRISTOL WATER CHARGES SCHEME AND WHOLESALE CHARGES ASSURANCE STATEMENT 2023/24

### Summary Log of Engagement with CCW, Customers and Stakeholders

The table below provides a summary of the key engagement activities we have had with our customers and stakeholders in the development of our charges for 2023/24.

We have held these engagements in person as well as virtually. We consulted on indicative wholesale and new connection charges, and we produced indicative charging documents alongside the charges and assurance to aid the consultation process.

Date	Relevant Charges	Activity	Discussion	Considerations and Actions
12/09/2022	Household	Consumer Council for Water (CCW)	Indicative charges for 2023/24 with CCW	We discussed our range of handling strategies in response to the likely c8% increase in average bills. No specific further measures or actions were required, given the 5% proposed K deferral which CCW welcomed.
23/09/2022	Household	Bristol Water Challenge Panel (BWCP)	Indicative charges for 2023/24 with BWCP	We discussed our range of handling strategies in response to the likely c8% increase in average bills. The BWCP were content with Bristol Water's handling strategies. Brief update provided at following meeting on 01/12/22. The BWCP welcomed the 5% proposed K deferral. The BWCP also noted the achievement of zero water poverty at mid-year 2022/23, a reduction from 1% in 2021/22, due to the further promotion of social tariffs.
July to November 2022	Ofwat	Various discussions	Return of financing cost and voluntary deferral of K	Various discussions to support the correct regulatory approach for the return of financing cost following the Pennon merger and voluntary deferral of K to 2025-2030 (both



## BRISTOL WATER CHARGES SCHEME AND WHOLESALE CHARGES ASSURANCE STATEMENT 2023/24

				without triggering RFI penalties
Various	Wholesale	Retailer account meetings	We hold account meetings at least quarterly with all retailers. We also correspond daily with retailers where they are impacted by planned or unplanned works	We emailed the indicative wholesale charges available on our website to retailers. There were no specific concerns with 2023/24 charges.