



**STATEMENT OF ASSURANCE
2018/19 CHARGES SCHEMES, WHOLESALE CHARGE SCHEDULE AND NEW
CONNECTION CHARGING ARRANGEMENTS**

This statement of assurance is provided in accordance with Ofwat's expectations as set out in Information Notice IN17/09. This statement covers the Charges Scheme that applies to end user customer tariffs and charges, wholesale charges to licensed retailers supplying eligible business customer premises and new connection charging arrangements to developers.

The Board of Bristol Water confirms that:

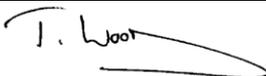
- a) The company complies with its legal obligations relating to the charges set out in its charges schemes, wholesale charge schedule and new connection charging arrangements.
- b) The Board has assessed the effects of the 2018/19 charges on customers' bills and wholesale service charges to retailers supplying customers occupying eligible premises for a range of different customer types, and confirms that there are no instances where bill increases for particular customer types exceed 5%, given a constant level of consumption;
 - a. The company has revised its assessed charges for the latest information on measured consumption following the introduction of our selective metering programme. This results in reductions in assessed charges without a material impact on other customer types.
 - b. The company has summarised its key changes in charges and other useful information supporting the 2018/19 Charges Schemes, Wholesale Charge Schedule and New Connection Charging Arrangements at the end of this statement

- c) No significant changes to charges have been made, other than that associated with the new approach to new development charges.
 - a. The company carried out extensive engagement and consultation as part of our approach to the new developer charging arrangements, including workshops with developers;
 - b. The present balance of charges between developers and other customers has been broadly maintained through the level of fixed charges, including the company's fixed approach to income offset. No significant adjustments related to maintaining the balance of charges were necessary. The level of infrastructure charges represents a five year average of forecast network reinforcement expenditure from 2018 to 2023.
 - c. The final wholesale charges are not significantly different to the indicative wholesale charges.
 - d. Whilst not a significant change to charge structures, the Company continues to improve access to its range of social tariffs. For next year the main change sees improvements in access to social tariffs for those who are eligible but receive their bill through third parties such as housing charities.
- d) The company has appropriate systems and processes in place to make sure that the information contained in the charges scheme, wholesale charge schedule and new connection charging arrangements, and the additional information requested by Ofwat is accurate; and
- e) The company has consulted the Consumer Council for Water and other relevant stakeholders in a timely and effective manner on its charges schemes, wholesale charge schedule and new connection charging arrangements.

The Board has reviewed and endorsed this submission and it is signed by the Board of Bristol Water.



**STATEMENT OF ASSURANCE
2018/19 CHARGES SCHEMES, WHOLESALE CHARGE SCHEDULE AND NEW
CONNECTION CHARGING ARRANGEMENTS**

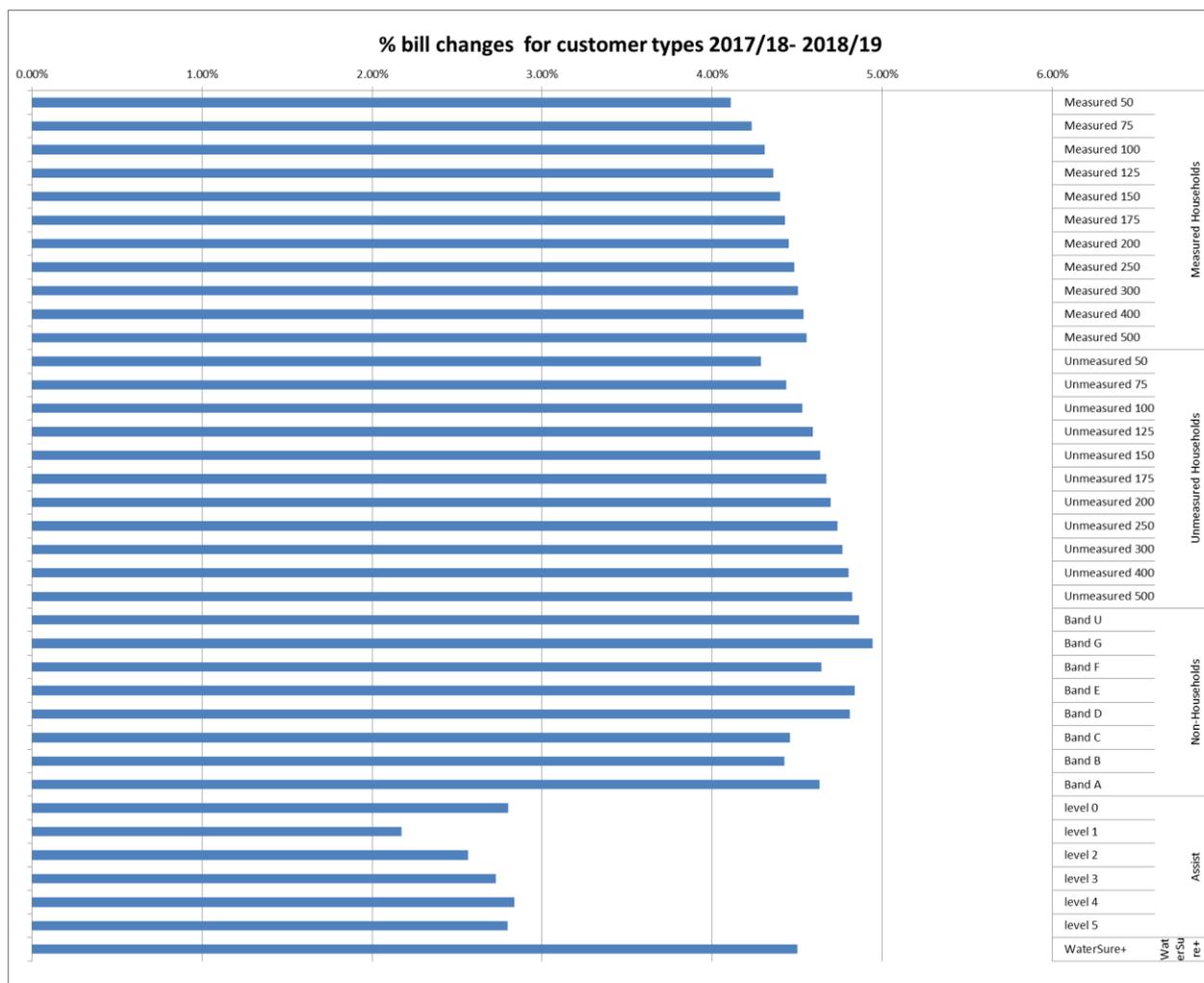
Name	Role	Signature	Date
Keith Ludeman	Chairman		11.01.18
Tracey Wood	Independent Non-Executive		11.01.18
Anthony Hemus	Independent Non-Executive		11.01.18
Tim Tutton	Independent Non-Executive		11.01.18
Hajime Ichishi	Non-Executive		11.01.18
Michael Smerdon	Non-Executive		11.01.18
Paul Malan	Non-Executive		11.01.18
Mel Karam	Chief Executive Officer		11.01.18
Mick Axtell	Chief Financial Officer		11.01.18

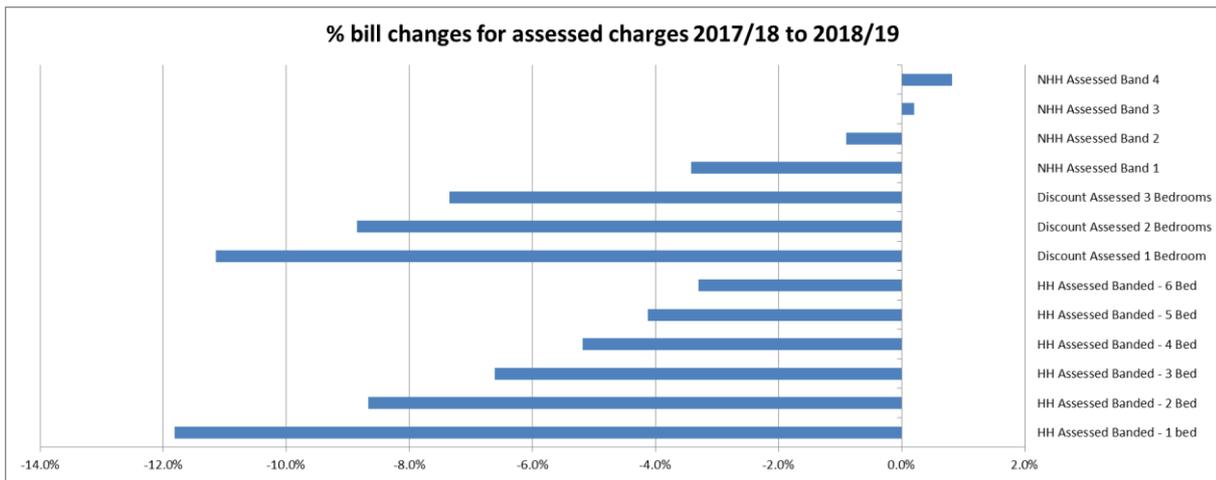
Key changes in charges and other useful information

The Company sets out below useful information that relates to changes in charges in the 2018/19 charges schemes.

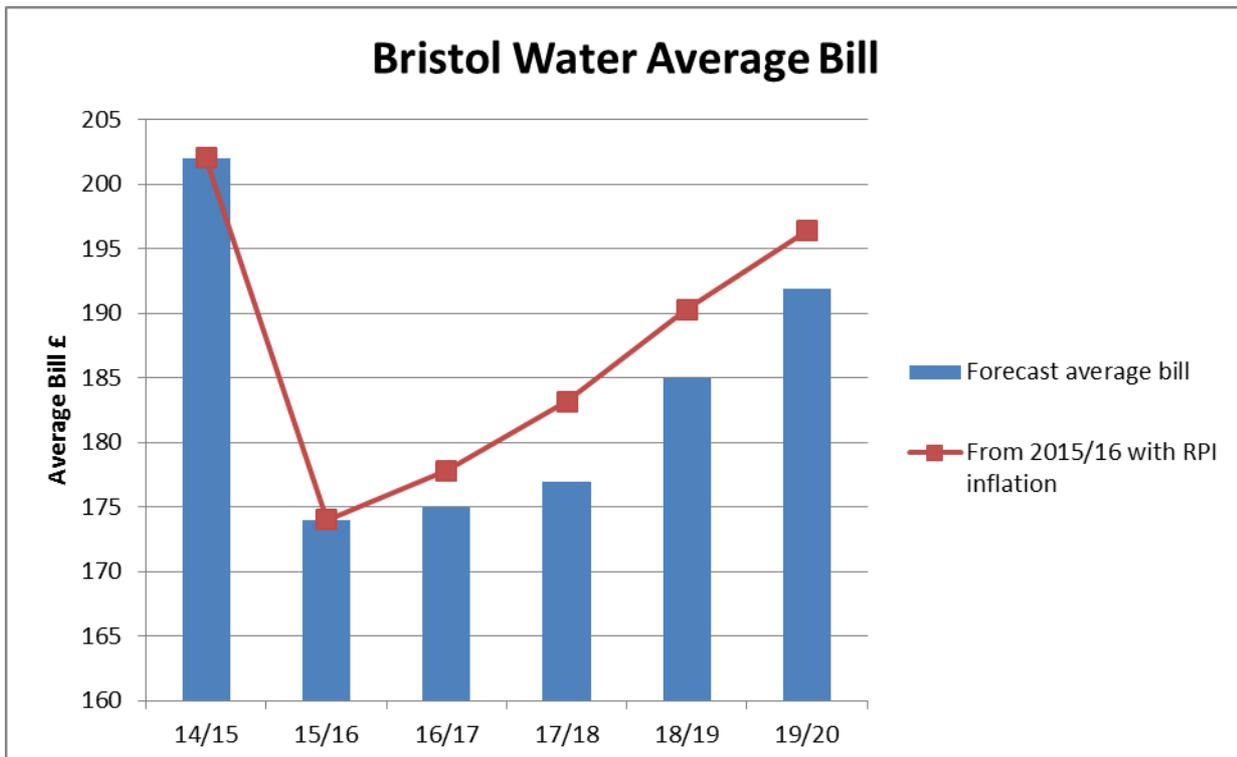
Typical Bill Changes for Wholesale and End-user Charges

The graphs below show the typical bill changes for end-user and wholesale charges affecting individual customer categories. This reflects our standard tariff categories as set out in our charges publications. For measured household customers we show a range of typical volumes (m³ per annum) and for unmeasured household customers a range of Rateable Value £s. The changes in different customer categories largely reflect that retail standing charges are not affected by RPI inflation.





Average household bills are forecast to be £185 for 2018/19 (£179 2017/18), an increase of 3.5%. This is below the 3.9% Retail Price Index increase in November 2017. Our revised average bill, including a forecast for 2019/20, is shown below. This includes how we have recovered changes in revenue as customer numbers and demand varies from that expected in a way that does not result in result in changes in customer bills that would be hard to explain.



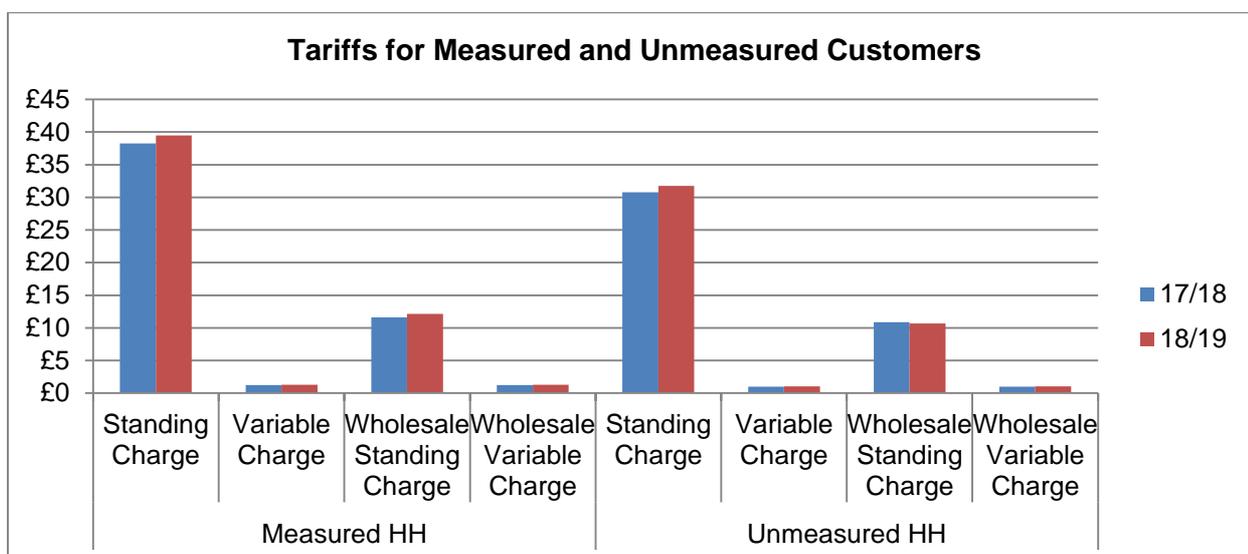
Typical Tariff and Bill Changes for Measured and Unmeasured Wholesale and End-user Charges

The table below summarises the changes in household measured and unmeasured average bills for 2018/19 compared to 2017/18.

Household Customer type	2017/18 average bill	2018/19 average bill	Movement (%)
Unmeasured	£203	£212	4.3%
Measured	£157	£164	4.3%
Overall	£179	£185	3.3%

The average bill changes compares to RPI of 3.9% and an allowed wholesale K factor for 2018/19 of 0.3%, a total of 4.2%. The overall average bill movement is lower than that for unmeasured or measured customers due to the effect of customers switching from unmeasured to measured customers through optional and selective metering. The overall average bill change also includes the £0.5m wholesale revenue recovery from previous years and the impact of new connections and demand.

The changes in actual tariffs for measured and unmeasured household customers are summarised below. The end user and wholesale components are shown separately.



New Connection Charges

In developing our approach to new connection charges we published a consultation in November 2017, which included numeric examples to help inform our final proposals. We also ran workshops with developers at which we discussed our proposals. We also discussed our proposed connection charges mechanism with CC Water, including our method for calculating infrastructure charges, the likely impact of the proposed mechanism on individual and small scale developers and our engagement strategy with stakeholders.

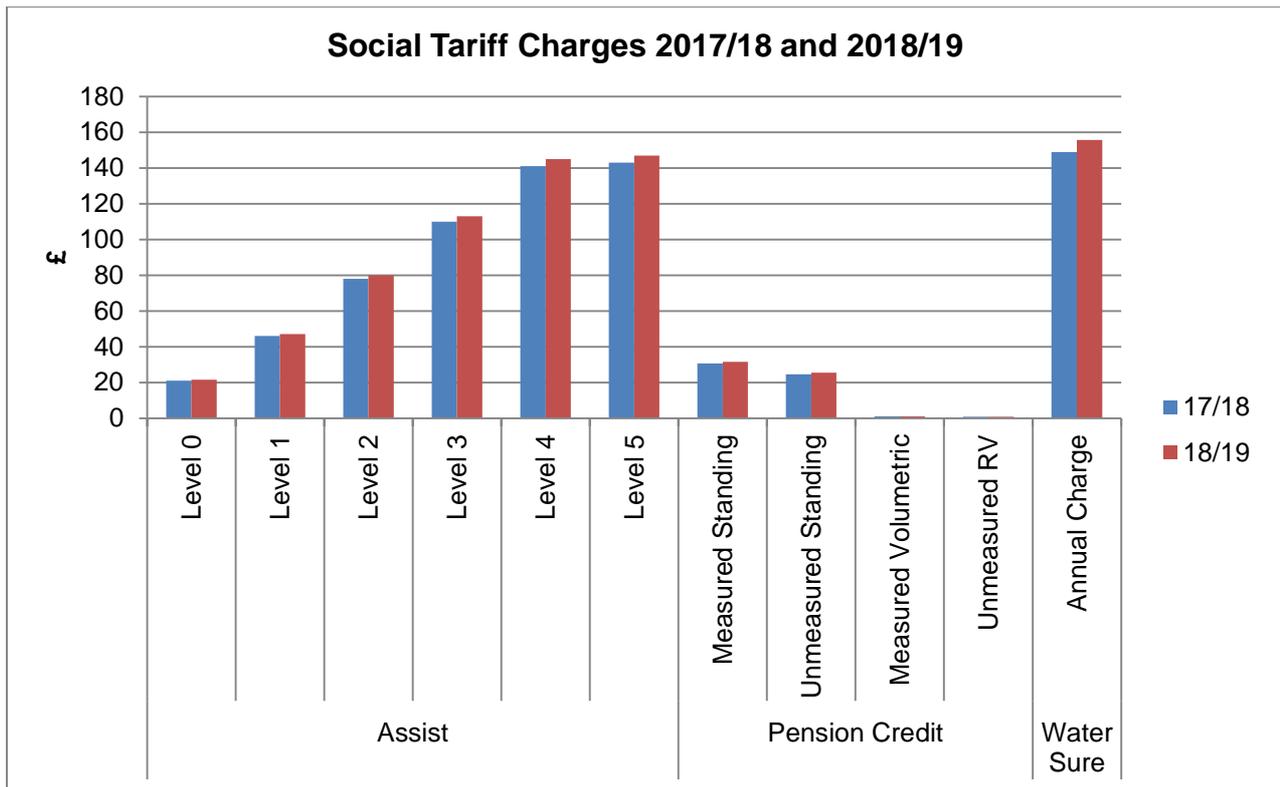
Agreed Policy Change to the Eligibility Criteria for the Assist Social Tariff

In co-ordination with Wessex Water, we have agreed that the eligibility criteria for the Assist Social Tariffs scheme will be expanded from 1st April 2018 so that more customers within the Bristol and Wessex Water supply areas can benefit from the scheme. The expansion means that not-for-profit organisations and charities that provide housing for people, who individually would likely be eligible for the tariff, will also be eligible under the new terms. This will therefore apply to organisations such as Almshouses, Charities, Hostels, Industrial and Provident Societies, Local Authorities, Social Care organisations, Social Enterprises and similar entities that provide housing to individuals on low incomes.

Social Tariffs and the Social Tariffs Recovery

Social Tariffs and the amount recovered through other customer bills varies both by the number of claimants and by the level of the social tariff charged. The change in eligibility criteria for the Assist Social tariff outlined above will affect the number of claimants, however alongside this we have also made minor changes to the level of social tariffs to be charged in 2018/19 compared to 2017/18.

A summary of our minor changes in social tariffs is presented in the graph and table below:



To note, in addition to forecast increases in the number of customers on the Assist Social Tariff, greater take up of the Pension Credit tariff is also expected in line with recent trends, thereby increasing the level of the social tariff cross-subsidy. However, the forecast 2018/19 cross-subsidy of £1.17 per customer remains below the target threshold established by our customer research carried out in August 2015.

Engagement with CCWater

We carried out the following engagement with CCWater on the development of our 2018/19 tariffs:

- 19th Sept – provision of indicative charges for 18/19
- 21st Nov – proposed charges presented to quarterly liaison meeting
- 24th Nov – proposed charges presented to BW Challenge Panel meeting (attended by CCWater)

At the meetings on 21st and 24th Nov we agreed that further engagement would be carried out ahead of the publication of final charges in the event that inflation was higher than assumed resulting in bill impacts of greater than 5%. As outturn inflation was in line with

expectations this further engagement was not required. During December 2017 we also discussed our proposed reduction in assessed charges with CCWater.