

AffinityWater

Statement of Significant Charges 2022/23

13th January 2022



Statement of Significant Change 2022/23

1. Background

As part of Ofwat's Charges Scheme Rules re-issued on 30 October 2021 (Clause A2), each undertaker is required, no later than 13 January, to provide to the Water Services Regulation Authority a statement setting out any significant changes anticipated by the undertaker.

During the year, the Board has overseen preparation of the Charges Scheme charges. It met on 7 January 2022 to review the Company's proposed charges, including assessing the effect of proposed charges on customers and groups of customers. The Board has:

- Noted the requirements published in "Information Notice 21/04", setting out Ofwat's expectations for this Statement of Significant Changes;
- Considered the requirements of Annex A2 of Ofwat's Charges Scheme Rules in respect of this Statement of Significant Changes;
- Considered the actions undertaken by management to prepare the Charges Scheme for 2022/23; and
- Reviewed management's assessment of the effects the charges will have on customers' bills for about 30 types of customer, differentiated according to factors including the following:
 - Geographical location;
 - Charging method - measured / unmeasured / assessed;
 - Consumption band - average, low and high consumption; and
 - Watersure and social tariff customers.
- Considered the actions undertaken by management to develop its impact assessments and handling strategies, including stakeholder engagement and consultation, for those instances where the bill increase is expected to be greater than 5%.
- Considered management's assessment of the effects of Affinity Water's household bill changes when combined with expected wastewater bill changes in the Thames Water and Anglian Water wastewater regions, where our customers receive a combined bill for water and wastewater services, as well as in the Southern Water wastewater region (although this region differs slightly in that water and wastewater services are billed separately)

A schedule of the expected bill changes is set out in Appendix 1.

The charging rules require that if we need to make significant changes to charges we should publish a Statement of Significant Changes setting out:

(a) Confirmation of whether the undertaker is expecting there to be any bill increases of more than 5% from the previous year (for a given customer type assuming a constant level of consumption) and, if such increases are expected:

(i) what size increase is expected;

(ii) which customer types are likely to be affected; and

(iii) the handling strategies adopted by the company or why the company considered that no handling strategies are required.

(b) Details of any significant changes in charging policy by the company from the previous year.

2. Water Supply Charges

We have assessed typical changes in bills for over 30 different types of customer, differentiated according to the region in which they are located, whether they are metered or unmetered and whether they have higher or lower consumption than average. The full schedule of comparisons is provided in Appendix 1. It shows that in almost all cases, customers' water bill increases will not exceed 5%, assuming that water consumption is unchanged. None of our standard tariffs will increase by more than 5%.

There are however three individual customers charged according to bespoke special agreements where bill increases will be between 5.1% and 7.6%. The increases result from applying the price indexation arrangements agreed in the terms of those special agreements. As there are only a small number of individual cases and those charges are increasing as would be expected, according to the terms within the agreements, it would be disproportionate to develop a handling strategy at Board level, for these three cases.

As shown in Appendix 1, our typical water bills will increase by 1% - 2% below the current inflation rate. Even though our charges are falling in real terms, we know that customers' other bills (such as energy) are rising far more quickly. Expected increases in national insurance and changes in benefits may also reduce our customers' disposable incomes. We continue to support customers who find it difficult to pay, proactively identifying customer segments where affordability risks are greatest, targeting communications through the most appropriate channels and signposting assistance where risks of payment difficulty are greatest.

In addition, for 2022/23 charges we have:

- Mitigated the effects of high inflation on water bills by smoothing allowed revenue adjustments over two years so our 2022/23 bills are about 1% lower than otherwise
- Continued to promote social tariff uptake to eligible customers. We currently support over 88,000 customers in this way and plan for further uptake in 2022/23
- Offering two tiers of social tariff support, with up to 60% discount on bills for our most vulnerable customers

- Following discussions with CCWater in 2021, altered the Watersure cap so that it tracks the average metered bill, rather than the higher average household bill. All 2,900 of our Watersure customers will be better off than otherwise.

3. Combined Water and Sewerage Supply Charges

Whilst the Board is not required to provide assurance on combined water and sewerage bills, it has considered the impact of combined bill changes in our area of operations.

Most of our customers (about 95%) pay a combined bill including sewerage services (separate billing only occurs in our southeast region). Two wastewater companies operating in our area are projecting smaller increases in charges than we are for water. We expect the third company to make a larger increase which will affect customers in our East region and some unmeasured customers in our Central region. As a result, and as shown in Table 3 below, we expect that the increase in combined bills will not exceed 5% for 94% of our customers.

Table 3. Typical change in combined water and wastewater bills

AWL areas	% customers	F'cast Combined bill increase
AFW Central - Thames WW Area	85%	+2.3%
AFW Central – Anglian WW Area	6%	+4.8%
AFW East – Anglian WW Area	4%	+5.7%
AFW Southeast – Southern WW Area	5%	+2.2%

As noted above, Ofwat do not ask the Board to provide assurance on combined bill increases, only the Company's water charges. Nonetheless, we will manage bill impacts with activity to:

- analyse customer segments to determine which types of customers are most at risk of difficulties in affordability. This will allow information, communications and assistance to be targeted towards customers at greatest risk of falling into difficulties.
- determine the correct channels and timing for customer communications, particularly regarding explaining the changes in charges, the reasons why charges need to change and to raise awareness with customers about the ways in which the company can help where there are payment difficulties.

4. Stakeholder engagement

An important part of the charges setting process is engagement with our regulators and key stakeholders. As part of this we have engaged with Ofwat and the Consumer Council for Water (CCW).

[Ofwat](#)

On 15 July 2021, we published our 'Indicative Statement of Significant Changes', providing an early indication to Ofwat of the 2022/23 indicative charges. We provided further information on 14 December, just ahead of the November inflation release.

CCW

We provided information to CCW on 4 October 2021 and met on 21 October to review our indicative charges, approach to the tariff differential and implementation of in-period adjustments. We also considered the prospects for combined bills. We provided our draft charges scheme to CCW for consultation on 8 December 2021 and an update on charges following publication of the inflation figure. During these consultations, CCW raised no concerns with our charging proposals.

Appendix 1

Typical Water Bill Changes

Movement in retail bills	Typical Bill £/year		change
	2021/22	2022/23	
Average Household Measured Customer (Central Region)	151.91	155.88	2.6%
Average Household Measured Customer (East Region)	170.19	174.65	2.6%
Average Household Measured Customer (Southeast Region)	208.64	214.11	2.6%
Average Household Unmeasured Customer (Rickmansworth Region)	193.72	200.75	3.6%
Average Household Unmeasured Customer (Colne Region)	215.65	223.46	3.6%
Average Household Unmeasured Customer (Lee Region)	234.10	242.60	3.6%
Average Household Unmeasured Customer (North Surrey Region)	202.15	209.48	3.6%
Average Household Unmeasured Customer (East Region)	248.49	257.51	3.6%
Social tariff Central and East Region	103.70	107.20	3.4%
Social tariff Southeast Region	103.70	107.20	3.4%
Household Measured Customer Low consumption 65m3/year Central Region	96.46	98.98	2.6%
Household Measured Customer Low consumption 42m3/year East Region	100.93	103.56	2.6%
Household Measured Customer Low consumption 65m3/year Southeast Region	147.88	151.75	2.6%
Household Measured Customer High consumption 300m3/year Central Region	343.26	352.26	2.6%
Household Measured Customer High consumption 225m3/year East Region	417.81	428.79	2.6%
Household Measured Customer High consumption 300m3/year Southeast Region	580.56	595.83	2.6%
Household Assessed 1 occupier (Central Region)	96.50	99.00	2.6%
Household Assessed 2 occupiers (Central Region)	149.00	152.90	2.6%
Household Assessed 3 occupiers (Central Region)	205.70	211.10	2.6%
Household Assessed 4 or more occupiers (Central Region)	262.40	269.30	2.6%
Household Assessed 1 occupier (East Region)	100.90	103.60	2.7%
Household Assessed 2 occupiers (East Region)	163.30	167.50	2.6%

Appendix 1 (cont.)

Typical Water Bill Changes

Movement in retail bills	Typical Bill £/year		change
	2021/22	2022/23	
Household Assessed 3 occupiers (East Region)	227.30	233.30	2.6%
Household Assessed 4 or more occupiers (East Region)	320.80	329.30	2.6%
Household Assessed 1 occupier (Southeast Region)	147.90	151.80	2.6%
Household Assessed 2 occupiers (Southeast Region)	239.90	246.20	2.6%
Household Assessed 3 occupiers (Southeast Region)	339.40	348.30	2.6%
Household Assessed 4 or more occupiers (Southeast Region)	438.80	450.30	2.6%
Watersure customer (Central & Saffron Walden Region)	169.79	159.31	-6.2%
Watersure customer (Southeast Region)	206.21	216.52	5.0%
Watersure customer (East Region)	181.83	190.92	5.0%
Average Measured Non-contestable Business Customer Central Region (15mm meter)	540.70	554.89	2.6%
Average Measured Non-contestable Business Customer Southeast Region (15mm meter)	737.06	756.45	2.6%
Average Measured Non-contestable Business Customer East Region (15mm meter)	552.87	567.41	2.6%