

AffinityWater

Charges Scheme Charges, Board Assurance Statement 2022/23

31st January 2022



1. Introduction

The Board of Affinity Water Limited (the "Company") has overseen the preparation of the Company's Charges Scheme 2022/23. They met on 7 January 2022 to review preparation of the Charges 2022/23 and the assurance provided by internal and external assurance providers.

The Board has:

- Reviewed compliance with the requirements published in Information Notice 21/04 on 26 October 2021, setting out Ofwat's expectations for charges for 2022/23
- Considered compliance with the requirements of Ofwat's Charges Scheme Rules (re-issued 20 October 2021)
- Considered the actions undertaken by management to prepare our Charges Scheme to meet these requirements
- Reviewed the processes established to provide assurance that the Company complies with its legal obligations relating to the Charges Scheme and assurance reports provided by internal and external assurance providers
- Assessed the effects the charges will have on customers' bills for a range of different customer types (included in Appendix 1 of this paper)
- Considered the impact assessments and handling strategies developed by management where bill increases for particular customer types exceed 5%
- Approved the Board Assurance Statement set out in Section 2 below
- Considered the compliance with each of Ofwat's Charging Rules as set out in Appendix 3 (Compliance with Charging Scheme Rules)

2. Board Assurance Statement

The Board of Affinity Water Limited, having made due enquiry of management and having considered reports from internal and external assurance providers confirms, to the best of its knowledge, that:

(a) The Company complies with its legal obligations relating to the charges set out in its Charges Scheme;

(b) It has assessed the effects of the new charges 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%;

(c) The Company has appropriate systems and processes in place to make sure that the information contained in the charges scheme, and the additional information covered by this annex is accurate; and

(d) The Company has consulted the Consumer Council for Water (CCW) in a timely and effective manner on its Charges Scheme.



Ian Tyler
Chairman
13 January 2022

Appendix 1

Schedule of Charges

Affinity Water Central Region - Household Charges

Metered Charges

	2022/23
Household Fixed Charge (£/year)	28.92
Household Volumetric Charge (£ per m3)	1.0778
Household Watersure Maximum Charge (£/year)	159.31
Household LIFT Tariff Maximum Charge(40% discount) (£/year)	107.20
Household LIFT Tariff Maximum Charge (60% discount) (£/year)	71.50
Household Metered Field Supply Fixed Charge (£/year)	28.92

Non-metered Charges

	2022/23
Household Non-metered RV Fixed Charge (£/year)	48.60
Household Rateable Value Charge (£ per £RV) - Colne Area	0.6290
Household Rateable Value Charge (£ per £RV) - Lee Area	0.7729
Household Rateable Value Charge (£ per £RV) - Rickmansworth Area	0.6135
Household Rateable Value Charge (£ per £RV) - North Surrey Area	0.6461
Household Non-metered Swimming Pool, Sprinkler or Pond Charge (£/year)	79.80
Household Non-metered Leisure Pool or Hot Tub Charge (£/year)	28.00
Household Non-metered Field Supply Fixed Charge (£/year)	28.92

Assessed Charges

	2022/23
Household Assessed Charge - 1 occupier (£/year)	99.00
Household Assessed Charge - 2 occupiers (£/year)	152.90
Household Assessed Charge - 3 occupiers (£/year)	211.10
Household Assessed Charge - 4 or more occupiers (£/year)	269.30

Affinity Water East Region - Household Charges

Metered Charges

	2022/23
Household Fixed Charge (£/year)	28.92
Household Volumetric Charge (£ per m3)	1.7772
Household Watersure Maximum Charge (£/year)	190.92
Household LIFT Tariff Maximum Charge (40% discount) (£/year)	107.20
Household LIFT Tariff Maximum Charge (60% discount) (£/year)	71.50

Non-metered Charges

	2022/23
Household Non-metered RV Fixed Charge (£/year)	48.60
Household Rateable Value Charge (£ per £RV) - Tendring Hundred Area	1.1354
Household Non-metered Hosepipe Charge (£/year)	48.00

Assessed Charges

	2022/23
Household Assessed Charge - 1 occupier (£/year)	103.60
Household Assessed Charge - 2 occupiers (£/year)	167.50
Household Assessed Charge - 3 occupiers (£/year)	233.30
Household Assessed Charge - 4 or more occupiers (£/year)	329.30

Affinity Water Southeast Region - Household Charges

Metered Charges

	2022/23
Household Fixed Charge (£/year)	28.92
Household Volumetric Charge (£ per m3)	1.8897
Household Watersure Maximum Charge (£/year)	216.52
Household LIFT Tariff Maximum Charge (40% discount) (£/year)	107.20
Household LIFT Tariff Maximum Charge (60% discount) (£/year)	71.50

Non-metered Charges

	2022/23
Household Non-metered RV Fixed Charge (£/year)	48.60
Household Rateable Value Charge (£ per £RV) - Folkestone & Dover Area	1.9718
Household Non-metered Sprinkler Charge (£/year)	79.80
Household Non-metered Tap Charge (£/year)	26.50

Assessed Charges

	2022/23
Household Assessed Charge - 1 occupier (£/year)	151.80
Household Assessed Charge - 2 occupiers (£/year)	246.20
Household Assessed Charge - 3 occupiers (£/year)	348.30
Household Assessed Charge - 4 or more occupiers (£/year)	450.30

Affinity Water Other Charges - All Regions

Metered Fixed Charges for larger sized meters

	2022/23
Household Fixed Charge 12-15mm Meter (£/year)	28.92
Household Fixed Charge 19-21mm Meter (£/year)	41.88
Household Fixed Charge 25mm Meter (£/year)	43.92
Household Fixed Charge 30-32mm Meter (£/year)	135.00
Household Fixed Charge 38-40mm Meter (£/year)	159.36
Household Fixed Charge 50mm Meter (£/year)	193.44
Household Fixed Charge 65mm Meter (£/year)	315.00
Household Fixed Charge 75-80mm Meter (£/year)	384.60
Household Fixed Charge 100mm Meter (£/year)	453.24
Household Fixed Charge 150mm Meter (£/year)	508.92
Household Fixed Charge 200mm Meter (£/year)	508.92
Household Metered Field Supply Fixed Charge (£/year)	28.92
Fixed Standby Charge (£/year)	19854.72

Appendix 2

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 65m ³ /year Central Region	96.46	98.98	2.6%
Household Measured Customer Low consumption 42m ³ /year East Region	100.93	103.56	2.6%
Household Measured Customer Low consumption 65m ³ /year Southeast Region	147.88	151.75	2.6%
Household Measured Customer High consumption 300m ³ /year Central Region	343.26	352.26	2.6%
Household Measured Customer High consumption 225m ³ /year East Region	417.81	428.79	2.6%
Household Measured Customer High consumption 300m ³ /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 2 (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%

Appendix 3: Compliance with Charges Scheme Rules

In compliance with Ofwat's Charges Scheme Rules re-issued on 20 October 2021, we provide detailed information below on how we ensure compliance with each relevant charging rule.

Rule No.	Charges Scheme Rule	Our Compliance
Rules 1 to 6	Introduction and Interpretation	Not applicable
Consumer Council for Water		
Rule 7	Before making a charges scheme a relevant undertaker must consult the Consumer Council for Water about its proposed scheme in a timely and effective manner.	<p>We provided CCW with average bill information on 4 October 2021 at the time that we published indicative wholesale charges, to give early indications of the tariff changes for 2022/23 and any implications for the forthcoming charges scheme.</p> <p>We met CCW on 21 October 2021 to provide forecast bill information and to explain the drivers of bill increases and review bill impacts across our region including discussion of likely combined bill changes. We provided a further update on charges on 17 December following publication of the November 2021 inflation figure.</p> <p>Regarding the charges scheme, we provided to CCW, our draft charges scheme document on 8 December 2021 for consultation.</p>

Publication		
Rule 8	Undertakers should carry out a proportionate impact assessment whenever the nominal value of bills for a given customer type (assuming a constant level of consumption) is expected to increase by more than 5% from the previous year.	Further information is provided in Appendix 2 and in our separate Statement of Significant Changes publication
Rule 9	Charges schemes must be published no later than 1 February in the year immediately preceding the Charging Year in relation to which they have effect.	Our Charges Scheme will be published on our website by 1 February 2022.
Rule 10	Charges schemes must be published on a relevant undertaker's website and in such other manner as the undertaker considers appropriate for the purpose of bringing it to the attention of persons likely to be affected by it.	Our Charges Scheme will be published on our website by 1 February 2022 and the final version shared with CCW.
Rule 11	Where a relevant undertaker has published or fixed standard charges otherwise than under a charges scheme for any services provided by that undertaker, charges schemes must state how customers may obtain a copy of such charges and, if applicable, where on a relevant undertaker's website those charges may be found.	Not applicable.

Principles for determining the amounts of charges

<p>Rule 12</p>	<p>Consistent principles and approaches must be applied to the calculation of charges for different classes of customers.</p>	<p>We promote use of consistent principles and methodologies for setting charges by following a charges setting procedure that includes for example:</p> <ul style="list-style-type: none"> - details of relevant internal charging policies; and - how we operate charging methodologies, such as the tariff differential. <p>By adhering to the same procedure, we promote consistency in our approach to charges between different classes of customer and also consistency in charges setting year on year.</p>
<p>Rule 13</p>	<p>Charging structures must reflect the long run costs associated with providing the relevant service.</p>	<p>The majority of our end user tariffs consist of two-part tariffs with a fixed annual charge and a volumetric rate. Our tariffs are differentiated geographically, reflecting the creation of Affinity Water from three predecessor companies. Unmeasured charges based on rateable value are further differentiated geographically within our Central Region reflecting the creation of Three Valleys Water from four predecessor companies.</p> <p>We set the metered fixed annual charge to reflect the annualised costs of provision and maintenance of the meter asset and meter space over its asset life, so that measured customers' fixed charges reflect the use of assets that are local to and used only by them.</p>

Rule No.	Charges Scheme Rule	Our Compliance
Rule 14	Charges for services provided to domestic premises must be fixed so that the average difference between metered charges and unmetered charges only reflects any differences in the costs of, and the additional benefits of, the provision of one service relative to the other.	A significant number of household customers remain on unmeasured charging. We take measures to ensure that unmeasured tariffs on average are reflective of the volumes of water used by unmeasured customers in aggregate, principally through our application of the tariff differential rule. This approach also takes account of the additional costs and benefits of the provision of metered services relative to unmetered. In this way we achieve cost reflective balance between measured and unmeasured charges.
Rule 15	Differences between charges for services provided to larger users of water and charges for services provided to smaller users of water must only be based on cost differences associated with differential use of network assets, differential peaking characteristics, different service levels and/or different service measurement accuracy.	We confirm that we have based our mid-user and large-user tariffs based on our assessments of the cost differences associated with the avoided use of network assets by these customers. By doing so, the difference between our tariffs for household customers and larger users reflect the cost differences of supplies to such customers.
Rule 16	Where cost differences associated with differential peaking characteristics are used as a basis for differences between charges for services provided to larger users of water and charges for services provided to smaller users of water, the charges fixed on that basis must be structured on an appropriate peak demand basis.	We do not have different tariffs for services provided at times of peak demand for water.
Rule 17	Rule not applicable to Affinity Water Limited	Not applicable

Assessed charges

Rule 18

Charges schemes must allow a customer to choose to pay an assessed charge determined in accordance with this rule in the specified circumstances:

(a) The type and amount(s) of an assessed charge must be determined in accordance with the following principles:

- (i) assessed charges should, as closely as practicable, reflect the metered charges that would apply in relation to the volume of water that is likely to be supplied; and
- (ii) the amount of an assessed charge payable by an individual who is the sole occupier of domestic premises (a single occupier assessed charge) should reflect the volume of water that is likely to be supplied to domestic premises occupied by one individual in the relevant area.

(b) The specified circumstances for the purposes of this rule are where a water undertaker has received a measured charges notice in accordance with section 144A of the Water Industry Act 1991 but was not obliged to give effect to it because:

- (i) it is not reasonably practicable to fix charges in respect of the premises by reference to the volume of water supplied; or
- (ii) to do so would involve the incurring by the undertaker of unreasonable expense.

Our Charges Scheme provides that a customer may choose to pay an assessed charge where we are unable to install a meter in these specified circumstances, b) (i) and (ii) .

The assessed charge is determined by the number of people living in the premises to reflect the metered charges that would apply in relation to the volume of water that is likely to be supplied.

Sections 6.3.1 and 7.3 of our Charges Scheme set out further information on the operation of assessed charges.

Unmetered charges		
Rule 19	<p>Charges schemes that include any unmetered charges must clearly state the basis on which those charges are fixed or determined and, in the case of rateable value charges, state:</p> <p>(a) which rating valuation list charges are fixed or determined by reference to; and</p> <p>(b) if the undertaker uses a different value or other amount to that specified in such a list, the methodology or other basis on which that different value or other amount is calculated.</p>	<p>Our Charges Scheme sets out the basis on which we charge a customer using a rateable value charge.</p> <p>The rateable value of the premises is determined by reference to the value shown in the rating valuation list 31 March 1990 or a notional value assigned by us. We assign notional rateable values having regard to the rateable values of similar premises appearing in the rating list, taking account of customer representations.</p> <p>We publish further information on unmeasured charging in Section 7.2 of our Charges Scheme.</p>
Wastewater charges, Trade effluent		
Rules 20 to 22	Rules not applicable to Affinity Water Limited	Not applicable
Social tariffs, concessionary drainage		
Rule 23	<p>Charges schemes must state:</p> <p>(a) whether or not undertakers have decided to include in the charges scheme:</p> <p>(i) [Rule not applicable to Affinity Water Limited]</p> <p>(ii) provision designed to reduce charges for individuals who would have difficulty paying in full (having had regard to any guidance issued by the Minister under section 44 of the Flood and Water Management Act 2010); and</p> <p>(b) if any such provision is included, how eligible customers can apply for such reduced charges.</p>	<p>Our Charges Scheme includes a concessionary tariff pursuant to this provision and sets out eligibility and how eligible customers can apply.</p> <p>We publish information about concessionary tariffs in Section 8 of our Charges Scheme.</p>
Times and methods of payment		
Rule 24	Charges schemes must include provisions giving customers a reasonable choice as to the times and methods of payment of the charges fixed by the scheme.	Our Charges Scheme sets out the methods and payment terms and times of payment (Section 9 of our Charges Scheme)

New appointees

Rule 25	Rule not applicable to Affinity Water Limited	Not applicable
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Infrastructure charges (English undertakers)

Rule 26-35	Not Used	
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Annex: Information requirements

<p>A1</p>	<p>Each undertaker should provide to the Water Services Regulation Authority an assurance statement from its Board of Directors and publish its statement no later than the time of publication of the charges schemes confirming that:</p>	<p>Our Board has provided this statement of assurance on page 3 of this publication.</p>
<p>A1 cont.</p>	<p>(a) the company complies with its legal obligations relating to the charges set out in its charges schemes;</p>	<p>Our end user charges 2022/23 have been calculated in compliance with the wholesale and retail price controls set at PR19.</p> <p>In so doing, we have taken into account the requirements of Condition E of our Instrument of Appointment (Prohibition on Undue Discrimination and Undue Preference and Information on charges).</p> <p>These statements are supported by the systems and processes and associated assurance described against component (c) of our assurance statement below.</p> <p>It should be noted however it is not possible to provide absolute assurance that all end user charges are cost-reflective given the historical geographical cross-subsidisation of tariffs for unmetered water supplies.</p> <p>This statement itself sets out how we comply with Ofwat's Charges Scheme Rules.</p> <p>Our Legal Team has reviewed the Charges Scheme against legal and regulatory requirements for charges schemes.</p>

Rule No.	Charges Scheme Rule	Our Compliance
A1 cont.	(b) the Board has assessed the effects of the new charges 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%;	<p>The Board has assessed the effects of the new charges on customers' bills for over 30 types of typical customer, differentiated according to factors including the following:</p> <ul style="list-style-type: none"> • Geographical location • Consumption band - average, low and high consumption • Watersure and Social Tariff customers <p>A summary of the expected bill changes is set out in Appendix 2.</p> <p>Based on this analysis, we confirm that we do not expect there to be water bill increases of more than 5% from the previous year for any given customer type, assuming a constant level of consumption.</p> <p>During the year, the Board received information about Charges Scheme Charges as well as on the impact assessments and the handling strategy developed by management. Having given due consideration and made enquiries of management, it has approved the impact assessments and handling strategies developed.</p> <p>We published separately on 13 January 2022 a Statement of Significant Changes to Scheme Charges.</p>

Rule No.	Charges Scheme Rule	Our Compliance
A1 cont.	(c) the company has appropriate systems and processes in place to make sure that the information contained in the charges scheme, and the additional information covered by this annex is accurate; and	<p>We have an established, robust system for managing all data required to provide end customer charges. Our financial models have been developed by our Senior Regulatory Economist and assessed, reviewed and challenged to ensure that they meet requirements and are compliant with revenue controls which form the basis of these charges.</p> <p>Atkins Limited has reported on the processes that have been used to derive the base customer information and charge multipliers that have been used to compute wholesale charges. Atkins has confirmed that the Company has used the most reliable information available and has made reasonable assumptions and appropriate use of recognised third party assessments of likely economic developments in the face of the Covid-19 pandemic. Atkins has also confirmed that the basis for forecasting both household and non-household consumption is based on reasonable estimates and assumptions.</p> <p>In 2020, our assurance provider, Frontier Economics reported on the suitability of our charges setting model. They confirmed that the mechanics in the tariff models with which the 2022/23 charges are calculated work as intended and the overall approach and detailed methodology applied to setting charges for 2022/23 is justifiable and reasonable.</p> <p>Our Senior Regulatory Economist & Director of Regulation & Strategy have reported on the compliance of the Company's End Customer charges with Ofwat's charging principles and guidelines and the engagement undertaken with CCWater.</p>

Rule No.	Charges Scheme Rule	Our Compliance
A1 cont.	(d) the company has consulted the Consumer Council for Water (CCWater) in a timely and effective manner on its charges schemes.	<p>We provided CCWater with average bill information on 4th October at the time that we published indicative wholesale charges, to give early indications of the tariff changes for 2022/23 and any implications for the forthcoming charges scheme.</p> <p>We met CCWater on 21st October to provide forecast bill information, explain the drivers of bill increases and review bill impacts across our region including discussion of likely combined bill changes. We provided a further update on charges on 17th December following publication of the November 2021 inflation figure.</p> <p>Regarding the charges scheme, we provided to CCW, our draft charges scheme document on 8th December for consultation.</p>

Rule No.	Charges Scheme Rule	Our Compliance
A2	<p>With the exception of new appointees, each undertaker should provide to the Water Services Regulation Authority a statement setting out any significant changes anticipated by the undertaker, and publish the statement no later than 13 January. The statement should include the following.</p> <p>(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:</p> <p>(i) what size increase is expected;</p> <p>(ii) which customer types are likely to be affected; and</p> <p>(iii) the handling strategies adopted by the company or why the company considered that no handling strategies are required.</p> <p>(b) Details of any significant changes in charging policy by the company from the previous year.</p>	<p>We published separately on 13 January 2022 a Statement of Significant Changes to Scheme Charges setting out the information required under this rule.</p>
A3	Requirement not applicable to Affinity Water Limited	Not applicable