



## **APPENDIX – BOARD ASSURANCE STATEMENT WHOLESAL CHARGES 2023/24**

### **Our approach to assurance**

The Board acts as the main governing body for the purpose of oversight for the company's regulated business. Our approach to governance is an integral part of our culture, guiding how we do business and create value for our stakeholders.

We publish information which ensures we not only meet our statutory, licence and regulatory obligations but also provide information to customers on the Company's activities, how the Company is performing and most importantly, how customers can get help when they need it.

Underpinning the information, we publish are robust risk and assurance processes. These processes have been embedded into the management of the Company and are designed to ensure risks are promptly identified, updated on a regular basis, and appropriate mitigation is in place to suit the level of risk.

We have a mature integrated risk management framework which is fully embedded into our governance structures and embodies our values of being 'trusted' and 'responsible' in the way we carry out our business. Details of this integrated assurance approach is published each year in our assurance plan.

Our integrated assurance approach includes our three lines of defence:

- Management - review, quality control and sign off
- Policy setting and compliance checking – adequate policies, internal audit, and business management systems
- External scrutiny – external audit and other assurance providers

Our risk and assurance framework remains largely unchanged from our previous review of our risks, strengths and weaknesses and the methodology for identification and mitigation of risk remains fit for purpose at individual business unit and corporate levels.

### **Assurance activities in respect of Wholesale tariffs & charges**

Assurance activities in respect of Wholesale tariffs & charges follow our integrated assurance approach with three lines of defence.

The calculation of the tariffs and charges within this structure, which comply with the constraints in place utilises a model developed by an external specialist.

Internally there is a robust process of sign off for all variable inputs into the model and for forecasts and expert judgements used.



Our external assurance provider performed a set of procedures mutually agreed between South West Water and the provider, reflective of risks which may result in tariffs and charges not meeting the constraints discussed above. These focused on:

- identifying whether inputs to South West Water's model agree to underlying sources
- replicating key calculations to ensure the model is operating correctly
- checking that the tariffs and charges comply with key constraints and guidelines
- checking that the revenues and margins from the model outputs are in line with the approved business plan.

The external assurance provider's procedures are the agreed-upon procedures and reported to the Board and confirm that there were 'no issues identified that would present concerns that would represent material risk of the tariffs being non-compliant'.

#### **Assurance activities in setting Wholesale charges for 2023/24**

The charges as presented have been developed using the extent of known information, to be compliant with SWW's legal and statutory obligations and have been developed in accordance with Ofwat's Wholesale Charging Rules.

The governance and assurance processes which have been applied to the development of these charges are summarised below:

- SWW has in place a well-established and effective set of policies and processes covered by our robust Quality Management System. Policies and procedures relating to the development of tariffs and charges are regularly updated, and charges have been developed in accordance with the company's quality assurance processes.
- SWW has a Tariffs Steering Group which is attended by a subset of the Executive Management Team, Senior Managers and discusses relevant policies, strategies and governance approach.
- as well as internal assurance, external technical assurance is secured on both inputs into the tariff model and the tariff model itself, providing SWW Board confidence the tariffs model is fit for purpose. SWW Board has reviewed the reports the independent third parties and internal assurance team prepared to present their findings on their review and confirms there are no material issues.
- at appropriate stages in the development of tariffs and charges, SWW engages with the Consumer Council for Water (CCW) and other stakeholders. As a part of its engagement with CCW, SWW discusses its approach to the development of its charges, bill incidence effects and charges policies with its local CCW representatives.
- SWW has robust processes in place to annually review policies which are contained within the Charges Schedules. For 2023/24, no changes to these policies are planned.



## Board Statement

The Pennon Group Board of Directors (Pennon Board) has overseen the development of both South West Water (SWW) and Bournemouth Water's (BW) wholesale charges for 2023/24.

Pennon Board considers the process that SWW has gone through in setting the 2023/24 wholesale tariffs for both SWW and BW is sufficient to ensure that in all material aspects the wholesale charges comply with the relevant legal and statutory obligations and have been developed in accordance with Ofwat's Wholesale Charging Rules.

Due to the strong governance and assurance processes applied during the development of the wholesale charges, SWW Board can confirm:

it has satisfied itself that appropriate systems and processes are in place to ensure that the charges are accurate.

To the extent that uncertainty will remain around consumption, inflation, the cost of living and the wider economy, charges have been developed using best endeavours and known information, Pennon Board has carefully considered whether:

- the wholesale charges schedules are consistent with SWW's legal obligations in relation to wholesale charges;
- the impacts of the new charges on customer bills for different customer groups require impact assessments and handling strategies to be developed;
- appropriate engagement was carried out with relevant stakeholders, including CCW, in a timely and effective manner.

There are some bill impacts >5% which are primarily being driven by higher than usual November CPIH, partially offset other regulatory mechanisms. The impacts to customers will be managed through wider and more proactive application of our existing support programs:

- Measured HH customers – wider access to Watersure and Watercare through auto-enrolment and removing the benefit cap. Watercare also has 5 current discount bands to ensure customers receive the best level of support for their needs
- Unmeasured HH Customers – we continue to offer the option to switch to a meter, where installation isn't possible an assessed charge is available which also provides access to the social tariffs if required.
- Domestic customers already on an assessed or social tariff – further support is available through the Watercare banding system which can provide a discount of up to 85%.
- NHH measured customers can be supported to review their usage to identify opportunities for efficiency and reduction.
- NHH unmeasured customers can opt to have a meter installed and where this isn't possible for 2023/24 we have introduced a new NHH assessed charge.

Name & position	Signed
Gill Rider Chair	
Neil Cooper Senior Independent Non-Executive Director	
Iain Evans Independent Non- Executive Director	
Claire Ighodaro Independent Non- Executive Director	
Jonathan Butterworth Independent Non- Executive Director	
Dorothy Burwell Independent Non- Executive Director	
Loraine Woodhouse Independent Non- Executive Director	
Susan Davy Chief Executive Officer	
Paul Boote Chief Financial Officer	