

HOUSEHOLD CHARGES SCHEME 2025/26

Board Statement of Assurance

8 JANUARY 2025

**NORTHUMBRIAN WATER LIMITED
BOARD STATEMENT OF ASSURANCE FOR CHARGES SCHEMES CHARGES 2025/26**

The Northumbrian Water Limited (NWL) Board has overseen the development of customer charges for 2025/26.

The latest charges scheme rules, issued under sections 143(6A) and 143B of the Water Industry Act 1991, were issued by Ofwat in December 2022 and come into effect on 1 April 2023. The charging scheme rules state that each undertaker should provide the Water Services Regulation Authority an assurance statement from its Board of Directors and publish its statements no later than the time of publication of the Charges Schemes confirming that:

- a) the company complies with its legal obligations relating to the charges set out in its Charges Schemes;
- 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%;
- c) the company has appropriate systems and processes in place to make sure that the information contained in the Charges Schemes, and the additional information covered in the annex, is accurate; and
- d) the company has consulted the Consumer Council for Water (CCW) in a timely and effective manner on its charges schemes.

The purpose of this statement is to clearly demonstrate that NWL has satisfied these requirements.

Governance and Assurance

We closely monitor the rules published by Ofwat and ensure that all changes are incorporated into our charges publications. In order to do this, we have strong governance arrangements and assurance processes which have been applied to the development of these charges throughout the year and are summarised below:

- A specific quality assurance procedure sets out the process to be followed in setting charges each year and is reviewed annually to ensure that any necessary changes to the approval process are incorporated. This assurance builds on the work and recommendations previously carried out on our charges model by our external advisors.
- The NWL Internal Audit department confirmed that input data from Company systems and the calculation of allowed revenues are robust.
- NWL have previously engaged Ernst & Young LLP (EY) to perform testing of the logical operation of certain financial models prepared by, or on behalf of, NWL to generate its tariffs. The scope of EY's work was determined by NWL and EY is only responsible to NWL for their work. This model has been used to generate tariffs published for 2025/26.
- The Charging and Markets Leadership Group (CMLG) is a sub-group of the Executive Leadership Team (ELT) and discusses charging issues and the annual charge setting process for NWL, in addition to promoting and monitoring market arrangements across NWL. The CMLG is chaired by the Chief Financial Officer and includes the Customer Director and the Regulation & Assurance Director along with senior managers from various disciplines within the business. The group met several times in the year to discuss charging policy, external markets, strategy and governance. Any significant decisions and matters arising have been reported to the ELT and, as required, to the Board.
- Charges movements were reviewed by the CMLG (see appendix for a summary of changes to household bills).
- CCW has been consulted to discuss the proposed charges and the impact on bills, including our communication strategy for customers. CCW has confirmed that they do not have concerns with

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our approach to the Charges. Given the general level of increases, they have asked us to ensure that our communication strategy for household customers focuses on affordability and increases awareness of the financial and budgeting assistance that is available to customers in managing their bills.

More information on our overall Assurance Plan can be found at <https://www.nwg.co.uk/about-us/nwl/governance2/assurance/>.

Development of charges

We have a well-established timetable for the production and approval of our tariffs and charges schemes and schedules and this is incorporated into our Assurance Plan for the year. The charges have been developed through the following process:

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DEVELOPMENT OF CHARGES

2024											2025
Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
Agree charges setting and Assurance timetable	CMLG meeting	RWG Consultation on tariff simplification	RWG Consultation on tariff simplification	RWG Consultation on tariff simplification	Ofwat publish draft determination	Ofwat consultation on revenue forecasting incentive	CMLG meeting	Consult with CCW re indicative primary wholesale charges	Communications planning for potential bill increases	CMLG meeting	Internal audit assurance
				CMLG meeting			Update NWL Audit Committee noting governance and Assurance processes for 25/26 charges	Internal audit assurance		Final November indexation published	Update Board with final charges
							Update NWL Board with draft charges for 2025/26	Publish indicative primary wholesale charges		Ofwat issue final determination	Consult with CCW regarding final charges and handling strategies
								Communications planning for potential bill increases		Developer Services consultation sessions	Notify Ofwat of average and typical bill increases
										Communications planning for potential bill increases	Finalise and publish tariffs and associated documents in accordance with Ofwat timetable

Forecasts

Since the start of the Covid-19 pandemic we have experienced changing patterns in consumption in both our household and non-household customer base. We have therefore based our model assumptions and consumption forecasts on the best information we have available at this point. While the position appears to be more settled than in recent years there is still a degree of uncertainty.

Indexation

Our charges incorporate the November 2024 CPIH rate which was 3.5%.

Impact assessments and handling strategies

The high positive K factors and indexation rate means our charges are increasing by greater than 5% from 2024/25 charges, assuming a similar level of consumption. Our handling strategies continue to be based around detailed communications with our customers. We started our Affordability/PSR/Digital Conversion integrated marketing communication campaign activity in early November, and that will continue to run through to April. During January and February we will increase the volume of activity alongside the billing communications that lead with the support we have available, including envelope support messages. We are expecting to increase our tariff support significantly during 2025-26 supporting 210,000 customers by the end of the year. This will be funded in 25-26 by the shareholder contribution of £4m and a small increase to customer contributions.

Summary

The strong governance and assurance arrangements that have been applied in the development of the charges provide the Board with a sound basis to confirm that:

- a) NWL's charges for 2025/26, as set out in its published wholesale charges schedule, comply with our legal obligations;
- b) we have assessed the effects the new charges have on water supply and sewerage licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying eligible premises (as a whole or in groups) and can confirm that there are instances where bill increases to licensees (as a whole or in groups) who are retailing wholesale services exceed 5% and we approve the impact assessments and handling strategies developed;
- c) NWL has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published in the wholesale charges schedule is accurate;
- d) NWL has consulted with relevant stakeholders in a timely and effective manner on its wholesale charges; and
- e) where final wholesale charges are significantly different from the indicative wholesale charges published for the same period, the Board has considered the reasons why those changes occurred and has issued a statement explaining why those changes were not anticipated and/or mitigated. For these purposes 'indicative Wholesale Charges' means the information referred to in Annex A3 of the Wholesale Charging rules and charges are 'significantly different' if a reasonable person would consider the changes to be material.

Signed on behalf of the NORTHUMBRIAN WATER LIMITED Board



Matt Williams
Chief Financial Officer





















APPENDIX

SUMMARY OF HOUSEHOLD BILL CHANGES 2025/26











The table below summarises the household bill changes for 2025/26 for a typical range of household customer types (assuming a constant level of consumption). This includes measured customers and highlights examples of low, average and high consumption customers. Our unmeasured examples use low, average and high rateable values. We have also included the bill changes for our assessed charges.

SUMMARY OF HOUSEHOLD BILL CHANGES 2025/26

NORTHUMBRIAN WATER - MEASURED CUSTOMERS			
 Low volume	 £15.87	 Low volume	 £36.99
 Average volume	 £22.04	 Average volume	 £49.52
 High volume	 £46.72	 High volume	 £99.65
WATER		SEWERAGE	
INCREASE		INCREASE	

NORTHUMBRIAN WATER - UNMEASURED CUSTOMERS			
 Low rateable value	 £23.93	 Low rateable value	 £51.23
 Average rateable value	 £30.57	 Average rateable value	 £68.35
 High rateable value	 £57.12	 High rateable value	 £136.86
 Assessed charge	 £24.41	 Assessed charge	 £56.46
 Assessed charge (single occupier)	 £16.81	 Assessed charge (single occupier)	 £41.76
WATER		SEWERAGE	
INCREASE		INCREASE	

ESSEX & SUFFOLK WATER - MEASURED CUSTOMERS	
 Low volume	 £23.29
 Average volume	 £36.63
 High volume	 £89.99
WATER	
INCREASE	

ESSEX & SUFFOLK WATER - UNMEASURED CUSTOMERS	
 Low rateable value	 £33.37
 Average rateable value	 £51.19
 High rateable value	 £122.50
 Assessed charge	 £35.85
 Assessed charge (single occupier)	 £24.75
WATER	
INCREASE	

KEY

 Water  Sewerage  Increase