

South Staffordshire Water PLC

Board Approval of Wholesale Charges for 2025-26

Assurance Statement

In approving the charges for 2025-26, the Directors confirm that they comply with the following provisions. This statement also sets out how the Board has assured itself of each provision.

1. The Company complies with its legal obligations (including competition law) relating to the wholesale charges published.

The water industry is subject to UK and EU competition law.

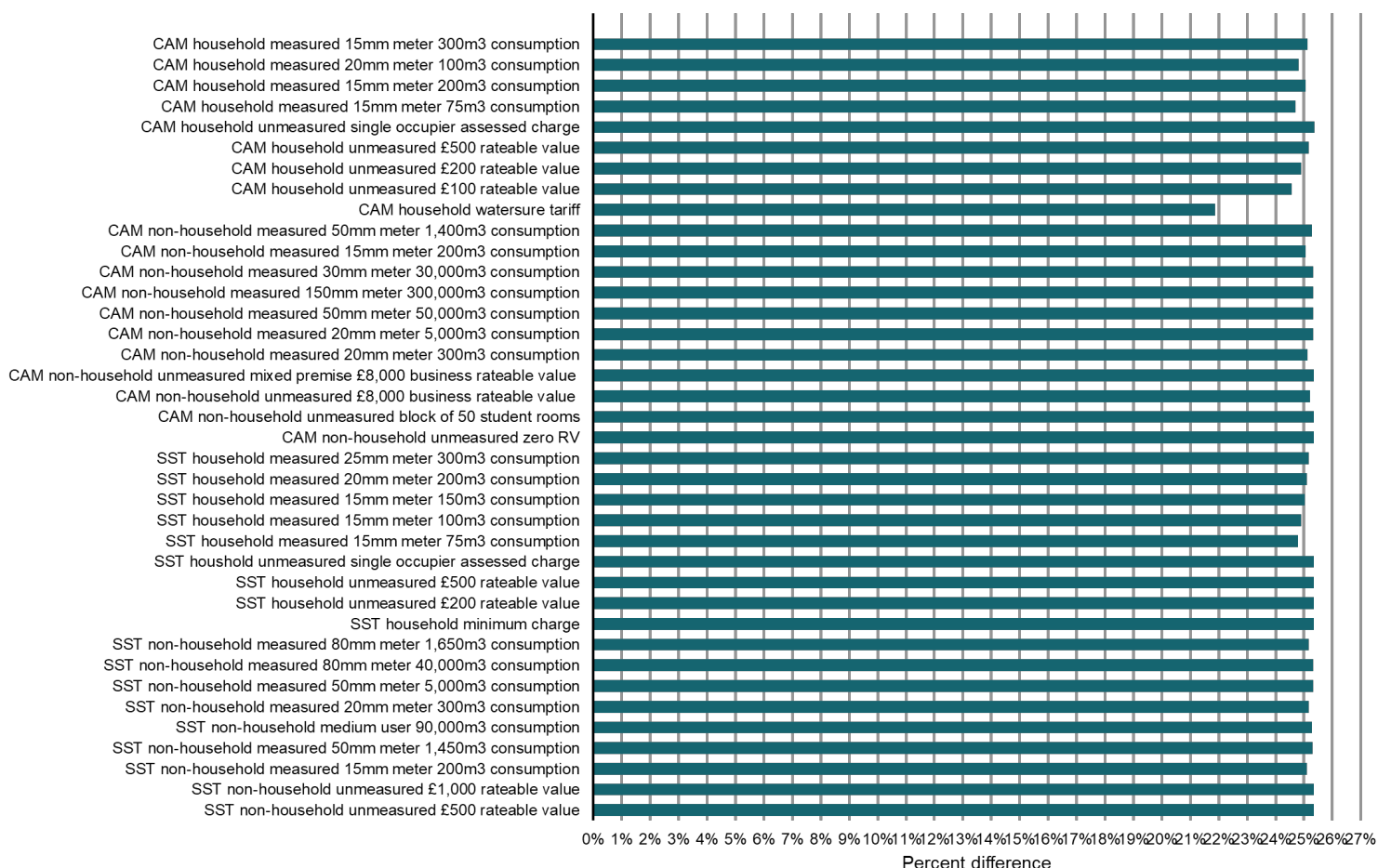
In order to ensure compliance, the Company has adhered to the Wholesale charging rules as set out by Ofwat in its Instrument of Appointment so that no undue preference or discrimination has been shown to any class of customer. Clear principles have been applied in setting tariffs such that customers pay the same amount for the same service. This includes:

- Household and non-household tariffs being the same, except for any large user discount that could be justified;
- The difference between metered and unmetered charges only representing the additional metering charges;
- The historic differential between South Staffs and Cambridge region is being broadly maintained at the same value;
- The metered fixed charge should only be based on the cost of the meter (including installation) with all other wholesale activities being charged based on the volume of water used.

2. The Board has assessed the effects of the new charges on water supply 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 approves the impact assessments and handling strategies developed in instances where bill increases for licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) exceed 5%.

Most customers will experience a bill increase of around 25.3%, although individual customers may experience a higher or lower increase depending on their own characteristics. A sample of 38 different customers on different tariffs has been chosen to ensure this compliance and the results are set out graphically below:

Incidence effects on selected customers - Wholesale bill



In delivering our Business Plan, we have engaged with more than 3,000 business customers through our strategic research and ongoing business-as-usual insight programmes. This was to ensure all our decisions are grounded in their views and priorities.

Although we are one of the most efficient companies in the industry, as assessed by Ofwat, we are not immune to the substantial increase in energy costs that has emerged since 2022. We use a significant amount of energy to transport our treated water to homes and businesses in our region and will require additional funding. There is also a knock-on effect on other areas such as the chemicals we use to treat raw water and the pipes we lay. In our plans, we challenged ourselves to deliver further efficiencies over the 2025-30 period, which will help to partly offset the impact from energy costs.

Overall, the Board has assessed the effects of the new charges on licensees and approves the impact assessment and handling strategies.

3. The Company has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published about its wholesale charges is accurate.

Internally the majority of information is sourced from the PR24 Final Determination, our PR24 Business Plan and from established reports from both the Company’s billing systems and the business market operating system, CMOS.

The individuals involved at both Echo and the Water Company have been with the Company for a number of years and are familiar with the processes and information sources. In addition, although external assurance is not required, the Group's internal audit function has been used to give independent assurance on the data used. This approach is reviewed annually.

Finally, the Company has continued to use a tariffs model developed by a third party to aid the setting of compliant charges.

4. Where final Wholesale Charges are significantly different from the Indicative 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.

Final wholesale charges are increasing by 25.3% compared to 13.4% when setting indicative charges. This increase is predominantly due to changes in our Final Determination compared to the Draft Determination on which our indicative charges were based and the actual November 2024 CPIH of 3.5% being higher than the 2.0% we assumed for indicative charges.

5. The Company has consulted with relevant stakeholders in a timely and effective manner on its wholesale charges schemes.

The Company consulted with CCWater in the setting of charges and we published a draft of our likely increase in customer charges with retailers in early October.

Approved by the Board of Directors on 7 January 2025 and signed on its behalf.



Charley Maher
Director
South Staffordshire Water PLC