south east water

Wholesale Non-Household Indicative Charges Board Assurance Statement

October 2024

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Wholesale non-household indicative 2025/26 charges board assurance statement

October 2024

1. Introduction

As Directors of South East Water we recognise that it is our responsibility to provide strategic leadership and to promote good corporate governance within a framework of effective controls, enabling compliance with our obligations and the management of risks.

In this statement we describe the systems of internal control we operate to ensure that our indicative charges are accurate and provide a reliable indication of our final wholesale charges for 2025/26 to all market participants.

We have relied on comprehensive and transparent controls and assurance mechanisms which set out clear accountability for setting our charges. The data and assumptions used, and our charging model have been thoroughly reviewed internally and externally.

This enables us to have a high degree of confidence in the information presented in this statement and in our wholesale non-household indicative charges for 2025/26.

As 2024 is a price review year, indicative charges have been developed based on required revenue set out in our draft determination response. We will update as appropriate our final charges using revenue requirement set out in Ofwat's final determination (due at the time of writing in December 2024).

2. Internal governance and assurance

We have established a strong governance and management framework ensuring statutory requirements are met and that the data we publish is robust and of a high quality.

A specific governance and assurance process was put in place by the Board for the preparation of our indicative charges supplementing the well-established systems of internal control already in place followed for all regulatory submissions and customer focused publications.

This process incorporated oversight by the Board and review and approval by Senior Management and the Executive Directors.

Applying the rules and regulatory mechanisms set out in our price determination without specific adjustment, we anticipate likely increases in wholesale non-household charges in 2025/26 compared with 2024/25 of c.23%. The main factors causing this level of increase will be the forecast revenue requirements arising from our draft determination response submission for the 2024 price review and inflation as forecast for the November 2024 CPI-H used to index our charges year on year.

We have proposed handling strategies which we are discussing with retailers and stakeholders. We will continue to engage with them until we publish our final wholesale non-household charges for 2025/26. Further details on our handling strategies and engagement process are set out in our statement of significant change published with this board assurance statement.

3. External assurance

In addition to the internal assurance undertaken, the Board has also obtained external assurance from Frontier Economics.

Specifically, Frontier Economics was asked to review the tariff model calculations and functionality, and to assess compliance against our price controls and charging rules. For indicative charges Frontier Economics has also ensured all key metrics used within for modelling are appropriate and referenced.

They produced a detailed assurance statement, and concluded:

"Frontier Economics has reviewed the calculations in the 2025/26 tariff model for indicative wholesale charges. The review noted that South East Water had used the projected revenue allowance in the Draft Determination response, pending the publication of the Final Determination in December. The review did not identify any issues with the calculations or modelling, and the approach adopted by South East Water in the model remains transparent and reasonable. South East Water has produced wholesale indicative charges that enables tariffs to be calculated that are compliant with the estimated wholesale revenue target for the year.

The bill impact assessment carried out by South East Water is comprehensive and robust. Given the significant increase in the estimated revenue target all customer group face a nominal bill increase of materially more than the 5% level.

The review of the tariffs across customer types does not identify any specific concerns in relation to the principle of no undue preference or discrimination."

4. External engagement

In developing our wholesale charges for 2025/26 we have engaged with CCW (the Consumer Council for Water).

We wrote to all retailers in our area to inform them of our 2025/26 charges which will also be presented and discussed at a retailer day to be held on 21 November 2024 at Gatwick Airport.

Further engagement will take place as appropriate to take account of the feedback received until finalisation of our charges for publication.

5. Board statement

For the preparation of this statement, we have considered compliance with our statutory, regulatory and licence obligations relating more particularly to setting charges.

Our governance and oversight processes and our review of our indicative charges have not identified any material deviation from or non-compliance with these obligations and to the best of the Board's knowledge after reasonable enquiries the company has complied in all material respects with these obligations and the company is taking appropriate steps to ensure compliance and manage and/or mitigate the relevant risks.

Based on the scope and outcome of the process review detailed in this statement and the engagement described above, the Board can confirm that:

(a) The company complies with its legal obligations relating to the indicative wholesale charges it has published;

(b) 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 to eligible customers and on customers occupying Eligible Premises (as a whole or in groups) exceed 5%;

(c) 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 indicative wholesale charges is accurate; and

(d) The company has consulted with relevant stakeholders in a timely and effective manner on its indicative wholesale charges.

Signed on behalf of the Board by:

Lisa Clement – Chair of the Audit and Risk Committee

David Hinton - CEO

Andrew Framer - CFO

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