



Wholesale Charges Board Assurance Statement 2021/22

13 January 2021

1. Introduction

The Board and the Audit Risk and Assurance Committee of Affinity Water Limited (the “Company”) have overseen the preparation of our Wholesale Charges 2021/22 (Wholesale Charges Schedule).

Because of the timing of publication of Wholesale Charges in relation to scheduled meetings of the Board, the Board established a Board Charges Committee which included executive and independent non-executive directors to act on behalf of the full Board to review the preparation of the Wholesale Charges 2021/22 and the assurance provided by internal and external assurance providers.

The Board Charges Committee on behalf of the Board has:

- Reviewed the compliance with the requirements published in Information Notice 20/07 on 4 November, setting out Ofwat’s expectations for Wholesale Charges 2021/22;
- Considered the compliance with the requirements of Ofwat’s Wholesale Charging Rules (re-issued on 27 March 2020);
- Considered the actions undertaken by management to prepare the Wholesale Charges 2021/22 to meet these requirements;
- Reviewed the processes established to provide assurance that the Company complies with its legal obligations relating to Wholesale Charges 2021/22 and assurance reports provided by internal and external assurance providers;
- Assessed the effects the Wholesale Charges 2021/22 will have on water supply licensees supplying customers in Eligible Premises and noted that there are instances where Primary Wholesale Charges increases will exceed 5%;
- Approved the Statement of Significant Changes in Wholesale Charges 2021/22 set out in Section 2 below;
- Approved the Board Assurance Statement set out in Section 3 below; and
- Considered the compliance with each of Ofwat’s Charging Rules as set out in Appendix 3 (Compliance with Wholesale Charging Rules).

2. Statement of Significant Changes in Wholesale Charges 2021/22

The Board, through its Board Charges Committee, has reviewed and assessed how changes in wholesale tariffs would affect the wholesale charges made to water supply licensees supplying customers in Eligible Premises. The committee has reviewed the Schedule of Primary Wholesale Charges set out at Appendix 1 and the schedule of changes in typical wholesale bills in Appendix 2, noting that there are instances where increases in Primary Wholesale Charges will exceed 5%. The likelihood that final wholesale charges would need to increase by more than 5% was highlighted earlier this year in the Company’s publications of 15th July and 15th October.

During the year, the Board received information assessing the impact of bill changes on customer bills and on the handling strategy developed by management to manage implementation of changes to charges. Having given due consideration and made enquiries of management, it approved the impact assessments and handling strategies developed.

The majority of our non-Primary charges are not likely to increase by more than 5%. In a small number of cases, charges are likely to increase by more than 5%, to retain cost reflective charges. We have assessed the overall wholesale revenue associated with non-Primary Wholesale Charges as less than 0.5% of Primary Wholesale Charges and are therefore satisfied the overall impact on water supply licensees of the few cases where individual charges are rising by more than 5%, to be negligible.

The Board, through its Board Charges Committee, considered the differences between the final Primary Wholesale Charges set out in Appendix 1 and Indicative Primary Wholesale Charges published on 15 October 2020. Final charges are similar, being about 0.3% lower on average than the indicative charges published in October, so are not significantly different. The reasons for the differences are that:

- Indicative charges were prepared to be consistent with Ofwat's blind year draft decision published on 28 September 2020, but the subsequent final decision published on 13 November 2020 determined a different wholesale network plus K factor.
- Indicative charges were prepared using a forecast for inflation, 0.28% whereas the actual observation now available is 0.55%.
- The Company updated its demand forecast for 2021/22 to take account of new evidence about the effects of the coronavirus pandemic on demand.

The Board notes that in its 15 October indicative charges publication, the Company drew stakeholders' attention to the likelihood that it would refine its demand forecast, in view of the additional uncertainty created this year due to the pandemic. It was also transparent about the inflation forecast it had used to project its indicative charges.

3. Board Assurance Statement

The Board of Affinity Water Limited through its Board Charges Committee, 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 Wholesale Charges 2021/22 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 (assuming such charges are passed through by water supply licensees to their customers) 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%.

(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 Wholesale Charges 2021/22 is accurate.

(d) The company has consulted with relevant stakeholders in a timely and effective manner on its Wholesale Charges 2021/22.

(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.

A handwritten signature in black ink that reads "Tony Cocker".

Tony Cocker
Chairman
13 January 2021

Appendix 1

Household schedule of Primary wholesale charges 2021-22

Central Region

Metered Charges

	2021/22
Household Fixed Charge (£/year)	16.20
Household Volumetric Charge (£/m ³)	0.9501
Household Watersure Maximum Charge (£/year)	150.63
Household Lift Tariff Maximum Charge (£/year)	151.49
Household Metered Field Supply Fixed Charge (£/year)	16.20
Standby Charge (£/year)	17531.52

Non-Metered Charges

	2021/22
Household Non-Metered RV Fixed Charge (£/year)	29.10
Household Rateable Value Charge (£ per £ RV) - Colne Area	0.5832
Household Rateable Value Charge (£ per £ RV) - Lee Area	0.7168
Household Rateable Value Charge (£ per £ RV) - Rickmansworth Area	0.5686
Household Rateable Value Charge (£ per £ RV) - North Surrey Area	0.5992
Household Non-Metered Swimming Pool, Sprinkler or Garden Pond Charge (£/year)	70.30
Household Non-Metered Leisure Pool or Hot Tub Charge (£/year)	24.70

Assessed Charges

	2021/22
Household Assessed Charge - 1 occupier (£/year)	78.00
Household Assessed Charge - 2 occupiers (£/year)	125.50
Household Assessed Charge - 3 occupiers (£/year)	176.80
Household Assessed Charge - 4 or more occupiers (£/year)	228.10

East Region

Metered Charges

	2021/22
Household Fixed Charge (£/year)	16.20
Household Volumetric Charge (£/m ³)	1.6192
Household Watersure Maximum Charge (£/year)	168.54
Household Lift Tariff Maximum Charge (£/year)	151.49

Non-Metered Charges

	2021/22
Household Non-Metered RV Fixed Charge (£/year)	29.10
Household Rateable Value Charge (£ per £ RV) - Tendring Hundred Area	1.0772
Household Non-Metered Hosepipe Charge (£/year)	43.70

Assessed Charges

	2021/22
Household Assessed Charge - 1 occupier (£/year)	84.20
Household Assessed Charge - 2 occupiers (£/year)	142.50
Household Assessed Charge - 3 occupiers (£/year)	202.40
Household Assessed Charge - 4 or more occupiers (£/year)	289.80

Southeast Region

Metered Charges

	2021/22
Household Fixed Charge (£/year)	16.20
Household Volumetric Charge (£/m3)	1.7231
Household Watersure Maximum Charge (£/year)	190.72
Household Lift Tariff Maximum Charge (£/year)	190.72

Non-Metered Charges

	2021/22
Household Non-Metered Sprinkler Charge (£/year)	70.30
Household Non-Metered Tap Charge (£/year)	24.10

Assessed Charges

	2021/22
Household Assessed Charge - 1 occupier (£/year)	128.20
Household Assessed Charge - 2 occupiers (£/year)	214.40
Household Assessed Charge - 3 occupiers (£/year)	307.40
Household Assessed Charge - 4 or more occupiers (£/year)	400.50

Other Primary wholesale charges - all regions

Metered Charges for larger meters and non-eligible premises

	excl. VAT 2021/22
Fixed Charge 12-15mm Meter (£/year)	16.20
Fixed Charge 19-21mm Meter (£/year)	26.40
Fixed Charge 25mm Meter (£/year)	28.32
Fixed Charge 30-32mm Meter (£/year)	31.44
Fixed Charge 38-40mm Meter (£/year)	33.24
Fixed Charge 50mm Meter (£/year)	40.56

Fixed Charge 65mm Meter (£/year)	72.84
Fixed Charge 75-80mm Meter (£/year)	104.40
Fixed Charge 100mm Meter (£/year)	104.40
Fixed Charge 150mm Meter (£/year)	104.40
Fixed Charge 200mm Meter (£/year)	104.40
Household Metered Field Supply Fixed Charge (£/year)	16.20

Standard Volumetric Charge (0-3MI) Central Area (£/m3)	0.9501
Mid User Volumetric Charge (3-50MI) Central Area (£/m3)	0.8955
Standard Volumetric Charge Tariff D2C (no longer offered to new customers) (£/m3)	0.9611
Large User Volumetric Charge (Over 50MI) Central Area (£/m3)	0.5890
Standard Volumetric Charge (0-3MI) East Area (£/m3)	1.6192
Mid User Volumetric Charge (3-50MI) Southeast Area (£/m3)	1.7231

Non-Metered Charges for non-eligible premises

Non-Metered RV Fixed Charge (£/year)	29.10
Rateable Value Charge (£ per £ RV) - Colne Area	0.5832
Rateable Value Charge (£ per £ RV) - Lee Area	0.7168
Rateable Value Charge (£ per £ RV) - Rickmansworth Area	0.5686
Rateable Value Charge (£ per £ RV) - North Surrey Area	0.5992
Rateable Value Charge (£ per £ RV) - Folkestone Area	1.6612
Non-Metered Swimming Pool, Sprinkler or Garden Pond Charge (£/year)	70.30
Non-Metered Leisure Pool or Hot Tub Charge (£/year)	24.70
Non-Metered Field Supply Fixed Charge (£/year)	16.20

Assessed Charges for non-eligible premises

Assessed Fixed Charge (£/year)	16.20
Assessed Volumetric Charge (£/m3) - Central Area	0.9501

Schedule of Non-Household Primary Wholesale Charges 2021/22

Central Region

Metered Charges

Non-Household Fixed Charge 12-15mm Meter (£/year)	16.20
Non-Household Fixed Charge 19-21mm Meter (£/year)	26.40
Non-Household Fixed Charge 25mm Meter (£/year)	28.32
Non-Household Fixed Charge 30mm Meter (£/year)	31.44
Non-Household Fixed Charge 38-40mm Meter (£/year)	33.24
Non-Household Fixed Charge 50mm Meter (£/year)	40.56

Non-Household Fixed Charge 65mm Meter (£/year)	72.84
Non-Household Fixed Charge 75-80mm Meter (£/year)	104.40
Non-Household Fixed Charge 100mm Meter (£/year)	104.40
Non-Household Fixed Charge 150mm Meter (£/year)	104.40
Non-Household Fixed Charge 200mm Meter (£/year)	104.40
Non-Household Fixed Charge Metered Field Supply (£/year)	16.20
Non-Household Large User Fixed Charge (Over 50MI) (£/year)	15324.96

Non-Household Standard Volumetric Charge (0-3MI) (£/m3)	0.9610
Non-Household Mid User Volumetric Charge (3-50MI) (£/m3)	0.8955
Non-Household Large User Volumetric Charge (Over 50MI) (£/m3)	0.5890

Non-Metered Charges

2021/22
excl. VAT

Non-Household Non-Metered RV Fixed Charge (£/year)	28.80
Non-Household Rateable Value Charge (£ per £ RV) - Colne Area	0.5252
Non-Household Rateable Value Charge (£ per £ RV) - Lee Area	0.6562
Non-Household Rateable Value Charge (£ per £ RV) - Rickmansworth Area	0.5110
Non-Household Rateable Value Charge (£ per £ RV) - North Surrey Area	0.5408
Non-Household Non-Metered Field Supply Fixed Charge (£/year)	16.20

Assessed Charges

2021/22
excl. VAT

Non-Household Fixed Charge 12-15mm Meter (£/year)	16.20
Non-Household Fixed Charge 19-21mm Meter (£/year)	26.40
Non-Household Fixed Charge 25mm Meter (£/year)	28.32
Non-Household Fixed Charge 30mm Meter (£/year)	31.44
Non-Household Fixed Charge 38-40mm Meter (£/year)	33.24
Non-Household Fixed Charge 50mm Meter (£/year)	40.56
Non-Household Assessed Volumetric Charge (£/m3)	0.9610

East Region

Metered Charges

2021/22
excl. VAT

Non-Household Fixed Charge 12-15mm Meter (£/year)	16.20
Non-Household Fixed Charge 20mm Meter (£/year)	26.40
Non-Household Fixed Charge 25mm Meter (£/year)	28.32
Non-Household Fixed Charge 40mm Meter (£/year)	33.24
Non-Household Fixed Charge 50mm Meter (£/year)	40.56
Non-Household Fixed Charge 80mm Meter (£/year)	104.40
Non-Household Fixed Charge 100mm Meter (£/year)	104.40
Non-Household Fixed Charge 150mm Meter (£/year)	104.40
Non-Household Large User Fixed Charge (Over 100MI) (£/year)	29610.00

Non-Household Large User Fixed Charge (50MI - 100MI) (£/year)	16160.04
Non-Household Mid User Fixed Charge (25 - 50MI) (£/year)	8340.00

Non-Household Standard Volumetric Charge (0-3MI) (£/m3)	1.6301
Non-Household Standard Volumetric Charge (3-5MI) (£/m3)	1.6301
Non-Household Mid User Volumetric Charge (5-25MI) (£/m3)	1.4508
Non-Household Mid User Volumetric Charge (25-50MI) (£/m3)	1.1172
Non-Household Large User Volumetric Charge (50-100MI) (£/m3)	0.9608
Non-Household Large User Volumetric Charge (Over 100MI) (£/m3)	0.8263

Non-Metered Charges

2021/22
excl. VAT

Non-Household Non-Metered RV Fixed Charge (£/year)	28.80
Non Household Rateable Value Charge (£ per £ RV) - Tendring Area	1.0661

Assessed Charges

2021/22
excl. VAT

Non-Household Fixed Charge Assessed (£/year)	16.20
Non-Household Employee Based Volumetric Charge (£/m3)	1.6301

Southeast Region

Metered Charges

2021/22
excl. VAT

Non-Household Fixed Charge 12-15mm Meter (£/year)	16.20
Non-Household Fixed Charge 20mm Meter (£/year)	26.40
Non-Household Fixed Charge 25mm Meter (£/year)	28.32
Non-Household Fixed Charge 30mm Meter (£/year)	31.44
Non-Household Fixed Charge 40mm Meter (£/year)	33.24
Non-Household Fixed Charge 50mm Meter (£/year)	40.56
Non-Household Fixed Charge 80mm Meter (£/year)	104.40
Non-Household Fixed Charge 100mm Meter (£/year)	104.40
Non-Household Fixed Charge 150mm Meter (£/year)	104.40
Non-Household Fixed Charge Metered Field Supply (£/year)	16.20

Non-Household Standard Volumetric Charge (0-3MI) (£/m3)	1.7337
Non-Household Mid User Volumetric Charge (3-50MI) (£/m3)	1.6240
Non-Household Large User Volumetric Charge (Over 50MI) (£/m3)	1.2162

Non-Metered Charges

2021/22
excl. VAT

Non-Household Non-Metered RV Fixed Charge (£/year)	28.80
Non Household Rateable Value Charge (£ per £ RV) - Folkestone Area	1.6425

Assessed Charges

Non-Household Fixed Charge Assessed (£/year)
Non-Household Employee Based Volumetric Charge (£/m3)

2021/22
excl. VAT

16.20
1.7337

Special Agreements Wholesale Charges

AFWP001 Fixed Charge (£/year)
AFWP001 Volumetric Charge (0-3MI) (£/m3)
AFWP001 Volumetric Charge (3-50MI) (£/m3)
AFWN002 Fixed Charge (£/year)
AFWN002 Volumetric Charge (£/m3)
AFWN003 Volumetric Charge (£/m3)
AFWN004 Fixed Charge (£/year)
AFWN004 Volumetric Charge (£/m3)
AFWN005 Fixed Charge (£/year)
AFWN005 Volumetric Charge (£/m3)
AFWN006 Volumetric Charge (£/m3)
AFWP007 Volumetric Charge for first 654m3 per six month period (£/m3)

2021/22
excl. VAT

1311.14
0.7208
0.6716
104.40
0.4037
1.1269
104.40
1.2162
16.20
1.7337
0.000
0.000

Appendix 2

Typical Wholesale Water Bill Changes 2021/22 – Non Household

Typical Customer	2020-21 Bill	2021-22 Bill	Variance (%)
Average Measured Contestable Small Business Customer Central Region (15mm meter)	457.09	487.57	6.7%
Average Measured Contestable Small Business Customer South East Region (15mm meter)	642.46	685.23	6.7%
Average Measured Contestable Small Business Customer East Region (15mm meter)	478.67	510.60	6.7%
Typical non-household contestable medium customer (Central Region) (40mm meter)	4,234.00	4,515.90	6.7%
Typical non-household contestable medium customer (East Region) (40mm meter)	6,835.20	7,290.48	6.7%
Typical non-household contestable medium customer (Southeast Region) (40mm meter)	5,770.14	6,154.20	6.7%
Typical non-household contestable large customer (Central Region) (100mm meter)	41,980.00	44,774.96	6.7%
Typical non-household contestable large customer (East Region) (100mm meter)	60,190.00	64,200.04	6.7%
Typical non-household contestable large customer (Southeast Region) (100mm meter)	57,083.64	60,883.20	6.7%
Typical non-household contestable extra large customer (Central Region) (150mm meter)	290,470.00	309,824.96	6.7%
Typical non-household contestable extra large customer (East Region) (150mm meter)	415,109.96	442,760.00	6.7%
Typical non-household contestable extra large customer (Southeast Region) (150mm meter)	570,218.64	608,173.20	6.7%
Average Unmeasured RV contestable business customer (Rickmansworth Region)	323.56	345.11	6.7%
Average Unmeasured RV contestable business customer (Colne Region)	341.15	363.88	6.7%
Average Unmeasured RV contestable business customer (Lee Region)	330.91	352.96	6.7%
Average Unmeasured RV contestable business customer (North Surrey Region)	301.79	321.91	6.7%
Average Unmeasured RV contestable business customer (Folkestone Region)	606.00	646.38	6.7%

Appendix 2 (cont.)

Typical Wholesale Water Bill Changes 2021/22 – Household

Typical Customer	2020-21 Bill	2021-22 Bill	Variance (%)
Average Household Measured Customer (Central Region)	120.18	128.12	6.6%
Average Household Measured Customer (East Region)	139.72	148.97	6.6%
Average Household Measured Customer (Southeast Region)	173.56	185.06	6.6%
Average Household Unmeasured Customer (Rickmansworth Region)	157.72	170.11	7.9%
Average Household Unmeasured Customer (Colne Region)	177.29	191.23	7.9%
Average Household Unmeasured Customer (Lee Region)	193.76	209.02	7.9%
Average Household Unmeasured Customer (North Surrey Region)	165.29	178.30	7.9%
Average Household Unmeasured Customer (East Region)	210.72	227.30	7.9%
Social tariff Central and East Region	142.00	151.49	6.7%
Social tariff Southeast Region	171.39	190.72	11.3%
Household Measured Customer Low consumption 65m ³ /year Central Region	73.14	77.96	6.6%
Household Measured Customer Low consumption 42m ³ /year East Region	79.00	84.21	6.6%
Household Measured Customer Low consumption 65m ³ /year Southeast Region	120.25	128.20	6.6%
Household Measured Customer High consumption 300m ³ /year Central Region	282.48	301.23	6.6%
Household Measured Customer High consumption 225m ³ /year East Region	356.81	380.52	6.6%
Household Measured Customer High consumption 300m ³ /year Southeast Region	499.89	533.13	6.6%
Household Assessed 1 occupier (Central Region)	73.10	78.00	6.7%
Household Assessed 2 occupiers (Central Region)	117.70	125.50	6.6%
Household Assessed 3 occupiers (Central Region)	165.80	176.80	6.6%
Household Assessed 4 or more occupiers (Central Region)	213.90	228.10	6.6%
Household Assessed 1 occupier (East Region)	79.00	84.20	6.6%
Household Assessed 2 occupiers (East Region)	133.70	142.50	6.6%
Household Assessed 3 occupiers (East Region)	189.80	202.40	6.6%
Household Assessed 4 or more occupiers (East Region)	271.80	289.80	6.6%
Household Assessed 1 occupier (Southeast Region)	120.20	128.20	6.7%
Household Assessed 2 occupiers (Southeast Region)	201.00	214.40	6.7%
Household Assessed 3 occupiers (Southeast Region)	288.30	307.40	6.6%
Household Assessed 4 or more occupiers (Southeast Region)	375.50	400.50	6.7%
Watersure customer (Central & Saffron Walden Region)	142.00	150.63	6.1%
Watersure customer (Southeast Region)	171.39	190.72	11.3%
Watersure customer (East Region)	150.87	168.54	11.7%
Average Measured Non-contestable Business Customer Central Region (15mm meter)	449.95	479.85	6.6%
Average Measured Non-contestable Business Customer Southeast Region (15mm meter)	637.21	679.59	6.7%
Average Measured Non-contestable Business Customer East Region (15mm meter)	475.22	506.82	6.6%

Appendix 3: Compliance with Wholesale Charging Rules

In compliance with Ofwat's Wholesale Charging Rules issued on 27 March 2020, we provide detailed information below on how we ensure compliance with each relevant charging rule.

Rule No.	Wholesale Charging Rule	Our Compliance
Rules 1 to 6	Introduction and Interpretation	Not applicable
Part 1: Rules for Wholesale Charges other than Wholesale Connection Charges		
Publication		
Rule 7	Each water undertaker must publish the Wholesale Charges payable by a water supply licensee for the supply of water to Eligible Premises that are connected to the undertaker's supply system. This includes the Eligible Premises to which a Special Agreement would otherwise apply (although nothing in these rules requires the publication of a customer's name or address).	Sections 5 and 7 of our Wholesale Charges Scheme published on our website on 13 January specifies the Wholesale Charges payable by a water supply licensee for the supply of water to Eligible Premises (including those Eligible Premises to which a Special Agreement would otherwise apply).
Rule 8	Rule not applicable to Affinity Water Limited	Not applicable
Rule 9	Each relevant undertaker must also, as a minimum, publish the Wholesale Charges (or the methodology for calculating such charges where the charges cannot be determined in advance) that would, where relevant, be payable by a water supply or sewerage licensee for: <ul style="list-style-type: none"> (a) the replacement of lead service pipes; (b) the provision and maintenance of fire hydrants; (c) damage to apparatus; (d) the carrying out of inspections to ascertain whether any provision contained in or made or having effect under the Water Industry Act 1991 with respect to any water fittings or with respect to the waste or misuse of water is being or has been contravened; (e) site inspections; (f) the provision and use of standpipes; (g) the testing of meters; and 	Sections 6 and 8 of our Wholesale charges Scheme 2021/22 sets out our non-Primary wholesale charges applicable to water supply licensees including charges (or the methodology for calculating such charges) for items (a) to (h).

	(h) the disconnection of a service pipe (or for otherwise cutting off a supply of water) to any premises and the reconnection of such premises to a water main.	
Rule No.	Wholesale Charging Rule	Our Compliance
Rule 10	Wholesale Charges must be published at least eleven weeks before the start of the period for which the charges will be imposed.	Our Wholesale Charges 2021/22 are published on our website on 13 January 2021.
Rule 11	Wholesale Charges 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 Wholesale Charges 2021/22 are published on our website on 13 January 2021. We provide a website link to our Wholesale Charges Scheme to all water supply licensees with whom we have a contract under Section 66D of the Water Industry Act 1991.
Rule 12	Wholesale Charges must be published with such additional information or explanation as is necessary to make clear what services are covered by each charge.	Section 8 of our Wholesale Charges Scheme explains what services are covered by each non-Primary wholesale charge.
Rule 13	Relevant undertakers whose areas are wholly or mainly in England must determine what types of charges may or may not be imposed and the amount of any charges that may be imposed in accordance with the principle that Wholesale Charges should reflect: <ul style="list-style-type: none"> (a) fairness and affordability; (b) environmental protection; (c) stability and predictability; and (d) transparency and customer-focused service. 	We reflect fairness and affordability by setting charges that comply with the price controls, and by improving the cost reflectivity of our tariffs over time. We achieve environmental protection, principally by charging for water according to measured usage, and by making sure that unmeasured charges on average reflect aggregate unmetered usage. This incentivises more careful water use through charges. Principally we achieve transparency, stability and predictability by adherence to Ofwat's charging rules that ensure we consider mitigating actions if charges are expected to increase by 5% or more and that we give advance notice of any significant changes to charges,

		consult with stakeholders in a timely manner and publish indicative tariffs in advance.
Principles for determining the amount of charges		
Rule No.	Wholesale Charging Rule	Our Compliance
Rule 14	Consistent principles and methodologies must be applied to the calculation of charges for different classes of Eligible Premises, regardless of the services provided.	<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 • How we operate charging methodologies, such as the tariff differential <p>By adhering to the procedure, we promote consistency in our approach to charges as between different classes of Eligible Premises and consistency year on year.</p>
Rule 15	Charging structures must reflect the long-run costs associated with providing the relevant service.	<p>The majority of our wholesale measured 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 3 predecessor companies. We have aligned fixed charges across our company area, but volumetric rates differ.</p> <p>We set the 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 fixed charges reflect the use of such assets that are local to and used only by water supply licensees for retailing water services to their end customer. The remaining supply costs are recovered through the volumetric rate. We offer reductions to the standard volumetric rate to reflect the avoided use of network assets by the customers of water supply licensees using larger volumes of water.</p>

Rule No.	Wholesale Charging Rule	Our Compliance
Rule 15 cont.	Charging structures must reflect the long-run costs associated with providing the relevant service.	<p>We assess our large user volumetric rate against the long run marginal cost in our water resources plan to make sure that we are not charging a volumetric rate below our estimate of long run marginal costs. Some Eligible Premises remain on unmeasured charging.</p> <p>We take measures to ensure that wholesale unmeasured tariffs on average are reflective of the volumes of water used by unmeasured users of water in aggregate, principally through our application of a tariff differential. In this way, we achieve cost reflective balance between measured and unmeasured charges.</p>
Rule 16	Differences between charges for services provided to Eligible Premises that are larger users of water and sewerage services and charges for services provided to Eligible Premises that are smaller users of water and sewerage services 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 wholesale tariffs, that are available to customers of water supply licensees that are larger users of water, on our assessments of the cost differences associated with the avoided use of network assets by such customers.
Rule 17	Where cost differences associated with differential peaking characteristics are used as a basis for differences between charges for services provided to Eligible Premises that are larger users of water and charges for services provided to Eligible Premises that are smaller users of water, the charges fixed on that basis must be structured on an appropriate peak demand basis.	We do not have different wholesale tariffs for services provided at times of peak demand for water.
Rule 18	Rule not applicable to Affinity Water Limited	Not applicable

Rule No.	Wholesale Charging Rule	Our Compliance
Unmetered charges		
Rule 19	<p>No Unmetered Wholesale Charges may be imposed unless the basis on which those charges are fixed or determined is clear and, in the case of Rateable Value Charges, it is clear:</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 Wholesale Charges Scheme specifies in Section 4 the Rating Valuation List used to fix charges by reference to rateable value and the methodology used to determine notional rateable values where the value in the Rating Valuation List is not appropriate.</p>
Wastewater charges, Trade effluent and Concessionary drainage charges		
Rules 20-24	Rules not applicable to Affinity Water Limited	Not applicable
Special agreements		
Rule 25	<p>Where a Special Agreement would apply to the provision of services to Eligible Premises if the undertaker continued to provide the services, a relevant undertaker must impose on a water supply licensee or, as the case may be, a sewerage licensee only such charges as would enable the licensee to charge for those services at the same rate or rates as would have applied if the Special Agreement had applied.</p>	<p>Our Wholesale Charges Scheme sets out in Sections 5 and 7 the wholesale tariffs applicable to each of the special agreements that were in place on 1 April 2017 when Affinity Water Limited exited the non-household retail market.</p> <p>Such wholesale charges enable water supply licensees to charge their customers for those services at the same rate or rates as would have applied if Affinity Water Limited had continued to supply the end customer in accordance with the Special Agreement.</p>

Rule No.	Wholesale Charging Rule	Our Compliance
Small companies		
Rule 26	Rule not applicable to Affinity Water Limited	
Part 2: Rules for Wholesale Connection Charges (English Undertakers)		
Rule 27	<p>Subject to paragraphs 28, 29 and 30, relevant undertakers whose areas are wholly or mainly in England must set and publish their Wholesale Connection Charges as if:</p> <p>(a) those charges related to services in respect of household premises rather than non-household premises, and</p> <p>(b) the Charging Rules for New Connection Services (English Undertakers) applied to them.</p>	<p>Our Charging Arrangements for New Connections Services 2021/22 will provide that our Wholesale Connection Charges are set as if this were the case.</p> <p>Our Charging Arrangements for New Connections Services 2021/22 will provide that our Wholesale Connection Charges are set as if this were the case.</p>
Rule 28	The obligation in paragraph 27 excludes the rules in paragraphs 44 to 46 of the Charging Rules for New Connection Services (English Undertakers).	Noted.
Rule 29	Relevant undertakers must publish their initial Wholesale Connection Charges in their Charging Arrangements by 1 June 2018.	Our initial Wholesale Connection Charges were published in our Charging Arrangements for New Connections Services 2018/19 on 1 February 2018.
Rule 30	Thereafter, relevant undertakers must consult on their Wholesale Connection Charges at the same time as their charges under the Charging Rules for New Connection Services (English Undertakers), and must publish them in their Charging Arrangements.	Noted.
Rule 31	Rule not applicable to Affinity Water Limited	Not applicable

Annex: Information requirements		
Assurance statements		
A1	<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 its final Wholesale Charges confirming that:</p> <p>(a) the company complies with its legal obligations relating to the Wholesale Charges it has published;</p>	<p>Our Board has provided this statement of assurance in section 3 of this publication.</p> <p>Our Wholesale Charges 2021/22 have been calculated in the manner best calculated to comply with the Wholesale Price Control set by Ofwat under Condition B of our instrument of appointment at PR19.</p> <p>Our Wholesale Charges 2021/22 meet 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 Wholesale 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 the Wholesale Charging Rules (27th March 2020)</p>
Rule No.	Wholesale Charging Rule	Our Compliance
A1 cont.	(b) the Board has assessed the effects of the new charges on water supply and sewerage licensees (as a whole or in groups) who are retailing wholesale	We have used our financial model to calculate the level of Wholesale Charges 2021/22 and assess the effect of those

	<p>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%;</p>	<p>charges on water supply licensees and (as a whole or in groups). Having exited the non-household retail market on 1 April 2017, we have assessed the effect of these changes on customers of water supply licensees assuming such charges are passed through by water supply licensees to their customers</p> <p>Section 2 above confirms that we expect there to be increases for Primary Wholesale Charges that exceed 5%. During the year, the Board received information about Wholesale 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>(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 Wholesale Charges is accurate;</p>	<p>We have an established, robust system for managing all data required to provide Wholesale 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>Our assurance provider, Frontier Economics has reported on the suitability of our charges setting model, our revenue calculations, our computations of the final determination and our performance against the wholesale revenue limit. Frontier</p>

		<p>Economics has confirmed that the proposed wholesale and retail tariffs are compliant with Ofwat's Final Determinations and Charging Rules.</p> <p>Frontier Economics has also confirmed that the mechanics in the tariff models with which the 2021/22 charges are calculated work as intended and the overall approach and detailed methodology applied to setting charges for 2021/22 is justifiable and reasonable.</p>
Rule No.	Wholesale Charging Rule	Our Compliance
A1 cont.	(d) the company has consulted with relevant stakeholders in a timely and effective manner on its Wholesale Charges; and	<p>During the year, we have consulted with the Consumer Council for Water, our Customer Challenge Group, Ofwat, retail licensees and NAVs about our Wholesale Charges 2021/22. We also consulted with external stakeholders to inform the development of our handling strategy. In November we published a consultation on simplification of wholesale tariffs in the competitive retail market to inform future charges development.</p> <p>On 15 July 2020 we published information setting out the scope for changes to charges, and on 15 October 2020, we published indicative Primary Wholesale Charges 2021/22 on the section of our website dedicated to water supply licensees.</p>
	(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 A3 below and charges are "significantly different" if a reasonable person would consider the changes to be material.	<p>We explain in this statement, the reasons for differences between our indicative wholesale charges published on 15 October 2020 and our final charges, published on 13 January 2021 following completion of the blind year determination process, availability of the November inflation statistic and on the company's revision of its demand forecast .</p>

Indicative charging information		
A2	No later than six months before publishing its final Wholesale Charges, each undertaker (other than a small company), should if considering making any significant changes to its Primary Wholesale Charges publish information that, at a minimum, informs stakeholders of the scope of its proposed changes. For these purposes, changes will be “significant” if a reasonable person would consider them to be material. The information provided does not need to be as detailed as that referred to in A3 and A4 below.	On 15 July 2020, we published on our website a Statement of Significant Changes in respect of Primary Wholesale Charges for 2021/22 confirming we considered it likely there would be instances where Wholesale bill increases for water supply licensees (as a whole or in groups) would exceed 5%.
Rule No.	Wholesale Charging Rule	Our Compliance
A3	No later than three months before publishing its final Wholesale Charges, each undertaker (other than a small company) should provide to the Water Services Regulation Authority and publish indicative Wholesale Charges. For these purposes, “indicative Wholesale Charges” are the Primary Wholesale Charges that the undertaker reasonably expects to fix for the following period (based on the information available to it at that time).	On 15 October 2020, we published on our website and our Indicative Wholesale Charges for 2021/22 (ad we also met with Ofwat on 13 October to discuss our indicative wholesale charges).
A4	No later than three months before publishing its final Wholesale Charges, each undertaker (other than a small company) should, if it intends to make any significant changes to its Primary Wholesale Charges, provide to the Water Services Regulation Authority and publish a statement of significant changes. For these purposes:	On 15 October 2020, we published on our website and provided to Ofwat a statement confirming we had assessed the effects of our indicative Wholesale Charges for 2021/22 on water supply licensees (as a whole or in groups) and confirmed that there would be instances where bill increases were likely to exceed 5%. The same statement provided information about how water licensees and customers occupying eligible premises would be likely to be affected. It also provided information about the handling strategies being developed by the company.

	<p>(a) changes to the level of Primary Wholesale Charges, or to the methodology for calculating them, will be significant if a reasonable person would consider them to be material; and</p> <p>(b) a statement of significant changes should include:</p> <p>(i) what changes are expected;</p> <p>(ii) how water supply and sewerage licensees (as a whole or in groups) and customers occupying Eligible Premises (as a whole or in groups) are likely to be affected; and</p> <p>(iii) the handling strategies that may be adopted by the undertaker or why the undertaker considers that no handling strategies are required.</p>	
Rule No.	Wholesale Charging Rule	Our Compliance
A5	<p>Each undertaker (other than a small company) 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 its indicative Wholesale Charges confirming, using the best available information available at that time, that:</p> <p>(a) the company complies with its legal obligations relating to the indicative Wholesale Charges it has published;</p>	<p>On 15 October 2020, we published on our website and provided to Ofwat a Board Assurance Statement to this effect.</p>

(b) the Board has assessed the effects of the new charges 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 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.