

2017/18 Wholesale Charges - Board Statement of Assurance

The Board has overseen the preparation of the 2017/18 Wholesale Charges and has:

- noted the requirements published in Ofwat's Wholesale charging rules and Information Notice publications, IN 16/11 and IN 16/12, setting out expectations for company wholesale charges for 2017-18;
- considered the actions to be undertaken by management to prepare the Wholesale Charges to meet these requirements;
- reviewed the processes established to provide assurance that the company complies with its legal obligations relating to the Wholesale Charges it has published;
- assessed the effects the new Wholesale Charges are likely to have on have on customers occupying Eligible Premises and on licensees who are retailing wholesale services across a range of different customer types and confirms that there are no instances where charges increases are likely to exceed 5%; and
- assessed by how much its final Wholesale Charges differ from the indicative wholesale charges the Company published at the end of September 2016 and confirms that there are no significant differences between the two sets of charges.

Because of the timing of publication of Wholesale Charges in relation to scheduled meetings of the Board, the Board established a sub-committee which included executive and independent non-executive directors to review the preparation of the 2017-18 Wholesale Charges and assurance provided by internal and external assurance providers.

The sub-committee met to consider reports prepared by employees, internal and external auditors. In particular:

- our Reporter (Atkins) has reported on the processes that have been used to derive the base customer information and charge multipliers that have been used to compute charges;
- our Auditor (PricewaterhouseCoopers) has reported on our revenue calculations, our computations of the final determination and our performance against the revenue limit;
- our Internal Audit team has reported on the policies, procedures and processes used for the production of wholesale charges;
- our Senior Regulation Economist and Managing Director of Wholesale Operations have reported on the compliance of the company's wholesale charges with Ofwat's charging principles and guidelines and the engagement undertaken with relevant stakeholders;
- our Legal Team has reviewed the wholesale charges against legal and regulatory requirements for wholesale charges.

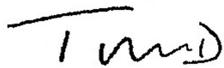
The Board consider that the Company's Wholesale Charges are consistent with Ofwat's guidelines and requirements as set out in Ofwat's Charges Scheme Rules and Information Notice publication IN 16/12. The Company will continue to give attention to how its

Wholesale Charges are supported by cost analysis and will introduce changes that are necessary to improve the cost reflectivity of charges.

In light of and taking account of the above, the Board confirms that the Company:

- complies with its legal obligations relating to the Wholesale Charges it has published;
- 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 confirms that there are no instances where charges increases are likely to exceed 5%;
- 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;
- has consulted with relevant stakeholders in a timely and effective manner on its Wholesale Charges; and
- assessed by how much its final Wholesale Charges differ from the indicative wholesale charges the Company published at the end of September 2016 and confirms that there are no significant differences between the two sets of charges.

Signed on behalf of the Board



Tim Monod

Company Secretary