

Information notice

IN 18/18 November 2018

ofwat

This is a formal document that alerts our stakeholders to a change in the way that we regulate the water sector in England and Wales.

Expectations, assurance and information requirements for water company charges for 2019-20

About this document

This document sets out, for stakeholders, how we expect water companies¹ to engage with customers and stakeholders when developing their charging policy and charges, as well as our expectations around charges assurance. It also summarises the charges information requirements on companies and the timetable for publishing this information.

This document should be read in conjunction with our charging rules (see below).

This information notice is an update from [Information Notice 17/09](#). Please note that the email address for submissions and enquiries has changed, and we have added new sections on what to do if documents need to be re-issued, and a requirement to provide us with electronic copies of documents.

Overview of our charging rules

Water companies are allowed to charge for the services they provide. Following amendments made by the Water Act 2014 (WA14) to the Water Industry Act 1991 (WIA91), we have issued charging rules that water companies must comply with. These are:

- [Wholesale charging rules](#) (issued in November 2016 and re-issued in October 2018) for the wholesale services² they provide to water supply and/or sewerage services licensees

¹ By “water companies” we mean companies holding appointments as water and/or sewerage undertakers under the Water Industry Act 1991, including both ‘large’ and ‘small’ water companies (see footnote 7).

² Wholesale services are the physical delivery of water via networks of pipes to and from customers’ property boundaries, including abstracting, treating and transporting water, as well as collecting, treating and disposing of wastewater.

- [Charges Scheme Rules](#) (issued in November 2015 and re-issued in June 2018) setting out end-user charges to their own residential and business customers
- [Charging Rules for New Connection Services \(English Undertakers\)](#) (issued in August 2017 and re-issued in June 2018) which apply only to English undertakers' charges for new connection services³.

If we consider a company is not complying with charging rules, we can intervene by taking targeted and proportionate action to protect customers.

Our expectations

Water companies need to be transparent about how they set charges. Customers and other stakeholders expect water company charges to comply with all relevant statutory obligations, including our charging rules. They also expect water companies to engage meaningfully on proposed charges and ensure that the information they publish is subject to high-quality assurance. Where companies introduce new charging policies which lead to a significant⁴ increase in charges, we expect companies to have met a high evidential bar including:

- appropriate third party support for why the changes are being proposed, for example, a change in drivers or activity
- proven interactions with customers
- evidence of engagement with and support from customer representatives, where appropriate, especially with the Consumer Council for Water (CCWater) on changes to charges schemes for which it is a statutory consultee.

The information we expect companies to publish under the charging rules are set out in tables 1 and 2 below.

Engagement when setting charges

It is for companies to take ownership of their charging policies and charges, and deliver these in an efficient and innovative way, supported by customers and other stakeholders. Company Boards are responsible for company charges and the processes and policies that underpin the charges.

³ New connection services include gaining access to existing public water or sewerage system and or creating a new water main or public sewer or a monopoly company taking over responsibility for a self-laid infrastructure. These rules apply only to water companies whose areas are wholly or mainly in England

⁴ In this context, 'significant' bill increases are increases of more than 5% from the previous year (for a given customer type assuming a constant level of consumption).

Our wholesale and new connections charging rules outline the need for timely, proportionate and effective engagement between water companies, their customers and wider stakeholders. The benefits of good engagement are two way. It allows companies to better understand their customers' requirements in terms of services and the price that customers are willing to pay. And it allows customers and other stakeholders to be clear on the basis of the charges they will face and what is driving changes to those charges.

Board assurance of charges

We expect water companies to publish all their charges set under our charging rules in either their Charges Schemes, Wholesale Charges Schedules⁵ or new connection services Charging Arrangements⁶, as appropriate. For each set of charges, a company should:

- provide an assurance statement from its Board of Directors that the charges comply with legal obligations and the relevant charging rules, and that the company has systems and processes in place to ensure that the charging information published is accurate; and
- ensure that its Board assurance statement covers the list of specific issues for assurance set out in each set of charging rules.

Water companies should not limit assurance to the issues listed in the charging rules if they believe it would be beneficial to provide additional assurance. Where appropriate, we may add to the list of specific issues requiring assurance.

High quality assurance is important in providing stakeholders with trust and confidence in the charges water companies' apply and the information companies publish about their charges. The company monitoring framework (CMF) assesses the quality of companies' assurance of published information and can cover any aspect of assurance. We have specifically considered assurance of charging in previous CMF assessments. We may also choose to raise issues directly with companies at other times if appropriate.

Statement of significant changes in charges

In addition to the Board assurance statement, we require each large⁷ water company to publish on its website a statement setting out details of any significant increases (i.e. more than 5%) it anticipates in

⁵ Water companies set their wholesale charges in their Wholesale Charges Schedule.

⁶ Charges for new connection services are set out in new connection services Charging Arrangements

⁷ 'Large' water companies are water companies for whom we set full price controls at price reviews.

its Wholesale Charges Schedule and/or Charges Scheme. We have set out in the annexes of both sets of charging rules what we expect companies to include in this statement.

Where a water company anticipates significant changes to its Wholesale Charges Schedule and Charges Scheme, its Board should address this in the Board assurance statement. The Board should provide assurance that they are aware of the changes and related incidence effects, and support the company's engagement on this issue.

Specific information requirements for 2019-20 charges

We have set out in table 1 the charges information for 2019-20 that we require water companies to publish, and their respective deadlines. Companies should note that the amount of information we need, and when we need it, varies between large and small companies⁸ (see tables 1 and 2 respectively for further details).

Companies need to send us electronic copies of these documents as well as providing us with correct links to the relevant pages on their websites, including information about when the relevant pages were published, to the email shown below. We need this to monitor some specific aspects of charges.

Average bills for residential customers

We require each large water company to send us average bills data for residential customers. This comprises data on residential customer numbers and revenues resulting from the application of residential end-user charges. We have attached a [template](#) to this document for water companies to capture and send us this data (see table 1 for when this information should be submitted).

Since 2014-15, we have shared average bills information with Water UK for publication on its website. We will continue with this approach for 2019-20.

⁸ 'Large' water companies are water companies for whom we set full price controls at price reviews. 'Small' water companies are new appointees (these are required to limit at least some of their charges by reference to charges fixed by one or more large water companies) and Cholderton and District Water Company Limited.

Bulk supply register

We continue to require water companies (including new appointees) to provide us with information about their bulk supply transactions. We publish this information annually on our website in our bulk supply register.

For water, the register complements our new market information requirements for water resources set out in '[Water resources market information guidance](#)'. Greater market information will support the effective optimisation of water resources, including demand management and leakage services, across England and Wales.

As part of our review of existing market information, we have reviewed the information in the bulk supply register and as a result have revised the spreadsheet information capture template by:

- separating out and adding key information requirements to increase transparency, this includes separate tabs for water and sewage;
- adding a definitions table to ensure consistent reporting; and
- providing space for companies to comment on each bulk supply.

We expect water companies (including new appointees) to use this [revised template](#) to submit their bulk supply data. They should complete all three parts of each table, keeping in mind the field definitions stated in the template, and submit the information to Charging@ofwat.gsi.gov.uk, stating the subject matter of their email as: Bulk supply transactions (see table 1 and 2 for when this information should be submitted).

Special agreements notification

Water companies are required under section 142(6A) of WIA91 to notify us of any new special agreements they enter into after 13 July 2014. (New special agreements include those that existed before this date which have subsequently been re-negotiated after 13 July 2014.) They should send such notifications to Charging@ofwat.gsi.gov.uk, and can do so anytime of the year. They should state the subject matter of their email as: New special agreements notifications.

Re-issue of documents

We do not expect companies to make changes to their charging documents other than as a result of an external changes such as to our charging rules. If a company needs to re-issue any of its charging documents, it should make it clear in the new document that it is a revised version and clearly set out the specific changes made. The company should email Ofwat, at Charging@ofwat.gsi.gov.uk, to notify us of the change, and pro-actively communicate the change to other relevant stakeholders.

Submissions and enquires

Companies should send all other submissions and any questions about this document to Charging@ofwat.gsi.gov.uk. They should state the subject matter of their email as: Charges - information requirements for 2019-20.

Information requirements and deadlines

In the tables below, we set out the information we expect water companies to publish in connection with their 2019-20 charges in order to comply with our charging rules, and for our own purposes. It sets out the items to be published, the deadlines and the specific sections of the charging rules or licence conditions under which this is being required.

Table 1 is specific to the requirements for large water companies. Table 2 is specific to the requirements for small water companies.

The first four items in table 1 set out the information requirements for the early notifications of wholesale charges, as set out in annexes A2 to A5 of the Wholesale charging rules.

Table 1: Requirements for large water companies

	Item	Format	Entity	Deadline		Charging Rule / Appointee Licence Condition
1	Indicative scope for wholesale charges	Publish on website and email a copy of the charges and webpage link to Ofwat	Large water companies	No later than six months before publishing the final Wholesale Charges	13/07/18	Wholesale charging rules Annex A2
2	Indicative Wholesale Charges	Publish on website and email a copy of the charges and webpage link to Ofwat	Large water companies	No later than three months before publishing the final Wholesale Charges	12/10/18	Wholesale charging rules Annex A3
3	Statement of significant changes to primary	Publish on website and email a copy of the charges	Large water companies	No later than the time of publication of indicative	12/10/18	Wholesale charging rules Annex A4

	Wholesale Charges	and webpage link to Ofwat		Wholesale Charges		
4	Assurance statement for indicative Wholesale Charges	Publish on website and email a copy of the charges and webpage link to Ofwat	Large water companies	No later than the time of publication of indicative Wholesale Charges	12/10/18	Wholesale charging rules Annex A5
5	Statement of significant changes to Charges scheme charges	Publish on website and email a copy of the charges and webpage link to Ofwat	Large water companies	At least three weeks before the publication of Charges Schemes	11/01/19	Charges scheme rules Annex A2
6	Average bills information for residential customers	Provide information in attached template and email to Ofwat	Large water companies	Should be submitted together with item 5.	11/01/19	Licence condition M
7	Final Wholesale Charges Schedule	Publish on website and email a copy of the charges and webpage link to Ofwat	Large water companies	At least eleven weeks before the start of the period for which the charges will take effect	11/01/19	Wholesale charging rules Rule 10
8	Assurance statement for final Wholesale Charges Schedule	Publish on website and email a copy of the charges and webpage link to Ofwat	Large water companies	No later than time of publication of final Wholesale Charges Schedule	11/01/19	Wholesale charging rules Annex A1
9	Charges Schemes	Publish on website and email a copy of the charges and webpage link to Ofwat	Large water companies	No later than the first working day of the February immediately preceding the Charging Year in	1/02/19	Charges scheme rules Rule 9 and rule 25

				relation to which they have effect		
10	Assurance statements for Charges Scheme	Publish on website and email a copy of the charges and webpage link to Ofwat	Large water companies	No later than the time of publication of the charges schemes	1/02/19	Charges scheme rules Annex A1
11	Charging Arrangements for new connection services	Publish on website and email a copy of the charges and webpage link to Ofwat	Large English water companies	No later than two months before the period in relation to which they have effect.	1/02/19	Charging Rules for New Connection Services (English Undertakers) Rule 10
12	Assurance statement for Charging Arrangements for new connection services	Publish on website and email a copy of the charges and webpage link to Ofwat	Large English water companies	Should be published on website and webpage link sent to Ofwat together with webpage link for item 11.	1/02/19	Charging Rules for New Connection Services (English Undertakers) Annex A1
13	Bulk supply transaction between water companies	Provide information in attached spreadsheet and email to Ofwat	Large water companies	Should be submitted by 28/02/19		Licence condition M

Table 2: Requirements for small water companies

	Item	Format	Entity	Deadline		Charging Rule / Appointee Licence Condition
1	Final Wholesale Charges Schedule	Publish on website and email a copy of the	Small water companies	At least nine weeks before the start of the period for	28/01/19	Wholesale charging rules Rule 26

		charges and webpage link to Ofwat		which the charges will take effect.		
2	Assurance statement for final Wholesale Charges Schedule	Publish on website and email a copy of the charges and webpage link to Ofwat	Small water companies	No later than time of publication of final Wholesale Charges Schedule	28/01/19	Wholesale charging rules Annex A1
3	Charges Schemes	Publish on website and email a copy of the charges and webpage link to Ofwat	Small water companies	No later than the 22 February immediately preceding the Charging Year in relation to which they have effect	22/02/19	Charges scheme rules Rule 9 and rule 25
4	Assurance statements for Charges Scheme	Publish on website and email a copy of the charges and webpage link to Ofwat	Small water companies	No later than the time of publication of the Charges Scheme	22/02/19	Charges scheme rules Annex A1 and Annex A3
5	Charging Arrangements for new connection services	Publish on website and email a copy of the charges and webpage link to Ofwat	Small English water companies	No later than five weeks before the period in relation to which they have effect	25/02/19	Charging Rules for New Connection Services (English Undertakers) Rule 10 and rule 17
6	Assurance statement for Charging Arrangements for new connection services	Publish on website and email a copy of the charges and webpage link to Ofwat	Small English water companies	No later than the time of publication of the their Charging Arrangements:	25/02/2019	Charging Rules for New Connection Services (English Undertakers) Annex A1

7	Bulk supply transaction between water companies	Provide information in attached spreadsheet and email to Ofwat	Small water companies	Should be submitted by 28/02/2019	Licence condition M
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Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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