

BOARD ASSURANCE STATEMENT FOR INDICATIVE WHOLESALE CHARGES

2020/21

The South West Water Board of Directors (SWW Board) has overseen the development of both South West Water (SWW) and Bournemouth Water's (BW) indicative wholesale charges for 2020/21.

The charges detailed in both companies' wholesale indicative charges publications have been developed using best endeavours, notwithstanding considerable uncertainty remaining around the PR19 price review process. This will continue until Final Determinations are published by Ofwat in December 2019. In consequence these indicative charges are subject to greater uncertainty than is usual, and the SWW Board highlights that given this, the tariffs will be subject to change.

Therefore, the assurance provided is reflective of the processes and approach for setting tariffs and not the specific charges at this stage.

Our approach will ensure we are compliant with SWW's legal and statutory obligations and have been developed in accordance with Ofwat's Wholesale Charging Rules. The governance and assurance processes which have and will be applied to the development of these charges are summarised below:

- the SWW Board has in place a well-established and effective set of policies and processes covered by our robust Quality Management System. Policies and procedures relating to the development of tariffs and charges are regularly updated, and charges have been developed in accordance with the company's quality assurance processes.
- the SWW Board (comprising of Executive and Non-Executive Directors) has considered the process of developing the wholesale indicative charges
- SWW has a Tariffs Steering Group which is attended by a subset of the Executive Management Team, Senior Managers, and the Risk and Compliance Manager and discusses relevant policies, strategies and governance approach. The Tariffs Steering Group reports into and makes recommendations to the SWW Board. SWW also has a Tariffs Working Group which supports the activities of the Tariffs Steering Group.
- as well as internal assurance, external technical assurance has been secured on the tariff model itself, providing SWW Board confidence the tariffs model is fit for purpose. SWW Board has reviewed the reports the independent third parties and internal assurance team prepared to present their findings on their review and confirms there are no material issues for the approach to setting indicative tariffs.
- at appropriate future stages in the development of the tariffs and charges, when more certainty is available SWW will engage with the Consumer Council for Water (CCWater) and other stakeholders. As a part of its engagement with CCWater, SWW discusses its approach to the development of its charges, bill incidence effects and charges policies with its local CCWater representatives.
- SWW has robust processes in place to annually review policies which are contained within the Charges Schedules. For 2020/21, no changes to these policies are planned for household customers.

WHOLESALE INDICATIVE CHARGES



Reflecting Ofwat's requirements and through review, challenge and scrutiny at the SWW Board, in the approach and process of developing the 2020/21 indicative wholesale charges SWW Board has:

- received board reports from the relevant business areas outlining the approach and progress in developing charges and highlighting any material issues;
- been given access as required to relevant senior managers to verify information;
- been presented with the findings of internal and external assurance activities;
- considered SWW's legal obligations related to wholesale indicative charges;
- considered the systems and processes in place to ensure that the charges published are accurate; and
- considered the stakeholder engagement that has been carried out in relation to the setting of these charges.

Given the uncertainty in expected revenues the Board will consider the impact of proposed charges and tariffs following the Final Determination as part of the final assurance process.

WHOLESALE INDICATIVE CHARGES

NAME & POSITION	SIGNED
Sir John Parker Chairman	
Louise Rowe Finance Director	
Lord Taylor of Goss Moor Non-Executive Director	
Jon Butterworth Non-Executive Director	
Martin Hagen Non-Executive Director	
Neil Cooper Non-Executive Director	
Gill Rider Non-Executive Director	
Chris Loughlin ¹ Non-Independent, Non-Executive Director	
Susan Davy Pennon Group Chief Financial Officer	
Iain Evans Pennon Group Non-Executive Director	

¹ Since May 2019, Chris Loughlin, has temporarily assumed the role of South West Water Managing Director.