

July Statement of Significant Changes in relation to Anglian Water Services Limited's primary Wholesale Charges for the Charging Year 2021/22

Introduction

1. The purpose of this statement of significant changes is to provide our stakeholders with information as to what, if any, significant changes we are considering to our primary wholesale charges for the 2021/22 Charging Year.

Wholesale Charging Rules

2. Ofwat has issued wholesale charging rules for charges imposed by a water undertaker or a wastewater undertaker to water supply and sewerage licensees respectively ("retailers", including new entrants and sister companies of existing water and sewerage undertakers) for an agreement entered into under section 66D or section 117E of the Water Industry Act 1991 ('**WIA91**').
3. These are the charges the retailers will have to pay wholesale water and sewerage undertakers in return for the provision of bundled services to support retail service provision.
4. Subject to certain conditions, a section 66D agreement governs the arrangement where a licensed water supplier requests its primary water undertaker to provide it with a supply of water for the purpose of supplying water to the non-household premises of its customers in accordance with the retail authorisation, and the premises are in the area of the undertaker. In such a case it is the duty of the primary water undertaker, in accordance with the agreement, to connect the premises in question with the undertaker's supply system and to provide the supply.
5. Subject to certain conditions, a section 117E agreement governs the arrangement where a licensee asks its primary sewerage undertaker to permit the use of its sewerage system to enable the licensee to provide services to non-household premises under its retail authorisation. In such a case it is the duty of the primary sewerage undertaker to connect relevant drains or sewers to its system and/or take other such steps as necessary to enable the requested use and service performance.

Primary Wholesale Charges

6. We understand primary charges to be charges that typically involve a meter based annual charge and/or volumetric charge for the wholesale service provision of a supply of water, or sewerage services, including foul, trade effluent and other discharges from eligible premises, and for highway drainage collection and treatment, and including charges for services

provided by a water company under a special agreement (as notified to Ofwat under section 142(6A) of the WIA91). These are the charges per tariff class as set out in our Wholesale Charges Schedule.

7. Also covered by this statement are wholesale network access charges relating to introductions of water and common carriage prices.
8. Non-primary charges relating to services that may be provided by a water company and requested by a licensed retailer in order to deliver services to their customers at an eligible premises, including meter re-sizing charges and trade effluent application fees etc. and charges that do not relate to the provision of services to an eligible premises (for example, fire hydrant charges and treatment of septic tanks) are therefore not covered by this statement.
9. Equally, wholesale connection charges are not covered by this statement. This includes connection charges paid by a developer, requisition charges, infrastructure charges, asset payments, and self-lay charges.
10. However, we will continue to engage with customers regarding any changes in connection charges to be set out in the 2021/22 charging arrangements for developers and self-lay operatives.

Information about significant changes to our primary Wholesale Charges for 2021/22

11. Our Wholesale Charges Schedule for 2020/21 includes the existing charges for the current charging year that would be defined as primary wholesale charges on the basis set out above.
12. The document is published on our website at:
<https://www.anglianwater.co.uk/siteassets/household/aboutus/wholesale-charges-schedule-2020-21.pdf>
13. We do not intend to make any significant changes to the structure of primary wholesale charges for 2021/22.
14. Indicative primary wholesale charges for 2021/22 ("Indicative Charges") will be published on our website by 14 October 2020.
15. We have referred Ofwat's final determination of price controls for AMP7 to the Competition & Markets Authority ("CMA"). Condition B of our licence at clause 16.2 sets out that in the event we refer to the CMA, charges should be set as if the reference hasn't been made i.e. be based on the Final Determination.
16. Therefore, unless some change to this position is announced before then, any changes to the level of charges we make in the Indicative Charges will

reflect the CPIH+K increase in allowed wholesale revenue as set out in the Final Determination for AMP7, published by Ofwat in December 2019. November CPIH is forecast at 1.0%. The relevant price controls are those for Network Plus Water and Wastewater Activities, Water Resources activities and Bioresources activities. The wholesale K for Network Plus Water is 4.22%; for Network Plus Wastewater is 0.88%; and for Water Resources is -1.56%. The price control for Bioresources is a total amount of revenue set as out in the Final Determination, modified to reflect the latest forecast sludge production for the charging year.

16. Charges will also reflect any re-balancing of revenue recovery suggested by the latest data available from our on-going cost allocation and charge multiplier analysis (customer number and demand forecasts).

Network Access Charges

17. We do not intend to make any change in our methodology for the calculation of network access charges for introductions of water and common carriage.

Special Agreements

18. There has been no change in the special agreements set out in Part 10 of our 2020/21 Wholesale Charges Schedule.

Status of our Statement of Significant Changes

19. These proposals (and the Indicative Charges) are subject to the review and approval by the Board of Anglian Water Services Limited of the charges for final publication in our Wholesale Charges Schedule for 2021/22, required by 14 January 2021 ("Final Charges"). The level of Final Charges may vary from those of the Indicative Charges due to potential changes between the revenue allowed at the PR19 Final Determination and the revenue allowed in the CMA Redetermination, in the event the redetermination is published in time to be reflected in Final Charges. The level of charges may also vary due to the application of updated charge multiplier data compared to that used for Indicative Charges.
20. In the meantime this is a comprehensive assessment of any proposed changes in relation to primary wholesale charges to be enacted in the following charging year.