

WHOLESALE CHARGES SCHEDULE 2025/26

Board Statement of Assurance

NORTHUMBRIAN WATER LIMITED
BOARD STATEMENT OF ASSURANCE FOR WHOLESALE CHARGES 2025/26

The Northumbrian Water Limited (NWL) Board has overseen the development of customer charges for 2025/26.

The latest wholesale charging rules, issued under sections 66E and 117I of the Water Industry Act 1991, were last published by Ofwat in October 2021.

The wholesale charging rules state that each undertaker should publish an assurance statement no later than the time of publication of its wholesale charges confirming that, using the best available information available at this time:

- a) the company complies with its legal obligations relating to the wholesale charges it has published;
- 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 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 is accurate;
- d) the company has consulted with relevant stakeholders in a timely and effective manner on its wholesale charges; and
- 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 Annex A3 of the Wholesale Charging rules and charges are 'significantly different' if a reasonable person would consider the changes to be material.

The purpose of this statement is to clearly demonstrate that NWL has satisfied these requirements.

Governance and Assurance

We closely monitor the rules published by Ofwat and ensure that all changes are incorporated into our charges publications. In order to do this, we have strong governance arrangements and assurance processes which have been applied to the development of these charges throughout the year and are summarised below:

- A specific quality assurance procedure sets out the process to be followed in setting charges each year and is reviewed annually to ensure that any necessary changes to the approval process are incorporated. This assurance builds on the work and recommendations previously carried out on our charges model by our external advisors.
- The NWL Internal Audit department confirmed that input data from Company systems and the calculation of allowed revenues are robust.
- NWL have previously engaged Ernst & Young LLP (EY) to perform testing of the logical operation of certain financial models prepared by, or on behalf of, NWL to generate its tariffs. The scope of EY's work was determined by NWL and EY is only responsible to NWL for their work. This model has been used to generate tariffs published for 2025/26.
- The Charging and Markets Leadership Group (CMLG) is a sub-group of the Executive Leadership Team (ELT) and discusses charging issues and the annual charge setting process for NWL, in addition to promoting and monitoring market arrangements across NWL. The CMLG is chaired by the Chief Financial Officer and includes the Customer Director and the Regulation & Assurance Director along with senior managers from various disciplines within the business. The group met several times in

the year to discuss charging policy, external markets, strategy and governance. Any significant decisions and matters arising have been reported to the ELT and, as required, to the Board.

- Charges movements were reviewed by the CMLG
- The Consumer Council for Water (CCW) has been consulted to discuss the proposed charges and the impact on bills.

More information on our overall Assurance Plan can be found at <https://www.nwg.co.uk/about-us/nwl/governance2/assurance/>.

Development of charges

We have a well-established timetable for the production and approval of our tariffs and charges schemes and schedules and this is incorporated into our Assurance Plan for the year. The charges have been developed through the following process:

DEVELOPMENT OF CHARGES

2024											2025
Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
Agree charges setting and Assurance timetable	CMLG meeting	RWG Consultation on tariff simplification	RWG Consultation on tariff simplification	RWG Consultation on tariff simplification	Ofwat publish draft determination	Ofwat consultation on revenue forecasting incentive	CMLG meeting	Consult with CCW re indicative primary wholesale charges	Communications planning for potential bill increases	CMLG meeting	Internal audit assurance
				CMLG meeting			Update NWL Audit Committee noting governance and Assurance processes for 25/26 charges	Internal audit assurance		Final November indexation published	Update Board with final charges
							Update NWL Board with draft charges for 2025/26	Publish indicative primary wholesale charges		Ofwat issue final determination	Consult with CCW regarding final charges and handling strategies
								Communications planning for potential bill increases		Developer Services consultation sessions	Notify Ofwat of average and typical bill increases
										Communications planning for potential bill increases	Finalise and publish tariffs and associated documents in accordance with Ofwat timetable

Forecasts

Since the start of the Covid-19 pandemic we have experienced changing patterns in consumption in both our household and non-household customer base. We have therefore based our model assumptions and consumption forecasts on the best information we have available at this point. While the position appears to be more settled than in recent years there is still a degree of uncertainty.

Indexation

Our charges incorporate the November 2024 CPIH rate which was 3.5%.

The indicative charges published on 13 October 2024 reflected the draft determination (DD) issued by Ofwat in July 2024. The final charges reflect the final determination (FD) which was issued by Ofwat on December 19th 2024. The FD revenue allowance for 25/26 is higher than the DD, most notably on sewerage, and hence the final sewerage charges are higher the indicatives. Final water charges are marginally lower than indicatives.

Impact assessments and handling strategies

The high positive K factors and indexation rate means our charges are increasing by greater than 5% from 2024/25 charges, assuming a similar level of consumption.

Summary

The strong governance and assurance arrangements that have been applied in the development of the charges provide the Board with a sound basis to confirm that:

- a) NWL's charges for 2025/26, as set out in its published wholesale charges schedule, comply with our legal obligations;
- b) we have assessed the effects the new charges have 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 can confirm that there are instances where bill increases to licensees (as a whole or in groups) who are retailing wholesale services exceed 5% and we approve the impact assessments and handling strategies developed;
- c) NWL has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published in the wholesale charges schedule is accurate;
- d) NWL has consulted with relevant stakeholders in a timely and effective manner on its wholesale charges; and
- 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 Annex A3 of the Wholesale Charging rules and charges are 'significantly different' if a reasonable person would consider the changes to be material.

Signed on behalf of the NORTHUMBRIAN WATER LIMITED Board



Matt Williams
Chief Financial Officer