

Hafren Dyfrdwy

Statement of Assurance

Schemes of Charges 2019-20

11 January 2019

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Statement of Assurance

Hafren Dyfrdwy Schemes of Charges 2019-20

Introduction

In February 2017, Dee Valley Water became a part of the Severn Trent family. This year to enable us to provide the best customer service and align to our strategic aims for both companies; we asked Ofwat to realign the boundaries of Dee Valley Water and Severn Trent to the national boundaries of Wales and England. Following Ofwat's approval, we launched our new name, Hafren Dyfrdwy on 1 July 2018. Hafren Dyfrdwy is Welsh for 'Severn Dee' and represents the two major rivers in the Welsh region that we proudly serve.

The purpose of this statement is to describe how we have complied with our relevant statutory, regulatory and licence obligations as set out in [Ofwat's Information Notice 18/18](#) (Expectations, assurance and information requirements for water company charges for 2019-20) and charging scheme rules; while ensuring we have considered any impacts on customers and undertaken sufficient consultation when developing our charges.

Ensuring trust, confidence and assurance

This statement and the associated assurance activities have been reviewed and completed by our independent Hafren Dyfrdwy Board as part of Severn Trent Plc governance arrangements during the development of both 2019-20 indicative and final charges. Over the last year, our governance structure has continued to evolve and we have recruited three independent non-executive directors. We're also implementing the recognised standards of risk management, internal control and regulatory compliance monitoring used across the Severn Trent group. More information on our governance and assurance activities can be found on our [website](#).

As set out in our [assurance plan](#), we target assurance at the areas that matter most to our customers and regulatory stakeholders. Therefore, we've used our three lines of assurance model and engaged Jacobs Consulting to undertake external assurance on our wholesale charges; and Internal Audit to review the completeness of the assurance process and consistency checking of inputs to the model. The outcome of all assurance has been transparently reported to, and reviewed by, the relevant Executive Directors and Audit Committee prior to review and approval by our Board.

Given that this is a transitional year, and in light of the immaturity of some reporting procedures underpinning the submission, careful consideration has been given to the confidence that we have in the data underlying our charge calculations. Where possible we have used or adapted existing Severn Trent systems and processes and continue to develop processes to support the integration of Hafren Dyfrdwy.

Following our own internal first and second lines of assurance, Jacobs followed its established three stage approach to assurance covering a desktop review of documentation, face to face meetings to review the documentation and a review of the forecast data. In summary Jacobs concluded *"Overall we consider that the process and forecast data used in the production of the submission to Ofwat is sufficiently reasonable to comply with the charges schemes rules, wholesale charging rules and other relevant legal obligations and based on our agreed scope we are not aware of any reason why the Company should not give assurance to Ofwat."*

Board considerations

In approving the 2019-20 Hafren Dyfrdwy Charges Schemes, our Board has considered:

- The 'Statement of significant changes in our wholesale charges - 2019-20' as published on our website in July 2018 and January 2019.
- Papers outlining the Company's procedures for the production and assurance of the tariffs and associated Charges Schemes.
- The improvements being made to our systems and processes, and the stage in the journey towards the full implementation of Severn Trent Group standards.

- With respect to the production of the tariffs and Charges Schemes, our Board has specifically considered the following:
 - The governance framework detailing the assurance approach adopted and the outcome of the independent review of the framework undertaken by Internal Audit.
 - The clearly defined accountabilities and responsibilities including formal sign off by approved data owners.
 - The scope of the assurance work undertaken by our independent technical assurance partners, and their findings as detailed in the final audit reports.
 - Confirmation of the degree of assurance undertaken on the source information / data used in the tariff calculations.
 - The dedicated and assured Charges model designed to deliver wholesale and retail tariffs
 - Confirmation that the indicative wholesale tariffs have been calculated in a manner compliant with the individual price controls.
 - The outcome of the discussions with CCWater regarding the indicative tariffs and evidence that any feedback has been duly taken into consideration.
 - The content and tone of the Board Statement.

Board statement

Having considered the above the Board confirms that in their opinion:

- The tariffs and associated Charges Schemes have been compiled in a planned and professional manner with appropriate accountabilities and responsibilities and are consistent with the overriding system of governance and control of the company.
- A committee comprising of Executive and non-Executive Board members have been fully engaged in the process and have approved the final submission.
- The charges and tariffs for 2019-20 comply with the price controls in all material respects.

This endorsement can only apply to data supplied from our own systems. Where we use data from the Central Market Operator System, we do so on the basis that the market operator applies similar measures to ensure that their data meets Ofwat requirements.

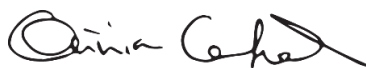
Our Board have considered the impact of charges on customer bills for different customer groups with appropriate tariff strategies and impact assessments where necessary. The assessments are informed by the level of RPI the indicative policy threshold of 5% and specific factors of the customer groups being considered.

Furthermore, our Board specifically confirms that:

- The Company has sufficient processes and internal systems of control to ensure that the data and information contained in the Charges Schemes and tariff model is sufficiently accurate to meets its obligations.
- For the sample reviewed there are no tariff rises above the 5% threshold that would require a further impact assessment.
- The wholesale charges have been presented in a suitable format consistent with the requirements of Ofwat's standard wholesale schedule template.
- Stakeholders (including CCWater) were consulted in a timely and effective manner.
- Where recommendations have been identified appropriate actions are in place to make improvements.

Accordingly, we believe that the 2019-20 Charges Schemes comply with our statutory and regulatory obligations in all material respects and are consistent with Ofwat's published guidance on charging principles.

Signed by, and on behalf of our Board:



Liv Garfield
Chief Executive
Hafren Dyfrdwy



John Coghlan
Chairman
Hafren Dyfrdwy



Mohammed Mehmet
Non-Executive Director
Hafren Dyfrdwy