

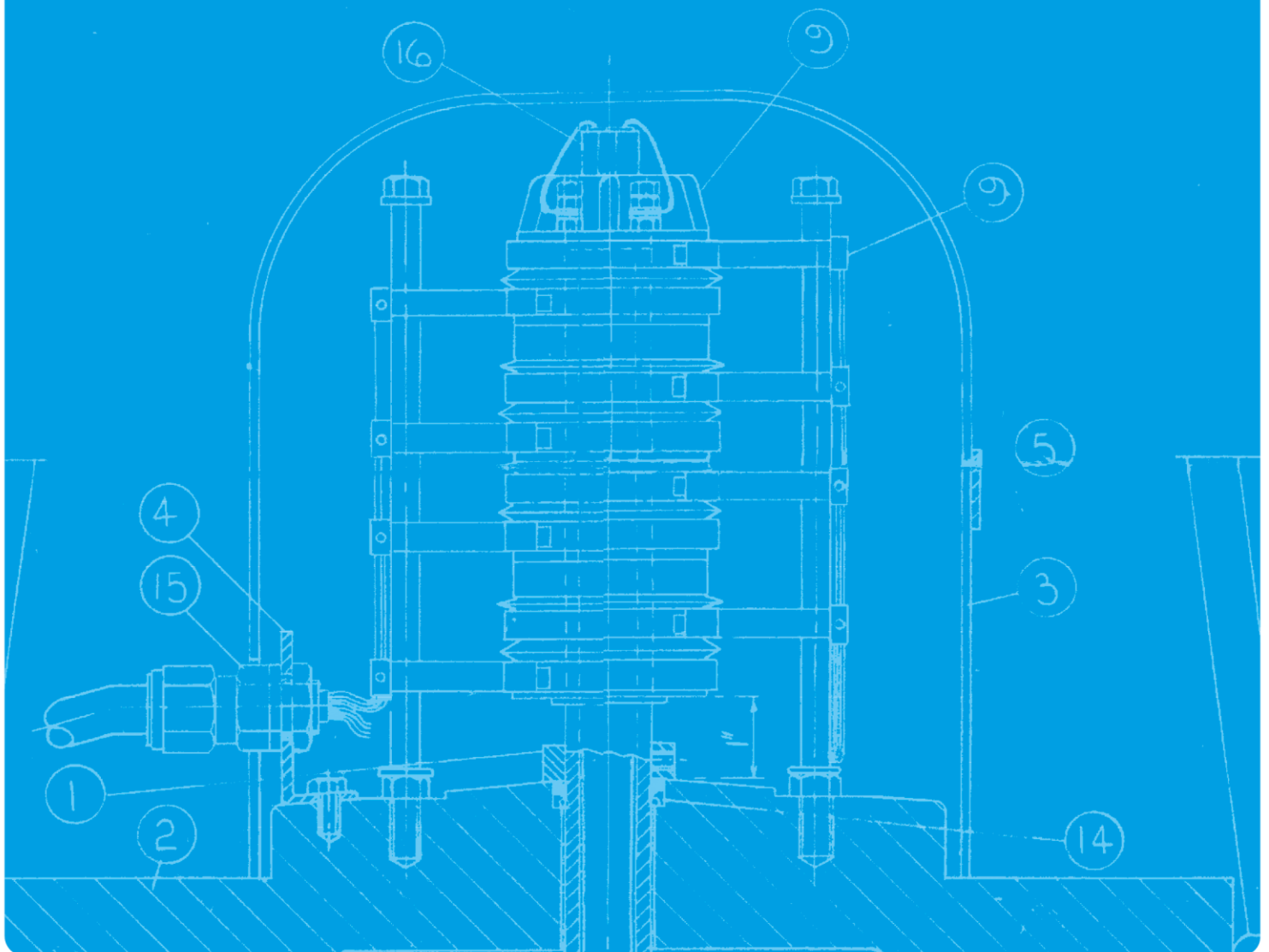


Dee Valley
Water
Your local water company

Annual Charges Submission

Board Assurance Statement

11 January 2018



Across the Severn Trent Group we have established processes in place to assure information derived from company systems. In line with these processes, and our three lines of defence assurance, we have engaged Jacobs to undertake external assurance. The outcome has been transparently reported to, and reviewed by, the relevant Executive Directors and Audit Committee.

In summary Jacobs found:

- *the company complies with its legal obligations relating to the wholesale charges it has published; and*
- *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 indicative wholesale charges is accurate.*

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.

As outlined in our Annual Compliance Statement in July, the Severn Trent approach to assurance is being implemented across a broader number of areas as we integrate Dee Valley Water fully. This will be covered in our assurance plans for this year.

In approving the 2018-19 Dee Valley Water Charges Schemes, the Board has considered:

- the information requirements as set out in Ofwat's Information Notice – IN17/09 – Information requirements on publication of indicative wholesale access charges.
- the 'Statement of significant changes in our wholesale charges - 2018-19' as published on our website in July 2017.
- papers outlining the Company's procedures for the production and assurance of the tariffs and associated Charges Schemes, and
- with respect to the production of the tariffs and Charges Schemes the Board has specifically considered the following:
 - The improvements being made to Dee Valley systems and processes, and the stage in the journey towards the full implementation of Severn Trent standards.
 - 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 Financial and 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 there are no material issues outstanding arising from the assurance work undertaken.
 - Confirmation that the 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.

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 Schemes and Charges model presents fairly, in all material respects, data for the different volumes and charges for 2018-19; and tariffs for 2018-19 that comply with the price controls.

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.

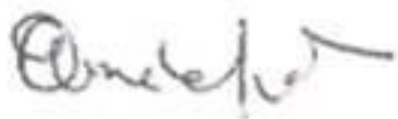
They have carefully considered the impact of charges on customer bills for different customer groups with appropriate tariff strategies and impact assessments where necessary. The assessments are informed by the level of RPI the indicative policy threshold of 5% and specific factors of the customer groups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

Furthermore, the 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 meet 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.

Accordingly, we believe that the 2018-19 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 the Board:



Liv Garfield
Chief Executive
Dee Valley Water
11 January 2018



John Coghlan
Chairman
Dee Valley Water
11 January 2018