WSX58 - Past delivery tables commentary

Business plan 2025-2030

Wessex Water
YTL GROUP

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WSX58 - Past delivery tables commentary

CONTENTS

This supporting document is part of Wessex Water's business plan for 2025-2030.

Please see 'WSX00 – Navigation document' for where this document sits within our business plan submission.

More information can be found at wessexwater.co.uk

1. PD1

1.1. Lines PD1.2 – PD1.26

These lines are compiled using ONS actual inflation data up to May 2023 (published June 2023). Forecasts up to December 2024 are an average of the latest inflation forecasts provided by Natwest, HSBC and Lloyds up to December 2024 (as per publications June 2023). From January 2025 our headline forecast reverts to the Bank of England target CPIH inflation rate of 2%, noting separate forecasts for index linked debt.

1.2. Line PD1.27

Indexation is equivalent to line PD1.33 from 2018-19 to 2023-24. From 2024-25 to 2029-30 our forecast reverts to our internal forecast of RPI which is the Bank of England target inflation rate of 2% plus 1% (3%). From 2029-30 to 2034-35, RPI will merge with CPIH, so we have reverted our forecast for these years to 2% to match the Bank of England target inflation rate. These reflect our views of the indexation rate for index linked debt.

1.3. Line PD1.28

Indexation is equivalent to line PD1.36 for all years. This reflects our view of the indexation rate for index linked debt.

1.4. Lines PD1.38

This is the company's long-term view of CPIH inflation and is consistent with the Bank of England target CPIH inflation rate of 2%.

2. PD2

We do not need to submit this table.

3. PD3

We do not need to submit this table.

4. PD4

4.1. Analysis of land sales

During the year ended March 2023 three plots of land were sold with total net proceed of £720k. None of these were above the threshold for reporting such disposals to Ofwat. There were no qualifying disposals.

For future years these cells are zero because we don't know the timing of any sales plus market values are constantly moving. Should we have any sales the values will be small and immaterial.

5. PD5

5.1. All lines

All lines represent actuals up to 2022-23, please see our commentary for APR table 2M for these entries. The best information available at the time of submission is used for the 2023-24 and 2024-25 financial year forecasts.

5.2. PD5.2

Grants and contributions align with the definition for APR 2E.16 for water network+ and 2E.28 for wastewater network+.

5.3. PD5.4

This line reflects our revenue allowance for the purposes of charge setting.

5.4. PD5.5

Allowed grants and contributions revenue as calculated in the Ofwat feeder model are reported in this line.

5.5. PD5.6

This line reflects our RFI adjustments and bioresources adjustment because of over or under recovery in previous years. Our PR19 RFI model submission will follow alongside the submission of our plan in October.

5.6. PD5.7

This line is zero for all years because we took all our blind year adjustment in 2021-22 and there are no forecast profits from bioresources trading or bilateral entry adjustments – as incurred.

5.7. PD5.11

We have observed, particularly on household, a reduction in consumption year to date in 2023-24 compared to our forecasts and this is reflected in a forecast under-recovery for the year. We plan to recover close to the correct amount of allowed revenue for 2024-25.

6. PD6

6.1. Bulk Supply exports – line PD6.1-26

Bulk supply exports are forecast to increase over the remainder of AMP7 from 320 Ml to 485 Ml and then 661 Ml. This is due to a forecast increased volume of exports being made to new NAVs over the next two years.

All of these NAV sites are currently in the process of development, therefore the demand is not reflective of the volume stated in the agreement for the maximum properties on site. Only 4 of these sites are currently metered and as the meters were installed part way through 2022-23, there is not a full year of flow data to base forecasts on. Therefore, NAV demand forecasts are calculated based on the build rates provided by developers, with adjustments made where considered necessary, and multiplied by Wessex Water's measured PHC and leakage per property estimates, as per WRMP24. The volumes used in this table are reflective of a normal year scenario rather than the dry year figures that are populated in the WRMP24 planning tables.

The operating expenditure associated with bulk exports will increase due to the increase in total bulk exports as the OPEX is derived from the exported volumes.

Revenues have also increased broadly in line with volumes. Exports in lines PD6.1 to PD6.11 are generally on legacy bespoke agreements which either have no charge, small charges that are not uplifted with inflation, or a variant of our standard wholesale charges. Our standard wholesale charges decreased slightly in real terms in 2023-24, but this effect is expected to reverse in 2024-25 and charges are forecast to increase slightly, which follows through into the revenues for these customers[1]. Lines PD6.12 onwards are bulk supplies to NAVs that are subject to bulk charges for NAVs. These charges have stayed stable in real terms from 2022-23 to 2023-24 but are expected to increase in 2024-25 in line with our standard wholesale charges, feeding through into revenues for these supplies.

6.2. Bulk Supply imports – line PD6.27-52

Bulk supply imports are forecast to come from the same sources and at consistent volumes in 2023-24 and 2024-25. This is in line with our 2023 Ofwat Bulk Supply Register submission.

The operating expenditure associated with bulk imports is forecast to vary immaterially in 2023-24 and 2024-25.

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[1] For further details on charges please see our wholesale charges schemes on our website: https://corporate.wessexwater.co.uk/our-performance/our-charges. More in depth commentary on charges can also be found in the RR27 commentary.

7. PD7

We do not need to submit this table.

8. PD7a

We do not need to submit this table.

9. PD8

9.1. Base Operating expenditure – rows PD8.1-9

For explanations of variances on base opex please see commentaries for CW1 for Water resources and Water Network+ and CWW1 for Wastewater Network+ and Bioresources respectively.

Please note that there is a variation on line PD8.7 from APR 2022-23 table 2B.7 as a result of the application of principal use recharges in table PD8.

9.2. Other Operating expenditure – rows PD8.10-14

The forecast for enhancement opex is the view of opex projects such as delivery catchment management to reduce contaminants to water sources and customer water efficiency initiatives plus new operating costs at sites resulting from capital investment improvements to treatment processes, such as enhancement phosphorus removal. Expenditure excludes AMP8 transition investment.

Developer services opex is the forecast based on current trends in the housing market.

9.3. Capital expenditure – rows PD8.16-21

The forecast for capex identifies expenditure required to complete delivery of the AMP7 capital investment programme. For a description of the forecast of AMP7 expenditure please refer to commentary for CW1 for Water resources and Water Network+ and CWW1 for Wastewater Network+ and Bioresources respectively. Expenditure excludes AMP8 transition investment.

9.4. Grants & Contributions Opex & Capex – rows PD8.15 & 22

The forecast for grants and contributions is a significant increase in revenue in the two years following 2022/23 mainly due to an expected increase from infrastructure charges as charges were raised in 2023-24. The forecast assumes revenue will be reflective of the costs incurred in 2023-24 and 2024-25.

10. PD9

10.1. General

All numbers are in 2022-23 prices.

10.2. PD9.1 - Final determination allowed totex (net of business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing).

This is taken from the Financial Flows document.

10.3. PD9.2 - Actual totex (excluding business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing).

2022-23 Actual totex reflects the information provided in the appropriate tables within APR23. The 2023-24 and 2024-25 values are our latest forecasts based on project manager forecasts and management view of on-going impacts of 3rd party and environmental risks expected to the end of the AMP.

The actual costs to 2022-23 compared to PD9.1 final determination allowed totex were described in the APR23 Totex narrative and in summary:

> *The net totex variance for the year 2022-23 is £1m over the FD allowance and the cumulative variance to the end of 2022-23 is £20m under, +£74m is due to overspend and -£94m due to reprofiling to future. Overspend is attributed to increases in base-plus costs to support improvements in performance captured by PCs and subject to financial incentives via ODIs, ongoing operational and capital maintenance associated with past enhancement expenditure, and from broader sets of increasing regulatory requirements.*
>
> *The net capex variance of £28m under FD for 2022-23 and £48m cumulative, relating to a combination of upwards and downwards movements.*
>
> - *Above-inflation price increases for key material inputs (as above), work items and delivery resources*
> - *Significant delays and constraints in the supply chain resulting in reprofiled programmes of delivery compared to the FD, particular for wastewater process activities (WINEP)*
> - *Lower grants and contributions than anticipated (slowing of new development due to Covid-19 and regulatory changes encouraging more third parties bidding for contestable work, and more recently the impact of increased interest rates).*

The 2023-24 and 2024-25 forecasts reflect a significant overspend against the annual FD totex allowances. These primarily reflect the re-profiling of expenditure explained above, with most projects having to be delivered by fixed regulatory target dates and consequently incurring increasing real price effects resulting from the wider economic conditions and additional costs reflecting a constricting supply chain in the sector. Operational cost pressures seen in 2022-23 continue into future years with prolonged exposure to high energy, chemical and material prices combining with increased labour costs and resources.

10.4. PD9.3 – Transition expenditure.

Transitional expenditure for PR19 was only incurred in 20-21, no PR19 transitional expenditure this year or 23-25.

10.5. PD9.4 – Disallowable Costs.

In 2022/23 results are made up of:

- £0.1m in relation to the investigation of the incident at Avonmouth WRC
- £0.1m of legal and support costs resulting from financing activities during 2022-23.
- £0.2m arising from fines or compensation claims against the company.

We use £300k pa as an estimate for fines and compensation in 2023/24 & 2024/25.

10.6. PD9.6 – WINEP reconciliation adjustment.

None expected at this time. This is consistent with the list submitted to Ofwat on 19th July 2023.

10.7. PD9.7 – Final determination allowed totex - business rates.

This is taken from the Financial Flows document.

10.8. PD9.8 – Actual totex - business rates.

Actual & projected business rates reflect the current rateable values for both individual sites and below ground assets. These, combined with the business rates multiplier and transitional relief, are used to arrive at an overall cost to the business. In most cases these are lower than allowed as a result of either reduced profits affecting the cumulo calculation or government intervention in holding back inflation on business rates post the pandemic.

10.9. PD9.9 – Final determination allowed totex – abstraction licence fees.

This is taken from the Financial Flows document..

10.10. PD9.10 – Actual totex - abstraction licence fees.

Over the 3 years disclosed the total difference to the allowed totex is £0.5m or approx. 5%. The primary driver for this is new, relinquished or revised abstraction licences combined with differing inflation indices applied by the Environment Agency.

10.11. PD9.11-13 – CMA companies only.

Not relevant for Wessex Water.

11. PD10

11.1. Capital allowance super deduction for PR19 tax reconciliation

The Super deduction regime was introduced as part of the Finance Act 2021 and provides additional tax relief for capital expenditure for certain type of qualifying spend incurred from 1 April 2021 to 31 March 2023.

Only expenditure incurred during these two years will be subject to the regime.

11.1.1. PD10 – Columns E, H and I

On the basis that the super deduction regime was only available for the period 1 April 2021 to 31 March 2023, the remaining years in this table are not applicable. As a result, we have included 0% across all price controls for these years.

11.1.2. PD10 – Columns F and G

The information for these two years has been based on the detailed worked carried out by our third party capital allowance consultants. These percentages have been derived by taking the actual spend at a project level for each of the years and determining how much of the expenditure in each of the years qualifies for the super deduction regime or not.

Due to the strict commencement rules of the regime, the relevant percentages are lower in 2021/22 compared to 2022/23. This change in percentage is in line with our expectations.

The external consultant carried out some additional assurance to ensure the strict rules surrounding the regime were followed internally. No concerns were identified.

These percentages have also to determine the appropriate tax accounting impact of the super deduction as included in our March 2022 and March 2023 accounts. These accounts have been subject to external audit and no material concerns were raised.

All our HMRC filings are up to date, including our tax computation for the year ended 30 June 2022. We have received no enquiries from HMRC in connection with our June 2021 (which included 3 months worth of super deductions) and June 2022 tax computations (which included 12 months worth or super deduction).

12. PD11 & PD12

12.1. Accounting for past delivery

We remain a leading company for both customer service and operational performance.

To date this price control period, we are one of a few companies to receive a net reward position through the ODI framework (including measures of customer performance). We expect to continue our strong performance into future years. We also expect to realise totex savings across water resources, and wastewater network plus.

We have completed the suite of reconciliation models that result in the following adjustments to be applied through this price setting process:

Table 1 – Adjustments based upon the suite of reconciliation models

	Water Resources	*Water Network plus*	*Wastewater Network plus*	*Bio resources*	*Residential Retail*	*Total*
Revenue adjustments	**0.9**	**18.5**	**4.3**	**-5.0**	**6.2**	**24.9**
PR14 Blind year adjustments	0.0	-0.8	2.1	0.0	0.7	**1.9**
ODIs	0.0	-6.6	-6.8	0.0	1.1	**-12.4**
C-MeX					4.5	**4.5**
D-MeX		0.7	0.6			**1.3**
Totex	-2.6	23.0	-10.5	-1.6	0.0	**8.2**
RFI	0.4	2.5	3.1	0.0	0.0	**6.0**
Bioresources				-2.2		**-2.2**
Developer services revenue adjustment	0.0	-3.7	-0.4	0.0	0.0	**-4.1**
RPI-CPIH wedge	0.4	4.5	7.9	0.9	0.0	**13.8**
Cost of New Debt	0.4	5.2	10.4	0.5	0.0	**16.4**
Tax Reconciliation	-1.0	-6.2	-2.1	-2.6	0.0	**-11.9**
Strategic water resource schemes	3.3	0.0	0.0	0.0	0.0	**3.4**
RCV adjustments	**-0.4**	**32.1**	**-3.9**	**2.4**		**30.2**
PR14 Blind year adjustments	0.1	4.0	8.8	0.2		**13.1**
Totex	-3.9	0.2	-62.8	-0.1		**-66.6**
Land Sales	0.0	0.0	0.0	0.0		**0.0**
RPI-CPIH wedge	1.6	27.8	50.1	2.3		**81.7**
Strategic water resource schemes	1.9	0.1	0.0	0.0		**2.0**

12.2. PR19 reconciliations

We have used the suite of published models to calculate the figures presented here and agree with the calculations set out in them. These are then summarised in the submitted revenue and RCV adjustment models.

12.2.1. ODIs (inc. C-MeX and D-MeX)

On the key customer facing metrics we perform routinely better than our WaSC peers and have been one of a few companies to earn a net rewards over the first three years of this price control. Some highlights to date include:

- for the last two years our CRI score has been a fraction of the next best performing WaSC, beating the next best company by over two points in 2022 and over one point in 2023 (on performance of 0.37 and 1.04 respectively),
- for the last two years our supply interruptions performance has been around twice as good as our nearest competitor (around four minutes compared to eight),
- we have earned an annual return for exceeding our leakage target for the last three years and are maintaining one of the largest reductions amongst our peers.
- we have received rewards for internal sewer flooding annually since 2020 with performance within the top three companies each year,
- we have maintained treatment work compliance at over 99% since 2020, and have been the only company to achieve 100% (in 2022),
- we have performed above the industry average for total number of pollutions since 2020, receiving a green classification in the EPA for this in two of the three years,
- we have been in the top three performers for sewer collapses each year since 2020,
- we have been in the upper quartile for both C-MeX and D-MeX each year
- we have the lowest number of written CCW complaints.

We are however seeing challenges in future performance, and so have forecast a net penalty position for operational PCs and ODIs in 2023-24 and 2024-25. Full commentary around our performance can be found in WSX47.

We are not however proposing to apply the penalty that arises from performance on PCC. This was hugely distorted due to the Covid 19 pandemic and the ongoing impact it has had on the behaviours of consumers, with much more home working still the norm. We outline the steps we have taken to address PCC, and the context within the wider picture of consumption in WSX47.

We do however expect to continue to perform strongly on both measures of customer satisfaction and have included forecast rewards similar to those observed over 2020-23.

1.1.1. Costs reconciliation

Through our continued drive for efficiencies and better ways of working we expect to realise savings overall within our totex programme, although at this stage there is still uncertainty due to the timing of delivery.

Some of these savings have been recycled, to fund service improvements that were not explicitly funded at PR19, such as leakage. This results in a net saving across the water resources and wastewater network plus price controls. With overspends across water network plus and bio resources.

This position results in us returning £58.4m to customers through revenues and adjustments to opening RCV at PR24.

For detailed commentary on totex please refer to our submitted Annual Performance Report totex narratives for actuals and our PD9 commentary for AMP7 forecasts.

12.2.2. Land sales

Land disposals are continually under review and dependent upon market conditions and changing business requirements. The increasing importance of biodiversity is likely to impact upon sales of agricultural land where it is better retained and managed for biodiversity gain. We have seen immaterial changes to our land sales compared to those forecast at the FD during AMP7 and we forecast for this to be the case for the remainder of the period.

12.2.3. RPI-CPIH wedge

The RPI-CPIH wedge was small in 2020-21 when inflation was suppressed due to the Covid-19 pandemic. However, as we have moved out of the pandemic, inflation has risen sharply, and this has led to an increase in the RPI-CPIH wedge. Our forecast is that the wedge peaked in 2022-23 at 4.1% alongside inflation before gradually decreasing back to our underlying wedge forecast of 1% in 2025-26. The position results in us collecting an additional £95.5m through revenues and adjustments to the opening RCV at PR24. RPI-CPIH wedge was small in 2020-21 when inflation was suppressed due to the Covid-19 pandemic.

12.2.4. Strategic Regional Water resources

In response to calls from government and regulators, and in recognition of the long lead-in time and challenges of developing new strategic water resources, at PR19 Ofwat allocated £469m nationally for companies to investigate and develop 17 strategic water resource solutions (SRO) during 2020-25.

In the West Country there were three water resource solutions that were funded to follow a gated process to be overseen by a new regulatory alliance called RAPID.

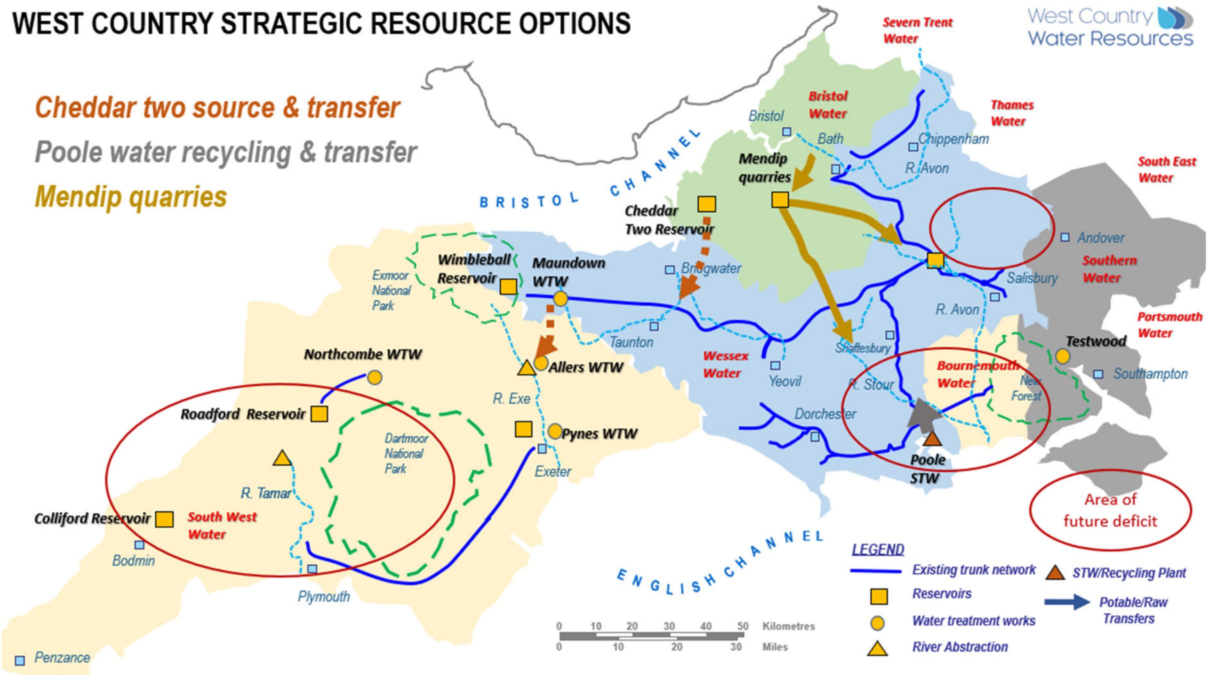
There have been a number of refinements of the portfolio of schemes and scope of the solutions during the process:

- The draft regional water resources plan for the West Country showed that the region faced deficits over the planning horizon, mainly due to new requirements to reduce abstractions from groundwater aquifers and sensitive rivers. Although the original concept at PR19 was that the strategic water resource solutions would provide new water resources for transfer to neighbouring regions it was agreed that the water was required in-region.
- In recognition of the growing need for additional water resources in the West Country a potential new solution, Mendip quarries, was added into the process as a new solution following a later timeline.

Collaboration between the solution partners and all the water companies involved in the national programme has been key to the success of the projects to date. Across the schemes, the solution partners are Wessex Water, South West Water and Bristol Water. Southern Water ceased as a partner following the change to in-region solutions in 2022.

As programme managers for the West Country SROs Wessex Water have been actively involved in the All company working group (ACWG), interactions with RAPID and with the Environment Agency's National appraisal unit. The team are fully committed to continuing this collaboration in the next phases of the projects.

Figure 1 - Overall diagram of the SROs



Poole water recycling and transfer (formerly West Country South Water Transfer)

This scheme includes effluent recycling from Poole wastewater treatment works, and diversion of flow to the River Stour after advanced treatment and subsequent re-abstraction to provide a shared resource between Wessex Water and Bournemouth Water.

RAPID have confirmed an uplift in our allowance with full totex funding. As a result, we expect our totex to outturn above the PR19 forecast. The scheme is forecast to reach gate 3 in AMP7, offsetting this increase. The outcome is a forecast uplift to both our RCV and revenue.

Cheddar two source and transfer (formerly West Country North Sources and Transfers)

This scheme comprises the construction of the second reservoir at Cheddar along with water treatment and transfers south to provide resilience to Wessex Water in Somerset and enable a bulk transfer to South West Water’s Devon area.

RAPID have confirmed an uplift in our PR19 allowance with full totex funding. As a result, we expect our totex to outturn above the PR19 forecast. The scheme is forecast to reach gate 3 in AMP7, offsetting this increase. The outcome is a forecast uplift to both our RCV and revenue.

West Country South Sources and Transfers

This scheme has closed at gate 2. We are therefore required to return the unused expenditure to customers, and this is reflected in downward adjustments to RCV and revenue.

Mendip Quarries

This is a new scheme and is an innovative solution to repurpose a quarry in the Mendips at the end of its mineral extraction life as a water storage reservoir. Associated infrastructure includes water abstraction from the River Avon downstream of Bath and water treatment. Two conveyance transfers have been investigated to date with refinements expected following the development of an integrated regional water resources simulator.

The funding for the scheme has been approved by Ofwat and we expect the scheme to reach gate 2 by the end of AMP7. As a result, we forecast an uplift in our RCV and revenue allowance.

This position results in us recovering an additional £5.4m through revenues and adjustments to the opening RCV at PR24.

We did not receive the July 2023 version[2] of the strategic regional water resources model until 15th September, which was far too late to build into our submission, so we have used the August 2022 version[3].

1.1.2. RFI

We have observed, particularly for households, a reduction in consumption year to date in 2023-24 compared to our forecasts and this is likely due to a wet start to the summer and customers looking to save money considering the ongoing cost-of-living crisis. This is reflected in a forecast under-recovery for the year across all price controls. We plan to recover close to the correct amount of allowed revenue for 2024-25. The result is we will need to recover an additional £6.0m through revenues at PR24.

1.1.3. Bioresources

Revenue adjustment
We have observed, particularly for household customers, a reduction in consumption year to date in 2023-24 compared to our forecasts and this is likely due to a wet start to the summer and customers looking to save money considering the ongoing cost of living crisis. This is reflected in a forecast under-recovery for the year. We plan to recover close to the correct amount of allowed revenue for 2024-25. The result is we will need to recover an additional £0.3m through revenues at PR24.

Forecasting accuracy incentive penalty
Sludge volumes have been supressed to date and we forecast for this to continue for the remainder of AMP7. We therefore forecast to incur a penalty of £2.4m. For more detailed commentary on our bioresources sludge volumes, please refer to our APR 8A commentary for actuals and BIO1 for forecasts.

1.1.4. Residential retail

We saw significant over-recovery of residential revenue in the first two years of AMP7 with customers staying at home more and using more water during covid lockdowns. This has been offset by an under-recovery in 2022-23 where, as lockdowns ended, customer consumption dropped more significantly than we had anticipated. As mentioned, we have observed a reduction in household consumption year to date in 2023-24 compared to our forecasts due to a wet start to the summer and customers looking to save money considering the ongoing cost of living crisis. This is reflected in a forecast under-recovery for the year. We plan to recover close to the correct amount of allowed revenue for 2024-25, resulting in a very small adjustment. The result is we will need to recover an additional £0.1m through revenues at PR24.

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[2]Version reference: “ACWG Blank Version Strategic-regional-water-resources-reconciliation-model – July 2023 DRAFT”
[3]Version reference: “ACWG Blank Version Strategic-regional-water-resources-reconciliation-model – August 2022”

1.1.5. Developer services

New connections were suppressed in 2020-21 with covid lockdowns delaying completions in the housing market, resulting in lower than forecast connections. This trend reversed in 2021-22 with pent up demand being released and an acceleration of new connections above PR19 forecasts. With rising interest rates and an economic slowdown in 2022-23, new connections slowed below our forecasts again. With the ongoing high interest rates and bleak economic outlook, we forecast for this slowdown to continue for the remainder of the AMP and lower than forecast new connections as a result. We have observed relatively higher numbers of new connections on wastewater than water and forecast for this to continue for the remainder of the AMP. This is because our wastewater area includes Bristol, which has generally seen stronger economic, housing, and new connections growth than the rest of our region.

With only 2021-22 seeing new connection growth above our forecast, the net result is that we will need to return £4.1m to customers through revenues at PR24.

1.1.6. Cost of new debt

The cost of new debt as per iBoxx indices was around 2% on average for 2020-21 with the covid-19 pandemic leading to interest rates being cut to stimulate the economy. As we have moved out of the pandemic, inflation has risen sharply, and the Bank of England has increased interest rates to control inflation. This has fed through into the iBoxx indices where the cost of new debt has risen to around 5.7% for A rated debt and around 6.4% for BBB rated debt as at the start of September 2023. We forecast for rates to continue at around these levels for the remainder of AMP7. These costs of debt are higher than those forecast at the FD, and this outweighs the cheaper costs observed earlier in AMP7. As a result we will need to collect an additional £16.4m through revenues at PR24.

12.2.5. Tax

The AMP7 tax allowance has been influenced by two significant changes in Government policy since the Final Determination. Both changes are relevant to the tax true up mechanism introduced as part of PR19 and are covered in more details below.

Firstly, the Final Determination reflected the enacted headline rate of corporation tax of 17% for the entire price review period. Since then, Government has increased the headline rate of corporation tax to 19% from 1 April 2020 to 31 March 2023 and then to 25% from 1 April 2023 onwards.

The second measure relates to the introduction of a temporary enhancement to the capital allowances regime, called “Super Deduction”. This measure was in place from 1 April 2021 to 31 March 2023 and has allowed us to claim a higher level of tax relief on capital expenditure than originally included in the Final Determination.

The combined effect of these is a reduction in our tax allowance for PR19 of £11.9m.

1.1.7. Gearing outperformance

We have ensured that our gearing has stayed below the gearing outperformance sharing mechanism trigger threshold for all years of AMP7. There is therefore no adjustment as a result.

12.2.6. WINEP/NEP

There has been no change of schemes compared to those funded at PR19 FD and all amber schemes have become green. There is therefore no adjustment.

12.2.7. Business retail

We do not have any business retail function and there is therefore no adjustment.

12.2.8. PD12.19 Bilateral Entry (BEA)

There have been no bilateral entries in AMP7 and there are none forecast as expected at PR19 and as a result there are no adjustments.

12.2.9. PD12.23 Water trading

There has not been and there is no forecast new water trading for AMP7 and there is therefore no adjustment.

12.2.10. Green recovery

We have not received any green recovery funding and there are therefore no adjustments.

12.2.11. Havant Thicket

Havant Thicket is not in our region so there are no adjustments.

12.2.12. Other adjustments

There are no other RCV adjustments for AMP7.

12.2.13. PR19 FD / CMA / IDoK closing RCV balances

These balances are as per our PR19 FD.

12.2.14. PR14 Blind Year reconciliation

These lines are consistent with Ofwat's PR19 blind year reconciliation – final decisions[4].

12.2.15. Transitional expenditure programme

We forecast to add £70.3m to our RCV through PR24 transitional expenditure. For further commentary please refer to WSX29.

12.2.16. Defra accelerated programme

We do not have any PR24 Defra accelerated program expenditure and there is therefore no adjustment.

[4] https://www.ofwat.gov.uk/regulated-companies/price-review/2019-price-review/final-determinations/pr19-blind-year-reconciliation-final-decisions/

12.2.17. Inflation in PD11 & PD12

All lines are converted to relevant price base using PD1 inflation indices.