Appendix 2 – Commentary on data tables that have changed

Wessex Water

March 2019

Wessex Water
YTL GROUP

Contents

1. Introduction

This document provides our response to Ofwat's initial assessment of plans (IAP) published on 31 January 2019 with respect to resulting changes to data tables as part of our resubmission.

2. Data tables

2.1 App1: Performance commitments (PCs) and outcome delivery incentives (ODIs)

Line 4: The PC has changed from a Non-financial incentive (NFI) to outperformance only.

Line 7: New line as this is a new performance commitment for 2020-25.

Line 8: The original Priority Services Register (PSR) performance commitment has been updated into two elements following Ofwat's comments.

Line 11: Column 27 updated to state 'part' asset health

Line 12: The deadband in 2020-21 has been revised.

Line 15: The deadband has been updated, a collar has been introduced and column 27 updated to state 'part' asset health.

Line 16: The performance commitment has been revised to include water quality customer contacts from taste and odour.

Line 19: The outperformance and underperformance deadbands have been removed and a cap and collar has been introduced.

Line 20: The performance commitment level has been updated to the industry upper quartile and the standard outperformance cap has been revised in the years 2020-24. Column 27 has been updated to state 'part' asset health

Line 21: Column 27 updated to state 'part' asset health

Line 22: The underperformance deadband has been captured following accidental omission in the original business plan submission. The information provided in the appendix 3 remains the same.

Line 24: The performance commitment level in 2024-25 has been updated to the industry upper quartile and column 27 updated to state 'part' asset health.

Line 27: The end of AMP RCV adjustment has been removed and the standard outperformance penalty collar has been adjusted.

Line 30: The ODI timing and ODI form have been corrected.

Line 31: The end of AMP RCV adjustment has been removed and the standard outperformance penalty collar has been adjusted.

Line 32: The performance commitment level has been updated to the industry upper quartile. Column 27 has been updated from 'all' asset health to 'part' asset health.

Line 37: The performance commitment level has been corrected in 2022-25.

Line 40: The performance commitment level has been updated in 2023-24 and 2024-25 following revisions in the Water Industry National Environment Plan (WINEP).

We have updated our incentive rates, using the revised cost of capital & revised performance levels and costs. This has had a knock-on impact on the RoRE positions.

2.2 App1a: Outcome delivery incentive (ODI) - additional information

This is a new table, so all populated cells are new.

2.3 App1b: PC and ODI supplemental measurement information

This is a new table, so all populated cells are new.

All performance commitments with common definitions have been restated in accordance with Ofwat's instructions.

All information matches the information provided in App1 other than the following performance commitments:
Line 11: Volume of water leaked
Line 33: Abstraction Incentive Mechanism (Mere)
Line 42: Abstraction Incentive Mechanism (Stubhampton)

2.4 App2: Leakage additional information and old definition reporting

Lines 8 and 9: New reporting lines

App2 has two new reporting lines which are presented below. This data is presented in other business plan tables and therefore is cross referenced in App2. The relevant tables for line 8 and 9 are detailed below.

8	Total connected properties at year end	WS3, Line8.
9	Total length of potable mains as at 31 March	WN2, Line1.

2.5 App4: Customer metrics

We have fully updated App4 for the new data requirements from moving to a 2030 time horizon and the changes resulting from the post-September Business Plan query process.

We confirm that we have entered the values in lines 10, 11, 14 and 21 in units of £ per customer as clarified through the query process rather than in £m as stated in the table.

Validation errors: the validation errors are due to the formula requirement to complete all cells in each row, including those for business customers in Wales, which we are not able to complete.

Lines 1-2: we have entered the bill profile tested with customers as part of our customer research, consistent with our Business Plan published in September 2018. For further information on how we have completed this please see our response to Ofwat's query in section 2.4 of our main IAP response document.

Lines 3-8: data entered up to 2025 has remained the same since our September 2018 Business Plan publication. We have kept the metrics constant from the 2025 value up to 2030.

Lines 9-21: data entered up to 2025 is that provided as part of the query process in November 2018. We have entered reasonable forecasts of social tariff growth past 2025 to provide forecasts for social tariff and cross subsidy growth up to 2030.

Line 22: data entered up to 2025 has remained the same since our original publication. We have kept the metrics constant from 2025 up to 2030.

Lines 23-24: we have entered data to be consistent with our proposed performance commitment on the PSR. We expect growth in the PSR up to 7% in 2025, and the absolute number of customers calculated from this value from the forecast number of connected properties in our region. We have then kept the 7% value constant up to 2030.

Lines 25-29: we have entered the detailed services split of customers on the PSR by pro-rating the current distribution of customers on our PSR.

Line 30: data entered up to 2025 has remained the same since our original publication. We have kept the metrics constant from the 2025 value up to 2030.

Line 31: we have entered the 90% value as required by Ofwat's PSR common performance commitment requirement from 2020 onwards.

2.6 App7: Proposed price limits and average bills

We have updated our financial model based on the changes discussed elsewhere. The impact of this has been fed through this table.

2.7 App8: Appointee financing

We have updated the totex reconciliation model and fed that through this table.

2.8 App9: Adjustments to RCV from disposals of land

We have updated inflation and fed the impact of that through this table.

2.9 App10: Financial ratios

We have updated our financial model based on the changes discussed elsewhere. The impact of this has been fed through this table.

2.10 App11: Income statement based on the actual company structure

We have updated our financial model based on the changes discussed elsewhere. The impact of this has been fed through this table.

2.11 App11a: Income statement based on a notional company structure

We have updated our financial model based on the changes discussed elsewhere. The impact of this has been fed through this table.

2.12 App12: Balance sheet based on the actual company structure

Block A Non-current assets:

- Line 1 Tangible assets: updated by changes in App16

Block B Current assets:

- Line 9 Trade and other receivables: updated by changes in App13

Block C Current liabilities:

- Line 13 Trade and other payables: updated by changes in App14
- Line 15 Borrowings: Our short-term borrowing figures have been updated to reflect a lower WACC.
- Line 18 Provisions: updated to include all accrued expenses and short-term provisions not included in trade payables (Line 14).

Block E Non-current liabilities:

- Line 22 Borrowings: Our long-term borrowing figures have been updated to reflect a lower WACC.
- Line 26 Deferred income – G&C's: updated to reflect new data.

Block G Deferred tax:

- Line 31 Deferred tax: Changes to our capital expenditure profile have resulted in changes to our forecast deferred tax liabilities.

Block I Equity:

- Line 35 Other reserves: revised values.

Block J Wholesale and retail line item split:

- Line 37 Retained profits – wholesale: changes to revenue, opex, capex and borrowing have resulted in new data for retained profits.
- Line 41 Capex creditor – wholesale: changes to forecast capex has resulted in new data for capital creditors.
- Line 45 Cash and cash equivalents – wholesale: now set as nil value as borrowings are quoted net of cash balances.

2.13 App12a: Balance sheet based on a notional company structure

Block A Non-current assets:

- Line 1 Tangible assets: updated by changes in App16

Block B Current assets:

- Line 9 Trade and other receivables: updated by changes in App13

Block C Current liabilities:

- Line 13 Trade and other payables: updated by changes in App14
- Line 15 Borrowings: Our short-term borrowing figures have been updated to reflect a lower WACC.

- Line 18 Provisions: updated to include all accrued expenses and short-term provisions not included in trade payables (Line 14).

Block E Non-current liabilities:

- Line 22 Borrowings: Our long-term borrowing figures have been updated to reflect a lower WACC.
- Line 26 Deferred income – G&C's: updated to reflect new data.

Block G Deferred tax:

- Line 31 Deferred tax: Changes to our capital expenditure profile have resulted in changes to our forecast deferred tax liabilities.

Block I Equity:

- Line 35 Other reserves: revised values.

Block J Wholesale and retail line item split:

- Line 37 Retained profits – wholesale: changes to revenue, opex, capex and borrowing have resulted in new data for retained profits.
- Line 41 Capex creditor – wholesale: changes to forecast capex has resulted in new data for capital creditors.
- Line 45 Cash and cash equivalents – wholesale: now set as nil value as borrowings are quoted net of cash balances.

2.14 App13: Trade receivables

Block A Retail:

- Lines 1 - 7: Numbers revised downwards from 2020-21 to 2024-25 as a result of lower allowed revenue.

Block B Wholesale:

- Lines 11-12: Numbers revised downwards from 2020-21 to 2024-25 as a result of lower allowed revenue.

2.15 App14: Trade and other payables

Block A Trade and other payables:

- Lines 1-2 Wholesale payables: data has been changed in response to revised opex creditors (2019-20 to 2024-25).
- Line 8 Residential retail unmeasured advance receipts: data has been changed in response to revised unmeasured receipts in advance (2020-21 to 2024-25).
- Line 9 Residential retail measured advance receipts: This data was omitted from the original submission.

Block B Wholesale:

- Line 20 Capex creditor days – wholesale: amended to reflect the assumption of 66 days.

2.16 App15: Cashflow based on the actual company structure

Block B Adjustments – actual company structure:

- Line 5 Changes in working capital – Inventories, trade and other receivables: updated to reflect changes in App12 line 8 (Inventories) and line 9 (Trade and other receivables).

- Line 6 Changes in working capital – Trade and other payables: updated to reflect changes in App12 line 13 (Trade and other payables).

Block D Interest and tax:

- Line 10 Net interest paid: updated due the changes in the cash flow forecast resulting from updated interested charges from borrowings.
- Line 11 Tax paid: updated in line with revised tax charges forecast.

Block F Investing activities:

- Line 13 Net capex: updated to reflect changes in the capital cash flow as a result of changes in the capital programme (WS1 line 19 and WWS1 line 19) and the capital creditor (App12 line 14).

Block H Cash from financing activities:

- Line 17 Equity dividends paid: updated in line with revised dividend forecast.
- Line 18 Net loans received: updated in line with revised borrowing forecast.

2.17 App15a: Cashflow based on a notional company structure

Block B Adjustments – actual company structure:

- Line 5 Changes in working capital – Inventories, trade and other receivables: updated to reflect changes in App12 line 8 (Inventories) and line 9 (Trade and other receivables).
- Line 6 Changes in working capital – Trade and other payables: updated to reflect changes in App12 line 13 (Trade and other payables).

Block D Interest and tax:

- Line 10 Net interest paid: updated due the changes in the Treasury Model cash flow forecast resulting from updated interested charges from borrowings.
- Line 11 Tax paid: updated in line with revised tax charges forecast in the Treasury Model.

Block F Investing activities:

- Line 13 Net capex: updated to reflect changes in the capital cash flow as a result of changes in the capital programme (WS1 line 19 and WWS1 line 19) and the capital creditor (App12 line 14).

Block H Cash from financing activities:

- Line 17 Equity dividends paid: updated in line with revised dividend forecast.
- Line 18 Net loans received: updated in line with revised borrowing forecast.

2.18 App16: Tangible fixed assets

Block B Fixed asset additions in the year:

- Line 11 Fixed asset additions – wholesale wastewater: updated to reflect changes to the PR19 programme (specifically WINEP-water quality, external sewer flooding, pollution incidents and additional rising mains).
- Line 12 Fixed asset additions – wholesale bioresources: updated to reflect changes to the PR19 programme (specifically sludge transport).

Block C Fixed asset disposals in the year:

- Line 19 Fixed asset disposals in the year – wholesale wastewater: updated to reflect changes in the underlying assets.

Block D Fixed asset accumulated depreciation:

- Line 27 Fixed asset accumulated depreciation – wholesale wastewater: updated to reflect changes in the underlying assets.
- Line 28 Fixed asset accumulated depreciation – wholesale bioresources: updated to reflect changes in the underlying assets.
- Line 29 dummy control: line left blank intentionally, validation error cannot be removed.

Block F Average asset lives for all fixed assets:

- Lines 41 to 48: Average asset lives for each Price Control now shown for each PR19 reporting period.

Block G Accumulated depreciation:
Line 49 Include accumulated depreciation in financial model: Option chosen = YES.

2.19 App17: Appointee revenue summary

This table is updated having been fed from other tables.

2.20 App18: Share capital and dividends

Block B Equity dividends:

- Line 8 Ordinary dividend: updated values in line with revised dividend forecast.
- Line 13 % of ordinary dividend paid as interim: updated to reflect policy of equal quarterly dividends, therefore 75% interim dividends over 3 quarters and 25% final dividend in fourth quarter.

2.21 App19: Debt and interest costs

We have updated our financial model based on the changes discussed elsewhere. The impact of this has been fed through this table.

2.22 App23: Inflation measures

We have updated this to account for the most up to date ONS forecast.

2.23 App24: Input proportions

Validation Error – Lines 30 to 34
We have not completed this section as we have exited the business retail market.
We are aware of the validation errors arising from not being able to complete this section.

2.24 App25: PR14 reconciliation adjustments summary

We have updated inflation in the reconciliation models and fed the changes through to here.

2.25 App26: RoRE Scenarios

Validation Error – Lines 69 and 75
These lines are dummy control lines which should be empty.

We have updated the figures to reflect the new ODIs and revised totex programme (impacting both totex performance and financing).

We have updated the revenue section to assume the reconciliation is contemporaneous.

2.26 App27: PR14 reconciliation – financial outcome delivery incentives summary

We have updated inflation in the reconciliation models and fed the changes through to here.

2.27 App28: Developer services (wholesale)

Block I & J

- We have amended the calculation of the split in the sections I and J for contestable and non-contestable works

Block D & H

- Following Ofwat's charging rules we are proposing to move the income offset from requisition charges to infrastructure charges from 2020. To ensure we maintain the balance of charges we have assume the same £m reduction that equates to a 15% reduction in requisition income and applied this £m adjustment to the infrastructure charges income

2.28 App29: Wholesale tax

Blocks A to C

- The b/f pools have been recalculated following the introduction of the Structure & Buildings allowance and the reduction of the special rate pool from 8% to 6%.

Block D

- As a result of the introduction of the Structure & Buildings allowance, the tax split of the capital expenditure in the period 2020-25 has been updated to reflect this new allowance.

Block F

- As a result of the introduction of the Structure & Buildings allowance, the allowable depreciation on capitalised revenue expenditure for the period 2020-2025 has been revised.

2.29 App32: Weighted average cost of capital for the Appointee

We have adjusted the equity returns to accept Ofwat's early view on the cost of capital.

2.30 R7: Revenue and cost recovery for retail

Validation errors:
Validation errors in Block B lines 7-10 and Block C lines 20-21 occur because we have not been able/required to fill in the lines that relate to companies operating in Wales.

Block A:
We have updated the net margin, tax and interest values over 2020-25 for the new wholesale revenues as part of this submission. Cost to serve remains unchanged.

Block B:
Not applicable as the block relates to companies operating only in Wales.

Block C:
Residential retail revenues have been updated as a result of the revised wholesale revenues in Block A.

2.31 WWS1: Wholesale wastewater operating and capital expenditure by business unit

- For AMP7 capex we have updated the values relating to other capital expenditure in lines B14 & 15. The detail of this change is in the commentary for table WWS2.
- The grants & contributions for all years has been split to opex and capex in lines C20 & 21. Diversions are treated as opex in our accounts and make up the total shown in line C20.

2.32 WWS2: Wholesale wastewater capital and operating expenditure by purpose

- Lines A15 (WINEP - Groundwater schemes) & 16 (WINEP – Investigations) and associated opex lines B62 & 63 have been updated to reflect changes to table WWn4. There is no longer spend assigned to Groundwater schemes.
- Changes to the values in line A30 (Reduce Flooding risk for properties) & 34 (Pollution Reduction Strategy) and associated opex on lines B77 & 81.
- Capex values have been removed for line A31 (transferred private sewers and pumping stations) following the capex reallocations from Ofwat. This is accounted for as maintenance in table WWS1.
- Values assigned to Partnership working (line A33) have been reassigned to Resilience (line 27) as requested by Ofwat in the capex reallocations file.
- Values for WINEP Catchment Nutrient Balancing (Line 35) have been left on this line as there are multiple ways of delivering P removal and moving this cost to Activated Sludge STW does not reflect the proposed solution.
- We confirm that line 6 of WWS2 includes costs for the installation of EDMs and the costs for required permit applications. The cost allocation being EDMs £12.595m and permit applications £1.96m. The total number of EDM installations being 535 as included in the EA WINEP.

2.33 WWS2a: Wholesale wastewater cumulative capital enhancement expenditure by purpose

- Lines 15 (WINEP - Groundwater schemes) , 16 (WINEP – Investigations), 30 (Reduce Flooding risk for properties) ,34 (Pollution Reduction Strategy) have been updated to reflect the changes in table WWS2.
- Capex values have been removed for line A31 (transferred private sewers and pumping stations). This is accounted for as maintenance in table WWS1.
- Values assigned to Partnership working (line A33) have been reassigned to Resilience (line 27).

- Values for WINEP Catchment Nutrient Balancing (Line 35) have been left on this line as there are multiple ways of delivering P removal and moving this cost to Activated Sludge STW does not reflect the proposed solution.
- Line 1 Capex for first time sewerage has been allotted evenly between each year in AMP7 to cover newly arising schemes. This is not consistent with table WWn3 for 2022/23 which states a zero value for lines 1 and 2.
- Line 7 (WINEP Flow monitoring at sewage treatment works) Capex value reported in 2020/21 but no output claimed in WWS4 line 8. Table WWS2a has been completed to reflect the profile of work for efficient delivery. This means we have included expenditure in 2020/21 to reflect the delivery of some outputs earlier than the WINEP output date accounted for in WWS4.
- Line 10 (WINEP Storage schemes at STWs to increase storm tank capacity) in WWS2a is reporting the completion of schemes based on forecasts for completion of capex spend but this is subject to appraisal and establishment of the works actually required. The equivalent line 10 on table WWS4 is reporting outputs against the regulatory date. There is a difference between the two tables because there are a few schemes aiming to be delivered in year 1 AMP7, ahead of the regulatory date. This accounts for the non-zero value reported for 2020/21 in WWS4 compared with the value reported in the same year in table WWS2a. Sherborne STW and Winscombe STW have Phosphorus removal schemes with a regulatory date of December 2021. For construction efficiency purposes storm tanks for storage are being constructed at the same time as the phosphorus improvements works.
- Line 11 (WINEP Storage schemes in the network to reduce spill frequency at CSOs, etc) -schemes with AMP6 completion dates match lines 11 & 13 in table WWS4. The exception is the capex reported for 2019/20 which relates to a surface water separation scheme which is not reported in WWS4. It has been reported in line 11 as this scheme has the same driver of reducing CSO spills as other schemes at Bridgwater which relate to storage but this particular scheme does not provide a storage solution. This scheme is the Bridgwater IUDM as included in the NEP for delivery by 2020. For 2019/20 there is work relating to FSOs and this in preparation for the main WINEP deliverable programme in AMP7 of 54 investigations and 13 improvement schemes. WWS4 is reporting outputs against the regulatory date of 2024/25. WWS2a is reporting the completion of schemes based on forecasts for completion of capex spend but this is subject to appraisal and establishment of the works actually required.
- Line 17 (WINEP Nutrients (N removal)) - no population equivalent is reported for 2019/20 in line I22 table WWn4 but capex is reported in the same year in line 17 table WWS2a. The capex relates to a catchment management scheme which was chosen instead of building a nitrogen removal plant at Dorchester.
- Line 19 (WINEP Nutrients (P removal at filter bed STWs)) - There is capex in 2020/21 but no output claimed in line I18 table WWn4. The capex relates to work at Corfe Castle STW which has a June 2021 regulatory date for WINEP/NEP UV disinfection and a regulatory date for Phosphorus of December 2021. The scheme is being delivered in year 1 AMP7 to meet all applicable regulatory dates.
- Line 20 (WINEP Reduction of sanitary parameters) - In line I23 WWn4 no output is claimed in 2021/22 but capex project costs are reported in line 20 WWS2a this year. The capex relates to a scheme at Radstock STW which has a NEP P removal at filter

bed regulatory date of December 2021 and regulatory date relating to Ammonia removal (NEP reduction of sanitary parameters) of March 2025. For construction efficiency reasons all the work is being done at the same time and all due to be completed to the meet the earlier regulatory date.

2.34 WWS4: Wholesale wastewater other (explanatory variables)

- Line 7 requires the number of EDMs to be identified. We confirm that the total number of EDMs to be installed is 535 as included within our data table submission, this being the number of EDM installations identified in the EA WINEP. Line 7 does not include for permit applications, as requested the total number of permit applications required is 480.

2.35 WWS7: Wholesale wastewater local authority rates

We have accepted Ofwat's business rate assumptions, leading to a change in lines 1 and 14, with associated change in inflation (line 13).

2.36 WWS13: PR14 wholesale revenue forecast incentive mechanism for the wastewater service

We have updated the WRFIM model to not use the early return of revenues and so to reconcile with our financial model

2.37 WWS15: PR14 wholesale total expenditure outperformance sharing for the wastewater service

We have accepted the proposed totex reconciliation model and reflected it here.

2.38 WWS18: Explaining the 2019 Final Determination for the wastewater service

Lines 2 & 3
Changes to table are as a result to revised upper quartile targets published by Ofwat in IAP (Action reference: WSX.OC.16).

Line 12
Changes are where lines entries are either calculated and copied from Tables WWS1 and App23, which have changed.

Line 14
Changes in Line 14 are a result of changes in Line 12.

2.39 WWn2: Wholesale wastewater large sewage treatment works explanatory variables and operating expenditure

Validation Error – Line 2

The validation error for Line 2 states that "Allowed values are P, SAS, SB, TA1, TA2, TB1, TB2." All values comply with the validation criteria therefore we are satisfied that there is no error.

Validation Error – Line 3

The validation error for line 3 states "Numeric entry. Values greater than or equal to 25." All values comply with the validation criteria therefore we are satisfied that there is no error.

Validation Error – Line 4 to 8

The validation description for line 5 states "Inputs are expected to be greater than 0. 0 denotes an STW where there is no relevant permit condition." The validation error for line 5 states "Numeric entry: Values greater than 0, otherwise enter "None". We have chosen to enter 0 instead of "none" where there is no relevant permit condition, as suggested in the validation description.

Validation Error – Line 10

The validation description for line 10 states "Input must be a number. Expected value is between 4,000 and 2,000,000." All values fall within the expected range therefore we are satisfied that there is no error.

2.40 WWn3: Wholesale wastewater network (explanatory variables)

Validation error – Line 1 and 11

The validation error for line 1 states that the 'Inputs are expected to be between 4,000 & 60,000' and validation error for line 11 'Inputs are expected to be between 1,500 and 16,000'. All values given for this line fall within the expected results, so we do not think there is a validation error.

Line 11:

As a result of Ofwat query, WSX-IAP-CA-011, we re-examined our methodology and realised that the amount of s105A sewers was incorrect. The figure now reported includes the length of s105A sewers, mapped and unmapped, constructed since 2001. Whereas previously the figure did not include an estimate of those unmapped.

2.41 WWn4: Wholesale wastewater sewage treatment (potential explanatory variables)

Validation Error – Section A, B, C, D, E, F, G and H

The validation error for lines in Sections above states "Column N, T, Z & AF should all be equal". The values are equal therefore we are satisfied that there is no error.

Validation Error – Line 16

The validation error for line 16 states "Unexpectedly low value given the resident population reported in Table WWS3 and the trade effluent load." The validation description states "Entry in cells is expected to be more than the total trade effluent load/0.06 plus the resident population". For all years, the values are greater than the trade load (divided by 0.06) plus the resident population for that year therefore we are satisfied that there is no error.

Blocks A – F Line 5, and Blocks A1 – F1 Lines 13:

- Westbury and Thingley STWs will have tightened ammonia consents in 2019/20;
    - Westbury STW: 5 to 2mg/l
    - Thingley STW: 5 to 3mg/l
- These changes were erroneously omitted in our original submission; Blocks A – F Line 5, and Blocks A1 – F1 Line 13 are now updated to reflect the consent changes.

Line 20:

- Line 20 is updated to exclude the population equivalent for Maiden Bradley STW and Collingbourne Ducis STW in 2023/24.
- Maiden Bradley and Collingbourne Ducis changed from groundwater N-removal (DrWPA_ND) in WINEP3 to investigations (WFDGW_INV_GWQ) in WINEP4. Costs have been be revised and transferred from WWS2(a) Line 15 (Groundwater Schemes) to WWS2(a) Line 16 (Investigations).

Line 23:

- Line 23 is updated to include the population equivalent for Westbury STW and Thingley STW in 2019/20.
- Westbury and Thingley STWs will have tightened ammonia consents in 2019/20 however these changes were erroneously omitted in our original submission.

Line 24:

- Line 24 is updated to include the population equivalent for West Huntspill STW in 2021/22.
- The initial omission was because the WINEP requires an improved performance without an explicit permit change. However as there are related costs reported in WWS2(a), we now believe the population should be included.

2.42 WWn5: Wholesale revenue projections for the wastewater network plus price control

We have updated our financial model based on the changes discussed elsewhere. The impact of this has been fed through this table.

2.43 WWn6: Cost recovery for wastewater network plus

We have updated PAYG rates to reflect revised totex programme.

2.44 WWn7: Weighted average cost of capital for the wastewater network plus control

We have adjusted the equity returns to accept Ofwat's early view on the cost of capital.

2.45 WWn8: Wholesale wastewater network plus special cost factors

Special cost claim 3 – Flooding programme:
Change to cost adjustment reflects the change in target equating to a 16% reduction in the number of internal incidents (from an original proposed target of 22.5%). The value of reduction £2.2m totex is based on the cost data submitted as part of the CBA section.

Special cost claim 4 – Pollution reduction strategy:
Change to cost adjustment reflects the change in target equating to a 13% reduction in the number of internal incidents (from an original proposed target of 25%). The value of reduction £12.3m totex is based on the cost data submitted as part of the CBA section.

2.46 Bio2: Wholesale wastewater sludge treatment process and disposal routes

Block A Lines 1 to 7:

- Figures for 2017/18 corrected to match data included in 2018 APR (as previously advised in our response to query WSX_IAP_CA_005).

2.47 Bio4: Wholesale revenue projections for the wastewater bioresources price control

We have updated our financial model based on the changes discussed elsewhere. The impact of this has been fed through this table.

2.48 Bio5: Cost recovery for bioresources

We have updated PAYG rates to reflect revised totex programme.

2.49 Bio6: Weighted average cost of capital for the bioresources control

We have adjusted the equity returns to accept Ofwat's early view on the cost of capital.

2.50 WS1: Wholesale water operating and capital expenditure by business unit

- The grants & contributions for all years has been split to opex and capex in lines C20 & 21. Diversions and New Connections are treated as opex and make up the total in line C20.

2.51 WS2: Wholesale water operating and capital expenditure by business unit

Capex allocations for operational technological improvements linked to the end of PSTN lines has been moved from line 14 (Resilience) to 16 (Non SEMD Security) and capex allotted for enhanced leakage reduction on line 25 (Enhanced Leakage) has been moved to line 8 (Supply/demand balance (dry year annual average conditions)) as suggested in the Capex reallocations from Ofwat.

Associated opex allocations moved from line 64 (Enhanced Leakage) to 47 (Supply/demand balance (dry year annual average conditions))

Expenditure related to Enhanced Supply Interruptions has been left on this line as the proposed cost is not attributed to Botex.

Capex related to Partnership Working to improve SSSI landholdings in the Water Resources price control has been moved from line 13 (Investment to Address Raw Water Deterioration) to line 14 (Resilience). This reallocation is on a similar basis to WWS2 where Partnership Working was reassigned to Resilience as requested by Ofwat in the capex reallocations.

2.52 WS2a: Wholesale water operating and capital expenditure by business unit

Capex allocations for operational technological improvements linked to the end of PSTN lines has been moved from line 14 (Resilience) to 16 (Non SEMD Security) and capex allotted for enhanced leakage reduction on line 25 (Enhanced Leakage) has been moved to 8 (Supply/demand balance (dry year annual average conditions)) as suggested in the Capex reallocations from Ofwat.

Expenditure related to Enhanced Supply Interruptions has been left on this line as the proposed cost is not attributed to Botex.

Capex related to Partnership Working to improve SSSI landholdings in the Water Resources price control has been moved from line 13 (Investment to Address Raw Water Deterioration) to line 14 (Resilience). This reallocation is on a similar basis to WWS2a where Partnership Working was reassigned to Resilience as requested by Ofwat in the capex reallocations.

2.53 WS7: Wholesale water local authority rates

We have accepted Ofwat's business rate assumptions, leading to a change in lines 1 and 14, with associated change in inflation (line 13).

2.54 WS13: PR14 wholesale revenue forecast incentive mechanism for the water service

We have updated the WRFIM model to not use the early return of revenues and so to reconcile with our financial model.

2.55 WS15: PR14 wholesale total expenditure outperformance sharing for the water service

We have accepted the proposed totex reconciliation model and reflected it here.

2.56 WS18: Explaining the 2019 Final Determination for the water service

The original and resubmitted data is shown below.

WS18 - Explaining the 2019 Final Determination for the water service **Wessex Water**

	Line description	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2020-25
A	Original											
2	Number of contacts about drinking water (taste, odour and discolouration)	2,293	2,051	1,915	1,930	1,880	1,823	1,766	1,709	1,652	1,595	8,545
A	RESUBMIT											
2	Number of contacts about drinking water (taste, odour and discolouration)	2,293	2,051	1,915	1,922	1,900	1,743	1,686	1,629	1,572	1,515	8,145

There are two reasons for the change in this table.

- Firstly, the data for 2018/19, which is DWI data for the calendar year 2018, was a forecast in the original submission, but has been replaced with the actual outturn number in the resubmission. We have also revised our 2019/20 forecast based on the 2018/19 outturn and our latest trend analysis, in retrospect the previous 2019/20 forecast seems overly optimistic given the small increase in 2018/19 which may in part be due to the warm weather in 2018
- Secondly, we originally only selected appearance for our water quality contacts bespoke asset health performance commitment; but in the Initial Assessment of Plans Ofwat has instructed all companies to include both Appearance and Taste and Odour making them effectively mandatory PCs as well. Previously, we did not select Taste and Odour as it not a good measure of Wessex Water asset health as at least half of all contacts relate to customer side issues, and as such we were not forecasting a significant reduction. We have now changed our water quality contacts asset health PC to include Appearance and Taste and Odour and have put forward a challenging reduction to both sub-sets, equivalent to our PR14 FD Acceptability target of 1608 contacts enforced on us by Ofwat. This has resulted in a significant further reduction in contacts down from 1,595 in 2024 in our original submission to 1,515 contacts in 2024 in our resubmission.

2.57 Wr1: Wholesale water resources (explanatory variables)

There was a data input error in WR1.

20	Total number of intake and source pumping stations	W5003	nr	0	85
21	Total capacity of intake and source pumping stations	W5003CAP	kW	0	4

What we should have submitted is shown below from APR Table 4P
Line 20 should have been 85 + 4 = 91
Line 21 should have been 29148 + 176 = 29324

4P.16	Total number of intake and source pumping stations	nr	0	85
4P.17	Total number of raw water transfer stations	nr	0	4
4P.18	Total capacity of intake and source pumping stations	kW	0	29148
4P.19	Total capacity of raw water transfer pumping stations	kW	0	176

Lines 13,14 and 16
Ofwat raised the question that the 'Number of sources + ASR does not match APR'. The data tables have been updated based on the below:

- The 2017/18 APR has the three AR sources which was mistakenly listed under ASR line (4P.12). This should be under the APR line (4P.11). We do not have any ASR sources.
- Business Plan Table Wr1 has AR (Line 13) and ASR (Line 14) lines reported as zero. Line 13 (number of AR sources) should be updated with '3'. This will therefore mean the total number of sources match between the APR table 4P and business plan table Wr1.

2.58 Wr3: Wholesale revenue projections for the water resources price control

We have updated our financial model based on the changes discussed elsewhere. The impact of this has been fed through this table.

2.59 Wr4: Cost recovery for water resources

We have updated PAYG rates to reflect revised totex programme.

2.60 Wr5: Weighted average cost of capital for the water resources control

We have adjusted the equity returns to accept Ofwat's early view on the cost of capital.

2.61 Wn1: Wholesale network plus raw water transport and water treatment (explanatory variables)

Line 49-56

Ofwat reported that 'DI by band inconsistent with APR' (Wn1, Lines 49-56). Table has been updated with the correct value. The key changes are summarised below:

- APR 17/18 (Table 4P) used an adjusted percentage value which equalled less than 100% (97.88%). This was because the total DI was used, not DI from our sources. Table Wn1 guidance states the percentages should equal 100%.
- The Business Plan Tables used source capacity, not DI based on the source bands. This has now been updated based on the DI per source capacity.
- The three data sources used are below. both the APR and Wn1 tables require updates.

	APR	Business Plan	Corrected
1	5.04%	5.4%	5.15%
2	2.44%	2.7%	2.49%
3	11.00%	10.8%	11.24%
4	37.26%	36.5%	38.06%
5	20.91%	25.8%	21.36%
6	5.65%	5.5%	5.78%
7	15.58%	13.3%	15.92%

Wn1 - Wholesale network plus raw water transport and water treatment (explanatory variables)

2.62 Wn3: Wholesale revenue projections for the water network plus price control

We have updated our financial model based on the changes discussed elsewhere. The impact of this has been fed through this table.

2.63 Wn4: Cost recovery for water network plus

We have updated PAYG rates to reflect revised totex programme.

2.64 Wn5: Weighted average cost of capital for the water network plus control

We have adjusted the equity returns to accept Ofwat's early view on the cost of capital.