

# Past delivery PR24 data tables commentary

PR24 Draft Determination Representations – August 2024





## Past Delivery PR24 Data Table Commentary

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# Overview of changes to Past Delivery tables

We have updated our data tables to reflect our Draft Determination Representations in accordance with Ofwat requirements, including updating 2023-24 forecasts with actuals for both APR aligned and non-APR aligned data.

We have provided commentary on material changes made to the data in the tables. Please refer to our original data table commentary (ANH07 to ANH18) if more information is required.

We have made changes to the following Past Delivery tables since submitting the version of our data tables that our Draft Determination is based on (ANH03 Data tables - March 2024 update). Please see the Change Log in ANH\_DD\_004 - v7 Main data tables for a more detailed summary and the individual tables themselves for changes in red font:

- PD1
- PD4
- PD5
- PD8
- PD9
- PD11
- PD12

# Introduction AMP7 Totex

## Botex

Botex for the remainder of AMP7 has been forecast using the latest information available, but given the highly volatile environment, may ultimately be different from the numbers presented. Management are closely monitoring all spend and will look to manage these fluctuations should they occur.

Our forecast Botex to 2024/25 shows an increase from the 2023/24 financial year as presented in our 2024 Annual Performance Report. This is driven by an increase in operating costs and the movement in capital maintenance as set out below.

## Opex

In year 5, despite energy costs falling as market prices partially recover, and our ongoing efficiency program, we have seen costs rise sharply elsewhere, such as EA discharge permit fees and our rates bill, along with other cost pressures.

## Capital maintenance

Previously we had taken the decision to accelerate capital maintenance from year 5 into year 3. As we work to get back to our previous track record of a three-star (plus) Environmental Performance Assessment rating, our shareholders have agreed £100 million to accelerate our work to improve performance on spills and pollutions. As such, the year 5 total capital maintenance spend is expected to be broadly in line with that seen in year 4.

## Enhancement

For Water Network+ the updates made from our previous submission largely reflect the profile of spend in relation to our strategic interconnector pipeline project. Please refer to Chapter 13 Dealing with uncertainty for our representations on the PR19 interconnector delivery in AMP8' for more detail (ANH\_DD\_001).

For Water Recycling Network +, as noted within our March 2024 APR, our Water Industry National Environment Programmes (WINEP) programme is a huge success delivering large scale nature based solutions and we are committed to delivering all of our obligations. By thinking outside of the box we are able to meet these obligations in innovative environmentally positive ways. These solutions require additional planning and consideration which, along with the impacts of Covid-19 have resulted in an element of the spend being pushed into Year 5 compared to what was initially anticipated.



# PD4 Analysis of land sales

## Analysis of land sales Line 4.1

2024/25 Land sales have been updated to actuals as per our APR.

# PD5 Revenue reconciliation - wholesale

There has been no change to the methodology used to calculate the forecast the revenue reconciliation, rather the lines have been advanced by one year with updated information.



# PD8 Totex analysis - wholesale

Refer to the commentary within the introduction for the explanation of significant changes.

Water network plus and bioresources base costs reported are consistent with APR tables 4E and 4K and have not taken account of the updated sludge liquors, energy generation and overheads guidance.

# PD9 Totex performance

Refer to the commentary within the introduction for the explanation of significant changes.

The non-price control grants and contributions used to calculate PD9.2, shown as a negative number, are as follows:

Table 1

Line Ref.	Line Description	£m		
		2022/23	2023/24	2024/25
<b>Water Network +</b>				
DS1e.2	Diversions - NRSWA	2.569	8.334	2.464
DS1e.3	Diversions - other non-section 185 diversions	0.278	0.954	0.341
DS1e.13	Other developer service revenue (non-price control) <sup>a</sup>	-0.066	0.024	-
		<b>2.781</b>	<b>9.312</b>	<b>2.805</b>
<b>Wastewater Network+</b>				
DS1e.16	Diversions - NRSWA	1.088	0.629	1.585
DS1e.17	Diversions - other non-section 185 diversions	0.015	0.001	-0.060
DS1e.27	Other developer service revenue (non-price control)	0.050	0.059	-
		<b>1.153</b>	<b>0.689</b>	<b>1.526</b>

<sup>a</sup> Other contributions (non-price control) includes an adjustment for fire hydrants resulting in a reduction in revenue in the year.

We have no bespoke cost sharing arrangements.



# PD11 RCV midnight adjustments

We confirm that PD11 has been completed in accordance with:

- Ofwat’s guidance for table PD11,
- the Query process with Ofwat following our Business Plan submission (Oct 2023-Jun 2024),
- our Annual Performance Report (APR) for 2023/24,
- Ofwat’s DD release (Jul 2024)
- our DD reps submission (Aug 2024), and
- the Query process with Ofwat following the DD Release (Jul-Aug 2024).

Also, we would like to note herein that we agree with Ofwat’s proposed approach (within Ofwat’s PR24 draft determinations: Accounting for past delivery document) to apply the RCV midnight adjustments on 31 March 2025 as opposed to 1 April 2025.

## PR19 FD / CMA / IDoK closing RCV balances as at 31 March 2025 Lines 11.1 to 11.4

These cells are populated from Ofwat’s published IDoK regulatory model

## PR14 Blind Year reconciliation end-of-period RCV midnight adjustments as at 31 March 2025 Lines 11.5 to 11.10

These have been sourced from Ofwat’s published Blind Year Adjustments model and Final Decisions document. We have entered zeros in PD11.10 (PR14 IFRS16 RCV adjustment) as we believe these were included in PR19 RCVs and therefore to include them here would result in double counting.

## PD11.12 - PR19 WINEP / NEP RCV adjustment

These have been populated from the updated Water Industry National Environment Programme (WINEP) reconciliation true up model for DD Reps.

An additional list tab named “WINEP DD” has been added therein and includes our latest status comments along with EA confirmation comments for the 23 schemes including:

- 22 funded actions confirmed with the EA not to be delivered within AMP7 and carried forward while being re-funded in AMP8 as part of the WINEP carry-over

mechanism. We are mindful of the interaction among the WINEP true up model, the WINEP carry-over mechanism and the Blind Year Adjustment process as already flagged with our Query to Ofwat OFW-IBQ-ANH-028. Therefore, we would be more than willing to work with Ofwat between now and the FD in order to avoid any double-counting and overlapping considerations of these true up mechanisms/models for the respective WINEP RCV midnight true up adjustments.

- 1 funded action confirmed with the EA as removed from WINEP (Anderby STW Scheme with WINEP ID: LNA00112) with clawed back funding that is not to be re-funded; the above are confirmed with the respective AMP 7 - Alterations form (signed in Jul 2021 by the EA).
- The Old Carr scheme (WINEP ID: EAN00363) has been confirmed as non-deliverable for AMP7 and has therefore been removed from PR19 WINEP as confirmed with the respective AMP 7 - Alterations form (signed in Mar 2024 by the EA). It is noted herein that a scheme included in PR24 WINEP, the wider Wissey catchment restoration scheme (Wissey Catchment WFD Flow River restoration across the Wissey and Little Ouse operational catchments - WINEP ID: 08AW100194a) includes a much broader series of actions which can be used to include Old Carr if the situation changes with the Old Carr scheme. The specification of the latter scheme (with WINEP ID: 08AW100194a) is deliberately high-level at this stage and depends on options appraisal.

## PD11.13 - PR19 Costs reconciliation RCV adjustment

These have been sourced from the cost reconciliation true up model for DD Reps that has been updated for our APR 23/24 actuals and latest 24/25 projections.

## PD11.14 - PR19 Land sales RCV adjustment

These have been sourced from the land sales reconciliation true up model for DD Reps and reflect the latest updates and market developments for Land Sales.

## PD11.15 - PR19 RPI-CPIH wedge RCV adjustment

These have been sourced from the RPI-CPIH wedge true up model for DD Reps. Inflation actuals and forecasts align to table PD1. We have used actual inflation to 31 March 2024 followed by our internal forecasts for 2024/25 aligned to forecasts produced by banks (additional tab named New Inputs has been added to reflect the above).

### **PD11.16 - PR19 Strategic regional water resources RCV adjustment**

At the time of completing our DD Reps for this table, Ofwat had not published a functional working model for strategic water resources adjustments. Please refer to our comments already shared with Ofwat as part of Query OFW-IBQ-ANH-006 (Supporting document 1). To complete these cells, we have assumed that we spend the basic allowances allocated to these projects at the Gate 2 final decisions while removing the double counting considerations already flagged as produced by Ofwat's SRO true up model DD version.

The true ups presented in PD11-12 therefore represent our best possible estimates for these values while the submitted SRO true up model version for DD Reps represents the original Ofwat's DD Version with our updated inputs for the three SRO projects. With this submission, we would like to offer our willingness to work with Ofwat between now and the FD in order to achieve a functional non-double-counting-producing true up model version as well the necessary updates in the PR19 Reconciliation Rulebook Guidance Document (August 2021 Update).

### **Opening RCV balances as at 1 April 2025 Lines**

#### **PD11.20 - PR24 Transitional expenditure programme RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

For the transitional expenditure, we have used Ofwat's original DD proposed values.

#### **PD11.21 - PR24 Defra accelerated programme RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

For the Defra accelerated programme expenditure, we have used Ofwat's original DD proposed values.

#### **PD11.23 to PD11.25 - Opening RCV at 1 April 2025 in 2017-18 FYE (CPIH deflated) prices post midnight adjustments**

These have been calculated using PD11.22 and inflators from table PD1.



# PD12 PR19 reconciliation adjustments summary

We confirm that PD12 has been completed in accordance with:

- Ofwat's guidance for table PD12,
- The Query process with Ofwat following our Business Plan submission (Oct 2023-Jun 2024),
- Our Annual Performance Report (APR) for 2023/24,
- Ofwat's DD release (Jul 2024),
- Our DD reps submission (Aug 2024), and
- The Query process with Ofwat following the DD Release (Jul-Aug 2024).

## PR19 reconciliation revenue adjustments Lines 12.15 - 12.35

### PD12.15 - PR19 ODI Revenue adjustment

These were sourced from the completed 2024/25 ODI model updated for DD Reps.

### PD12.16 - PR19 RFI revenue adjustment

These were sourced from the completed RFI model (updated for DD Reps) for use in the PR24 business plans.

### PD12.17 and PD12.18 - PR19 CMeX and DMeX revenue adjustment

In line with Ofwat's treatment at Draft Determination, we currently forecast no penalty or reward for CMeX and DMeX for 2024/25 and have therefore entered zero in these cells.

### PD12.19 - PR19 Bilateral entry (BEA) revenue adjustment

There has been no bilateral entry and therefore these cells are zero. For this reason, we have not completed or submitted a BEA model.

### PD12.20 and PD12.21 - PR19 Bioresources revenue adjustment and forecasting incentive

These have been sourced from the Bioresources revenue reconciliation model (updated for DD Reps).

### PD12.22 - PR19 Residential retail revenue adjustment

These have been sourced from the Residential retail revenue reconciliation model (updated for DD Reps).

### PD12.23 - PR19 Business retail revenue adjustment

As we have exited the Business retail market these cells are zero.

### PD12.24 - PR19 Water trading revenue adjustment

There has been no water trading and therefore these cells are zero. For this reason, we have not completed or submitted a water trading incentive model.

### PD12.25 - PR19 Developer Services revenue adjustment

These have been sourced from the updated Developer Services true up model for DD Reps. Actual and forecast new properties include NAV sites and are sourced from APR table 4Q.11 (for actuals) and PR24 table DS4.11 for forecasts. This is in accordance with the e-mail from Ofwat of 20 October 2021 agreeing with amending the Rulebook requirement from APR table 4Q.3 to 4Q.11.

### PD12.26 - PR19 Cost of new debt revenue adjustment

These have been sourced from the updated Cost of new debt reconciliation true up model for DD Reps. We have used actual iBoxx indices to 31 July 2024 followed by our internal iBoxx forecasts for the remaining months of 2024/25 informed by bank forecasts.

We also note that the tab InpIndex was omitted in Ofwat's original DD version of the true up model despite being included in the respective pre-DD version. For DD Reps and for reference, we have added and updated the aforementioned tab in our submission's true up model.

### PD12.27 - PR19 Gearing outperformance revenue adjustment

As the CMA rejected the gearing outperformance mechanism these cells are zero. For this reason we have not completed or submitted a gearing outperformance sharing reconciliation model.

### PD12.28 - PR19 Totex costs revenue adjustment

These have been sourced from the cost reconciliation true up model for DD Reps that has been updated for our APR 2023/24 actuals and latest 2024/25 projections.

### **PD12.29 - PR19 Tax revenue adjustment**

These have been inserted as zero for all price controls in view of the full capital expensing framework resulting in zero tax building block of Allowed Revenues for us.

### **PD12.30 - RPI-CPIH wedge revenue adjustment**

These have been sourced from the RPI-CPIH wedge true up model for DD Reps. Inflation actuals and forecasts align to table PD1. We have used actual inflation to 31 March 2024 followed by our internal forecasts for 2024/25 aligned to forecasts produced by banks (additional tab named New Inputs has been added to reflect the above).

### **PD12.31 - PR19 Strategic regional water resources revenue adjustment**

At the time of completing our DD Reps for this table, Ofwat had not published a functional working model for strategic water resources adjustments. Please refer to our comments already shared with Ofwat as part of Query OFW-IBQ-ANH-006 (Supporting document 1). To complete these cells, we have assumed that we spend the basic allowances allocated to these projects at the Gate 2 final decisions while removing the double counting considerations already flagged as produced by Ofwat's SRO true up model DD version.

The true ups presented in PD11-12 therefore represent our best possible estimates for these values while the submitted SRO true up model version for DD Reps represents the original Ofwat's DD Version with our updated inputs for the three SRO projects. With this submission, we would like to present our willingness to work with Ofwat in order to achieve a functional non-double-counting-producing true up model version as well the necessary updates in the PR19 Reconciliation Rulebook Guidance Document (August 2021 Update).





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