

# Past delivery PR24 data tables commentary

October 2023



## Past Delivery PR24 Data Table Commentary

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# Introduction AMP7 Totex

## Botex (opex and maintenance combined)

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 a reduction from the 2022/23 financial year as presented in our 2023 Annual Performance Report. This is driven by an increase in operating costs being more than offset by a reduction in capital maintenance as set out below.

The primary reduction in Botex from year 3 to year 5 is the phasing of our capital maintenance spend as we manage the delivery of our overall Capex programme. As mentioned in the recent letter to David Black on 14 July 2023, we have experienced a number of delays in our Strategic Pipeline project which means a greater proportion of the work and spend will be in the final 2 years of AMP7. We therefore took the decision to accelerate maintenance work into year 3 which means a year on year reduction through to year 5. As a result of this acceleration, our year 5 maintenance is predicted to be in the region of £50m lower than the AMP7 average.

In terms of Opex spend we forecast an increase in year 4 primarily as a result of energy price rises. Our proactive hedging strategy meant that we were able to lock in year 3 energy prices before the Russian invasion of Ukraine and subsequent increase in prices. While this has meant we were able to partially mitigate against the sharp increase in prices it has essentially deferred the increase into year 4 as we have been locking in prices throughout the previous year.

This increase is partially offset by our ongoing efficiency challenge as we deliver against the targets set at PR19.

## Enhancement

For Water Network+ our AMP7 to date timing differences shown in our 2023 Annual Performance Report reflect the profile of spend in relation to our strategic interconnecting pipeline project. This project is the biggest infrastructure project in Anglian Water's history and will be key to moving water around the region and improving resilience to drought. As with a project this size it has been extremely complex. This complexity has been exacerbated by Covid-19, which caused delays in our ability to start the project. We are also dealing with local planning and multiple different councils, who have all faced delays due to recovering from

Covid-19 backlogs. In addition, supply chain challenges due to the Russian invasion of Ukraine have been particularly challenging, with the majority of the steel for the pipeline being supplied from Mariupol, where we had to find alternative sources.

Despite these delays, which have caused a timing difference between the cost profile in the Business Plan and our actual spend profile we have made great progress in recent months in delivery of the project. The significant uplift in spend in years 4 and 5 reflect these delays. Whilst we recognise the significant risk in delivery we are closely managing the project and expect to complete within the original target dates, albeit these challenges have seen additional cost pressures that we expect to continue.

The Board have utilised the efficiency being delivered in WINEP (seen in our wastewater network plus spend to date and forecasts) to fund the increased costs seen in delivering our strategic interconnector project.

These decisions highlight the flexibility of the business to manage both cost and delivery across the business as a whole which has been enabled by the broadly symmetrical cost sharing rates between price controls as well as between base and enhancement expenditure.

# PD1 Inflation indices

## Retail price index Lines 1.1 - 1.3

Actual historic RPI is as per the Office for National Statistics (ONS) published inflation. The 2023-24 and 2024-25 RPI forecasts are based on the median of the consensus forecasts obtained, in December 2022, from a pool of banks.

## Consumer price index (including housing costs) Lines 1.14 - 1.26

Actual historic CPIH is as per the Office for National Statistics (ONS) published inflation. The 2023-24 CPIH forecast is based on the median of the consensus forecasts obtained, in December 2022, from a pool of banks. The 2024-25 forecast trends gradually downwards towards the 2.0% forecast for 2025-26 onwards and averages 2.0% for the year. The forecasts of 2025-26 to 2034-35 reflect the 2.0% Bank of England long term inflation target.

## Indexation rate for index linked debt percentage increase Lines 1.27 - 1.28

### Line 27: Indexation rate for RPI index linked debt percentage increase

This line reflects RPI index linked debt. The indexation rate for historic periods is the actual in-year accretion divided by the average index linked debt as obtained from financial statements and underlying year end reporting. The indexation rates for 2023-24 and 2024-25 are based on the median consensus inflation forecasts obtained, in December 2022, from a pool of banks. The indexation rate for 2025-26 onwards are the average inflation forecasts of 2.0% CPIH and 0.9% RPI-CPIH wedge (2025-26 to 2029-30) which is in line with Ofwat's AMP7 assumption. From 2030-31 to 2034-35, RPI indexation is the same as CPIH, following RPI reform. With uncertainty around the implementation of RPI reform, there is risk of additional compensatory cost to debt investors, from 2030 onwards, when transitioning to the new indexation. In 2025-26 and 2030-31, the indexation rate gradually trends towards the 2.9% and 2.0%, respectively.

### Line 28: Indexation rate for CPIH index linked debt percentage increase

This line reflects CPI index linked debt and CPIH index linked debt. The indexation rate for historic periods is the actual in-year accretion divided by the average index linked debt as obtained from financial statements and underlying year end reporting. The indexation rates for 2023-24 and 2024-25 are based on the median consensus inflation forecasts obtained, in December 2022, from a pool of banks. The indexation rates for 2025-26 onwards are the average inflation forecasts of 2.0% CPIH which reflects the Bank of England long term inflation target.

## Financial year average indices Lines 1.29 - 1.30

Commentary for these calculated cells is set out in the other sections relating to the data input cells.

## Year on year % change Lines 1.31 - 1.38

### Line 38: Long term CPIH inflation rate

The inflation rate are the average year-on-year CPIH percentages and are consistent with PD1.14 to PD1.26. CPIH forecast is based upon the Bank of England long term inflation target.

# PD4 Analysis of land sales

## Analysis of land sales Line 4.1

2023 - 2024 proceeds are anticipated as of May 2023 but are dependant upon legal contracts and sale completions.

2024 - 2025 proceeds are more speculative and assume that parcels of land currently earmarked for potential sale opportunities come to fruition.

# PD5 Revenue reconciliation - wholesale

## Revenue recognised Lines 5.1 - 5.3

### Line 5.1 Wholesale revenue by price control

Wholesale revenue data is as per table RR27 and for 2022-23 is as also set out in the APR at line 1 of table 2M.

### Line 5.2 Grants & contributions (price control)

We do not receive any grants. All contributions revenue governed by the wholesale price control are received in relation to new development activities.

Contributions revenue data for 2022-23 is as set out in the APR at line 2 of table 2M and for 2022-23 to 2024-25 is as per table DS1e using the following price control contributions:

- Connection charges
- Receipts for on-site work
- Infrastructure charge receipts - new connections
- Requisitioned mains
- Diversions - s185
- Other developer services revenue (price control)
- Price control developer services revenue before deduction of income offset
- Income offset
- Price control developer services revenue after deduction of income offset

## Calculation of the revenue cap Lines 5.4 - 5.8

### Line 5.4 Allowed wholesale revenue before adjustments (or modified by CMA)

The Allowed Revenue is as set out in the Competition and Market Authorities Price Determination and adjusted for In-period Outcome Delivery Incentives.

For 2022-23 the adjustment reflects the Final Determination of Anglian Water's In-period Outcome Delivery Incentives for 2020-21.

For 2023-24 the adjustment reflects the Final Determination of Anglian Water's In-period Outcome Delivery Incentives for 2021-22

For 2024-25 the adjustment reflects the outcome performance set out in tables 3A and 3B of the 2022-23 APR.

This is repriced to 2022-23 prices.

### Allowed grants & contributions before adjustments (or modified by CMA) (PD5.5)

Grants and contributions (price control) are as calculated by the grants and contributions feeder model.

This is repriced to 2022-23 prices.

### Revenue adjustment (PD5.6)

The revenue adjustment is as calculated by the PR19 Revenue Forecasting Incentive Models and the Bioresources Revenue Reconciliation Models, submitted as follows:

In relation to revenue reported for 2020-21, and reflected in the calculation of revenue for 2022-23, the models submitted on 15 July 2021.

In relation to revenue reported for 2021-22, and reflected in the calculation of revenue for 2023-24, the models submitted on 15 July 2022.

In relation to revenue reported for 2022-23, and reflected in the calculation of revenue for 2024-25, the models submitted on 14 July 2023.

This is repriced to 2022-23 prices.

### Line 5.7 Other adjustments

#### Water resources, water network plus and wastewater network plus

Other adjustments relate to the blind year adjustment including financing rate and inflation adjustment in line 8 of the calculation block in the PR19 Reconciliation Rulebook.

The revenue correction was made in the 2023-24 charge setting process.

The adjustments for 2023-24 reflect the determination published on in the Blind Year Adjustments Model published on 4 January 2021.

## Bioresources

Other adjustments relate to the profit from bioresources trading. There is no value for this for the reporting period.

This is repriced to 2022-23 prices.

## Calculation of the revenue imbalance Lines 5.9 - 5.11

### Line 5.11 Revenue imbalance

#### 2022-23

The level of wholesale water resources revenue recovered from customers is £0.2 million above allowed revenues and water network plus is £1.8 million below allowed revenue. This reflects an under-recovery of main charges (£8.3 million) partly offset by an over-recovery of grants & contributions (£6.7 million). The under-recovery on main charges is primarily due to lower household demand particularly in the second half of the year partly offset by non-household customers demand.

The level of wholesale wastewater network plus is £2.1 million above allowed revenue and bioresources revenue is £0.1 million respectively below allowed revenue. For wastewater network plus this reflects an over-recovery of grants & contributions (£4.9 million) partly offset by an under-recovery of main charges (£2.7 million). The under recovery on main charges is primarily due to lower household demand partly offset by higher non-household demand.

Connection charges remained broadly similar in 2022/23 compared to the prior year. Contributions for on-site work increased significantly as schemes beginning construction post Covid completed.

#### 2023-24

We forecast a minor under-recovery in wholesale revenue due to a slight variation in forecast customer numbers from that used to set charges.

#### 2024-25

On the basis that charges for the Charging Year have yet to be set, the revenue recovered is forecast to be consistent with the revenue cap with no overall imbalance.

# PD6 Bulk supply information

## Bulk supply exports Lines 6.1 - 6.52

Nil return, we do not have any supplies that qualify under the water trading incentive framework.

# 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	2.631	2.464
DS1e.3	Diversions - other non-section 185 diversions	0.278	0.364	0.341
DS1e.13	Other developer service revenue (non-price control) <sup>a</sup>	-0.066	-	-
		<b>2.781</b>	<b>2.996</b>	<b>2.805</b>
<b>Wastewater Network+</b>				
DS1e.16	Diversions - NRSWA	1.088	1.693	1.585
DS1e.17	Diversions - other non-section 185 diversions	0.015	-0.064	-0.060
DS1e.27	Other developer service revenue (non-price control)	0.050	-	-
		<b>1.153</b>	<b>1.629</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.

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

**PD11.1 - Pre 2020 RCV - Closing RCV at 31 March 2025 in 2017-18 FYA RPI prices (from PR19 FD as updated by the CMA redetermination and IDoKs) - RPI inflated RCV**

**PD11.2 - Pre 2020 RCV - Closing RCV at 31 March 2025 in 2017-18 FYA prices (from PR19 FD as updated by the CMA redetermination and IDoKs) - CPI inflated RCV**

**PD11.3 - 2020-25 RCV - Closing RCV at 31 March 2025 in 2017-18 FYA prices (from PR19 FD as updated by the CMA redetermination and IDoKs) - Post 2020 investment RCV**

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

**PD11.5 - PR14 BYR ODI RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

**PD11.6 - PR14 BYR Totex menu RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

**PD11.7 - PR14 BYR Land sales RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

**PD11.8 - PR14 BYR RPI-CPIH wedge RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

**PD11.9 - PR14 BYR Other RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

**PD11.10 - PR14 IFRS16 RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

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.

## PR19 reconciliation end-of-period RCV midnight adjustments as at 31 March 2025 Lines 11.11 to 11.19

**PD11.11 - PR19 ODI RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

We only had one PR19 ODI with an RCV penalty (Whitlingham sludge growth scheme), this is currently being delivered with an expected completion in December 2024. Entries are therefore zero.

### **PD11.12 - PR19 WINEP / NEP RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

These have been populated from the Water Industry National Environment Programme (WINEP) reconciliation model.

### **PD11.13 - PR19 Costs reconciliation RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

These have been sourced from the cost reconciliation model.

### **PD11.14 - PR19 Land sales RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

These have been sourced from the land sales reconciliation model.

### **PD11.15 - PR19 RPI-CPIH wedge RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

These have been sourced from the RPI-CPIH wedge true up model. Inflation actuals and forecast align to table PD1. We have used actual inflation to 31 March 2023 followed by our internal forecasts for 2023/24 to 2024/25 aligned to forecasts produced by banks.

### **PD11.16 - PR19 Strategic regional water resources RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

At the time of completing our assurance for this table, Ofwat had not published a functional working model for strategic water resources adjustments. To complete these cells we have assumed that we spend the allowances allocated to these projects at the Gate 2 final decisions. The true up is therefore the total of all additional allowances not included in the PR19 Final Determination.

### **PD11.17 - PR19 Green recovery RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

### **PD11.18 - PR19 Havant Thicket activities RCV adjustment in 2017-18 FYA (CPIH deflated) prices**

### **PD19 - Other RCV adjustments in 2017-18 FYA (CPIH deflated) prices**

These are all zeros as not applicable to us.

### **Opening RCV balances as at 1 April 2025 Lines 11.20 to 11.21**

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

These have been calculated using our proposed transition expenditure.

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

These have been calculated using our proposed Defra accelerated programme expenditure.

### **Opening RCV balances as at 1 April 2025 Lines PD11.22 to 11.23**

#### **PD11.23 - 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.

### **Opening RCV balances as at 1 April 2025 expressed in PR24 base year prices Lines 11.24 to 11.25**

#### **PD11.24 - Opening RCV at 1 April 2025 in 2017-18 FYE (CPIH deflated) prices post midnight adjustments**

#### **PD11.25 - Opening RCV at 1 April 2025 in 2022-23 FYE (CPIH) 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.

## PR19 reconciliation end-of-period RCV midnight adjustments as at 31 March 2025 Lines 12.1 to 12.9

These cells are automatically link to table PD11.

## PR14 Blind Year reconciliation end-of-period revenue adjustments Lines 12.10 - 12.14

These have been sourced from Ofwat's published Blind Year Adjustments model and Final Decisions document.

## PR19 reconciliation revenue adjustments Lines 12.15 - 12.35

### PD12.15 - PR19 ODI Revenue adjustment

These were sourced from the completed ODI model for use in the PR24 business plans.

### PD12.16 - PR19 RFI revenue adjustment

These were sourced from the completed RFI model for use in the PR24 business plans.

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

We are forecasting no penalty or reward for CMeX and DMeX for the years 2023/24 and 2024/25 and have therefore entered zero in these cells. We have not completed CMeX and DMeX models to support this forecast since it would require forecasting each company's results.

### 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.

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

These have been sourced from the Residential retail revenue reconciliation model.

### 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 Developer Services model. Actual and forecast new properties include NAV sites and is 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 Cost of new debt reconciliation model. We have used actual iBoxx indices to 31 March 2023 followed by our internal iBoxx forecasts for 2023/24 and 2024/25 informed by bank forecasts.

### 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 model.

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

These have been sourced from the tax reconciliation model, the output of which is zero for all price controls.

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

These have been sourced from the RPI-CPIH wedge true up model. Inflation actuals and forecast align to table PD1. We have used actual inflation to 31 March 2023 followed by our internal forecasts for 2023/24 to 2024/25 aligned to forecasts produced by banks.

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

At the time of completing our assurance for this table, Ofwat had not published a functional working model for strategic water resources adjustments. To complete these cells we have assumed that we spend the allowances allocated to these projects at the Gate 2 final decisions. The true up is therefore the total of all additional allowances not included in the PR19 Final Determination.

### **PD12.32 to PD12.35 - Havant Thicket, Green recovery and Other revenue adjustments**

These are all zeros as not applicable to us.

### **PR19 reconciliation end-of-period RCV midnight adjustments as at 31 March 2025 in PR24 base year prices Lines 12.36 - 12.44**

These use PD12.1 to PD12.9 indexed to PR24 base year prices using inflation factors from table PD1.

### **PR14 Blind Year reconciliation end-of-period revenue adjustments in PR24 base year prices Lines 12.45 - 12.49**

These use PD12.10 to PD12.14 indexed to PR24 base year prices using inflation factors from table PD1.

### **PR19 reconciliation revenue adjustments in PR24 base year prices Lines 12.50 - 12.70**

These use PD12.15 to PD12.35 indexed to PR24 base year prices using inflation factors from table PD1.



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