

SRN-DDR-056: Past Performance

Draft Determination response

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from
**Southern
Water** 

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Introduction

As part of our draft determination response, we have made updates to our reconciliation models in order to ensure our midnight adjustments flow through to our financial model. There are several models that have not changed since our business plan submission we are not resubmitting these models.

ODI performance models and APR data 2023-24

This has been updated to reflect our actual 2023/24 APR, for commentary on our 2023-24 outcome please refer to our published Annual Report and Financial statements and APR and associated data which can be found on our website under [Annual Reports & Financial Statements \(southernwater.co.uk\)](https://www.southernwater.co.uk/Annual-Reports-and-Financial-Statements)

We have made one change to our APR performance model this is updating the long-term supply ODI output to match the Ofwat determined value in Ofwat's published 2023/24 ODI performance model.

ODI performance models and forecast data 2024-25

As detailed in our quarterly reporting to Ofwat and SCP report submitted at the end of July, our execution plan and associated budget for 2024-25 has been reviewed and approved by our Board. This, and adjustments for 2023-24 outcomes has resulted in updated forecasts for 2024-25 for leakage, supply interruptions, total and serious pollution incidents, and internal and external flooding. Our data in OUT8 has been updated in line with this and the outputs of the Ofwat ODI performance model.

Reconciliation models updated due to 2022/23 in-period determination

On the 14th November Ofwat published final in-period determinations, this was after submission of our business plan. These determinations feed into our charges for 2024/25, we have updated the following models to reflect this determination and our charges submission for 2024/25:

- In period adjustment model
- Bioresources revenue reconciliation model
- Revenue forecasting incentive model

Cost sharing total cost reconciliation model

We have updated our cost sharing total cost reconciliation model to align to our final 2023/24 APR and our latest budget expenditure for 2024/25. This also aligns to table PD8.

We note that Ofwat are proposing to change the sharing rates for 2024/25 to 60:40 to provide continued support to the delivery of investment ahead of the start of the PR24 period. We are supportive of a change to the sharing rates, although Ofwat should consider the Competition Market Authorities (CMA) final report for the determinations of the PR19 appealing companies. The CMA determined sharing rates of 55:45. Ofwat should follow this precedent and for the final year of the AMP set sharing rates at 55:45.

RPI CPIH Wedge true up model

This has been updated to reflect any changes to inflation and the inflation wedge as per table PD1.

Developer service reconciliation model

This has been updated to reflect changes in our new connections forecast and the change in actual connections in 2023/24 compared to our forecast in the business plan.

Residential retail reconciliation model

This has been updated to reflect the actual customers in 2023/24 being larger than forecast in the business plan, and the revenue recovered being lower than forecast.

Feeder models

We have updated and aligned our feeder models to the updated PD11, PD12 and PD1, these then flow into our final RR3 and RR6 tables. The feeder models updated are:

- RCV adjustment feeder model
- Revenue adjustment feeder model

Unchanged reconciliation models

In our draft determination response, there are several reconciliation models that have not changed since our business plan submission these are stated below:

- Innovation funding reconciliation model
- Bilateral entry adjustment
- Strategic regional water resources reconciliation models
- Land sales model
- Water trading incentive model
- Tax reconciliation model
- Cost of new debt indexation model
- Gearing outperformance model

These models the outputs have not change or are immaterial.

Finally, we have accepted Ofwat's amendments to the WINEP Reconciliation model and fed this into the data tables.