WSX53 - Retail tables commentary

Business plan 2025-2030

Wessex Water
YTL GROUP

FOR YOU. FOR LIFE.

WSX53 - Retail 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. RET1a

1.1. Lines 1-8 Operating expenditure

Operating costs increase progressively over the course of the next pricing period as a result of increasing bad debt costs being forecast, increasing £7.0m across AMP 8 from £11.7m in 2024-25 to £18.7m by 2029-30.

All other operating costs are forecast to increase by only £0.9m in total across the 5 years in AMP 8 which is supported by an expected increase in labour costs.

1.2. Lines 9-12 Depreciation

Depreciation increases across AMP8 due to the capitalisation of software assets during the last two years of AMP7 and first year of AMP8.

Retail depreciation is calculated on the same basis as all Wessex Water assets, that is, within the combined corporate database on the Unit4 Fixed Assets module. This database is subject to regular audits and reviews. In general, assets are capitalised on a Historic cost basis being the final capex cost of the project. On capitalisation each asset is assigned an asset life based on a table of standard asset lives that categorise assets into the most commonly used types. From the capitalisation date going forwards assets depreciate on a straight-line basis over the length of the asset life and the remaining asset life reduces correspondingly. By default assets are depreciated until all the original cost has been charged to depreciation, unless an active second-hand market and planned sale date indicates a positive final value (for example motor vehicles).

1.3. Lines 13-17 Recharges

Principal Use recharges are based on the proportional use of assets between the price controls. These decrease across AMP8 as the value of the assets decreases due to depreciation.

1.4. Lines 19-20

There are not considered to be any third party costs or pension deficit repair costs associated with this price control.

1.5. Line 22

Bad debts written off are expected to increase in line with the bad debt expense as noted above in 7.1.

1.6. Line 23 Capital expenditure

Capital expenditure is forecast to be £3.7m in 25-26 and 2026-27 as a result of the investment in the automated billing systems reaches its conclusion. The Capital expenditure is then reduced in the final years of AMP8 as only ongoing capital expenditure will be required.

1.7. Lines 24-29 Demand-side water efficiency and Customer leaks

Both of these forms of expenditure are expected to remain consistent throughout the remainder of AMP7 and throughout AMP8 and are expected to be fully funded by wholesale as is currently the case in AMP7.

2. RET1

2.1. Lines 1-8 Operating expenditure

Operating costs increase progressively over the course of the next pricing period as a result of increasing bad debt costs being forecast, increasing £6.1m across AMP 8 from £12.6m in 2024-25 to £18.7m by 2029-30.

All other operating costs are forecast to decrease by only £0.5m in total across the 5 years in AMP 8 which is supported by an expected decrease in labour costs.

2.2. Lines 9-12 Depreciation

Depreciation increases across AMP8 due to the capitalisation of software assets during the last two years of AMP7 and first year of AMP8.

Retail depreciation is calculated on the same basis as all Wessex Water assets, that is, within the combined corporate database on the Unit4 Fixed Assets module. This database is subject to regular audits and reviews. In general, assets are capitalised on a Historic cost basis being the final capex cost of the project. On capitalisation each asset is assigned an asset life based on a table of standard asset lives that categorise assets into the most commonly used types. From the capitalisation date going forwards assets depreciate on a straight-line basis over the length of the asset life and the remaining asset life reduces correspondingly. By default assets are depreciated until all the original cost has been charged to depreciation, unless an active second-hand market and planned sale date indicates a positive final value (for example motor vehicles).

2.3. Lines 13-17 Recharges

Principal Use recharges are based on the proportional use of assets between the price controls. These decrease across AMP8 as the value of the assets decreases due to depreciation.

2.4. Lines 19-20

There are not considered to be any third party costs or pension deficit repair costs associated with this price control.

2.5. Line 22

Bad debts written off are expected to increase in line with the bad debt expense as noted above in 7.1.

2.6. Line 23 Capital expenditure

Capital expenditure is forecast to be £3.7m in 25-26 and 2026-27 as a result of the investment in the automated billing systems reaches its conclusion. The Capital expenditure is then reduced in the final years of AMP8 as only ongoing capital expenditure will be required.

2.7. Lines 24-29 Demand-side water efficiency and Customer leaks

Both of these forms of expenditure are expected to remain consistent throughout the remainder of AMP7 and throughout AMP8 and are expected to be fully funded by wholesale as is currently the case in AMP7.

3. RET2

3.1. All lines

All lines contain actuals for 2022-23, please see our commentary for APR table 2F for these entries.

3.2. RET2.1

This line is equivalent to RR27.21 household, please refer to this table's commentary.

3.3. RET2.2

This line is equivalent to RR27.25 household, please refer to this table's commentary.

3.4. RET2.3

This line is equivalent to RET2.1 plus RET2.2.

3.5. RET2.4

There is no difference between this line and RET2.2 and the lines are therefore equivalent.

3.6. RET2.5

This line is zero for all years as we are not planning to sacrifice any revenue.

3.7. RET2.7-8

These lines are equivalent to the relevant years from SUP1A.4, please refer to this table's commentary.

3.8. RET2.9

Forecast allowed revenue for 2023-24 falls compared to 2022-23 because we deferred all ODI rewards (including C-MeX). We plan to recover this deferred revenue in 2024-25 in addition to our outperformance rewards for 2022-23, this results in a significant increase in allowed revenue for the year.

4. RET3

We do not need to submit this table.

5. RET4

We do not need to submit this table.