

# Appendix 5.9.C – Third party report – Mott MacDonald

Wessex Water

September 2018



**Wessex Water**  
YTL GROUP

Business plan section	Supporting document
	Board vision and executive summary
1	Engaging customers
2	Addressing affordability and vulnerability
3	Delivering outcomes for customers
4	Securing long term resilience
5	5.1 Protecting and enhancing the environment
	5.2 Using water efficiently
	5.3 Providing excellent drinking water quality
	5.4 Minimising sewer flooding
	5.5 Bioresources
	5.6 Maintaining our services
	5.7 Accommodating growth and new development
	5.8 Water resources bid assessment framework
	<b>5.9 Water resources RCV allocation</b>
	5.10 Bioresources RCV allocation
6	Markets & innovation: open systems & DPC
7	Markets & innovation: retail
8	Securing cost efficiency
9	Aligning risk and return
10	Financeability
11	Accounting for past delivery
12	Securing trust, confidence and assurance
13	Data tables and supporting commentaries

Phil Wickens,  
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**Your Reference**  
EAPS-01

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## **Assurance of the Water Resource RCV**

22<sup>nd</sup> August 2018

Dear Phil,

Water companies are required to estimate and publish the economic regulatory capital value (RCV) of their water resources asset base.

Ofwat asked companies to provide an early revaluation of their water resources assets and the current RCV of the existing asset base in 2017. It hopes this will bring transparency to the water resources market and potentially stimulate innovation and trading in water resources.

Any change in water resources RCV will be offset by a matching change in the water network-plus RCV, so that the overall RCV is unchanged and customer bills are not materially affected. It is important that estimates are robust since Ofwat intends to use them in price setting.

Companies may now revise their RCV estimates in their PR19 submissions, taking account of Ofwat's feedback from the early submission.

We visited your offices in June to review your revised water resources RCV calculation, which you intend to submit to Ofwat. This letter sets out the scope of our audit, findings, and concluding assurance statement.

### **Scope and approach**

We reviewed your revision of water resources RCV taking into account Ofwat feedback and our recommendations from our November review.

### **Results and findings**

You showed us your Water Resources RCV for Ofwat submission; the allowance spreadsheet, date table commentary and PR19 submission supporting document.

You showed how you have addressed Ofwat's main point of feedback, in that you have revalued both the Water Resources and the Water Network Plus RCV.

In our November audit we **recommended** that you check for and remove 'demolished' assets from your water resources RCV; and we understand this has yet to be considered.

**Assurance statement**

In my professional opinion, based on and to the extent disclosed by sampling carried out and as described above:

1. Wessex Water's water resources RCV allocation approach, which has not had any major changes since the initial submission, is reasonable and appropriate.
2. Ofwat's main recommendation from the early submission has been implemented, in that water resources and water network plus RCV has now been revalued in line with Ofwat's guidance.

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**Document record**

<b>Issue</b>	<b>Date</b>	<b>Author</b>	<b>Checker</b>	<b>Approver</b>	<b>Purpose</b>
1	04Jul18	A Heather	A Bujnowicz	A Heather	First issue
2	09Jul18	A Heather	A Nelson	A Heather	Date updated to A&R committee date.
3	22Aug18	A Heather	A Nelson	A Heather	Final issue

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