

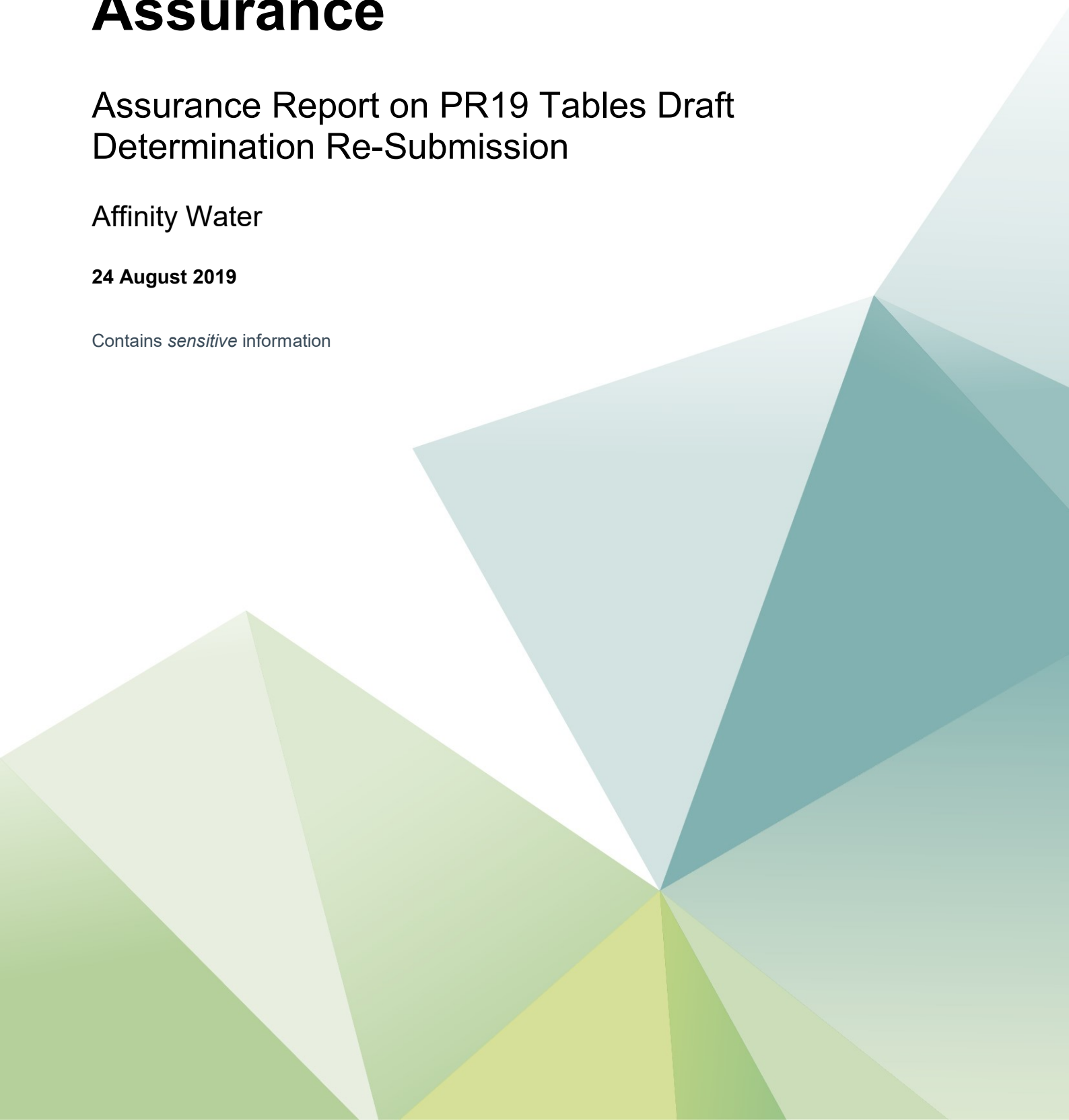
AMP6 Technical Assurance

Assurance Report on PR19 Tables Draft
Determination Re-Submission

Affinity Water

24 August 2019

Contains *sensitive* information



Notice

This document and its contents have been prepared and are intended solely for Affinity Water's information and use in relation to technical assurance on its PR19 Business Plan submission.

Atkins Limited assumes no responsibility to any other party in respect of or arising out of or in connection with this document and/or its contents.

This document has 18 pages including the cover.

Document history

Job number: 5160860						
Revision	Purpose description	Originated	Checked	Reviewed	Authorised	Date
Rev 1.0	Draft report to client	JPA/MB				19/08/2019
Rev 2.0	Final report	JPA/MB	KA/JAJ	BA	JPA	21/08/2019
Rev 3.0	Revised Final Report	JPA/MB			JPA	21/08/2019
Rev 4.0	Reviewed Final Report	JPA/MB	JAJ	JAJ	JPA	24/08/2019

Table of contents

Chapter	Pages
1. Introduction	4
1.1. Background	4
1.2. Report Structure	4
2. Scope of Work	4
3. Key Findings	6
3.1. PR19 DD Response	6
3.2. Conclusion	9
Appendices	11
Appendix A. Audit and Meeting Schedule	12
Appendix B. OC Tables Audit	13
1. Introduction	13
1.1. Background	13
1.2. Report Structure	13
2. Scope of Work	13
3. Key Findings	13
3.1. Table OC1	13
3.2. Tables OC2.1, OC2.2, OC2.3	16
3.3. Tables OC2.2	16
3.4. Table OC2.3	17
3.5. Table OC3	17
3.6. Table OC4	17
4. Conclusion	17

1. Introduction

1.1. Background

Atkins has been engaged by Affinity Water to provide technical assurance on its regulatory reporting and submissions to Ofwat, including its Annual Performance Report and PR19 Business Plan.

Ofwat has released its draft determination (DD) of Affinity Water's Business Plan. The Company has assessed the content of the DD and formed a view on whether it would accept or challenge Ofwat's assessment of the information provided in the Business Plan and adjustments in its April 2019 APR response. There have been further requests for information by Ofwat and new lines and tables of information, and the Company has identified data that need to be updated. The tables to be (re)submitted show changed data in red and a commentary is provided to explain the reason for the change.

The scope and coverage of Atkins' audits is intended to provide a third-party assurance process that integrates with the financial auditor activities to cover all material changes as defined by the Company to the tables within the PR19 DD response re-submission.

1.2. Report Structure

A summary of our scope of work for the PR19 DD response re-submission audits is provided in **Section 2** and our key findings are detailed in **Section 3**.

2. Scope of Work

The scope of our technical assurance activities was discussed and agreed with Affinity Water during a series of conference calls and email exchanges between 19th July and commencement of the audits on 12th August 2019. In broad terms our scope comprised:

1. A check on the data tables contained within our scope of work, to comment on whether they are:
 - Reliable, accurate and complete (based on our review and given any uncertainties in the base data)
 - Compliant with the table guidance in terms of methodology (including cost allocations between drivers and price controls)
 - Supported by commentary that complies with Ofwat guidance and reconciles with the technical cases as audited
2. A check on the new 'OC' data tables on outperformance and underperformance payments and changes to the DD in performance commitments and incentives to confirm that they reconcile with supporting evidence and data.

The Company policy in completing the tables was to mark key changes to existing tables in red and our scope was to consider these changes and the additional OC tables as per the table below. The scope was divided between Atkins and PWC.

Table and Line Numbers
App2 – Leakage additional information and old definition reporting (Section D - old reporting supply interruptions)
App2 – Leakage additional information and old definition reporting (All sections apart from D)
App3 – Abstraction Incentive Mechanism - Surface and ground water abstractions under AIM threshold
App5 - PR14 reconciliation – Performance Commitments - W-A4 (Sustainable Abstraction Reduction) and W-A5 (AIM)

R1 - Residential retail - Section B
R10 - PR14 Service Incentive Mechanism - Part D
R3 - Residential retail - Further information on bad debt (Block C)
WN1 - Wholesale water treatment (explanatory variables) - Lines 1-2
WN1 - Wholesale water treatment (explanatory variables) - Lines 3
WN1 - Wholesale water treatment (explanatory variables) - Lines 9-23
WN1 - Wholesale water treatment (explanatory variables) - Lines 24-37
WN1 - Wholesale water treatment (explanatory variables) - Line 40
WN1 - Wholesale water treatment (explanatory variables) - Lines 41-48
WN1 - Wholesale water treatment (explanatory variables) - Lines 49-56
WN2 - Wholesale water distribution (explanatory variables) - Lines 9-10
WN2 - Wholesale water distribution (explanatory variables) - Lines 13-20
WN2 - Wholesale water distribution (explanatory variables) - Lines 12, 21-27
WN2 - Wholesale water distribution (explanatory variables) - Line 31
WN2 - Wholesale water distribution (explanatory variables) - Line 32
WN2 - Wholesale water distribution (explanatory variables) - Line 42
WR1 - Wholesale water resources (explanatory variables) - Lines 1-8
WR1 - Wholesale water resources (explanatory variables) - Lines 9-17
WR1 - Wholesale water resources (explanatory variables) - Lines 20-21
WR1 - Wholesale water resources (explanatory variables) Line 23
WR6 - Water resources capacity forecasts
WR7 - New water resources capacity - Forecast cost of options beginning in 2020-25 - All lines except 15
WS1 - Wholesale water operating and capital expenditure by business unit - Part B
WS1 - Wholesale water operating and capital expenditure by business unit - Part D Line 25
WS18 - Explaining the 2019 Final Determination for the water service - Section F
WS2 - Wholesale water capital and operating enhancement expenditure by purpose
WS2a - Wholesale water cumulative capital enhancement expenditure by purpose
WS4 - Wholesale water other (Explanatory variables) – Lines 6-8
WS4 - Wholesale water other (Explanatory variables) – Lines 2-5

Contains *sensitive* information

Private and confidential

WS4 - Wholesale water other (Explanatory variables) – Line 12
AFW Table OC1
AFW Table OC2.1, OC2.2, OC2.3
AFW Table OC3
AFW Table OC4
Ofwat PR19 Company Representation proforma sheet RP4

The changes were either requests by Ofwat and accepted or declined, modifications to align with changes made in the July 2019 APR submission or additional information requests. We made observations on the clarity of the commentaries provided and changes were made to avoid ambiguity.

Our source documentation consisted of:

- Final version of the tables for audit
- Business Plan table ownership AFW tracker of Ofwat interventions' actions
- Revised tables and commentaries submitted during post April submission query process
- AFW Tables at end of April 2019
- AFW tables with key changes marked up in "red font"
- Representations Change Log
- Working (support) documents
- Extracts from the APR 2019 submission and Accounts
- Table commentaries

Our methodology was to track the "red font" changes in the submission table through the basis on which the changes indicated had been made. We compared the revised value with the tables per the April submission to confirm the change and then sought to understand the reason(s) (Ofwat decision, changed/better data, new data requirement or combination of more than one of these factors). Having established that the changes were appropriate on the basis of the substantiating documentation, we reviewed the commentaries to ascertain their existence, accuracy and to confirm that no inappropriate or potentially misleading statements were made.

3. Key Findings

3.1. PR19 DD Response

We confirm that Affinity Water has provided us with full and transparent access to its systems and processes, including unrestricted access to all systems, files and documents that we requested from the Company. During the assurance activities, we had free access to the Director of Regulation and her team and the full cooperation of the people responsible for preparing the PR19 DD Response re-submission and the supporting information.

Our audits of the data tables concentrated on confirming whether the data that had been entered satisfy the three criteria detailed in Section 2 (reliable, accurate, complete; compliant with guidance and supported by commentary). The audits took place from 12th to 16th August 2019.

We prepared a contemporaneous Issues Log and shared it on the Company's PR19 SharePoint site so that responses could be worked on immediately and the potential changes to the DD response could be managed by the Company.

The time needed by the Company to prepare its submission meant that some areas of audit were live, commentaries had not been completed and data was subject to movement due to linkages to other parts of the submission being audited either simultaneously or later. The audit was a pragmatic, dynamic process with the timetable flexing to optimise the audit and table preparation process.

There were 41 issues identified and logged during the course of the audit and assurance activities. All but 4 of the issues in the Issues Log were responded to and action taken by the Company, where appropriate. The outstanding issues all related to areas where commentary or further explanation was needed. We are aware that finalising work is ongoing at the time of issuing this report.

We noted that some of the commentaries may be considered to be concise, confining the narrative to the essence of the change made rather than conveying a full message. Our scope was to confirm that the commentary explained the change and we understand other assurance was to be carried out by other assurance providers around the messaging of the narrative.

We have not added a RAG classification to our findings below. The reporting of our findings on this round of audits was effectively binary; we were either satisfied or not that the criteria had been met. If we were not satisfied, changes were made. There were areas where the assessment must necessarily be a judgement of reasonableness, such as on the assessment of P10 and P90 values in the OC tables.

Summaries of the individual findings are provided below.

Table and Line Numbers	Date of Audit	Comment
App2 – Leakage additional information and old definition reporting (Section D – old reporting supply interruptions)	13/08/2019	Checks with supporting information confirmed.
App2 – Leakage additional information and old definition reporting (All sections apart from D)	13/08/2019	Checks with supporting information confirmed.
App3 – Abstraction Incentive Mechanism - Surface and ground water abstractions under the AIM threshold	12/08/2019*	No change to method and no concerns over the updated reported figures, which reconciled with supporting spreadsheets. Forecasts for 2019/20 have been amended to reflect the performance to date from April to July 2019, with an assumed performance of zero for the remainder of the year. No change to AMP7 forecasts. Minor clarification to commentary to state that the normalised AIM scores are provided to zero decimal places, rather than one decimal place as specified in the template.
App5 - PR14 reconciliation – Performance Commitments - W-A4 (Sustainable Abstraction Reduction) and W-A5 (AIM)	12/08/2019*	Table entries satisfactory following audit challenges and resulting changes.
R1 - Residential retail - Section B	12/08/2019	The contents of this table had been audited during previous rounds of PR19 audits, with PWC auditing £s and Atkins the population figures.
R10 - PR14 Service Incentive Mechanism - Part D	12/08/2019	Confirmed that changes had been made in accordance with the Ofwat Feeder Model published alongside the DD.
R3 - Residential retail - Further information on bad debt (Block C)	N/A	No change.
WN1 - Wholesale water treatment (Explanatory variables). Lines 1-3; Lines 9-37; Lines 40-56	12/08/2019*	Minor clarifications to commentaries for Lines 35, 36 and 41-48 following audits. No concerns identified over updated reported figures for these lines. WN1 Lines 35 and 36 – number of GW4 and GW5 works: Minor amendment to commentary required to reflect updates made to works classifications. Lines 41-48 – WTWs in size bands Clarification to

Contains *sensitive* information

Private and confidential

		commentary to reflect change from the use of production capacity to DI figures since the previous submission. Line 40 and WN2 Line 42 – Average pumping head, water treatment and distribution Commentary updated to reflect changes to APH apportionment at several sites. Figures were still being updated at the time of the audit following a review of the apportionment at several sites between distribution and treatment but did not change as a result of the audit as this update was already underway.
WN2 - Wholesale water distribution (Explanatory variables). Lines 9-10; Lines 13-20; Lines 31-32; Line 42 (excluding leakage)	12/08/2019*	Line 9 - Total capacity of booster pumping stations: Commentary updated to reflect APH updates; and Line 42 – Average pumping head, water treatment and distribution: Commentary updated to reflect changes to APH apportionment at several sites. Figures were still being updated at the time of the audit following a review of the apportionment at several sites between distribution and treatment but did not change as a result of the audit as this update was already underway.
WN2 - Wholesale water distribution (variables). Lines 12, 21 – 27 (leakage)	13/08/2019	Reviewed calculations and confirmed the alignment of the revised figures with the changed requirement for leakage (23% to 20% across AMP7) and reconciliation with dfWRMP and APP tables.
WR1 - Wholesale water resources (variables) Lines 1-8; Lines 9-17; Lines 20-21; Lines 23	12/08/2019*	Total capacity of intake and source pumping stations figures (Line 21) had been updated in line with the latest APH figures. Update to commentary made following audit in line with this. No issues identified with figures which were still being finalised at the time of the audit to reflect the latest APH figures, but did not change as a result of the audit as this updated was already underway.
WR6 - Water resources capacity forecasts	12/08/2019*	Capacity changes for SE zone due to change in bulk transfer agreement with SEW and SRN. This was previously included as an option, but Ofwat requested change leading to data to be moved between lines. Changes confirmed.
WR7 - New water resources capacity ~ forecast cost of options beginning in 2020-25 - All lines except 15	12/08/2019	Presentational changes requested by Ofwat. Some changes made for consistency with WR6. Changes confirmed.
WS1 - Wholesale water operating and capital expenditure by business unit - Part B	15/08/2019	PWC audit lines 12-13 (IRE adjustments). Lines 18-19 checked against published accounts. Confirmed that sum of Lines 14-16 in WS1 = sum of enhanced capex on WS2
WS1 - Wholesale water operating and capital expenditure by business unit - Part D line 25	Not audited	Calculated line.
WS18 - Explaining the 2019 Final Determination for the water service - Section F	16/08/2019	Checked through supporting information and indices and confirmed changes.

WS2 - Wholesale water capital and operating enhancement expenditure by purpose	15/08/2019	Updated to ensure 2018/19 figures consistent with accounts. Company policy that there are no changes to forecast for final year of AMP6. Accommodated Ofwat changes to unit costs and allocation to base or opex.
WS2a - Wholesale water cumulative capital enhancement expenditure by purpose	15/08/2019	The cumulative figures were confirmed. Schemes with revised rates, disallowed or moved to base by Ofwat were deleted or adjusted. WFD Catchment Management and Sustainability allowed but 5% efficiency imposed. Extra costs for Runley Wood included. Figures now match the Ofwat feeder model.
WS4 - Wholesale water other (Explanatory variables) – Lines 6 - 8	12/08/2019	The Company has decided not to update the forecast and 2018/19 figures in line with the reported actual 2018/19 figures seen at the APR audit. Changes to APH figures, however had resulted in changes to the apportionment between water resources and network, and we could follow the audit trail for these.
WS4 - Wholesale water other (Explanatory variables) Lines 2-5 and 12	12/08/2019*	AMP7 forecast had been updated as a result of the change to the leakage forecast. No issues identified with updated figures.
AFW Table OC1	15/08/2019	All P10 and P90 figures traced back to the PA report and transcription from earlier submissions where appropriate. Minor adjustment made to PCC figure to remove error.
AFW Table OC2.1, OC2.2, OC2.3	14/08/2019	All shadow reported figures traced back to earlier publications or background data provided.
AFW Table OC3	14/08/2019	No new data for previously included PCs.
AFW Table OC4	14/08/2019	All shadow reported figures traced back to earlier publications or background data provided (including bespoke PCs recorded in OC2.1, OC2.2, OC2,3)
Ofwat PR19 Company Representation proforma sheet RP4	16/08/2019	We reviewed the most up to date version at the time of submitting this report and it was in our view a fair representation of the changes required and made.

*These audits were followed up remotely on 15th August 2019

3.2. Conclusion

Our conclusion encapsulates observations we made during the audit on aspects of Affinity Water's PR19 Response Re-submission. For the areas we covered and from the information we have been provided with, we conclude that the Company has a full understanding of and has sufficient processes and internal systems of control to meet its reporting obligations. We also conclude that the Company has appropriate systems and processes in place to allow it to manage its reporting risks.

We confirm that Affinity Water has provided us with full and transparent access to its systems and processes, including unrestricted access to all systems, files and documents that we requested from the Company. During the assurance activities, we had free access to the Director of Regulation and her team and the full cooperation of the people responsible for preparing the PR19 DD Response Re-submission and the supporting information.

The issues from the audits and subsequent interactions were compiled into an Issues Log, which was used to manage the resolution of reporting issues before the finalisation of the Company re-submission. In a series of approximately 15 meetings during the week of 12th to 16th August 2019, we carried out audits designed to confirm whether:

- Affinity Water has appropriate systems, procedures and reporting mechanisms in place to control and meet its reporting obligations.
- Affinity Water understands the accuracy of the data that it is providing and is able to identify where specific reported data may not be appropriate to meet regulatory expectations. Many of the items that we audit inherently contain an element of uncertainty, so it is not possible to assure their absolute accuracy.
- The key assumptions and processes that are used to report are consistent.
- The methodologies that have been used for reporting are consistent with the technical guidance that has been published by Ofwat.

We traced reported data back to data sources and information systems. There were 41 items of reported data where we identified some errors in calculations and/or areas of misunderstanding in relation to the reporting guidelines or commentary shortfalls. All but 4 of these were addressed prior to our finalising this report. These all concerned shortfalls in the commentary. We are aware that work on the submission was still ongoing at that time. There are some areas where our assurance is limited to confirming that the figures in reports have been transposed accurately.

While we observed a number of issues for which we provided comment, we believe these have been rectified or do not impact materially upon the potential to sign off the Company re-submission.

Appendices

Contains *sensitive* information

Private and confidential

Atkins Assurance Report on PR19 Tables Re-submission | Version 2.0 | 21 August 2019 | 5160860 /
Report on PR19 Tables Re-Submission | Version 1.0 | 19 August 2019 | 5160860

Appendix A. Audit and Meeting Schedule

Table	Auditor(s)	AW Auditee(s)	Date
Kick-off meeting	Monica Barker / Jonathan Archer	Dina Pope	12/08/2019
WN1, WN2, WR1, WS4, App3, App5	Monica Barker	Jane Hunt, Natalie Fitzpatrick, Karinn Locke, Mike Collin, Jon Weaver, Ritchie Carruthers, Dan Yarker	12/08/2019
R1	Jonathan Archer	Ben Drake	12/08/2019
WR6, WR7	Jonathan Archer	Ritchie Caruthers	12/08/2019
WS1, WS2, WS2a	Jonathan Archer	Sarah Sayer	12/08/2019
R10	Jonathan Archer	Martin Hall	12/08/2019
APP2, WN2	Jonathan Archer	Ritchie Caruthers	13/08/2019
OC1, OC2.1, OC2.2, OC2.3	Jonathan Archer	Martin Hall Marie Whaley	14/08/2019
WS1, WS2, WS2a	Jonathan Archer	Sarah Sayer	15/08/2019
OC4	Jonathan Archer	Max Gamrat	15/08/2019
WS18	Jonathan Archer	Chris Stavrou, Patrick Daws	16/08/2019
Ofwat PR19 Company Representation Pro Forma Sheet	Jonathan Archer	Max Gamrat	16/08/2019
N/A	Jonathan Archer	Board	22/08/2019
OC1, OC2.1, OC2.2, OC2.3, OC3, OC4	Jonathan Archer	Martin Hall, Max Gamrat	22/08/2019

Appendix B. OC Tables Audit

1. Introduction

1.1. Background

Based on the PR19 guidance updates from Ofwat received on Tuesday 20th August and Thursday 22nd August, Affinity Water elected to review and re-populate its ODI Draft Determination OC tables using a new methodology.

The Ofwat documentation sought to bring the water companies' assessments of P₉₀ and P₁₀ more in line with each other by considering the submitted plans, identifying outliers and making offset adjustments to the performance commitment and associated P₉₀ and P₁₀ and indicating adjustment factors to apply to the difference between the performance commitment and associated P₉₀ and P₁₀ values.

1.2. Report Structure

This appendix is structured as an emulation of the main report that can be read as a standalone report, but in the context of the main report. A summary of our scope of work is provided in Section 2, key findings are detailed in Section 3 and conclusions in Section 4.

2. Scope of Work

The overall scope of our technical assurance activities for the Draft Determination Re-submission was discussed and agreed with Affinity Water during a series of conference calls and email exchanges between 19th July and commencement of the audits on 12th August 2019. This is covered above in the main report. The scope for the OC Tables Audit was discussed and agreed on the same day as the audit (22nd August 2019) as follows:

- Review and assure the content of OC1 Data Table – including performance levels and associated reward and penalty payments for all 28 performance commitments
- Review and assure the content of the OC2.1, OC2.2, OC2.3 Tables – Including any changes to the performance commitments that Affinity Water is representing on (Bursts, DG2, Interruptions > 12 hrs, Water Quality contacts, Cyber Security and River Restoration)
- Appraise methodology for calculation of P₁₀ and P₉₀ values used in Tables OC1 and OC2
- Review Commentary for OC1 and OC2

3. Key Findings

3.1. Table OC1

The Company's interpretation of the Ofwat documentation was to make offset adjustments to the performance commitment and associated P₉₀ and P₁₀ in accordance with the Draft Determination, using Ofwat's adjustment factors to apply to the difference between the performance commitment and associated P₉₀ and P₁₀ values. The guidance was ambiguous on the adjustment of the P₁₀ value. We believe the Company's interpretation to be reasonable and note that this assumption is clearly exposed in its commentary.

Guidance for Table OC1 requires that P₉₀ and P₁₀ values and associated costs be input without changing the Draft Determination figures (i.e. without representation adjustments). The data used to revise and populate the table were traced back to the Draft Determination document; the PR19 guidance updates from Ofwat received on Tuesday 20th August and Thursday the 22nd August; and the Company's Business Plan data, adjusted

Contains *sensitive* information

Private and confidential

Atkins Assurance Report on PR19 Tables Re-submission | Version 4.0 | 24 August 2019 | 5160860

where relevant at IAP and APR. On completion of the audit, all errors identified had been corrected. Details of the 28 line entries are as follows:

Water quality compliance (CRI)

No change from previous audits and no P₉₀ costs included.

Water supply interruptions

Changed to accommodate Ofwat's revised methodology. We noted errors in the units reported, but this was rectified.

Leakage (Megalitres per day, three-year average, absolute level)

Changed to accommodate Ofwat's revised methodology.

Leakage (Megalitres per day, three-year average, % reduction from 2019-20 baseline)

No entries made as is function of the Leakage (Megalitres per day, three-year average, absolute level).

Per capita consumption (Litres per person per day, three-year average, absolute level)

Adjusted using Ofwat "standard" numbers.

Per capita consumption (Litres per person per day, three-year average, % reduction from 2019-20 baseline)

No entries made as is function of the Per capita consumption (Litres per person per day, three-year average, % reduction from 2019-20 baseline).

Mains repairs

Checked as correct. Correctly entered per Draft Determination rather than representation.

Unplanned outage

Errors noted and corrected.

Risk of severe restrictions in a drought

Entered as N/A on basis that it is a reputational measure.

Priority services for customers in vulnerable circumstances

Entered as N/A on basis that it is a reputational measure.

Average time properties experience low pressure

Entered as N/A on basis that it is a reputational measure.

Customers in vulnerable circumstances satisfied with our service (receiving financial help)

Entered as N/A on basis that it is a reputational measure.

Customers in vulnerable circumstances who found us easy to deal with (receiving financial help)

Entered as N/A on basis that it is a reputational measure.

Environmental innovation - delivery of community projects

Checked as correct.

Contains *sensitive* information

Private and confidential

Reducing the total number of void properties by identifying false voids

Checked as correct.

River restoration

Checked as correct.

Abstraction reduction

Errors noted and corrected.

Number of sources operating under the Abstraction Incentive Mechanism

Checked as correct.

Properties at risk of receiving low pressure

Errors noted and corrected.

Number of occupied properties not billed (Gap sites)

Checked as correct.

Unplanned interruptions to supply over 12 hours

Entered as N/A on basis that it is a reputational measure.

Customer contacts for discolouration

Errors noted and corrected.

BSI accreditation

Payments entered as N/A on basis that it is a reputational measure. P₁₀ entered as Not Maintained and P₉₀ as Maintained.

Cyber security & resilience

Entered as N/A on basis that it is a reputational measure.

Customers in vulnerable circumstances satisfied with our service (not receiving financial help)

Entered as N/A on basis that it is a reputational measure.

Customers in vulnerable circumstances who found us easy to deal with (not receiving financial help)

Entered as N/A on basis that it is a reputational measure.

Value for Money Survey

Entered as N/A on basis that it is a reputational measure.

WINEP Delivery

Payments entered as N/A on basis that it is a reputational measure. P₁₀ entered as Not Met and P₉₀ as Met.

General

The Ofwat guidance on completion of Table OC1 requires estimates of P₁₀ and P₉₀ performance levels wherever this is practically feasible. The Company has done this. We note that for PCs with reputational

Contains *sensitive* information

Private and confidential

incentives, Ofwat wants the Company to provide P₁₀ and P₉₀ performance levels where possible and enter 0 into the P₁₀ and P₉₀ payment columns. We note that the Company has in general put N/A rather than 0. This should be changed before submission.

When completing this table companies should not account for any PC/ODI parameter changes that they are proposing in their representations. Instead, companies should take the draft determination parameters as fixed. We believe the Company to have followed this guidance

3.2. Tables OC2.1, OC2.2, OC2.3

Table OC2.1 includes the PC/ODI parameters for performance commitments included in the draft determination, expressed in standardised measurement units. It is used to record all changes to PC/ODI parameters proposed in the draft determination re-submission representations. The working copy of Table OC2.1 we saw included the removal of “Customer contacts for discolouration” (to be replaced by a more comprehensive measure) and “Cyber security and resilience” (to be more appropriately named).

The changes we reviewed and checked were to “Mains repairs”, “River restoration”, “Properties at risk of receiving low pressure” and “Unplanned interruptions to supply over 12 hours”. This aligned with our understanding of the representations to be made.

We note that the working copy of Table OC2.1 we saw showed a fully completed block of data for the P₁₀, P₉₀ and associated costs. It is our understanding that only the changes should be included.

Mains repairs

Data has been entered based upon a PC equating to the mean of a normal distribution model for the last 9 years of outturn, and P₁₀ and P₉₀ following Ofwat guidance. The penalty rate has been lowered to £0.096m/unit compared to the previous £0.160m/unit. We noted an error in the P₁₀ values which was corrected at audit.

River restoration

Data entered to reflect addition of reward rate which was based upon the EA published rate.

Properties at risk of receiving low pressure

Data entered to restore the penalty rate from £0.4592/unit to £0.105/unit, per the IAP.

Unplanned interruptions to supply over 12 hours

Entered to change the measure to non-financial.

Customer contacts for discolouration

Removed to be replaced by an alternative water aesthetics measure.

Cyber security and resilience

Removed to make the measure name more relevant.

General

We note that the working copy of Table OC2.1 we saw showed a fully completed block of data for the P₁₀, P₉₀ and associated costs. Only the changes should be included.

3.3. Tables OC2.2

Table OC2.2 is PC/ODI parameters for performance commitments included in the Draft Determination, expressed in alternative measurement units (in line with Post-IAP App1 table submission). There were no entries for this table.

3.4. Table OC2.3

Table OC2.3 is PC/ODI parameters for additional performance commitments proposed as part of the Draft Determination representations. The included measures are “IT Resilience” (to replace the previously included “Cyber security and resilience” measure using the same data with a more representative name); and “Customer contacts per 1,000 population for Water Quality (taste, odour & appearance)” (to replace and expand upon the remit of the previously included “Customer contacts for discolouration” measure).

We reviewed the basis of the data input for the “Customer contacts per 1,000 population for Water Quality (taste, odour & appearance)” measure. We confirmed the supporting information and note that there was an explanation in the commentary about why the current year forecast performance is better than the target proposed for AMP7.

3.5. Table OC3

Table OC3 is the ODI rate input data for performance commitments included in Draft Determination as well as additional bespoke performance commitments recorded in Table OC2.3. The bespoke measures reflected what we had reviewed for Table OC2.3.

3.6. Table OC4

Table OC4 is the Shadow performance reporting data for performance commitments included in the Draft Determination as well as additional bespoke performance commitments recorded in Table OC2.3. We confirmed the reported data against supporting data.

4. Conclusion

Our conclusion encapsulates observations we made during the supplementary audit Affinity Water’s PR19 Response Re-submission Tables OC1, OC2.1, 2.2, 2.3, OC3 and OC4.

The audit was carried out with live adjustments made at the time. We saw the tables in full and believe that the Company has applied the Ofwat requirements correctly, other than where we have raised minor concerns above, which the Company confirmed in correspondence received on 23rd August that it is addressing. We also suggest the Company revisits the guidance and completion guidelines in detail to confirm adherence to the requirements for the tables.

We reviewed the commentary for Tables OC1 and OC2, which was in draft form. We believe the commentary to be satisfactory, subject to minor typo and grammatical adjustments.

Jonathan Archer
Atkins Ltd

Email: jonathan.archer@atkinsglobal.com
Direct telephone: 01372 756647

© Atkins Ltd except where stated otherwise.

The Atkins logo, 'Carbon Critical Design' and the strapline
'Plan Design Enable' are trademarks of Atkins Ltd.