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Revenue Forecasting Incentive
Mechanism for AMP6 Consultation
Markets and Economics Division
Ofwat
Centre City Tower
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Date: 4th June 2014

Ref: REG/CON

Dear Sirs,

**Consultation on the Revenue Forecasting Incentive Mechanism
for AMP 6**

Thank you for giving us the opportunity to comment on your proposals. We are firmly of the view that it is in any company's interest to forecast accurately with there being no incentive to do otherwise. However, we have reviewed the proposal and, if you were minded to put forward such a mechanism, we would be content with the proposed method of operation.

We welcome the confirmation that the proposed approach will not be mechanistic and there would be some flexibility in order to accommodate the impact of changes which may occur during the course of the year, particularly those that would or could not have been anticipated when the original forecasts were prepared. A good example would be the recent determination on Celestia.

With regard to the question of extending the mechanism to cover the retail control, we believe that it would be beneficial if there was a consistent approach to all revenue forecasting including non-contestable retail.

I hope that you find these comments helpful – we would of course be happy to expand on any of these points.

Yours sincerely

Mike Davis

Regulation Director

glas
Glas Cymru Cyfyngedig

We welcome correspondence in Welsh and English
Rydym yn croesawu gohebiaeth yn y Gymraeg neu yn Saesneg