

Water2020
Ofwat
City Centre Tower
7 Hill Street
Birmingham
B5 4UA

Tel 01480 323266
Fax 01480 311057

4th November 2016

Dear Ofwat

Consultation on the final 2014-15 reconciliation

These are our comments on the proposals for completing the reconciliation of AMP5 incentive arrangements following consideration of performance and other updated information in the final year.

Serviceability

In the consultation Ofwat proposes to assess the serviceability of our water infrastructure assets as marginal and, as a consequence, to apply a shortfall. Ofwat's assessment is based solely against the supply interruptions measure, where two major incidents in 2014-15 caused our performance to rise above the upper control limit.

In our February submission on year 5 performance we set out the background to the two incidents and evidence to support their exclusion from the assessment. We are pleased that Ofwat accepted our evidence in respect of the Caister incident and disappointed that it rejected the case for the Littleport incident. We have no further evidence to offer in support of excluding Littleport but ask that Ofwat reviews our submission again.

Reconciliation adjustments for the Revenue Control Mechanism (RCM)

In the consultation Ofwat invited us to propose how we would like to apply the final reconciliation adjustments for the RCM. We have considered the sign and scale of the RCM adjustments in the context of our current view of future bill profiles and our general objective of minimising bill volatility for customers. On this basis we propose to apply the RCM adjustments to 2017-18 bills.

Yours sincerely

A handwritten signature in black ink on a light-colored background. The signature reads "Jean Spencer" in a cursive, slightly slanted script.

Jean Spencer
Regulation Director