

2 November 2016

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[BY EMAIL ONLY]

Dear Ofwat

Consultation on final 2010-15 reconciliation

The consultation asked us to explain how we intend to recover the final adjustment related to the PR09 Revenue Correction Mechanism (RCM). We intend to recover the full amount through wholesale charges in 2017-18.

The adjustment represents c.0.5% of annual allowed revenue. Our allowed 'K factor' for 2017-18 is lower than in future years and we over-recovered revenue in 2015-16. Taking these real adjustments into account, and an assumed November RPI of 2%, our indicative wholesale charges for 2017-18 show an increase of c.0.25%. We therefore consider that including the adjustment in next year's charges will help minimise bill volatility for customers.

If you would like to discuss this further please get in touch with Joanna Campbell, Economic Regulation Manager (JoannaC@waterplc.com, 01737 785 692).

Yours faithfully



John Chadwick
Finance and Regulation Director