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To Whom It May Concern

**Re: Consultation on economic asset valuation for the bioresources
RCV allocation at PR19**

Anglian Water is pleased to respond to this consultation. We broadly support the proposals set out in the consultation and agree that it makes sense to use the future economic value of assets approach to carry out a valuation for the Bioresources control. Commercial valuations can be done in different ways, and in that regard, we welcome specific guidance from Ofwat, as this will ensure that a consistent valuation methodology is applied across the industry. We also agree that companies should undertake cross-checks and consider the impact on their customers.

Our responses to the specific consultation questions are attached.

Yours faithfully

Jean Spencer
Regulation Director

Annex One – Consultation question responses

Q1. Do you agree that the focused RCV allocation should be based on the economic value of assets as set out in section 3? If you disagree, please explain what variations to this approach, or alternative approach, you prefer and why it would be more desirable than our preferred approach. Please include in your explanation how it would meet the objectives of the focused allocation of pre-2020 RCV to the bioresources control.

Yes, we agree.

Q2. Do you agree that companies should consider impact on customers and markets and propose an alternative RCV allocation if this will better protect customers, including by promoting a level playing field for markets?

Yes, we agree.

Q3. Do you agree that the assumptions in table 4.1 are appropriate for companies to use for the valuation exercise? We welcome any comments on these assumptions; suggestions of further assumptions you consider all companies should use; or requests for clarification. If you disagree that any of the above assumptions are appropriate to be used by all companies please explain why and if relevant suggest an alternative.

In principle we agree with the assumptions. However, we would suggest that companies can also consider actual throughputs, not just the size bands. Also, to ensure that accurate comparisons can be made across companies, it should be clear whether management and general expenditure should be excluded from the calculations. In general, there may be the need for more specific guidance to ensure consistent allocations are made by companies.

Q4. Do you agree that the assumptions in table 4.2 are appropriate for companies to use for the valuation exercise? We welcome any comments on these assumptions; suggestions of further assumptions you consider all companies should use; or requests for clarification. If you disagree that any of the above assumptions are appropriate to be used by all companies please explain why and if relevant suggest an alternative.

As in question 3, to make sensible comparison across companies, we suggest that more specific guidance is given on the output design standard to ensure there is consistency across the industry.

Q5. Do you have any further suggestions of potentially useful cross checks, beyond those presented in table 4.4 that companies may want to consider?

We believe that the approaches set out are sufficient to provide a reasonable cross-check for the RCV allocation.

Q6. Do you have any comments on our timetable?

The due date for submission, 29th September, is tight considering the amount of work involved and the assurance expectations, but we understand the need to progress this quickly.

Q7. Do you have any comments on our assurance expectations?

The proposed assurance expectations seem appropriate given the potential implications for customers.

Q8. Do you agree that companies should publish information on their websites to allow other stakeholders to comment, and when this could happen?

We agree that information that aids the development of markets should be published, and we have taken the lead in publishing Bioresources trading data on our website ahead of the required time. However, economic valuation information that will determine the allocation of the RCV is commercially sensitive, and we suggest that this information is published after the Draft Determination stage.

Q9. At what level of detail do you think that this information should be published at? Please comment as to what you consider the benefits or disadvantages to companies publishing information at a site level?

We believe that data should be published at site level. This will allow comparison of valuations on a technology by technology basis.

Q10. Do you have any comments or require any clarification on the proposed tables? Where you have alternative proposals, please set out how this meets the objectives of the asset valuation for the purposes of allocating the legacy wastewater RCV to the bioresources control.

None at this stage.