

PR24 draft methodology webinars: Financial modelling – questions and answers

14 July 2022

1. Will you be putting in a mapping tool for the data tables to model inputs in? (South West Water)

Our aim is to make sure that the input data tables and the inputs to the model align as much as possible and have a similar structure. We see no need for a mapping tool, as long as the two are aligned to allow users to copy and paste between them. The hope is that you won't need a mapping tool as model and data tables will be structured the same.

2. Will there be guidance as to how companies will input the balance sheet based on a notional basis? (South Staffs Water)

We will take this away. We will look into this and respond in due course.

3. Can you please confirm that companies are only expected to populate data up to March 2030 (as the model goes to 2041)? (Anglian Water)

We can't confirm that at the moment. The data tables have ten years of data in them, so I think that is our expectation. Being able to see beyond the five-year period in terms of the model is our current expectation based on the inputs coming into the model.

4. Is there an easy way of switching the model to an actual structure? Are there data tables that require actual structure financial statements? (Portsmouth Water)

The model is focused primarily on a notional basis, that is what it is designed for. There is a data table that calculates actual structure financial ratios. This is to enable us to be able to form a judgement on the board statement around financial resilience. The model is not set up to form actual structure financial statements at present.

5. Are there dedicated feeder sheets in the Financial Model summarising the inputs required for the 'ODI outcomes' and 'RoRE' models? (South East Water)

There aren't sheets in there at the moment for those. This is something we can take away and think about.

6. Openbox looks great – a more detailed session, or perhaps a workshop, where Ofwat talks through some examples and things in more detail would be helpful, e.g., the link between Openbox and Excel. (Wessex Water)

It is great that you like the look of it as well. We think it is a really good tool. We don't see why we can't do a session at some point to go into more detail on this.

7. Will there be a rulebook that shows the flow and guidance about model flows? (SES Water)

We are not planning to produce a rulebook in the same way we did at PR19. We have published a user guide along with the model and anything we think that is important to flag to you we will include in the user guide. With the way the model is built, the user guide and the Openbox focus mode, the model should be able to explain itself to you. We plan to rely on these rather than producing a dedicated rulebook.

8. Thanks for the demo – really helpful. What's the best way to ask questions and provide feedback in the future? (Thames Water)

If you have queries you can put it in through the queries process, you can also reach us through the consultation response and if it is after that time, you can reach out to us as we would like to know if you identify any issues with the model.

9. Is it possible to have more blank scenario areas pre-populated than the three? Thought it might be easier for you to set up on your end with OpenBox, etc. (Thames Water)

It may be possible; it does take time to set those up so there is a cost in terms of model build time. We're thinking at the moment that three is probably enough. If you are really looking to do more scenarios you may want to look at two versions of the model. We have things we know we want to address before the final model, so adding additional scenarios is lower down on our priority list.

10. You mentioned that you had reconciled the PR24 model to the PR19 model. Were there any reconciling differences? (South Staffs Water)

The approach to debt is slightly different, in that in PR19 index-linked debt was fixed at the beginning of the period and as new debt was added, that would come in

as fixed-rate debt. The new model rebalances index-linked debt each year in the model.

11. Thanks for a useful session. Will you be sharing the slide deck and recording after the call? (South East Water)

We will be sharing the slide deck. We will not be sharing the recording but will be sharing the questions and answers.