

Our Ref: PK/LAT/Ofwat

21 October 2022

Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA



SES Water
London Road
Redhill, Surrey,
RH1 1LJ
Telephone: 01737 772000
Facsimile: 01737 766807
Website: www.seswater.co.uk
Email: contactus@seswater.co.uk

Dear Sirs

Draft determination of SES Water's in-period outcome delivery incentives for 2021-22

Thank you for the opportunity to respond to Ofwat's draft determination of SES Water's in-period outcome delivery incentives (ODIs) for 2021-22. This letter provides our response to Ofwat's consultation on its draft determination.

For the most part we agree and accept the proposed decisions in Ofwat's draft determination, which are largely consistent with the submitted data and commentary in our Annual Performance Report (APR) issued in July 2022. We are, however, concerned with Ofwat's proposed intervention to not include our reported ODI outperformance payment for leakage in 2021-22 (£0.277m). We consider:

- Our July 2022 APR to be fully compliant with Ofwat's leakage reporting guidance and the performance commitment (PC) methodology for the PR19 leakage ODI (as assured by our external technical advisor, Mott MacDonald), and
- Our reported payment for leakage outperformance a justified reward for the real benefits that we have achieved for our customers in the past year as a result of the new and innovative processes and technological interventions that the business has successfully made to improve our leakage performance.

We consider ourselves a leading performer in leakage (as identified by Ofwat at the PR19 review) and have high confidence in the robust processes, calculations and software/systems that we have consistently applied to generate our reported leakage value for 2021-22 and previous years.

Attached to this letter we provide a detailed response to Ofwat's proposed intervention on the 2021-22 leakage ODI payment. While we know our reported water balance gap for 2021-22 (4.9%) is larger than is considered good practice by Ofwat, and above the 3% lower threshold in Ofwat's company compliance checklist (16e) in the reporting guidance:

- We continue to conclude our APR and reported leakage performance is consistent and compliant with Ofwat's methodology and reporting guidelines. Attached as an appendix to this response is an updated summary assurance report from Mott MacDonald confirming this conclusion.
- We have calculated leakage consistently according to the new (common) methodology applied by the sector since the start of AMP7 and in setting our baseline reporting back to the 2017-18 APR year. Given the consistency of our methodology and our reported water balance gap throughout the 5-year period, our reported leakage value is a true and

accurate reflection of the leakage performance improvement achieved by the business in support of the proposed ODI payment for 2021-22.

- Crucially, we consider the water balance gap is not material to the accuracy of our reported leakage performance improvement for 2021-22 compared to the PC targets given how these are set in PR19. That is, Ofwat and our customers can be confident that a real benefit has been achieved from our proposed ODI payment, as the reported water balance gap does not materially impact the confidence in the reported leakage performance reduction for 2021-22.
- We are confident in our reported leakage reduction for the period given the robust and consistent reporting processes that we have applied, the well understood impacts of external drivers (including the impacts of weather (e.g., storms) and the Covid-19 pandemic) on our year-on-year leakage performance, and the leakage reduction strategies that we have been able to successfully implement during the period, including:
 - installing enhanced pressure management in the SES Water network;
 - introducing intelligent network processes and technologies; and
 - improving the efficiency of our active leakage control¹ activities.

These are measures consistent with SES Water continuing to be a leading performer in leakage and overall network integrity and resilience, driving operational improvement within the sector, and

- We consider the achievement in the reduction of leakage to have provided genuine benefit to our customers.

Notwithstanding these points, Ofwat's draft determination leaves SES Water in a situation of considerable regulatory uncertainty given that Ofwat provides limited indication in its draft decision of the process in subsequent years it would apply to reinstate our 2021-22 ODI payment. This contrasts with a scenario where if our water balance had been greater than a 5% limit – the actual discrepancy Ofwat identifies in its guidance as indicating a significant inconsistency in one or more of the major components of the water balance² – we would have clarity of the expected and required regulatory treatment of our reported average leakage values.

In light of our submission, and the external assurance we have been provided on this issue, we consider Ofwat should reconsider its decision and reinstate our reported leakage ODI payment for 2021-22 in its final determination. We note the short timeline between the closing date for this consultation (21 October) and Ofwat's Final Determination (15 November). Given the significance of the issues in the determination, we ask that Ofwat engage with our management team as a priority to discuss our response and considered view that SES Water should be permitted to recover an ODI reward for achieving leakage outperformance in 2021-22.

We look forward to your response and further engagement on this issue.

Yours faithfully

[Redacted signature]

CFO & Regulation Director

¹ Through keeping our job numbers low and trailing innovative leak detection methods, such as satellite leakage technology.

² Therefore, the reliance that can be placed on the post maximum likelihood estimate (MLE) value of average leakage is reduced.

Appendix A: Detailed response to Ofwat’s draft determination on leakage in-period Outcome Delivery Incentives for 2021-22

This appendix sets out SES Water’s detailed response to Ofwat’s draft determination on the leakage ODI for 2021-22. It is supported by a Mott MacDonald summary assurance report attached in Appendix B.

1. Background and context

In Ofwat’s Reporting Guidance for Leakage³ the ‘water balance gap’ is an important concept for all companies to report annual average leakage (MI/d) using a consistent method and common set of assumptions. The water balance is defined by Ofwat as:

“The difference between distribution input and the sum of water delivered to customers, a company’s own water use, water delivered unbilled, distribution system use and leakage. The water balance gap is positive where distribution input is >the sum of components and negative where distribution input is < the sum of components.”⁴

Once the water balance and its individual components have been established, the gap is distributed across the components of the water balance by reference to the size and the uncertainty surrounding each component of the water balance.

Ofwat’s leakage reporting guidance expects that this will be achieved by reference to the Maximum Likelihood Estimation (MLE) values of each of the individual components of the water balance; that is, the reported gap is split amongst the components of the water balance according to the uncertainties assigned to them in the modelling process. Reported total leakage is then taken as the sum of the post MLE values for distribution leakage, including supply pipe leakage, and trunk main / service reservoir leakage.

In Ofwat’s guidance a water balance gap of:

- +/- 2% is considered good practice;
- > 5% or < -5% indicates a significant inconsistency in one or more of the major components;
- Greater than a lower threshold of +/-3% requires an explanation from the company of the reasons for the water balance gap.

Ofwat states that a “*water balance gap >5% or < - 5% is too wide for a valid MLE adjustment to be carried out. In this instance, any water balance gap in excess of the +5% gap, expressed as MI/d, shall be added to the leakage component. In addition, for any water balance gap >5% or < -5% a review of all material components of the water balance gap is required.*”⁵

Ofwat⁶ also provides guidance and requirements on how companies should apply the MLE methodology to each component of the water balance. This includes:

- the requirement for companies to justify the confidence intervals that it uses in the MLE methodology to allocate the water balance gap to individual components and provide evidence of how these are derived; and
- requirements for the ranges of the confidence intervals that are used for the fully measured components of the water balance.

³ Ofwat (2018): ‘Final reporting guidance for PR19 – Leakage’

⁴ Ibid., p. 21

⁵ Ibid., p. 21

⁶ Ibid., p. 22-23.

Only in Annex A (company checklist) of Ofwat's reporting guidance is the issue of non-compliance in relation to an MLE discrepancy set out in any detail. This annex provides a checklist for all the components / elements of the leakage reporting guidance, including for the water balance and MLE adjustments. The checklist for compliance on the individual reporting elements is reported against:

- Red (R) - Not compliant with the guidance and having a material impact on annual average leakage.
- Amber (A) - Not compliant with the guidance and having no material impact on annual average leakage.⁷
- Green (G) – Fully compliant with the guidance.

Specifically for the water balance discrepancy (16e) the R-A-G checklist is as follows:

- <2% water balance gap = G
- >2% and <3% water balance gap = A
- >3% = R

There is some inconsistency between the precedence set out in Ofwat's reporting *guidance* on the reported water balance and Ofwat's expectations of compliance in the company *checklist* in Annex A of the same document:

- The checklist in Annex A states that a water balance gap >3% should be scored by a component as Red, indicating an APR response that is "*not compliant with the guidance and having a material impact on annual average leakage.*"⁸
- In contrast, the main guidance document (as stated above) is that a company is required to *disclose* and *explain* the reasons for a water balance gap greater than a lower threshold of +/-3% of distribution input. Only where the water balance gap is greater than +/- 5% does Ofwat's guidance state it expects a company to adjust its post MLE values for leakage and revisit the material components of the water balance gap.

The annex to the guidance requires companies to state they are non-compliant with the guidance (16e) if their water balance gap exceeds 3%. However, the main guidance document does not infer or state this. Furthermore, the guidance document is silent on what Ofwat consider to be a sufficient explanation and disclosure of the reasons for the water balance gap exceeding 3%, nor the regulatory intervention that Ofwat will necessarily expect to take in such an event. SES Water's 2021-22 draft determination (see below) would, in its effect, seem to indicate that where a company scores 16e as Red, it provides Ofwat with the opportunity and discretion (via the APR assessment and ODI determination process) to withhold a company's leakage ODI payment in the event the water balance gap is >3% on the basis that:

- the water balance gap exceeds the level Ofwat considers good practice (+/-2%);
- the company is required to disclose and explain the reasons for any water balance gap of greater than a +/-3% lower threshold; and
- the company is expected to demonstrate that the water balance gap exceeding 3% is not material to reported leakage improvement.⁹

⁷ A company is required to set out its approach to assessing whether an impact is material or not.

⁸ *Ibid.*, p. 25.

⁹ It is important to note that Ofwat itself describe +/-3% as a *lower* threshold in the main guidance document which if exceeded, triggers a requirement for *disclosure* and *explanation* of the water balance gap and its impact on a company's reported leakage reduction. It is in contrast a +/-5% discrepancy limit (an upper implied threshold in the guidance) that Ofwat identifies as indicating a significant inconsistency in one or more of the major components of the water balance and requiring company action.

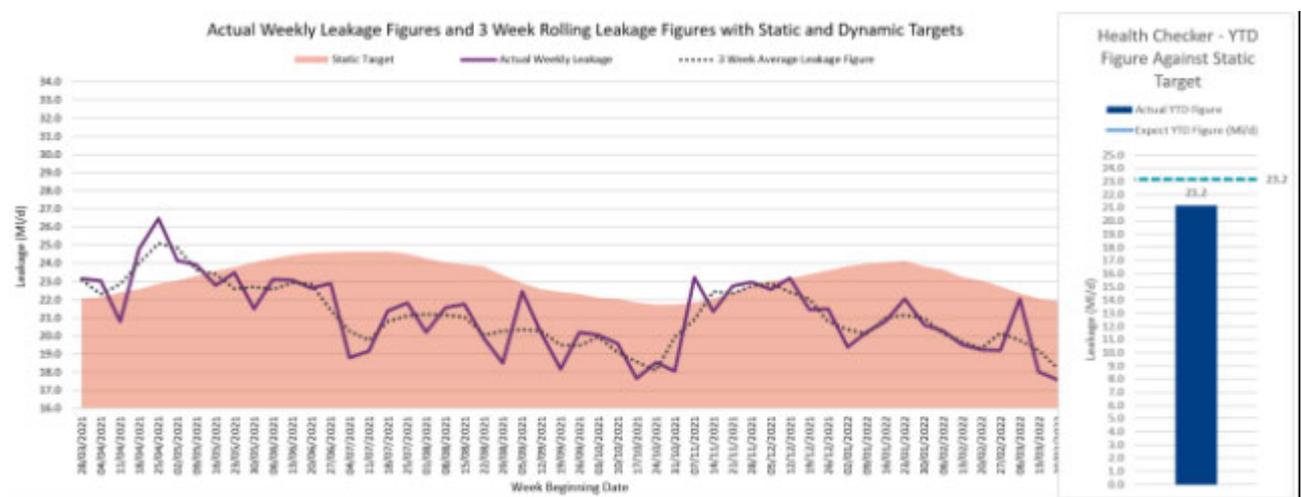
In effect, where a company's water balance exceeds 3% for the reporting year:

- Ofwat require the company to demonstrate that it is not material to the annual average leakage value and reported performance improvement; and
- that customers as a result, received a real benefit from the ODI payment in the reporting year rather than the payment being due to data and/or reporting inaccuracies.

2. SES Water's 2021-22 APR and Ofwat's draft determination

As Figure 1 below shows SES Water's leakage performance for 2021-22 was very good. Leakage was on a downward trend all year barring an increase in early winter that lasted two months. We reported a positive ODI performance payment (i.e., a reward) of £0.277m for the year.

Figure 1 – 2021-22 leakage performance



Source: SES Water data and analysis

We reported a water balance for 2021-22 of 4.9% in our APR.¹⁰ This is greater than the 3% lower threshold referenced in Ofwat's guidance and compliance checklist.

Ofwat in its draft determination states that “our review of SES Water's submission identified that one of the areas in which it has not achieve compliance, an imbalance of 4.8% in its water balance, has a material impact on the accuracy of the reported data.”¹¹ Ofwat considers that “because an imbalance of the water balance of this size indicates a high degree of uncertainty over the accuracy of the data, we have not included this outperformance ODI payment [£0.277m] in our draft determinations”¹². The draft determination clarifies that “should SES Water be able to demonstrate compliance, or that non-compliance is not material, in future APRs we will consider whether any retrospective adjustments to leakage and PCC ODI payments are appropriate.”¹³

As set out below, we consider:

- our reporting fully compliant with Ofwat's Leakage Reporting Guidelines;

¹⁰ Note that there is an error in Ofwat's draft determination commentary which says that the water balance is 4.8%. However, this is not material to the outcome of Ofwat's assessment.

¹¹ Ofwat (2022): 'Draft determination of SES Water's in-period outcome delivery incentives for 2021-22', p. 4

¹² Ibid., p.4

¹³ Ibid.

- crucially, that our water balance gap is not materially different from previous reporting years and, as a consequence, is not material to the accuracy of our reported leakage performance improvement; and
- our reported ODI payment is consistent with a genuine performance improvement and benefit to our customers, from leakage reduction measures adopted in the last year.

3. Our leakage reporting is fully compliant and consistent with Ofwat’s Leakage Reporting Guidelines

We consider our APR and leakage reporting fully compliant and consistent with Ofwat’s regulatory guidance. Our reported leakage value along with the water balance calculation was fully assured by our technical advisor Mott MacDonald who found no material inadequacies or evidence that our reporting was inconsistent or non-compliant with the guidelines. Attached as an appendix to this response is an updated summary assurance report from Mott MacDonald further confirming this conclusion.

In the 2021/22 report year our water balance gap was less than 5% but more than 3%. We have correctly given this a RAG score of Red at an elemental level (16e) in accordance with the RAG assessment checklist. A single red at an elemental level requires the component it forms part of to also be scored as Red, which we also did in our APR.

Following Ofwat’s leakage reporting guidelines, we have also treated our water balance gap in the appropriate way for a gap larger than 3% but less than 5%. Specifically, we have apportioned this gap out amongst all the components of the water balance according to the agreed (and compliant) uncertainty percentages as per the stated guidelines and best practice for MLE calculations. We have also included a paragraph in our commentary to explain why our gap is at this level and have indicated some future actions we will take to address this imbalance, consistent with the requirements and expectations of the leakage reporting guidance.

We know that we that we have a larger water balance gap than is deemed ‘good practice’ by Ofwat.¹⁴ Over the last five years our gap has consistently been a positive one (see Table 1 below). We have consistently reported this fact in our APR commentary.

Table 1 – SES Water MLE Water Balance Gap

Year	Balance gap
2017/18	5.4% (beast from the east year)
2018/19	4.5%
2019/20	4.5%
2020/21	3.7% (First covid lockdown)
2021/22	4.9%

Source: SES Water 2021-22 APR

However, we have high confidence in the processes, calculations and software/systems we apply to generate our reported leakage value for 2021-22 and previous years, and indeed all calculated components of our supply area’s water balance. Our RAG assessment scores a very high number of leakage reporting elements as green – i.e., fully-compliant with Ofwat’s guidance – in our compliance checklist (over 90% in total).

Furthermore, while we have correctly assigned element 16e (and consequently component 16) a RAG score of Red in our APR submission, in fact our water balance gap is below the actual limit (5%) Ofwat identifies in its guidance as indicating a significant inconsistency in one or more of the

¹⁴ i.e., a gap greater than +/-2%.

major components of the water balance. Consequently, we consider our APR was and is fully compliant with the expectations of Ofwat's guidance.

4. We are confident that our reported leakage is a true reflection of our leakage performance improvement in 2021-22 and that our consistent water balance gap is not material to the accuracy of our reported leakage performance improvement

Crucially for Ofwat's ODI determination, we have consistently applied our reporting processes according to Ofwat's guidance, meaning that while we have a consistent (positive) annual reported water balance gap, we are reporting against a consistent baseline.¹⁵ Our MLE derived water balance gap has been consistently above the 3% lower threshold. In fact, it has averaged 4.6% in that period and only exceeded 5% once (in 17/18 – the year in which the 'beast from the east' weather event took place¹⁶) and been less than 4% once (in 20/21 – the first year of Covid-19¹⁷) where for both years abnormal events caused our water balance modelling to produce different outcomes.

As a result of this consistency there is no evidence to support the inference that the leakage figures derived for the last five years as a result of our MLE adjustment have been anything other than consistent relative to each other year. In other words, when we see a rise in leakage this is picked up in the reported figure, without change to the water balance gap, and when we see a reduction in leakage (like the 2021/22 reporting year) this is also picked up in our calculation process, and again doesn't result in a change to our water balance gap (as noted above, it is only in years where there were abnormal events in relation to weather and Covid-19 that our modelled water balance gap has differed from a consistent, but positive, level). The positive water balance gap is not material to our reported leakage improvement being a true reflection of what happened in the year.

We are, as a result, very confident that the reported improvement in our leakage values for 2021-22 – and the consequential ODI payment proposed – reflects a genuine improvement in leakage and a benefit to our customers because preceding years and PC levels are reported on a consistent basis and baseline. The water balance gap is not material to this conclusion, and we would expect to be rewarded for good performance as much as we would expect to be penalised for poor performance with it in place, given the consistent basis on which our leakage performance has been reported.

This conclusion is consistent with the rationale that Ofwat itself gave at PR19 FDs for setting performance commitment levels as a percentage reduction from a 2019-20 baseline as opposed to absolute levels to ensure *“that the performance commitments relate to actual performance achieved in the 2020-25 period and not to changes in methodology or data quality.”*¹⁸

The major components of our leakage calculation itself are also consistent with the expected results of the allowance models when considering external factors (i.e., events outside management control) such as weather and a change in usage habits driven by Covid-19. The comparatively benign weather conditions during the reporting year 2021-22 – the lack of a

¹⁵ We have not made any material changes to our leakage calculation since the baseline was set and have only made minor data improvements which are legitimately allowed under the guidance. Throughout this reporting period we have consistently applied our MLE approach. This calculation conforms to reporting guidelines and all components within it have been assessed for uncertainty in accordance with best practice and have been given uncertainty values within Ofwat defined tolerance bands (see section 3 above).

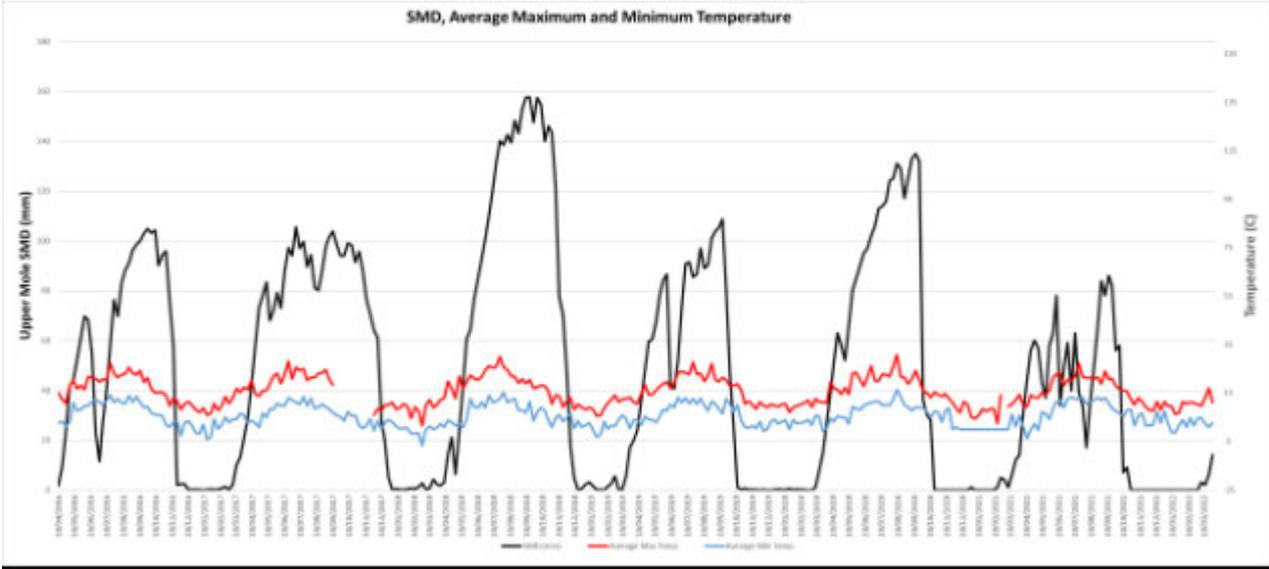
¹⁶ This resulted in an increase in the water balance because of the impact of the freeze and thaw on the pipes and joints in our network.

¹⁷ This resulted in a decrease in the water balance, because of changes in water consumption patterns and use in our supply area.

¹⁸ Ofwat (2019): 'PR19 final determinations: Delivering outcomes for customers policy appendix', p. 33

significant or severe winter freeze thaw and a reduced SMD-related summer event (see Figure 2 below) – provided a more favorable backdrop through which leakage reduction could occur. This manifested itself in lower burst rates and leakage outbreak numbers all year. This gives us high confidence that our lower reported MNF (minimum nighttime flow), in showing a downward trend last year, is clear evidence of a genuine improvement in leakage by the business and is also consistent with the logic for why three-year averages for leakage reduction are now used within the PC methodology.

Figure 2 – Temperature vs. SMD



Source: SES Water data and analysis

Finally, we are very confident that we achieved a genuine reduction in leakage last year because of the number of successfully enacted interventions (i.e., actions within SES Water management control) that were adopted as part of our medium term leakage reduction strategy, including introducing our intelligent network, installing enhanced pressure management in our network and improving the efficiency of our ALC activities through keeping our work in progress (WIP) job numbers low and trialing innovative leak detection methods such as satellite leakage technology.

Trend analysis shows that we achieved a greater number of customers in more pressure managed areas, greater smart network coverage, and more hours on ALC. The volume of leakage that needs to be saved to maintain current level was also lower in 2021-22 suggesting we didn't have to put as much effort into keeping leakage steady before driving it down. All of these indicators are consistent with the reported leakage improvement illustrated in Figure 1 above.

We have high confidence in the impact that specific interventions that the business has made in the last year have had on our leakage performance as discussed in Table 2 below. These known operational improvements in the business are consistent with the reported leakage performance improvement in our APR and our proposed ODI payment, given that they delivered real benefits for our customers during the reporting year.

Table 2 – The measures that have contributed to our leakage performance improvement are known and the impacts understood

Focus Area	Leakage reduction benefit in year (Full year saving)	Description – how did we reduce from April 21 to now.



ALC Efficiency	0.5 MI/d (2%)	More detection staff, leakage nightshift, improved processes and working methods = reduced leak detection time = reduced leak runtime. More DMAs at minimum levels for longer.
Low Leakage R&M WIP	0.5 MI/d (2%)	Keeping the leakage R&M WIP below 40 jobs all year and in doing so delivering a step change in SLA performance to reduce the repair element of leak runtime from 12 to 5 days.
Satellite leakage	0.3 MI/d (1.2%)	We trialed the technology over 1000km of our network. And it found us 71 leaks in total.
DMA Asset Health	0.3 MI/d (1.2%)	Fully- or part-implemented schemes from the DMA Asset health programme. Average of 20% leakage saving in each DMA we work in.
Winter Pressure Optimisation Programme	0.2 MI/d (0.8%)	Optimising existing pressure managed areas to calm the network and reduce background leakage.
iDMA (Better Data and intelligent network management)	0.2 MI/d (0.4%)	Implemented in March (so full-year effect not yet delivered) the impact comes through better more accurate, reliable and well-maintained data and improved data availability for targeting and responding to leakage in a prioritized way.
CSL strategy changes	0.3 MI/d (1.2%)	New policy has seen a 55% increase in the number completed CSL repairs. Also, more internal leakage problems resolved and quicker. Targeted schools water efficiency programmes. Greater metering to identify CSLs quicker and overall better customer service.
Total (excluding the impact of weather events)¹⁹	2.3 MI/d (9.6%)	

5. Ofwat should reconsider its draft decision and reinstate our 2021-22 leakage ODI payment in its final determination

In light of this draft determination response, and the external assurance we have been provided on this issue, we consider Ofwat should reconsider its draft decision and reinstate our reported leakage ODI payment for 2021-22 in its final determination. Inconsistencies in Ofwat's leakage reporting guidance, and the guidance's application in the draft determination, have disadvantaged SES Water when, for the reasons set out above:

- We consider our leakage reporting is both compliant and consistent with Ofwat's Leakage Reporting Guidelines.
- Our consistent positive water balance gap is not material to the accuracy of our reported leakage performance improvement.
- We are confident our reported leakage is a true reflection of leakage performance improvement in 2021-22.
- Ofwat and our customers can be confident a real benefit has been achieved by the business from our proposed ODI payment.

¹⁹ The equivalent figures *including* the impact of external events related to weather are 3.9 MI/d (15.6%).

For these reasons, we also do not consider it would be proportionate or appropriate to reopen our water component and leakage calculations in the middle of the current AMP. Indeed, we consider this would be inconsistent with the common basis on which the baseline and targets for the PR19 leakage PC were originally prepared and set by Ofwat.

We commit to undertake further work during the current AMP to understand our positive water balance gap and propose to run this analysis (in discussion with Ofwat) in parallel with our current reporting systems and methodologies. We do not propose to make any changes to our reporting that would constitute a change in methodology until we had the opportunity to properly test the impact of the change and its justification, at which point we would look to restate our baseline to ensure consistency of reporting (mostly likely at the start of the next AMP).

Areas of further work that we have already identified for further investigation include:

- systemising our water balance calculations in software (for example, by integrating bottom-up leakage modelling in a single system/model); and
- projects that will help us better understand the accuracy of certain components of the water balance, including analysis of:
 - the trunk main balance, to account for water in the trunk main network;
 - the consumption component of the water balance, including our data on domestic measured consumption and non-household measured consumption (in the latter case via the Central Market Operating System (CMOS) where we have reasons to question the accuracy of some of the data that we rely on for our water balance reporting purposes in the APR); and
 - distribution input, and whether this is currently being measured accurately.

We also consider there may be learnings from exploring how the abnormal consumption and weather events referenced in section 4 above, impacted our modelled water balance gap compared to the positive balance gap level we have consistently reported in normal years.

Overall, we are committed to do the further work necessary to understand our water balance gap going forward, but importantly consider there are a range of contributions to the positive gap we consistently report other than limitations in the leakage component of this reporting.

Appendix B: Mott MacDonald Updated Assurance Report for in-period Outcome Delivery Incentives for 2021-22



Paul Kerr, SES Water
 SES Water
 London Road
 Redhill
 RH1 1LJ

Mott MacDonald
 22 Station Road
 Cambridge CB1 2JD
 United Kingdom

 T +44 (0)1223 463500
 mottmac.com

Leakage performance, 2022

20 October 2022

Dear Paul,

Our assurance of your 2021-22 annual performance report included a review of each of your performance commitments, covering key elements of data collection, calculation of the results, and governance items such as in-house checking and sign-off procedures, and that your commentary reflects the data and results. We carried out your assurance audits in March and May 2022: a pre-year-end review of your process and year-to-date results, then a final review of the year-end results.

For your leakage performance commitment (reference PR19SES C.4), we noted:

Aspect	Findings – 2021-22
Data:	<p>In March we discussed your new non-household night use model developed by RPS, recommending further checks against the guidance to ensure the model fully complies, before year-end. We also noted that your trunk main leakage estimates were 'amber' in the RAG analysis and were unlikely to be able to move to 'green' within the period.</p> <p>At year-end we were shown that data have been collected consistently and in accordance with your established process, which is reflected in a method statement that is kept up to date.</p> <p>You showed us that you had tested 15 of your DI meters over the last year and we sampled one of the reports, from which we noticed a transcription error that had no impact on the result of your leakage calculation.</p>
Calculations:	<p>In March we reviewed your approach to top-down and bottom-up leakage calculations, the areas of uncertainty in data and your approach to dealing with it. You showed how your new billing system would improve household consumption data although there had been initial teething problems, and how you were handling ongoing uncertainty in data from MOSL. We saw how the bottom-up and top-down calculations rely on data from different teams, making them relatively independent.</p> <p>At year-end we confirmed that staff responsible for the leakage calculation were familiar with the process and reporting systems in place. You run a 'deep-dive' at year end to review the calculations. We did not note any material errors in your calculations.</p>
Results:	<p>Your results showed a reduction in leakage this year. We confirmed that the value reported in table 3A, 3F, and table 6B.9 are supported by your calculations, which are consistent with our previous audits.</p>
Governance:	<p>You explained that leakage is tracked through monthly reporting with a checking process in place. You showed us your leakage commentary, RAG assessment and</p>

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Aspect	Findings – 2021-22
	results, which had been checked and approved (signed off by your director) in advance of our audit. We considered the impact of your increased water balance gap this year, which was just below the 5% threshold. We noted that the change in water balance was not attributed to a single component, but rather that various components had moved up and down. Of note is the increase in overall company own water use, which has changed to Amber this year, because of an increase in distribution system own water use to >0.6%.

Based on our audits and sampling we were satisfied that your approach to reporting follows the common leakage methodology, using your best available data and consistent with last year.

We concluded that this year's good result was to be expected given your significant activity in leakage reduction and the mild winter.

[By email]

Dr Andrew Heather
Technical assurer
01223 463498
andrew.heather@mottmac.com

