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Creating tomorrow, together:  
Our final methodology for PR24

# Submission table guidance

## Section 7: Retail

## About this document

### Version control

Version	Date published	Description
V1	7/7/2022	Draft methodology
V2	13/12/2022	Final methodology Changes from V1: <ul style="list-style-type: none"><li>1. Reversal of RET1 and RET1A naming.</li><li>2. Point 3.1 now reflects that table RET1 should include the impact of the frontier shift &amp; real price effects.</li></ul>
V3		

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## 1. Summary purpose of the data tables

### What data are we collecting?

- 1.1 We are collecting data related to companies' forecast costs, associated drivers and revenues over the period 2022–30 for residential retail and business retail for Welsh companies.
- 1.2 There are 4 data tables related to the cost assessment for residential retail and, for Welsh companies, business retail. We provide line definitions for each item included in each table along with additional guidance and commentary requirement, if necessary.

### Why are we collecting the data?

- 1.3 Table RET1, RET3 and RET4 collect data for cost assessment for retail. Cost assessment is a critical part of PR24. We need to establish an independent baseline estimate of retail expenditure and will need accurate historic and forecast costs and volumes for a range of expenditure drivers to develop our cost assessment approach. When costs are not included in our retail benchmark cost models, companies are allowed to submit cost adjustment claims.
- 1.4 Table RET 2 collects forecast 2023–24 and 2024–25 data needed for the residential retail revenue reconciliation model.

### How is the data aligned with the annual performance report (APR)?

- 1.5 We expect data reported in business plans to be aligned with data reported in companies' APR tables. If a company restates previously reported historic data in its business plan, we expect this to be clearly highlighted and explained in its commentary.
  - RET1 is aligned with Pro forma 2C in the APR
  - RET2 is aligned with Pro forma 2F in the APR

## 2. General guidance

- 2.1 For 2021–22 and following years, we require the use of regulatory accounting guidelines (RAGs) prevailing for that reporting for companies' annual performance reports. In March 2022 we published [IN 22/01 Expectations for monopoly company annual performance reporting 2021–22](#). This means that [RAGs 4.10](#) should be used for the 2021–22 reporting year and all forecast years in the business plans. For cost allocation the guidance provided in [RAG 2.09](#) should be followed.
- 2.2 We expect companies to complete a full set of data tables that are aligned with the guidance and line definitions for each table. We expect assurance processes to ensure that information is accurate and consistent and can be relied upon.

### Price base and Indexation

The base year for the business plan is 2022–23.

The price base for financial cost information is base year prices indexed using the financial year average Consumer Price Index (including housing costs) ie 2022–23 prices FYA (CPIH deflated).

### 3. RET1 – Cost analysis–residential retail (post frontier shift and real price effects)

Table RET1 line definitions

Line	Title	Definition – Residential	Definition – Business	RAG 4.10 line reference
RET1.1	Customer services	<p>The costs associated with providing the following services for the appointee’s household.</p> <ul style="list-style-type: none"> <li>• Billing.</li> <li>• Payment handling, remittance and cash handling.</li> <li>• Charitable trust donations.</li> <li>• Vulnerable customer schemes.</li> <li>• Non-network customer enquiries and complaints.</li> <li>• Network customer enquiries and complaints</li> <li>• Investigatory visits (where the cause of the investigation is not a network issue)</li> </ul> <p>Excludes customer services costs incurred in providing services to a third party’s customers (eg. where a WoC bills and collect payment on behalf of a WaSC).</p>	<p>The costs associated with providing the following services for non-household customers.</p> <ul style="list-style-type: none"> <li>• Billing.</li> <li>• Payment handling, remittance and cash handling.</li> <li>• Non-network customer enquiries and complaints.</li> <li>• Network customer enquiries and complaints.</li> <li>• Investigatory visits (where the cause of the investigation is not a network issue)</li> </ul>	2C.1
RET1.2	Debt management	<p>All costs relating to the management of debt recovery for the appointee’s household customers – monitoring of outstanding debt, including issue of reminders and follow up telephone calls, managing and monitoring field recovery of debt, includes costs of customer visits, managing and monitoring external debt collection routes including debt collection agencies and legal.</p> <p>Excludes costs incurred relating to the management of debt recovery for a third party’s customers (eg. where a WoC manages debt on behalf of a WaSC).</p>	<p>All costs relating to the management of debt recovery for non-household – monitoring of outstanding debt, including issue of reminders and follow up telephone calls, managing and monitoring field recovery of debt, includes costs of customer visits, managing and monitoring external debt collection routes including debt collection agencies and legal, including notification of disconnections to non-household customers.</p>	2C.2

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Line	Title	Definition - Residential	Definition - Business	RAG 4.10 line reference
RET1.3	Doubtful debts	The charge/credit to the profit and loss account for bad and doubtful debts for household customers. This should include only the appointee's doubtful debts and not doubtful debts relating to a third party.	The charge/credit to the profit and loss account for bad and doubtful debts for non- household. This should include only the appointee's doubtful debts and not doubtful debts relating to a third party.	2C.3
RET1.4	Doubtful debt (smoothed)	The adjusted charge/credit to the profit and loss account for bad and doubtful debts for household customers. This should include only the appointee's doubtful debts and not doubtful debts relating to a third party.	N/A	N/A
RET1.5	Meter reading	Costs associated with meter reading for household customers – including ad hoc read requests, cyclical reading, scheduling, transport, physical reading, reading queries and read processing costs, managing meter data plus supervision and management of meter readers. Income from meter reading commission should be netted off these costs. Excludes costs associated with meter reading for third parties.	Costs associated with meter reading for non- household customers – including ad hoc read requests, cyclical reading, scheduling, transport, physical reading, reading queries and read processing costs, managing meter data plus supervision and management of meter readers. Income from meter reading commission should be netted off these costs. Excludes costs associated with meter reading for third parties.	2C.4

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Line	Title	Definition - Residential	Definition - Business	RAG 4.10 line reference
RET1.6	Services to developers	Not applicable for household.	The operating costs of providing services to developers, to include: <ul style="list-style-type: none"> <li>provide developer information – deal with questions from developers where physical aspects of infrastructure are required to change, investigate and advise on implications;</li> <li>provide connections for developers – including project management, contracting with third parties; and administration for new connections.</li> </ul>	2C.5
RET1.7	Other operating expenditure	Any other operating costs (ie, excluding interest and taxation) incurred serving household customers, on an aggregated basis. Include the costs of (among other costs): <ul style="list-style-type: none"> <li>provision of offices;</li> <li>insurance premiums;</li> <li>net retail expenditure on demand-side water efficiency initiatives;</li> <li>net retail expenditure on customer side leaks;</li> <li>other direct costs;</li> <li>general and support expenditure;</li> </ul> other business activities.	Any other operating costs (ie, excluding interest and taxation) incurred serving non-household customers, on an aggregated basis. Include the costs of (among other costs): <ul style="list-style-type: none"> <li>provision of offices;</li> <li>insurance premiums;</li> <li>disconnections;</li> <li>demand-side water efficiency initiatives;</li> <li>customer side leaks;</li> <li>other direct costs;</li> <li>general and support expenditure;</li> </ul> other business activities.	2C.6
RET1.8	Local authority and cumulo rates	The cost of local authority rates. This should include both the local authority and cumulo rates. Only costs related to serving household customers to be included.	The cost of local authority rates. This should include both the local authority and cumulo rates. Only costs related to serving non-household customers to be included.	2C.7
RET1.9	Total operating expenditure excluding third party services	The sum of lines RET1.1 to RET1.8. Excluding RET1.4	The sum of lines RET1.1 to RET1.8. Excluding RET1.4	2C.8



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Line	Title	Definition - Residential	Definition - Business	RAG 4.10 line reference
<b>RET1.10</b>	Depreciation (tangible fixed assets) on assets existing at 31 March 2015	Depreciation charge on assets which existed before 1 April 2015 (ie assets included in wholesale RCV) wholly or principally used by household retail (as defined in chapter 2 of RAG 2). Depreciation excludes amortisation of deferred credits and intangible fixed assets.	Depreciation of assets which existed before 1 April 2015 (ie assets included in wholesale RCV) wholly or principally used by non-household retail (as defined in chapter 2 of RAG 2). Depreciation excludes amortisation of deferred credits and intangible fixed assets.	2C.9
<b>RET1.11</b>	Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	Depreciation charge on assets acquired after 1 April 2015 wholly or principally used by household retail. Depreciation excludes amortisation of deferred credits and intangible fixed assets.	Depreciation charge on assets acquired after 1 April 2015 wholly or principally used by non-household retail. Depreciation excludes amortisation of deferred credits and intangible fixed assets.	2C.10
<b>RET1.12</b>	Amortisation (intangible fixed assets) on assets existing at 31 March 2015	Amortisation of intangible assets which existed before 1 April 2015 (ie assets included in wholesale RCV) wholly or principally used for the household retail business.	Amortisation of intangible assets which existed before 1 April 2015 (ie assets included in wholesale RCV) wholly or principally used for the non-household retail business.	2C.11
<b>RET1.13</b>	Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	Amortisation of intangible assets acquired after 1 April 2015 wholly or principally used for the household retail business.	Amortisation of intangible assets acquired after 1 April 2015 wholly or principally used for the non-household retail business.	2C.12
<b>RET1.14</b>	Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	Where a legacy asset (asset existing before 31 March 2015) is principally used by wholesale, the capex and depreciation should be recorded in wholesale with a recharge made to household retail to reflect the proportion of the asset used by residential retail. The recharge to residential retail should be recorded in this line. This line should be entered as positive values. Recharges should cover depreciation, repair and maintenance costs only and should not include a return on the asset.	N/A	2C.13

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Line	Title	Definition - Residential	Definition - Business	RAG 4.10 line reference
RET1.15	Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	Where a legacy asset (asset existing before 31 March 2015) is principally used by retail, the capex and depreciation should be recorded in retail with a recharge made to wholesale to reflect the proportion of the asset used by wholesale. The corresponding income to residential retail should be recorded in this line. This line should be entered as positive values. Recharges should cover depreciation, repair and maintenance costs only and should not include a return on the asset.	N/A	2C.14
RET1.16	Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	Where an asset acquired after 1 April 2015 is principally used by wholesale, the capex and depreciation should be recorded in wholesale with a recharge made to household retail to reflect the proportion of the asset used by residential retail. The recharge to residential retail should be recorded in this line. This line should be entered as positive values. Recharges should cover depreciation, repair and maintenance costs only and should not include a return on the asset.	N/A	2C.15
RET1.17	Income from wholesale assets acquired after 1 April 2015 principally used by retail	Where an asset acquired after 1 April 2015 is principally used by retail, the capex and depreciation should be recorded in retail with a recharge made to wholesale to reflect the proportion of the asset used by wholesale. The corresponding income to residential retail should be recorded in this line. This line should be entered as positive values. Recharges should cover depreciation, repair and maintenance costs only and should not include a return on the asset.	N/A	2C.16
RET1.18	Net recharges costs	Net recharges costs for residential retail. The sum of lines RET1.14 and RET1.16 minus sum of lines RET1.15 and RET1.17.	N/A	2C.17
RET1.19	Total retail costs excluding third party and pension deficit repair costs	Total costs in respect of the household retail business (excluding third party and pension deficit repair costs). The sum of lines RET1.9 to RET1.13 plus RET1.18.	Total costs in respect of the non-household retail business (excluding third party and pension deficit repair costs). The sum of lines RET1.9 to RET1.13 plus RET1.18.	2C.18

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Line	Title	Definition - Residential	Definition - Business	RAG 4.10 line reference
RET1.20	Third party services operating expenditure	The operating costs of providing appointed household retail services to third parties.	The operating costs of providing appointed non-household retail services to third parties.	2C.19
RET1.21	Pension deficit repair costs	Actual pension deficit recovery payments in household retail including costs capitalised and any group recharges for pension deficit costs.	Actual pension deficit recovery payments in non-household retail including costs capitalised and any group recharges for pension deficit costs.	2C.20
RET1.22	Total retail costs including third party and pension deficit repair costs	Total costs in respect of the household retail business (including third party and pension deficit repair costs). The sum of lines RET1.19 to RET1.21.	Total expenditure in respect of the non-household retail business (including third party and pension deficit repair costs). The sum of lines RET1.19 to RET1.21.	2C.21
RET1.23	Debt written off	Water and/ or sewerage outstanding debts that have been written off for the appointee's household customers in the report year, net of collections of previously written off debt. Write-offs in relation to court or other debt recovery costs should not be included.	Water and/ or sewerage outstanding debts that have been written off for non-household customers in the report year, net of collections of previously written off debt. Write-offs in relation to court or other debt recovery costs should not be included.	2C.22
RET1.24	Capital expenditure	Household element of capital expenditure on assets principally used by retail.	Non-household element of capital expenditure on assets principally used by retail.	2C.23
RET1.25	Demand-side water efficiency - gross expenditure	The total retail operating costs of providing water efficiency services to household customers, including: Promotion of water saving initiatives - Production of customer literature and customer awareness campaigns; Retro-fitting of water saving devices - Provision of advice and devices to customers; Water efficiency audits - water and energy conservation, optimisation of systems, advice and investigations into usage; Data logging	N/A	2C.24

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Line	Title	Definition – Residential	Definition – Business	RAG 4.10 line reference
RET1.26	Demand-side water efficiency – expenditure funded by wholesale	The retail operating costs of providing water efficiency services (as defined in 2C.24) to household customers that are funded by the wholesale business	N/A	2C.25
RET1.27	Demand-side water efficiency – net retail expenditure	The retail operating costs of providing water efficiency services (as defined in 2C.24) to household customers net of any operating costs that are funded by the wholesale business Line RET1.25 less line RET1.26.	N/A	2C.26
RET1.28	Customer-side leak repairs – gross expenditure	The total retail operating costs associated with household customer side leaks, to include: Investigations – Activities from enquiries relating to customer-side leaks, including site visits, the use of pipe locating equipment and any attendance on sites during excavations; Resolution – Activities comprising pipe repairs and replacement; Free leak repairs	N/A	2C.27
RET1.29	Customer-side leak repairs – expenditure funded by wholesale	The retail operating costs associated with household customer side leaks (as defined in 2C.28) that are funded by the wholesale business.	N/A	2C.28
RET1.30	Customer-side leak repairs – net retail expenditure	The retail operating costs associated with household customer side leaks (as defined in RET1.28) net of any operating costs that are funded by the wholesale business Line RET1.28 less line RET1.29.	N/A	2C.29

## RET1 Additional guidance

- 3.1 Table RET1 should include the impact of the frontier shift and real price effects assumptions included in table SUP11.
- 3.2 Operating expenditure is as defined in the Regulatory Accounting Guidelines. Depreciation (to represent the capital cost for retail) is based on principal use allocation (as defined in paragraph 2.1 of RAG 2).
- 3.3 **Doubtful debt data.** To address a potential residential retail data to do with bad debt costs issue we previously issued an [information request](#). This information request details the three different ways which we collect doubtful debt data: original, corrected,

and smoothed. In interpreting the data to be provided for our business plans, please refer to the guidance we provided in our information request. Also note that:

- Doubtful debts (RET1.3): Data should be the 'corrected' data companies now provide in the APRs. Therefore, we do not need to separately collect 'original' data in business plan tables.
- Doubtful debt (smoothed) (RET 1.4): This is the adjusted version of RET 1.3. If any element of the bad debt provision was subsequently released (for example, as a result of over provisioning), this line should be used to adjust the bad debt charge to remove the over provision and subsequent release. The total over the historical years 2019-20 onwards should remain the same as the unsmoothed data.

3.4 In our original information request we also collected data on 'bad debt provision'. We are not proposing to collect data on this in the business plan tables. However, we will review whether collecting this information would also be useful depending on the outcome of our information request.

## **RET1 Commentary requirement**

3.5 Please provide commentary to explain the underlying calculations and assumptions for depreciation on: legacy assets existing at 31 March 2015, assets acquired during the 2015 to 2020 period and assets planned after 1 April 2020. This includes: original capex value of the assets, assumed asset life (both the original asset life and the remaining asset life within the PR19 period, if applicable), method of depreciation and end value of the assets.

3.6 Regarding RET 1.4, as the years 2019-20 and 2020-21 are not covered in business plan tables, please provide this information in your commentary.

## **4. RET1a – Cost analysis – residential retail**

- 4.1 This table will mirror RET1 but will not include the impact of the frontier shift and real price effects assumptions included in table SUP11.

## 5. RET2 – Revenue- residential retail

Table RET2 line definitions

Line	Title	Definition	RAG 4.10 line reference
RET2.1	Wholesale revenue	The wholesale element of residential charges.	2F.1
RET2.2	Retail revenue	The retail element of residential charges.	2F.2
RET2.3	Total residential revenue	Total residential charges. The sum of RET2.1 and RET2.2.	2F.3
RET2.4	Revenue Recovered ("RR")	This is the same as RET2.2.	2F.4
RET2.5	Revenue sacrifice	Revenue sacrifice reflecting the revenue voluntarily foregone. This is equivalent to line 6 of the inputs block in the PR19 Reconciliation Rulebook.	2F.5
RET2.6	Actual revenue (net)	The sum of RET2.4 and RET2.5. This is equivalent to line 6 of the calculations block in the PR19 Reconciliation Rulebook.	2F.6
RET2.7	Actual customers ("AC")	This is equivalent to line 2 of the inputs block in the PR19 Reconciliation Rulebook and is equal to 'Total Residential Customers' (4R.4).	2F.7
RET2.8	Reforecast customers	This is equivalent to line 4 of the inputs block in the PR19 Reconciliation Rulebook. Note that number is the new customer number forecasts for the ongoing Charging Year at the time of its APR submission.	2F.8
RET2.9	Allowed revenue ("R")	This is equivalent to line 4 of the calculations block in the PR19 Reconciliation Rulebook.	2F.9
RET2.10	Net adjustment	This is line 9 minus line 6. This is equivalent to line 7 of the calculations block in the PR19 Reconciliation Rulebook.	2F.10
RET2.11	Average household retail revenue per customer	This is RET2.6 divided by RET2.7 x 1000.	2F.11

### RET2 Additional guidance

- 5.1 This table contains inputs needed for populating the PR19 Residential retail reconciliation model and calculating the end of period revenue to be applied at PR24.

## 6. RET3 – Business retail tariffs (Welsh companies only)

Table RET3 line definitions

Line	Title	Definition	RAG 4.10 line reference
RET3.1, RET3.6, RET3.11, RET3.16, RET3.23, RET3.29, RET3.34, RET3.39, RET 3.44, RET 3.49	Number of customers ~ Band X; water unmeasured	Number of customers within tariff band X	N/A
RET3.2, RET3.7 RET 3.12, RET 3.17, RET3.24, RET3.30 RET3.35, RET3.40 RET3.45, RET3.50	Debtor days ~ Band X; water unmeasured	Number of debtor days	N/A
RET3.3, RET3.8 RET3.13, RET3.18 RET3.25, RET3.31 RET3.36, RET3.41 RET3.46, RET3.51	Net margin percentage ~ Band X; water unmeasured	Net margin percentage	N/A
RET3.4, RET3.9 RET3.14, RET3.19 RET3.27, RET3.32 RET3.37, RET3.42 RET4.47, RET3.52	Retail cost per customer ~ Band X; water unmeasured	Retail cost per customer within tariff band 1	N/A
RET3.5, RET3.10 RET3.15, RET3.20 RET3.28, RET3.33 RET3.38, RET3.43 RET3.48, RET3.53	Forecast allocated wholesale charge (nominal price base) ~ Band X; water unmeasured	Forecast allocated wholesale percentage	N/A

### Tariff band 5- Lines RET3.21 to RET3.27

Line	Title	Definition	RAG 4.10 line reference
RET3.21	Margin type~ Band 5; water 50+Ml/a	Type of margin approach- net or gross margin	N/A
RET3.22	Tariff categorisation ~ Band 5; water 50+Ml/a	N/A	N/A
RET3.23	Number of customers ~ Band 5; water 50+Ml/a	Number of customers within tariff band 5	N/A



Line	Title	Definition	RAG 4.10 line reference
RET3.24	Debtor days ~ Band 5; water 50+Ml/a	Number of debtor days	N/A
RET3.25	Net margin percentage ~ Band 5; water 50+Ml/a	Net margin percentage	N/A
RET3.26	Gross margin percentage ~ Band 5; water 50+Ml/a	Gross margin percentage	N/A
RET3.27	Retail cost per customer ~ Band 5; water 50+Ml/a	Retail cost per customer within tariff band 5	N/A
RET3.28	Forecast allocated wholesale charge (nominal price base) ~ Band 5; water 50+Ml/a	Forecast allocated wholesale percentage	N/A

## RET3 Additional guidance

6.1 This table identifies 10 tariff bands for business retail customers for Welsh companies, where X is the tariff band 1-10 . We have defined the bands for consistency and standardisation across companies to allow for ease of comparison. We have aligned definition of the bands with the Retail Exit Code for business retail customers for English water companies, which allows for simpler benchmarking. Tariff bands X are defined as follows.

- Band 1: Water: Unmeasured
- Band 2: Water 0-0.5Ml/a
- Band 3: Water 0.5-5Ml/a
- Band 4: Water: 5-50 Ml/a
- Band 5: Water: 50+ Ml/a
- Band 6: Wastewater: Unmeasured
- Band 7: Wastewater 0-0.5Ml/a
- Band 8: Wastewater 0.5-5Ml/a
- Band 9: Wastewater: 5-50 Ml/a
- Band 10: Wastewater: 50+ Ml/a

6.2 Tariff band 5: Water: 50+ Ml/a is treated differently to other bands. Populate either RET3.25 or RET3.26 depending on margin type chosen in RET3.21.

## 7. RET4 – Cost adjustment claims – residential retail

Table RET4 line definitions

Line	Title	Definition	RAG 4.10 line reference
RET4.1	Description of cost adjustment claim	Description of costs being put forward for a cost adjustment claim. A separate block should be filled in for each cost adjustment claim.	N/A
RET4.2	Type of cost adjustment claim	Type of cost adjustment claim proposed. This will be one of 'atypically large investment', 'new legal requirements', 'regional operating circumstances', or 'other (specify)'. See <a href="#">draft-final</a> methodology document for identification of what can be considered as a cost adjustment claim.	N/A
RET4.3	Symmetrical or non-symmetrical	Indication of whether the proposed cost adjustment claim is symmetrical (ie the upward adjustment proposed for the company is offset by downward adjustments to the other companies) or non-symmetrical.	N/A
RET4.4	Reference to business plan supporting evidence	Reference to the business plan supporting documents that set out the case to the cost adjustment claim.	N/A
RET4.5	Total gross value of the claim	Expenditure claimed on the proposed cost adjustment. The expenditure should be gross of any implicit allowance (ie the proportion of the claim that is covered by our modelled cost baselines), and should be gross of any contributions or grants.	N/A
RET4.6	Implicit allowance	Value of the implicit allowance calculated for the cost adjustment claim (ie the proportion of the claim that is covered by our modelled cost baselines).	N/A
RET4.7	Total net value of the claim	The difference between RET6.5 and RET6.6.	N/A
RET4.8	Historic total expenditure	Historic total expenditure related to the proposed cost adjustment claim. This should be gross of any capital contributions or grants.	N/A
RET4.9	Totex for the control	This line should be equal to 'total retail costs excluding third party and pension deficit repair costs' line RET1.18 for the relevant control.	N/A
RET4.10	Materiality	The ratio between RET6.6 and RET6.9. Materiality of the cost adjustment claim should be assessed against the materiality thresholds indicated in the <a href="#">draft-final</a> methodology document.	N/A

### RET4 Additional guidance

- 7.1 This table identifies costs that companies consider should be excluded from comparative cost modelling (special cost claims) for the residential retail price control. We consider that in many cases, companies can and should mitigate and avoid the need

for cost adjustment claims. We expect companies to use the cost adjustment process responsibly and raise cost adjustment claims only where there is convincing evidence that an adjustment is required and take an 'in the round' view. We will consider the quality of claims and a company's approach to the process. Other things being equal, a company that raises cost adjustment claims only where necessary, and where the claims are well evidenced and efficient, is likely to score higher in the cost efficiency test than a company that uses the process less carefully, and whose claims are unwarranted and of low quality.

- 7.2 A separate line should be filled in for each cost type that has been identified as requiring special treatment (adjustment / exclusion). This description will need to be able to identify the supporting evidence elsewhere in the business plan that sets out the case to the special treatment.
- 7.3 Company's total expenditure related to the proposed special cost claim will include depreciation on capex. Costs in this line should be consistent with business plan costs and should be gross of any capital contributions or grants. Total expenditure is as set out in the Regulatory Accounting Guidelines.

### **RET4 Commentary requirement**

- 7.4 Please see the cost assessment appendix and cost adjustment claim assessment criteria annex to the PR24 [draft-final](#) methodology for more details.



**Ofwat (The Water Services Regulation Authority)  
is a non-ministerial government department.  
We regulate the water sector in England and Wales.**

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