

# Appendix 15 – Mott MacDonald assurance report

Wessex Water

March 2019

Phil Wickens,  
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 EAPS-01

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**Technical assurance of resubmitted PR19 tables**

29 March 2019

Dear Phil,

We visited your offices during March to review your PR19 resubmission.

This letter sets out the scope of our audit, our findings, and my concluding assurance statement.

**Scope and approach**

Our scope was to review changes you identified to us and we did not review other aspects of the plan to check for other changes not brought to our attention.

We checked that your proposed changes to performance commitments and incentives for PR19 address the challenges set by Ofwat’s initial assessment of plans, and that changes to other technical tables were appropriately calculated.

Our scope covered lines from the following tables:

<b>Table Nr</b>	<b>Table Name</b>
App1	Performance commitments (PCs) and outcome delivery incentives (ODIs)
App2	Leakage additional information and old definition reporting
App4	Customer metrics
App16	Tangible fixed assets
App28	Developer services (w wholesale)
WWS1	Wholesale wastewater operating and capital expenditure by business unit
WWS2	Wholesale wastewater capital and operating expenditure by purpose
WWS2a	Wholesale wastewater cumulative capital enhancement expenditure by purpose
WWS7	Wholesale wastewater local authority rates
WWS13	PR14 wholesale revenue forecast incentive mechanism for the wastewater service
WWS15	PR14 wholesale total expenditure outperformance sharing for the wastewater service
WWS18	Explaining the 2019 Final Determination for the wastewater service
WWn3	Wholesale wastewater network (explanatory variables)
WWn4	Wholesale wastewater sewage treatment (potential explanatory variables)
Bio2	Wholesale wastewater sludge treatment process and disposal routes
WS1	Wholesale water operating and capital expenditure by business unit
WS7	Wholesale water local authority rates

Table Nr	Table Name
WS13	PR14 wholesale revenue forecast incentive mechanism for the water service
WS15	PR14 wholesale total expenditure outperformance sharing for the water service
WS18	Explaining the 2019 Final Determination for the water service
Wr1	Wholesale water resources (explanatory variables)

We agreed the following test procedures which we applied to every line we reviewed, to the extent that each procedure was relevant:

Test	Description
What changes have you made?	Note changes made and whether they were required by Ofwat
What evidence do you have to support your changes?	Why are they making these changes and does the evidence support the changes made
Can you show that the proposed values can be traced back through the method to the underlying data and assumptions?	Testing that there is good technical justification for the values being proposed.
What checking has been applied to the final projections for AMP7?	Testing that there is adequate checking to control the risk of errors undermining confidence in the business plan.
Is the forecast reasonable and attainable?	In the context of past performance, is it clear that the future performance can be delivered?
Can you demonstrate the reporting method (if different from current PCs)?	Testing that the data flow is in place and that reporting will be practicable.

## Results and findings

We found that you have made a combination of relatively minor corrections and a considered response to Ofwat's IAP challenge. We made the following recommendations:

- In the event that further changes are made to any tables, we **recommend** thorough checking and sign-off prior to submission.
- We **recommend** that the transcription of finalised tables into Ofwat's proforma is subject to thorough checking prior to submission.

Minor corrections were made during the audit cycle.

Where you have accepted more challenging targets from Ofwat (or stronger incentive reward and penalty rates) we consider that your management team has a good understanding of the level of risk being taken and the potential to meet the targets.

Likewise, where you have chosen to defend your current position we consider the risks and opportunities are well understood. It may be that there is a second opportunity to make representations after the draft determinations are issued.

**Assurance statement**

In my professional opinion, based on and to the extent disclosed by sampling carried out and as described above:

1. Wessex Water has taken notice of the feedback in Ofwat’s initial assessment of plans (IAP) and has modified its business plan accordingly, to the extent that it sees fit.
2. Wessex Water’s basis of planning is sound; there are good processes in place for the performance and metrics and the approach taken is reasonable.
3. Wessex Water’s PR19 post-IAP resubmission forecast values are appropriate for the historic performance.

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**Document record**

Issue	Date	Author	Checker	Approver	Purpose
1	19Mar19	A Heather	A Nelson	A Heather	First issue
2	27Mar19	A Heather	A Nelson	A Heather	Revised to include App2.
3	29Mar19	A Heather	A Grove	A Heather	Revised to include WS7 and WWS7.

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