SSC04e – PR24 Data tables commentary - Retail

Contents

RET1

Line Reference	Commentary
RET1.1	An increased cost is seen Years 1 and 2 of AMP8 due to first year costs of the Omni channel solution implementation costs and lower forecasted savings in these two years. Increased savings are forecasted for years 3-5 resulting in a reducing overall cost; this is due to an expected year on year (YOY) increase of self-serve take up from customers through the AMP so resulting manpower savings increase YOY. Further savings from postage reductions through ebilling sign up due to improved online services similarly have a profile of increasing take up and therefore increasing savings through the AMP
RET1.2	Whilst increase is not material, the reason for increased costs in Year 1 and decreasing is as above, as the omnichannel solution will enable services for debt management and as such a small proportion of these costs and savings have been built in using the same YOY profile as RET1.1
RET1.3	The Company's policy on bad debt is to provide where the debt is unlikely to be recovered, but to only write-off, either the debt when the customer is no longer resident in our area and cannot be traced or the debt is uneconomic to collect. Final debt over four years old will be written off where evidence exists that it has become non-collectable: The primary assumption driving the provision for bad debt is the anticipated amount of cash ultimately that will be collected against the amount billed for any year based on experience. The company continues to provide for bad debt over a total of nine years, at which point is expected to be written off.
RET1.4	N/A
RET1.5	Meter reading costs (manpower and related costs) increase due to an increase in meter reading increased meter penetration YOY from the start of the AMP
RET1.6	In financial year 22/23 exceptional items costs of £1.3m were included within the year.
RET1.7	Remains static across all years
RET1.9	Depreciation (tangible fixed assets) on assets existing on 31 March 2015 is the allocation of the depreciation charge each year for all assts prior to March 2015 over their remaining economic life, until they are fully depreciated and have a nil net book value. The estimated useful lives of these assets are in line with companies' statement of accounting policies
RET1.10	Depreciation (tangible fixed assets) on assets acquired after 31 March 2015 is the allocation of the depreciation charge each year for all assts prior to March 2015 over their remaining economic life, until they are fully depreciated and have a nil net book value. The estimated useful lives of these assets are in line with companies' statement of accounting policies. This includes any new fixed assets that capitalised during the period
RET1.11	Depreciation (intangible fixed assets) on assets existing on 31 March 2015 is the allocation of the depreciation charge each year for all assts prior to March 2015 over their remaining economic life, until they are fully depreciated and have a nil net book value. The estimated useful lives of these assets are in line with companies' statement of accounting policies. Software assets are included in Intangible assets.
RET1.13	Depreciation (intangible fixed assets) on assets acquired after 31 March 2015 is the allocation of the depreciation charge each year for all assts prior to March 2015 over their remaining economic

	life, until they are fully depreciated and have a nil net book value. The estimated useful lives of these assets are in line with companies' statement of accounting policies. Software assets are included in Intangible assets.
RET1.14	N/A
RET1.15	This is the recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale and a smaller proportion is used by retail employees. It is charged to Retail based on constant methodology
RET1.16	This is the income from wholesale assets acquired after 1 April 2015 principally used by retail and a smaller proportion is used by wholesale employees. It is charged from Retail based on constant methodology
RET1.19	N/A
RET1.20	N/A
RET1.22	The Company's policy on bad debt is to provide where the debt is unlikely to be recovered, but to only write-off, either the debt when the customer is no longer resident in our area and cannot be traced or the debt is uneconomic to collect. Final debt over four years old will be written off where evidence exists that it has become non-collectable: This is the value of the debt to be written off which is line with the Companies provisioning policy. Write offs are expected to be more consistent as part of our debt management policy
RET1.23	This is the expected Capital expenditure to be made in retail to help deliver savings in retail costs and improve customer online services. Capital expenditure includes: • Meter reading devices • Computer equipment upgrades for retail staff. • Website portal and app to deliver the improved online services. Replacement of meter reading Vans and equipment
RET1.24	Remains static across all years
RET1.25	Remains static across all years
RET1.27	Remains static across all years
RET1.28	Remains static across all years

RET1a

This table is the same as RET1 due to the RPE and efficiency assumptions made in SUP11- see referenced lines below.

Efficiency and RPE assumptions	Commentary
SUP11.2R-SUP11.6R; SUP11.49	At PR19, the frontier shift efficiency challenge was deemed to be equivalent to the inflation assumption, and therefore no frontier shift challenge was added but also no in-period inflation was allowed. In practice, the period has seen record levels of inflation triggered by the combination of world events. This level is far beyond the level of efficiency challenge that would have been considered appropriate. Going forward, we can accept that a 2% inflation assumption could reasonably be offset by a frontier shift challenge, and so we have not directly included a real price effects uplift for retail. However if inflation is greater than 2%, then we think it is appropriate to trigger an in-period adjustment for labour costs, as we would need to meet these inflationary challenges which would be greater than a reasonable efficiency challenge. Note that although our retail power impacts are the same as in wholesale water (they are the same overall contracts for the entire business), but because retail power is a small component of the overall cost we have not included any real price effects adjustment for this.
	The only input to this line is the proportion of our retail costs which are labour. We have calculated this to be 40%.

RET2

RET2 is an input into the retail revenue reconciliation. For more detail on this table, please see SSC04j - Past delivery data tables appendix.

RET3

This table has been left blank as it is not relevant to English water companies.

RET4

This table has been left blank as we did not submit any retail cost adjustment claims.