

Addendum to Annual Performance Report 2016/17

Overview

We published our Annual Performance Report (APR) for 2016/17 on 14 July 2017. We have subsequently identified some amendments to a small number of data tables in the APR, which we have reported to Ofwat. The purpose of this addendum is to inform stakeholders of these amendments.

The tables affected are as follows:

page 146	3D	SIM Table
page 157	4E	Totex Analysis: Wholesale Wastewater
page 160	4H	Financial Metrics

Table 3D SIM Table

In accordance with Ofwat's guidance, we used the Ofwat SIM calculator to calculate our qualitative SIM score. However, subsequent to publication, Ofwat requested that an alternative calculation be used to ensure consistent reporting across the industry. This resulted in the qualitative SIM score being restated from 66.56 to 66.52, and our total SIM score being restated from 87.57 to 87.53.

The revised table is shown below, with the amended data highlighted in yellow.

Line description	Score
Qualitative performance	
1st survey score	4.50
2nd survey score	4.53
3rd survey score	4.62
4th survey score	4.54
Qualitative SIM score (out of 75)	66.52
Quantitative performance	
Quantitative composite score	79.79
Quantitative SIM score (out of 25)	21.01
SIM score	
Total annual SIM score (out of 100)	87.53

Table 4E Totex Analysis: Wholesale Wastewater

The unit cost data for the sewage treatment and disposal business unit has been updated as an incorrect unit of measure had been used.

The allocation of operating costs between the sludge transport and sludge treatment business units has also been amended, along with the associated unit cost information.

The replacement values for each are shown in the table below, with the amended data highlighted in yellow.

Line description	Sewage treatment and disposal	Sludge transport	Sludge treatment
Other operating expenditure		3.4	10.1
Total operating expenditure		3.4	4.2
Totex		4.3	6.7
Totex including cash items		4.3	7.0
Unit cost information			
Unit cost (£/pop)		1.3	1.6
	Biochemical Oxygen Demand (BOD) sewage	Sludge volume transported	Sludge treatment dried mass solid mass treated
Unit	Tonnes	Tonnes	ttds
Volume	68,831	793,189	70
£/unit	685.3	4.2	60,363.1

Table 4H Financial Metrics

The Return on Regulatory Equity (RORE) calculation has been revised from 8.4% to 7.9%, to reflect the impact of tax.

Line description	Units	Metric
RORE (return on regulated equity)	%	7.9%

As a result of this change, the table on page 161 of the APR, showing the differences between the base RORE set at the PR14 Final Determination and the actual RORE, has also been amended. The revised table is shown below, with the amended data highlighted in yellow.

Component of RORE	Variation from base	Explanatory comment
PR14 Base RORE	5.5%	Before adjustments related to revenue under-recovery in the period price review period under Ofwat's Revenue Correction Mechanism (RCM)
Totex outperformance	2.1%	See Table 4B narrative
Retail outperformance	0.2%	Retail cost outperformance against FD
ODI rewards	0.4%	See table 3A and associated narrative earlier in this report
Financing costs	(0.3)%	Due to RPI being lower than anticipated in the FD calculation, leading to higher than anticipated real debt costs compared to FD
2016/17 RORE	7.9%	This is the arithmetic average of 2015/16 and 2016/17 RORE, per Ofwat's guidance