

south east water

Guide to our 2020 to 2025
Business Plan

Pure knowh₂ow

Guide to our plan

Introduction

Our business plan and all of our supporting documentation can be found using the following link:

<https://corporate.southeastwater.co.uk/about-us/our-plans/our-business-plan-2020-2025>

Business plan documentation

We have a wide range of documents, financial models and data tables that support the main business plan. These can all be found using the link above.

The full list of our business plan documentation is as following:

- Executive summary
- Business plan
- Board assurance statement
- 22 supporting appendices
- Financial models and data tables
- Business plan presentation pro-forma, guidance tables and bill movement model
- Initial assessment of business plans pro-forma

Chapters within our business plan

Chapter 1: Contents and the structure of our plan

In this chapter we set out the contents, structure and evidence base of our plan.

Chapter 2: How this plan is based on what our customers and stakeholders told us

We set out how we have listened to customers and stakeholders, what we have learnt from that engagement and how we have analysed and used that insight to determine their priorities.

Chapter 3: Converting insight into outcomes and commitments

Priorities need to be converted into outcomes – the headlines of our plan – but they are supported in much more detail by the stretching performance commitments we have set.

Chapter 4: What we will do to meet our performance commitments

We outline the range of activities we will undertake over the next five years to meet all of our 35 performance commitments.

Chapter 5: Affordable, accessible and protective services for all

We have stretched our ambitions for this plan to keep our services affordable, accessible and protective for all customers, whatever their circumstances, and set out how we will do more as the provider of an essential service.

Chapter 6: Delivering resilience in the round, from source to tap

We have looked at what we need to do to become more resilient through a source to tap resilience lens and explore the important role a resilient customer can play too.

Chapter 7: The financials of our plan

Our total expenditure for 2020 to 2025 is £1 billion and we have used the same level of ambition in setting our costs too by challenging ourselves to deliver our investment more efficiently.

Chapter 8: How this plan is fair for all

We have applied ambitious incentives to all of our performance commitments so that they are fair and reflective of the strategic direction of our business and what customers have told us is important to them – and balance any risks around the decisions we have to take.

Chapter 9: How this plan is innovative

Innovation is essential if we are to deliver our outcomes and performance commitments, and so we set out our strategy and our areas of focus that will support us in our ambitions.

Appendices – the evidence that supports our business plan

Appendix	Subject
1	Engagement
2	Performance commitments and outcome delivery incentives
3	Responsible business
4	Business retail water market
5	Growth and new development
6	Water quality
7	Water resources
8	Vulnerability: affordable, accessible and protective services
9	Resilience in the round
10	Environmental resilience
11	Our investment plan
12	Retail
13	Wholesale efficiency
14	Financial
15	Risk management and mitigation
16	Innovation
17	Direct procurement for customers
18	Current performance
19	Cost adjustment claims
20	Governance and assurance
21	PR14 reconciliation
22	Table commentary

Initial assessment of business plans (IAP) pro-forma

The IAP pro-forma has been completed and published with our business plan and is also shown below.

Engaging customers

Questions	Where is this addressed in the business plan?	Additional information / explanation
EC1	<p>What is the quality of the company's customer engagement and participation and how well is it incorporated into the company's business plan and ongoing business operations?</p> <p><u>Business plan</u> Chapter 2, Our innovative approach to listening and learning (pages 24-31); Engaging with our Customer Challenge Group and Environmental Focus Group (pages 32-41) Chapter 3, Converting insight into outcomes and commitments (pages 40-47); Our 2020 to 2025 performance commitments (page 48-49); Our responsible business measures (pages 50-53) CCG report: www.customerchallenge.co.uk/company-performance</p> <p><u>Appendices</u> Appendix 1 Engagement Appendix 2 Performance commitments and outcome delivery incentives - sec 1.2, 1.3, p8-11, sec 3.4, 3.5, p38-63 Appendix 3 Responsible business - section 4 Inputs into the Strategy, p25-35. Appendix 4 Business retail water market (Section 1.4 pages 10-12) Appendix 5 Growth and new development (Section 1.2 page 9) Appendix 7 Water Resources (Sections 2 pages 20-30, section 3 pages 31-51, and section 4 pages 52-57) Appendix 8 Vulnerability: Affordable, accessible and protective services (Section 2 page 23-32; Section 3 page 33-43; Annex A; Annex B) Appendix 9 Resilience in the round (section 2 pages 27-32, section 3 'the resilient customer' pages 33-43) Appendix 10 Environmental resilience (section 1.4 page 17, section 1.5 page 18, 4.1.1 p98) Appendix 11: Our Investment Plan (section 1, pages 9-11)</p>	<p>Main approach is detailed in Engagement Appendix 1. How it has been specifically applied is referenced in relevant workstream appendices listed in Column E.</p> <p>In Appendix 7 we have set out in detail the engagement undertaken to support our WRMP19, and explained how the feedback that we have received from customers and stakeholders has influenced and shaped our long terms plans and investment decisions from 2020 to 2080.</p>

Addressing affordability and vulnerability

Questions		Where is this addressed in the business plan?	Additional information / explanation
AV 1	How well has the company demonstrated that its bills are affordable and value for money for the 2020-25 period?	<p><u>Business plan</u> Chapter 5, Affordable, accessible and protective services for all, p 77-91</p> <p><u>Appendices</u> Appendix 1 Engagement, sec 3.14 p48, sec 3.15 p52, sec 4.5 p98 Appendix 7 Water Resources (Sections 2.5 pages 25-27, section 2.6 page 27, section 3.2 pages 43-44, section 4.1 page 55, section 5.2.2 pages 62-63, and section 5.3.1 page 73) Appendix 8 Vulnerability - Affordable, Accessible and Protective Services (Section 4.4 Pages 63-72; Section 2.3, p32) Appendix 10 Environmental Resilience (section 5, p 114-129) Appendix 12 Retail, Section 3.11 Pages 37-38; Section 4 Pages 42-59 Appendix 13 Wholesale Efficiency (pages 5-40)</p>	<p>Appendix 12 main source of affordability summary supported by Appendix 8 Vulnerability</p> <p>Appendix 7 provides a summary of customer research and CBA analysis to look at customer WTP and acceptability of bill impacts.</p>
AV 2	How well has the company demonstrated that its bills will be affordable and value for money beyond 2025?	<p><u>Business plan</u> Chapter 5, Affordable, accessible and protective services for all, p 77-91</p> <p><u>Appendices</u> Appendix 1 Engagement, sec 3.14 p48, sec 3.15 p52, sec 4.5 p98 Appendix 5 Growth and new development (Section 6 page 23) Appendix 7 Water Resources (Sections 2.5 pages 25-27, section 2.6 page 27, section 3.2 pages 43-44, section 4.1 page 55, section 5.2.2 pages 62-63, and section 5.3.1 page 73) Appendix 8 Vulnerability - Affordable, Accessible and Protective Services (Section 4.4 page 63-72) Appendix 10 Environmental Resilience (section 5) Appendix 12 Retail Section 3.2 Page 30; Section 3.11 Pages 37-38; Section 4.7 Pages</p>	<p>Appendix 12 is the main source of affordability information supported by Appendix 8 Vulnerability</p> <p>Appendix 7 provides a summary of customer research and CBA analysis to look at customer willingness to pay and acceptability of bill impacts.</p>

		53-58 Appendix 13 Wholesale Efficiency (pages 5-40)	
AV 3	To what extent has the company demonstrated that it has appropriate assistance options in place for those struggling, or at risk of struggling, to pay?	<p>Business plan Chapter 5, Affordable, accessible and protective services for all, p 77-91</p> <p>Appendices Appendix 2 Performance commitments and outcome delivery incentives - Annex - A3, A4, A5, A10, A11, A12 Appendix 5 Growth and new development (Section 6 page 23) Appendix 8 Vulnerability - Affordable, Accessible and Protective Services - (Section 4.3.3, p59-62; Section 4.4, p63-72) Appendix 11 Our Investment Plan (section 5.15.5, pages 60-61) Appendix 12 Retail - (Section 3.11, p37-38)</p>	Main approach is detailed in Appendix 8 Vulnerability. ODIs are detailed in Appendix 2 and engagement to support overall approach is detailed in Appendix 1.
AV 4	To what extent does the company identify and provide accessible support for customers in circumstances that make them vulnerable, including proposing a bespoke performance commitment related to vulnerability?	<p>Business plan Chapter 5, Affordable, accessible and protective services for all, p 77-91</p> <p>Appendices Appendix 2 Performance commitments and outcome delivery incentives - Annex - A3, A4, A5, A10, A11, A12 Appendix 3 - Responsible business - Section 6.1 10 responsible business commitments (p63) Appendix 8 Vulnerability - Affordable, Accessible and Protective Services - (Section 4.3 Page 53-62; Section 4.3 Page 53-62) Appendix 11 Our Investment Plan (section 5.15.5, pages 60-61) Appendix 12 Retail - (Section 3.9 Pages 34-35; Section 3.10 Pages 35-37; Section 3.11 Pages 37-38; Section 3.12 Pages 38-41)</p>	Appendix 8, Vulnerability, contains main strategy supported by Appendix 1 on the engagement. ODI information is detailed in Appendix 2. Appendix 3 details how we have proposed a responsible business commitment alongside our performance commitments.

Delivering outcomes for customers

Questions	Where is this addressed in the business plan?	Additional information / explanation
<p>OC 1</p> <p>How appropriate, well-evidenced and stretching are the company's proposed performance commitments and service levels?</p>	<p><u>Business plan</u> Chapter 3, Converting insights into outcomes and commitments, p40-54)</p> <p><u>Appendices</u> Appendix 1 Engagement , sec 3.12 p77, sec 4.3 p94, sec 5.3 p103, sec 7.4 p132 Appendix 2 Performance commitments and outcome delivery incentives - Section 2 & 3 p17-66; Annex A (section included for each measure) Appendix 6 Water quality (Section 2.4 p32-47) Appendix 7 Water Resources (Section 3.1 page 31, section 3.2.2 page 34 [bullet point 4], section 3.2.3 pages 42-46, section 4.1 pages 54-57, sections 5.2.1 and 5.2.2 pages 62-63, 5.3.1 page 73, and 5.3.2 pages 77-78) Appendix 8 Vulnerability - Affordable, Accessible and Protective Services - Section 5.1 Pages 86-89; Section 1.3 Pages 13-22; Section 3 Pages 33-50 Appendix 10 Environmental Resilience (section 4 p98 to 112) Appendix 11: Our Investment Plan (section 1.1, 1.2 pages 11-17 and 3.3.2 pages 26-29)</p>	<p>Appendix 1 details approach to gaining insight to create commitments. Appendix 2 main focus on ODI construct, how they are stretching, and summary of how they will be delivered. Each relevant section where activity explained i.e. water quality, water resources, environment our investment plan and resilience contains more detail on what is to be done to deliver targets.</p> <p>Appendix 7 explains how we tested more ambitious demand management and improved levels of resilience with our customers and made comparisons with key reference reports. e.g national infrastructure commission report and Artesia's report for Ofwat. This appendix also includes further assurance that we undertook with our EFG to ensure that our approach was sufficiently stretching.</p>
<p>OC 2</p> <p>How appropriate and well-evidenced is the company's package of outcome delivery incentives?</p>	<p><u>Business plan</u> Chapter 8, How this plan is fair for all?</p> <p><u>Appendices</u> Appendix 1 Engagement, sec 3.12 p 77, sec 4.3 p94, sec 5.3 p103, sec 7.4 p132 Appendix 2 Performance commitments and outcome delivery incentives - Section 2 & 3, p17-66, Annex A (section included for each measure)</p>	<p>Appendix 1 details approach to gaining insight to create commitments. Appendix 2 main focus on ODI construct, how they are stretching and summary of how they will be delivered. Each activity-relevant section (i.e. water quality, water resources, environment, our investment plan, resilience) contains</p>

		<p>Appendix 6 Water quality (Section 2.4 p32-47)</p> <p>Appendix 8, Vulnerability - Affordable, Accessible and Protective Services - Section 5 Pages 86-89</p> <p>Appendix 10 Environmental Resilience (section 4 p98 to 112)</p>	<p>more detail on what is to be done to deliver targets.</p>
OC 3	<p>How appropriate is the company's focus on service performance in its risk/return package?</p>	<p><u>Business plan</u> Chapter 8.4, Our whole risk reward package, p 139-147</p> <p><u>Appendices</u> Appendix 2 Performance commitments and outcome delivery incentives - Section 2 & 3, p17-66, Annex A (section included for each measure) Appendix 11 Our Investment Plan (section 3.3.2 pages 26-29) Appendix 14 Financial Section 5.1 (RoRE) p.29 Appendix 15 Risk management and mitigation, sec 2-3, pp 8-16</p>	<p>Explanation of potential risk relating to ODIs in particular the element of stretch is explained in Appendix 2 Performance Commitments and ODIs. Approach to risk explained in Appendix 15 Risk management and mitigation, and articulated in RORE in Appendix 14 Financial.</p>

Securing long-term resilience

Questions		Where is this addressed in the business plan?	Additional information / explanation
LR 1	<p>How well has the company used the best available evidence to objectively assess and prioritise the diverse range of risks and consequences of disruptions to its systems and services, and engaged effectively with customers on</p>	<p><u>Business plan</u> Chapter 2, How this plan is based on what customers and stakeholders told us, p24-37 Chapter 6. Delivering resilience in the round, p 94-111</p> <p><u>Appendices</u> Appendix 1 Engagement, sec 3.6 p56, sec 3.7 p60, sec 4.1 p90 Appendix 3 - Responsible business Chapter 4 - Inputs into the strategy (p 23 - 52) Appendix 5 Growth and new developments (Section 4 page 19) Appendix 6 Water quality (Section 2.1 p15-17, Section 2.2 p17-18 and Section 2.3 p18-31) Appendix 7 Water resources (Section 2 pages 20-30, section 3 pages 31-32, 42-46, section 5.2.3 to 5.2.6 page 63-66, section 5.3.1 pages 72-74,</p>	<p>Appendix 9, Resilience in the round, assesses all forms of risk and disruption and is supported by Appendix 15, Risk management and mitigation, to understand impact of proposed interventions. All other sections deal with the specific risks for their areas. Appendix 1 details how we have engaged with customers on these issues through specific resilience research and more specifically on issues such as drought and interruption risks. Appendix 11 deals with risk from an asset management perspective.</p>

	<p>its assessment of these risks and consequences?</p>	<p>and section 5.4.2 pages 82-83) Appendix 9 Resilience in the round, (Section 1.2 p17, Section 1.4 p20, Section 2 p27-31, Section 3.1.2 p35, Section 3.2.1 p37, Section 4.1-4.4 p44-49, Section 6.1 p63, and Section 6.7 p77) Appendix 10 Environmental resilience (sec 1, 2 and 3 p12-96) Appendix 11 Our investment plan (section 5.5, pages 44-46, section 5.6, pages 47-49, section 5.7, pages 49-51, section 5.8, pages 51-52) Appendix 14 Financial (Section 4.11, p.27) Appendix 15 Risk management and mitigation sec 2-5 pp 8-22</p>	<p>Appendix 7 has considered and prioritised the risk of delivering the WRMP19 preferred plan. This has been undertaken with consideration given to customer research and levels of risk and innovation required to deliver ambitious demand management without causing undue risk to security of supply.</p>
<p>LR 2</p>	<p>How well has the company objectively assessed the full range of mitigation options and selected the solutions that represent the best value for money over the long term, and has support from customers?</p>	<p><u>Business plan</u> Chapter 6, Delivering resilience in the round, from source to tap, p93-111</p> <p><u>Appendices</u> Appendix 6 Water quality (Section 2.1 p15-17, Section 2.2 p17-18 and Section 2.3 p18-31) Appendix 7 Water resources (Section 2 pages 20-30, section 3 pages 31-51, section 4 page 52-59, section 5 pages 60-84, section 6 pages 85-92, and section 9 pages 103-106 and annex B) Appendix 9 Resilience in the round, Section 8 p84-114 Appendix 10 Environmental resilience, (section 3 33-96) and 5 113-128) Appendix 11 Our Investment Plan (Base options section 3 pages 20-30, enhancement options section 5 pages 34-60) Appendix 13 Wholesale Efficiency (section 2 pages 19-31, section 3 pages 32-41, section 4 pages 42-49)</p>	<p>Each appendix covers this for each relevant area summarised in Appendix 11 Our investment plan.</p> <p>Appendix 7 has considered and prioritised the risk of delivering the WRMP19 preferred plan. This has been undertaken with consideration given to customer research and levels of risk and innovation required to deliver ambitious demand management without causing undue risk to security of supply.</p>

Targeted controls, markets and Innovation

Questions	Where is this addressed in the business plan?	Additional information / explanation
<p>CMI 1</p> <p>How well does the company's business plan demonstrate that it has the right culture for innovation which enables it, through its systems, processes and people, to deliver results for customers and the environment from innovation?</p>	<p><u>Business plan</u> Chapter 9, how this plan is innovative, p149-155</p> <p><u>Appendices</u> Appendix 1 Engagement Appendix 5 Growth and new development (Section 5 page 21) Appendix 7 Water Resources, (Section 5 pages 60-61, section 5.2.4 pages 65-66, section 5.3.1 pages 72-74, section 5.3.2 pages 74-75, section 5.3.4 page 76 to 77 section 5.5 pages 87-88, section 6.2 pages 86-89 and section 9 pages 103-106 and annex B) Appendix 8, Vulnerability - Affordable, Accessible and Protective Services - Section 1.3.1 Page 13, Section 1.3.4 Page 14, Section 1.3.5 Page 14 Appendix 9 Resilience in the round, Section 3.6 p41-43 Appendix 10 Environmental resilience (section 3.2.2 page 38, 3.4.4 p56, 3.6.3 p74, 3.9.1 p82, 3.11.3 p96, 4.3.2 p103, 4.5.2 p107, 4.6.2 p110, 4.7.3 p112). Appendix 12, Retail - Section 3 Pages 28-41;Section 4.7 Pages 53-58 Appendix 13 Wholesale Efficiency (Section 4, pages 42-43) Appendix 16 Innovation</p>	<p>Approach to innovation detailed in Appendix 16 Innovation, all areas then comment on the use of it.</p> <p>Appendix 7 has looked at where innovation is required to support the delivery of our preferred plan. We have also included mechanisms to drive greater levels of innovation as part of our bid assessment framework and encouraging markets.</p>
<p>CMI 2</p> <p>2. How well does the company use and engage with markets to deliver greater efficiency and innovation and to enhance resilience in the provision of water and wastewater services to secure value for customers,</p>	<p><u>Business plan</u> Chapter 9, how this plan is innovative, p149-155</p> <p><u>Appendices</u> Appendix 4 Business retail water market (Section 1.3 page 8 and section 2 page 13) Appendix 5 Growth and new developments (Section 1.2 page 9</p>	<p>Appendix 7 Water resource main explanation of use of markets, including BAF and how we used markets to date to procure new water from third parties and demand side solutions from innovative start-ups. Other appendices mentioned impact with markets and</p>

	<p>the environment and the wider economy; and to support ambitious performance for the 2020-25 period and over the longer term?</p>	<p>and section 5 page 21) Appendix 7 Water Resources, (Section 5 pages 60-61, section 5.2.4 pages 65-66, section 5.3.1 pages 72-74, section 5.3.2 pages 74-75, section 5.3.4 page 76 to 77 section 5.5 pages 87-88, section 6.2 pages 86-89 and section 9 pages 103-106 and annex B) Appendix 10 Environmental resilience (section 3.2.2 page 38, 3.4.4 p56, 3.6.3 p74, 3.9.1 p82, 3.11.3 p96, 4.3.2 p103, 4.5.2 p107, 4.6.2 p110, 4.7.3 p112). Appendix 16 Innovation. sec 2, p 16-22</p>	<p>contain specific references where appropriate.</p> <p>Appendix 7 explains how we have encouraged the development of a third party option market.</p>
CMI 3	<p>To what extent has the company set out a well evidenced long-term strategy for securing resilient and sustainable water resources, considering a twin track approach of supply-side and demand-side options and integrating third party options where appropriate, to meet the needs of customers and the environment in the 2020-25 period and over the longer term?</p>	<p><u>Business plan</u> Chapter 6, Delivering resilience in the round, from source to tap, p93-111 Chapter 4, What we will do to meet our performance commitments p55-75</p> <p><u>Appendices</u> Appendix 7 Water Resources (Section 2.8 pages 29-30, section 5.2 pages 62-68, section 5.3.1 pages 72-74, section 5.3.2 pages 74-75, section 6.2 and 6.3 pages 86-90, and section 9 pages 103-106 and annex B) Appendix 10 Environmental Resilience (sections 2.3 p28-30, 3.2.3 p40-43, 3.3.3 p49, 3.5 p62, 3.7 p75-76, 3.9 p91, 3.10.4 p89-91, 3.11.2 p95, 5.1 p113-128).</p>	<p>Appendix 7 Water resources covers all these points, supported by Appendix 10 that deals with the relationship to the environment, WISER, WINEP and abstraction management.</p>
CMI 4	<p>To what extent does the company have a well-evidenced long-term strategy for delivering bioresources services, integrating an assessment of the value from the delivery of bioresources services by third</p>	<p>Not applicable to water only company</p>	

	parties for the 2020-25 period and over the longer term?		
CMI 5	How appropriate is the company's proposed pre-2020 RCV allocation between water resources and water network plus – and, if relevant, between bioresources and wastewater network plus – taking into account the guidance and/or feedback we have provided?	<p><u>Business plan</u> Chapter 8, How this plan is fair for all, p135-147</p> <p><u>Appendices</u> Appendix 7 Water Resources, sec 7, p92-96, sec8 p91-101 and Annex A Water resources RCV allocation</p>	Appendix 7 is the main source of information.
CMI 6	To what extent has the company produced a bid assessment framework for water resources, demand management and leakage services that demonstrates a clear commitment to the key procurement principles of transparency, equality/non-discrimination and proportionality and the best practice recommendations?	<p><u>Appendices</u> Appendix 7 Water resources, (Section 9 pages 103 to 106 and annex B)</p>	Appendix 7 is the primary source of this information and builds on our work during AMP6 to develop and encourage third party markets.
CMI 7	5. To what extent has the company clearly demonstrated that it has considered whether all relevant projects are technically suitable for direct procurement for customers? Where it has one or more such projects, to what extent has the company	<p><u>Business plan</u> Chapter 9.2, Promoting markets through water trading and direct procurement of large projects, p154-155</p> <p><u>Appendices</u> Appendix 7 Water resources, (Section 9 pages 103 to 106 and annex B) Appendix 17 Direct procurement for customers</p>	Appendix 17 Direct procurement for customers. The appendix details the identification of relevant suitable projects, with a gated process for selection and sets out the value for money assessment along with key risks.

	<p>provided a well-reasoned and well-evidenced value for money assessment supporting its decision on whether or not to take forward each technically suitable project using direct procurement for customers?</p>		<p>Appendix 7 makes clear reference to Appendix 17 and new schemes being considered as part of our WRMP19 long term strategy are clearly included in Appendix 17.</p>
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Securing cost efficiency

Questions		Where is this addressed in the business plan?	Additional information / explanation
CE 1	<p>How well evidenced, efficient and challenging are the company's forecasts of wholesale water expenditure, including water resources costs?</p>	<p><u>Business plan</u> Chapter 7, The financial of our plan, p113-132</p> <p><u>Appendices</u> Appendix 7 Water Resources (Section 5 pages 60-84, section 6 pages 85-92, and section 7 pages 93-97) Appendix 11 Our investment plan (section 1-8, pages 7-84) Appendix 11 Our investment plan inc Annex A - UCDB (section 1-11, pages 5-63) Appendix 12 Retail, sec 4 p 42-58; Appendix 13 Wholesale Efficiency inc Annex A- Wholesale Botex assessment; Annex B - Cost Report ChandlerKBS</p>	<p>Approach and summary contained in Appendix 7 Water Resources, and Appendix 11. Our investment plan and our assessment on efficiency detailed in Appendix 13 Wholesale Efficiency and Appendix 12 Retail. Each appendix on investment areas expands on approach of optioneering etc.</p>
CE 2	<p>How well evidenced, efficient and challenging are the company's forecasts of wholesale wastewater expenditure, including bioresources costs?</p>	<p>Not applicable for water only company</p>	

CE 3	How well evidenced, efficient and challenging are the company's forecasts of retail expenditure, including bad debt costs?	<p><u>Business plan</u> Chapter 7, The financial of our plan, p113-132</p> <p><u>Appendices</u> Appendix 12 Retail (Section 4 page 44-62)</p>	Approach and summary contained in Appendix 12 Retail: section 4.1 to 4.7 (pages 43-55). Our appendix content is supported by an independent study from Oxera, with the report being available as an Annex A (page 61) to appendix 12.
CE 4	To what extent are cost adjustment claims used only where prudent and appropriate, and where they are used, are cost adjustments well evidenced, efficient and challenging?	<p><u>Business plan</u> Chapter 7, The financial of our plan, p113-132</p> <p><u>Appendices</u> Appendix 19 Cost adjustment claims sec 3 p 8 and Appendix A</p>	Appendix 19, Cost adjustment claims, sets out the approach. It broadly outlines the justification (section 3, p8), i.e. whether claims are prudent and appropriate. With regard to quantification (i.e. evidenced, efficient and challenging, and their relevance to econometric model) please refer to our independent assessment undertaken by Oxera available in Annex A to appendix 19, (p16).

Aligning risk and return

Questions	Where is this addressed in the business plan?	Additional information / explanation
RR 1 Has the company based the separate costs of capital that underpin each of its wholesale price controls, and the net margin(s) that underpins its retail price control(s), on those we state in our early view? If not, to what extent has the company	<p><u>Business plan</u> Chapter 8, How this plan is fair for all, p135-147</p> <p><u>Appendices</u> Appendix 14 Financial, sec 1.1, p.9.</p>	The company has based the separate costs of capital that underpin each of its wholesale price controls and net margin that underpins its retail price control on the Ofwat early view set out in the Final Methodology.

	robustly justified, in terms of benefits for customers, its proposed costs of capital and retail margin(s) within the context of expected market conditions for 2020-25?		
RR 2	To what extent has the company demonstrated a clear understanding and assessment of the potential risks in its RoRE assessment, including the effect of the risk management measures it will have in place, across each of the price controls?	<p><u>Business plan</u> Chapter 8, How this plan is fair for all, p135-147</p> <p><u>Appendices</u> Appendix 14 Financial sec 3 (RoRE) p.31-36 Appendix 15 Risk management and mitigation sec 4, p 17-21</p>	The company has demonstrated an assessment of the potential risks in its RoRE assessment and the effect of the risk management measures. Main source Appendix 14 (Chapter 3), supported by an assessment of ranges produced by ODI in Appendix 2 Performance commitments and delivery incentives and risk articulated in Appendix 15 Risk management and mitigation, p. 17-21
RR 3	Has the Board provided a clear statement that its plan is financeable on both an actual and a notional basis? Is the statement appropriate and how robust is the supporting evidence?	<p><u>Appendices</u> Appendix 14 Financial, Financial Resilience on p.6-8. Appendix 20 Assurance, (Section 2 Board assurance p 16 and p 18-20)</p>	Main source Appendix 20, sec 2.2.7 on p.16 supported by Appendix 14,
RR 4	How appropriate are the company's PAYG and RCV run-off rates? How well evidenced are they, including that they are consistent with customers' expectations, both now and in the longer term?	<p><u>Appendices</u> Appendix 1 Customer engagement, sec 3.13 p 79 Appendix 14 Financial. Section 4.3 to 4.7, p.19-22 Appendix 14 Financial. Annex B, Section 4, p.27-34</p>	Main source Appendix 14, sec 2, p.17-21 and supporting Annex B. Also supported by customer Engagement in Appendix 1.

Accounting for past delivery

Questions	Where is this addressed in the business plan?	Additional information / explanation
<p>PD 1</p> <p>How well has the company given evidence for its proposed reconciliations for the 2015-20 period, and has it proposed adjustments by following the PR14 reconciliation rulebook methodology?</p>	<p><u>Business plan</u> Chapter 10, How this plan builds on our current performance, p157-169</p> <p><u>Appendices</u> Appendix 18 Our current performance, sec 8 p65-73 Appendix 21 PR14 reconciliation commentary</p>	<p>Appendix 21, PR14 reconciliation, is the main source.</p>
<p>PD 2</p> <p>How well has the company performed, and is forecast to perform, over the 2015-20 period and, taking into account this overall performance, how well has it put measures in place to ensure that it maintains confidence that it can successfully deliver its PR19 business plan?</p>	<p><u>Business plan</u> Chapter 10 of business plan: What we have delivered for customers (page159); Our current and forecast performance (pages 160-161); The lessons we have learned and how they have shaped this plan (pages 162-166); Our investment from2015 to 2020 (page 167-169)</p> <p><u>Appendices</u> Appendix 2 Performance commitments and ODIs Appendix 15, Risk management and mitigation, sec 3-4, p11-21 Appendix 18 our current performance, sec 3-6, p13-56 Appendix 20, Governance and assurance, Section 2 Board assurance (pp 9-28)</p>	<p>Appendix is the18 main source of current performance and what we have achieved plus a summary of how we are planning to deliver in the future. Appendix 2 outlines how we plan to deliver ODIs (with more information on delivery plan details in each relevant appendix). Appendix 15 outlines how we assess and plan to mitigate risks to delivery of the plan.</p>

Securing confidence and assurance

Questions		Where is this addressed in the business plan?	Additional information / explanation
CA 1	To what extent has the company’s full Board provided comprehensive assurance to demonstrate that all the elements add up to a business plan that is high quality and deliverable, and that it has challenged management to ensure this is the case?	<p>Appendices</p> <p>Appendix 20 Governance and assurance:</p> <ul style="list-style-type: none"> - Executive summary, (pp 6-7) - Section 2 Board assurance (pp 9-28) - Section 3 PR19 assurance strategy (pp 29-34) <p>Appendix 15 Risk management and mitigation</p>	Appendix 20 main source supported by risk management approach in Appendix 15.
CA 2	To what extent has the company’s full Board been able to demonstrate that its governance and assurance processes will deliver operational, financial and corporate resilience over the next control period and the long term?	<p>Appendices</p> <p>Appendix 9 Resilience in the round Section 6.2 (p64-65)</p> <p>Appendix 14 Financial, section 1 (Financial Resilience) p.5-7</p> <p>Appendix 14 Financial, Annex B, section 5 (Scenario modelling and financial resilience) p.35-39</p> <p>Appendix 15 Risk management and mitigation, sec 2-6 p 8-23</p> <p>Appendix 20 Governance and assurance, Section 2 Board assurance (pp 9-28)</p>	Appendix 20 is the main source supported by risk management approach in Appendix 15 and Appendix 14 for Financial resilience. Resilience in the round Appendix 9 gives further support on corporate and operational resilience.
CA 3	To what extent has the company’s full Board provided assurance that the company’s business plan will enable customers’ trust and confidence, through appropriate measures to provide a fair balance between customers and investors (which include outperformance sharing, dividend policies and any performance related element of executive pay) and high levels of transparency and engagement, on issues that matter to customers (which extends to their ability to understand corporate and financial	<p>Business plan</p> <p>Chapter 11 Our assurance of this plan, p171-185</p> <p>Appendices</p> <p>Appendix 1 Engagement, sec 1.1 p10, sec 8.2 p 135</p> <p>Appendix 3 - Responsible business - Section 4.4 Board engagement (p36 -39)</p> <p>Appendix 14 Financial, Section 1 (Financial Resilience) p.5, Section 2 (Dividend Policy) p.8, Section 4.7 (customer bills) p.22 and Section 5.1 (RoRE) p.29</p>	Covered relatively equally across all these appendices

	structures and how they relate to its long-term resilience)?	Appendix 15 Risk management and mitigation Appendix 20 Governance and assurance, Section 2 Board assurance pp 9-28	
CA 4	To what extent has the company’s full Board provided comprehensive assurance to demonstrate that the business plan will deliver – and that the Board will monitor delivery of – its outcomes (which should meet relevant statutory requirements and licence obligations and take account of the UK and Welsh Governments’ strategic policy statements)?	<u>Business plan</u> Chapter 11 Our assurance of this plan, p171-185 <u>Appendices</u> Appendix 15 Risk management and mitigation, sec 2-6 (p 8-23) Appendix 20 Governance and assurance, section 2 Board assurance (pp 9-28) and section 4 Statutory and licence obligations (pp 35-57)	Appendix 20 is the main source supported by risk management approach in Appendix 15.
CA 5	To what extent does the company have a good track record of producing high-quality data, taking into account the company’s data submission, assurance process and statement of high quality, and our 2018 assessment of the company under the company monitoring framework?	<u>Appendices</u> Appendix 15 Risk management and mitigation sec 2 p 8-10 Appendix 20 Governance and assurance, Section 3 Our assurance strategy (pp 29)	Appendix 20 outlines our assurance strategy while Appendix 15 explains our Company Monitoring Framework.
CA 6	How consistent, accurate and assured are the company’s PR19 business plan tables, including the allocation of costs between business units, information on corporation tax, and the assurance and commentary provided?	<u>Appendices</u> Appendix 20 Governance and assurance, Section, 3.3 p30-33; sec 3.4 p 33, Annexes E onwards	Section 3.3 outlines the PR19 assurance framework. Sec 3.4 outlines the general process of assuring the tables. Annexes E onwards include letters of assurance from external assurance partners.

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