

DATA TABLE COMMENTARY – PRT59 LONG-TERM STRATEGIES



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TABLE LS1 - Forecast Outcomes

Justification for all performance commitment levels can be found in PRT05 Delivering Outcomes for Our Customers.

TABLE LS2 - Forecast Outcomes from Base Expenditure

We have determined 'what base buys' by understanding and identifying the benefits that we would expect from our base and enhancement investment options that we have identified. We have determined the benefit of these options through a combination of historic evidence, statistical modelling, and insight from across the sector and best practice guidance.

The in-year benefit of each investment option is deducted from the end of the previous year's performance, accounting for performance deterioration. This approach is applied over the 25-year appraisal period.

Applying this approach to our base investment options enables the determination of 'what base buys'.

TABLE LS3 - Wholesale Water Totex Enhancement Expenditure by Purpose, Core Pathway

We have identified that the first five years of our core pathway are required in all futures we have tested. They set out the investments we require to inform our future requirements as well as provide us with preparatory activity to enable more efficient delivery of our key schemes.

Beyond 2030, we are following Alternative Pathway 9, consistent with our rdWRMP 'preferred' plan (Situation 4), including investment for the additional water supply options we will require as well as included our proposal for replacing lead supply pipes in our area by 2050.

We have included this investment to ensure consistency with the WRSE group and other member companies and whilst all futures are equally likely, Alternative Pathway 9 is the future that supports us in delivering our ambition for replacing lead supply pipes by 2050.

TABLE LS5 - Wholesale Water Totex Enhancement Expenditure Under Common Reference Scenarios

All Alternative Pathways and therefore common reference scenarios have identified the same investment options for the first five years of our plan. We have set out each adverse common reference scenario as an Alternative Pathway so that it can be readily identified and understood.

This is with the exception of the benign common reference scenarios. These scenarios will follow Alternative Pathway 1, our adverse climate change common reference scenario for the 25-year appraisal period.

Our adverse climate change scenario deviates from this in 2057, where we are required to introduce an additional supply demand option that is not otherwise required in our benign common reference scenario futures.

TABLE LS7 - Average Total Water, Wastewater and Combined Bills Under Core and Alternative Pathways

Bill impacts have been calculated for each Pathway and the change in the annual change in the average bill from enhancement expenditure has been input to the table. These bill impacts have been calculated in our financial model.

The approach is consistent with that set out in Appendix A2 of Ofwat's final guidance on long-term delivery strategies.

- Enhancement expenditure has been split into capital and operating expenditure.
- Capital enhancement expenditure has been added to the RCV.
- The return on the new enhancement RCV is based on the PR24 early view of the allowed return on capital for the whole period.
- RCV run-off is based on the average asset life in our model, on the assumption that the new expenditure should not be materially different to the existing asset base.
- Any tax impacts are automatically accounted for within the financial model.
- The revenue requirement is split between households and non-households based on existing splits and the household element divided by the number of household customers.

There are no DPC-eligible schemes in our long-term plan.



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