

Summary Report on BV Checks Carried Out on HD PR19 Resubmission

1. HD Assurance Summary

We understand that the company wishes to make the following statement on the assurance activities we have carried out:

“In addition there are a number of areas of assurance that have been undertaken by Black & Veatch to ensure that we have provided sufficient response to the IAP challenges:

- *Review of specific PC definitions, targets and supporting evidence, where the IAP has specifically challenged those elements.*
- *Review of AMP6 SIM forecast data for 2018/19 and 2019/20.*
- *Red Team style review and challenge of the clarity of the specific responses and the sufficiency of information provided.*
- *Review of specific tables showing changes, to ensure that these were consistent with responses made to Ofwat”.*

In response to this statement, we confirm that, for the four bullet-point areas identified above, we reviewed and discussed HD’s proposed responses and table changes and confirmed that in our view these addressed Ofwat’s IAP challenges.

Further details of the areas covered are given below:

We carried out checks to provide third-line assurance on the following:

2. Ofwat Actions

We provided challenge and suggestions for the company’s proposed responses to Ofwat on the following Ofwat queries:

HDD.CE.A2 – Metaldehyde

HDD.CM1.A1 – DWMP

HDD.OC.A5 – Unplanned Outage

HDD.OC.A38 – Sewer Flooding Extreme Storms

HDD.OC.A42 and HDD.OC.A44 – Lead

HDD.OC.A50 – Sewer Blockages Stretch

HDD.PD.A4 – SIM

HDD.OC.A52 – Welsh Language Service

HDD.CMI Test 7 – Direct Procurement

HDD.CMI.B1 IAP - Innovation

HDD.CMI.A2 IAP – Bid Assessment Framework

HDD.PD.A2 IAP - ODI True-up

HDD.PD.A2 - Past Delivery

HDD.OC.A2 - Perf Reporting

HDD. PD.A7 & A8 - Delivery Measures

HDD.AV.A5 - Service Vulnerability & HDD_AV_A5 APP4

HDD.PD.A5.IAP - Further Evidence Yr4_5 Overspend

HDD.OC.A21 - Drought Risk

HDD.LR.A1 to A3 - Resilience

HDD.PD.A9 & A10 - Further Evidence Past and Current Costs

HDD.CE.A1 - Further Evidence CACs

HDD.PD.B2 - Performance Monitoring Action Plan

Challenges mainly related to the clarity of the response and the sufficiency of information provided. We also challenged the company to be more ambitious on Lead replacement, as suggested by Ofwat. This challenge was declined as no further funding is likely and customers do not support a financial incentive.

3. Review of AMP6 SIM forecast data for 2018/19 and 2019/20

We reviewed the company's revised SIM forecast for these years, based on real run-rates, confirmed that this appeared reasonable, and confirmed that appropriate adjustments had been made to the data tables.

4. Table Checks – No or Minimal Change

We checked and confirmed that we agreed with the logic for making no or minimal changes to the following tables, compared with those submitted in September 2018 and that this was consistent with those Ofwat actions which we checked (listed in 1. above). We did not check data:

WS1, WS2, WS2a, WWS1, WWS2, WWS2a, WS4, WWS4, WR1, WR8, WN1, WN2, WWN1, WWN3, and WWN4

5. Table Checks – Material Change

We checked the following tables which showed material changes, compared with the tables submitted in September 2018. For each table we confirmed that the changes made were consistent with those Ofwat actions which we checked (listed in 1. above). Further comments are given against each table below where relevant.

APP1 – Relevant lines are consistent with the Ofwat responses that we checked. We were not asked to cover changes to ODI type.

APP2, WR6, WN2 – Changes are based on the Final Water Resource Management Plan in which two new Water Resource Zones were created (Saltney and Llanfyllin). As part of this work bottom-up leakage and PCC were recalculated. New figures differ from those based on NAV assumption used in the September submission and are considered more accurate. We confirmed the logic of these changes but did not check the figures.

APP4 - Relevant lines are consistent with the Ofwat responses that we checked.

APP28 - Relevant lines are consistent with the Ofwat responses that we checked.

WWS18 – Relevant lines are consistent with the Ofwat responses that we checked. We were not asked to cover changes to ODI type, pollution incidents or customer bills.

WN6 – The only change is that the cost claim on supply resilience has been removed as it is considered to be fully included in Ofwat’s financial modeling. This only leaves the lead claim, which is as before. This is all consistent with the comments made to Ofwat.