



# **PR24 Data Table Commentary**

## **Section 7. Retail**

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## 2.RET1a and RET1 – Cost analysis–residential retail (post frontier shift and real price effects)

Total operating costs across the retail price control are forecast to be relatively consistent year on year during the latter part of AMP7 and AMP8 at c£50m (exclusive of doubtful debt charges).

The end of AMP7 is projected to show reduction in expenditure as the efficiency programmes allow us to make a step change in operational performance over the remainder of the AMP7 to meet our stretching FD targets.

However, as we move into AMP8 we anticipate a step up in costs from year 1 in relation to an allocation of cross YW investment in technology and cyber security.

Exit Opex run rate for AMP7 are aligned to the internal business plan approved by the Board in March 2023. This was completed on a bottom-up basis for 2023/24, with a bottom-up allocation to price controls. Future adjustments in base Opex into AMP8 calculated individually on a bottom-up basis.

Percentage accuracy estimated at within 5%. Internal business plans have been created at 2023/24 prices and for table completion have been deflated to 2022/23 prices at a forecast CPIH. The range of CPIH forecasts that are produced monthly indicate that there could be a 1% swing in Opex through movements in the CPIH forecast.

A 5% accuracy tolerance equates to £29m pa on total YW Opex and it is considered that the forecasts are accurate to within £29m per annum.

### **Depreciation**

The total depreciation charge is compiled from three distinct datasets which are then aggregated:

- Existing assets, capitalised and held on the balance sheet at 31 March 2023;
- AMP7 Year 4&5 expenditure.
- AMP8 forecast capital expenditure.

Deprecation on existing assets (including those existing at 31 March 2015) is projected within the SAP asset register based on individual asset lives.

The depreciation of assets from 2023/24 onwards is also taken directly from the depreciation forecast in the SAP asset register and allocated to price control in line with the APR methodology. Asset lives for ongoing projects are based on individual project asset class data where available. Where not available, an estimate is made based on the nature of the project or investment driver.

### **Converting RET1a to RET1**

We have applied frontier shift efficiency assumptions and real price effects as set out in SUP11 to the RET1a lines. Our approach to SUP11 is set out in our Frontier Shift and Real Price Effect Appendices. To do this accurately for Retail we have identified the labour component of each retail Opex line and applied the RPE adjustment to the retail proportion.

## **3.RET2 – Residential retail**

### **AMP7 forecast.**

This provides the forecast for the inputs into the PR19 residential retail reconciliation model. Both years take into consideration the adjusted revenue per customer allowances after ODI impacts have been assessed.

## **4. RET3 is only applicable for Welsh companies.**

## **5. RET4 – Cost adjustment claims – residential retail**

We have not populated this data table as there are no cost adjustment claims proposed in the Residential Retail Price Control.