

RET1- Cost analysis - retail (post frontier shift and real price effects)		
Line description		Commentary
	Operating expenditure	This table has been populated on a consistent basis to the new ADD tables and applying the RPEs and frontier shift as set out in the supporting document 'SRN-DDR-026 Real Price Effect and Frontier Shift Methodology'.
1	Customer services	Customer Services costs are increasing due implementation costs of the new CRM system (SAAS assumed) and therefore being recognised as opex, total spend over the AMP is £68m: 11m, 18m, 23m, 12m, 4m. Customer Services efficiencies predominantly due to the CRM implementation, have been included throughout the AMP8: £1m, £1.2m, £1.4m, £4.3m, £6.9m.
2	Debt management	
3	Doubtful debts	Higher bad debt provision due to increased revenues is a material year on year variance increasing from £15m Y5 of AMP 7 to £23m Y1 of AMP 8 and £27m by Y5. This is net of a 0.1% yoy bad debt provision rate improvement throughout the AMP. (2.9% to 2.5%).
4	Doubtful debts (smoothed)	We believe that our provisions made for both covid and current cost of living are correct and do not require smoothing.
5	Meter reading	Meter reading costs which have been reduced as a result of the Smart Metering roll out total £7m, starting in Y1 and increasing proportionally throughout the AMP, in addition to procurement efficiencies of £1m per year.
6	Other operating expenditure	
7	Local authority and Cumulo rates	
8	Total operating expenditure excluding third party services	
	Depreciation	
9	Depreciation (tangible fixed assets) on assets existing at 31 March 2015	The only depreciation predating 31 March 2015 is in relation to an upgrade of our billing system, which is depreciated over ten years. This is almost completely depreciated by the end of AMP7, with a minor charge remaining in 2025-26 only.
10	Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	Assets acquired in the period 2015-20 have depreciation charges of £1.8m in 22-23, £1.1m in 23-24, £0.8m in 24-25 and £0.5m in 25-26. These schemes are driven by our change delivery programme and updates to our debt management system. For the period 2020-25 any further depreciation charges are in relation to our retail transformation programme, as well as several vehicles, both of which are depreciated over five years.
11	Amortisation (intangible fixed assets) on assets existing at 31 March 2015	The only amortisation predating 31 March 2015 is in an upgrade of our billing system, which is amortised over ten years. This is fully amortised by the end of AMP7.

12	Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	Assets acquired in the period 2015-20 have amortisation charges of £0.5m in 22-23 and £0.3m in 23-24, after which they are fully amortised. This is in relation to our tailored collection programme.
	Recharges	
13	Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	
14	Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	
15	Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	
16	Income from wholesale assets acquired after 1 April 2015 principally used by retail	
17	Net recharges costs	
18	Total retail costs excluding third party and pension deficit repair costs	
19	Third party services operating expenditure	
20	Pension deficit repair costs	
21	Total retail costs including third party and pension deficit repair costs	Calculation
	Debt written off	
22	Debt written off	Estimate for debt written off – based on annual bad debt charge
	Capital expenditure	
23	Capital expenditure	No commentary
	Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale	
24	Demand-side water efficiency - gross expenditure	Nil
25	Demand-side water efficiency - expenditure funded by wholesale	
26	Demand-side water efficiency - net retail expenditure	
27	Customer-side leak repairs - gross expenditure	
28	Customer-side leak repairs - expenditure funded by wholesale	
29	Customer-side leak repairs - net retail expenditure	

RET1a- Cost analysis - retail		
Line description		Commentary
	Operating expenditure	
1	Customer services	Customer Services costs are increasing due implementation costs of the new CRM system (SaaS assumed) and therefore being recognised as opex, total spend over the AMP is £68m: 11m, 18m, 23m, 12m, 4m. Customer Services efficiencies predominantly due to the CRM implementation, have been included throughout the AMP8: £1m, £1.2m, £1.4m, £4.3m, £6.9m.
2	Debt management	No material change in costs year on year.
3	Doubtful debts	Higher bad debt provision due to increased revenues is a material year on year variance increasing from £12m Y5 of AMP 7 to £28m Y1 of AMP 8 and £29m by Y5. This is net of a 0.1% yoy bad debt provision rate improvement throughout the AMP. (2.9% to 2.5%). It should be noted that these bad debt charge estimates were based on an earlier run of the financial model. The final model run and revenues would indicate a higher bad charge than shown her by circa £10 million across the AMP. Further information is provided in the Retail supporting document.
4	Doubtful debts (smoothed)	We believe that our provisions made for both covid and current cost of living are correct and do not require smoothing.
5	Meter reading	Meter reading costs which have been reduced as a result of the Smart Metering roll out total £7m, starting in Y1 and increasing proportionally throughout the AMP, in addition to procurement efficiencies of £1m per year.
6	Other operating expenditure	Allocated overhead costs run off our 24-25 forecast, which is used as a baseline for AMP8.
7	Local authority and Cumulo rates	
8	Total operating expenditure excluding third party services	Calculation
	Depreciation	
9	Depreciation (tangible fixed assets) on assets existing at 31 March 2015	The only depreciation predating 31 March 2015 is in relation to an upgrade of our billing system, which is depreciated over ten years. This is almost completely depreciated by the end of AMP7, with a minor charge remaining in 2025-26 only.
10	Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	Assets acquired in the period 2015-20 have depreciation charges of £1.8m in 22-23, £1.1m in 23-24, £0.8m in 24-25 and £0.5m in 25-26. These schemes are driven by our change delivery programme and updates to our debt management system. For the period 2020-25 any further depreciation charges are in relation to our retail transformation programme, as well as several vehicles, both of which are depreciated over five years.

11	Amortisation (intangible fixed assets) on assets existing at 31 March 2015	The only amortisation predating 31 March 2015 is in an upgrade of our billing system, which is amortised over ten years. This is fully amortised by the end of AMP7.																		
12	Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	Assets acquired in the period 2015-20 have amortisation charges of £0.5m in 22-23 and £0.3m in 23-24, after which they are fully amortised. This is in relation to our tailored collection programme.																		
	Recharges																			
13	Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	PUA recharges are predominantly made for office leases, IT networks and security, as well as some commercial vehicles.																		
14	Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	Not applicable																		
15	Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	PUA recharges are predominantly made for office leases, IT networks and security, as well as some commercial vehicles.																		
16	Income from wholesale assets acquired after 1 April 2015 principally used by retail	Not applicable																		
17	Net recharges costs	Calculation																		
18	Total retail costs excluding third party and pension deficit repair costs	Calculation																		
19	Third party services operating expenditure	Not applicable																		
20	Pension deficit repair costs	<p>Pension deficit recovery payments have been excluded from Ret1a as payments after 2025 are not recovered from customers per IN 13/17. Details are as below, in £m of the deficit payments we forecast to make across AMP8</p> <table border="1"> <thead> <tr> <th></th> <th>22-23</th> <th>23-24</th> <th>24-25</th> <th>25-26</th> <th>26-27</th> <th>27-28</th> <th>28-29</th> <th>29-30</th> </tr> </thead> <tbody> <tr> <td>Retail HH</td> <td>£0.0m</td> <td>£0.0m</td> <td>£0.0m</td> <td>£1.5m</td> <td>£1.5m</td> <td>£1.5m</td> <td>£1.5m</td> <td>£1.1m</td> </tr> </tbody> </table>		22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	Retail HH	£0.0m	£0.0m	£0.0m	£1.5m	£1.5m	£1.5m	£1.5m	£1.1m
	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30												
Retail HH	£0.0m	£0.0m	£0.0m	£1.5m	£1.5m	£1.5m	£1.5m	£1.1m												
21	Total retail costs including third party and pension deficit repair costs	Calculation																		
	Debt written off																			
22	Debt written off	Estimate for debt written off – based on annual bad debt charge																		
	Capital expenditure																			
23	Capital expenditure	AMP8 capex is driven by an upgrade to our powercurve system, as well as compliance.																		
	Other operating expenditure includes the net retail expenditure for the following household retail activities which are part funded by wholesale																			
24	Demand-side water efficiency - gross expenditure	Nil																		
25	Demand-side water efficiency - expenditure funded by wholesale	Not applicable																		
26	Demand-side water efficiency - net retail expenditure	Calculation																		

27	Customer-side leak repairs - gross expenditure	Not applicable
28	Customer-side leak repairs - expenditure funded by wholesale	Not applicable
29	Customer-side leak repairs - net retail expenditure	Calculation



RET2- Residential retail		
Line description		Commentary
Residential revenue		
1	Wholesale revenue	2022-23 is the actual wholesale revenue as per our audited APR tables, 2023-24 values now updated per actual APR tables and 2024-25 have been updated to agree to budget, upon which 2024-25 charges have been calculated.
2	Retail revenue	As per line 2 in relation to connected household properties. This line has been updated in response to query 194, so that retail revenue is in 2022-23 pricebase. 2023-24 values now updated per actual APR tables and 2024-25 have been updated to agree to budget, upon which 2024-25 charges have been calculated.
3	Total residential revenue	The addition of line 1 & 2. This value has changed as a result of changing the above line 2.2 2023-24 values now updated per actual APR tables and 2024-25 have been updated to agree to budget, upon which 2024-25 charges have been calculated.
Retail revenue		
4	Revenue Recovered ("RR")	Actual revenue recovered as per 2022-23 APR tables, . 2023-24 values now updated per actual APR tables and 2024-25 have been updated to agree to budget, upon which 2024-25 charges have been calculated.
5	Revenue sacrifice	£nil in each year.
6	Actual revenue (net)	Equal to line 4 as there is £nil revenue sacrifice. This line has changed as a result of changing 2.4
Customer information		
7	Actual customers ("AC")	Mid-year count of connected properties, as per audited APR submission in 2022-23. 2023-24 values now updated per actual APR tables and 2024-25 have been updated to agree to budget, upon which 2024-25 charges have been calculated.
8	Reforecast customers	2022-23 values are the count of customers as per charges-setting process, finalised in January 2022. Year 4&5 equal line 7 as there is no material difference.
Adjustment		
9	Allowed revenue ("R")	Budget revenue allowed as per the final determination adjusted for customer count and impact of ODI penalties. This value has been updated in response to query 194, so that retail revenue is in 2022-23 prices base and aligns to the retail reconciliation model. 2023-24 values now updated per actual APR tables and 2024-25 have been updated to agree to budget, upon which 2024-25 charges have been calculated.

10	Net adjustment	Variance between line 9 and 6. 2023-24 values now updated per actual APR tables and 2024-25 have been updated to agree to budget, upon which 2024-25 charges have been calculated.
	Other residential information	
11	Average household retail revenue per customer	Line 6 divided Line 7. Actual revenue divided by actual customers in 2022-23, and actual values for 2023-24, and budget values for 2024-25

RET3 - Business retail tariffs (Welsh companies only)

RET4- Cost adjustment claims - residential retail

Line description	Commentary
No Retail cost adjustment claims submitted – N/A for Southern	

