

Dr S J Ford CBE
Chairman
Ofwat Customer Service Committee for Wales
Room 140
Caradog House
1-6 St Andrews Place
CARDIFF CF10 3BE

12 December 2001

INTERIM DETERMINATION FOR WELSH WATER 2000

We spoke. The calculation errors that were made in our consultation draft determination for Dee Valley Water's application this year were made also in respect of Dŵr Cymru/Welsh Water's application last year.

The Dee Valley figures were corrected in my announcement of 20 November. However, the error for Dŵr Cymru went through unnoticed in my final determination last year. The error had no impact on bills for 2001-02 but amounts to around £2 on average per annum per customer from 2002-03 to 2004-05.

I regret that the error was made. Once made, I cannot correct it and even if I could I believe I would be wrong to attempt to do so.

We here, are all working hard to ensure that no further errors are made. We have identified improvements to our checking procedures and these have been implemented.

The company will cease to benefit from the error in 2005 when new price limits are set based on our assessment of the revenue requirements for the period 2005-10. I will not attempt to recover the additional revenue, gained by the company in the period up to March 2005 since it is important that the water companies know where they stand on the regulatory package. To reopen past decisions would increase regulatory risk and so impact on the cost of capital. The company has said that the decision to accept the interim determination or to appeal to the Competition Commission was a finely balanced one based on the package before it in my final determination.

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A copy of this goes to Mike Brooker (Dŵr Cymru). I shall place this letter on the Ofwat website on a date which will be notified to the CSC in advance.

Please will your office acknowledge receipt of this letter.

PHILIP FLETCHER
Approved by the Director
and signed in his absence