



Non-household retail controls: draft determinations for Affinity Water, South West Water, Dŵr Cymru and Northumbrian Water

Because we needed to adapt the process for the non-household retail controls, we did not include draft determinations for the non-household retail controls within the package of draft determinations we issued in April for the enhanced companies (Affinity Water and South West Water), nor in the early draft determinations we issued in May (for Dŵr Cymru and Northumbrian Water). Instead, we included a set of assumptions about the non-household controls so that we could assess the financeability of the appointed businesses as a whole. We based these assumptions on companies' business plan submissions.

The non-household draft determinations for these companies are set out in annex 2 of the [non-household retail technical appendix](#). An explanation of where we have intervened with their proposals is set out below.

Affinity Water

Indicative non-household retail total revenue

The table below shows the indicative total of non-household allowed revenue. The table is indicative, as it does not assume any gains or losses from competition or impacts from the company charging customers at levels different to the relevant default tariffs for the projected customers in each customer type.

Table A1 Indicative non-household retail total revenue price control including net margins (£ million, nominal prices)

	Units	2015-16	2016-17	2017-18	2018-19	2019-20
Indicative non-household retail total revenue price control including net margins	£m	5.2	5.2	5.1	5.0	5.0

Note:

There will be no indexation for retail price controls from this price base. The non-household wholesale charge includes forecast RPI so that the total non-household retail revenue can be displayed on the same price base as other retail costs. Figures exclude retail services to developers and revenues associated with miscellaneous charges.

Net margins

The company proposed net margins that aggregated to 2.5%. This is in line with our risk and reward guidance, so we have accepted the company's proposals.

Cost proposals

Below we set out our interventions on the company's costs, including for:

- consistency with existing policy, including for example ensuring that companies cost information is presented in a consistent price base and pension deficit costs are presented as per our stated policy; and
- cost escalation, including for example material new investments or increases in costs or requests for input cost allowances.

In 'IN 13/17: Treatment of companies' pension deficit repair costs at the 2014 price review' we explained how we would treat the costs associated with water companies reducing the deficits in their defined benefit pension schemes at the 2014 price review. Where companies' proposals have differed from our calculations we have over-written their proposals in line with our overall approach.

This resulted in the company's proposals being adjusted from £0.105 million over the control period to £0.093 million.

In total, this resulted in the company's proposed costs being adjusted from £17.672 million over the control period to £17.661 million.

The company's proposals are for overall cost decreases over the period – 6% from 2013-14 through to 2019-20. We crosschecked the magnitude of the decreases against the household control. This provided us with a degree of assurance that the company's proposals were unlikely to (on aggregate) equate to predatory pricing.

We also note that the company's operating expenditure (opex) in 2013-14 is significantly higher than the preceding three years. As part of its representations we request for the company to provide us with a clear explanation of the cost increase, and to explain why the increase should not be treated as an exceptional one-off event.

Average revenue controls

The allowed average retail cost component and the allowed net margin for each customer type are shown below.

The average revenue per customer – £ (r) – has also been shown. For the avoidance of doubt, it is the average cost component and the allowed net margin that made up the non-household retail control. The average revenue per customer is shown only to help comparisons to be drawn.

Customer type	Units	2015-16	2016-17	2017-18	2018-19	2019-20
AFW measured half yearly, no volume band, water, metered	£	50.40	49.45	48.55	47.46	46.16
	%	1.0%	1.0%	2.4%	2.4%	2.5%
	£ (r)	55.57	54.80	61.64	61.11	60.39
AFW measured monthly, no volume band, water, metered	£	177.38	174.04	170.89	167.04	162.48
	%	4.4%	4.4%	2.6%	2.6%	2.5%
	£ (r)	651.05	668.63	460.20	456.26	452.77
AFW unmeasured, no volume band, water, unmetered	£	42.90	42.09	41.32	40.39	39.29
	%	1.0%	1.0%	2.4%	2.4%	2.5%
	£ (r)	47.11	46.43	51.94	51.41	50.79
AFW assessed, no volume band, water, unmetered	£	27.82	27.30	26.80	26.20	25.48
	%	1.0%	1.0%	2.4%	2.4%	2.5%
	£ (r)	28.79	28.30	29.25	28.72	28.11

AFW special agreements, no volume band, water, measured	£	149.92	147.10	144.43	141.18	137.33
	%	3.0%	3.1%	3.1%	2.7%	2.5%
	£ (r)	2,033.67	2,110.72	2,109.14	1,911.28	1,814.58

South West Water

Indicative non-household retail total revenue

The table below shows the indicative total of non-household allowed revenue. The table is indicative, as it does not assume any gains or losses from competition or impacts from the company charging customers at levels different to the relevant default tariffs for the projected customers in each customer type.

Table 2 Indicative non-household retail total revenue price control including net margins (£ million, nominal prices)

	Units	2015-16	2016-17	2017-18	2018-19	2019-20
Indicative non-household retail total revenue price control including net margins	£m	5.2	5.2	5.3	5.4	5.5

Note:

There will be no indexation for retail price controls from this price base. The non-household wholesale charge includes forecast RPI so that the total non-household retail revenue can be displayed on the same price base as other retail costs. Figures exclude retail services to developers and revenues associated with miscellaneous charges.

Net margins

The company proposed net margins that aggregated to 2.5%. This is in line with our risk and reward guidance, so we have accepted the company's proposals.

Cost proposals

Below we set out our interventions on the company's costs, including for:

- consistency with existing policy, including for example ensuring that companies cost information is presented in a consistent price base and pension deficit costs are presented as per our stated policy; and

- cost escalation, including for example material new investments or increases in costs or requests for input cost allowances.

The table requirements stipulated the use of 2012-13 prices. The company did not deflate its costs; so we have deflated its submission from 2013-14 prices to 2012-13 prices.

In [IN 13/17](#) we explained how we would treat the costs associated with water companies reducing the deficits in their defined benefit pension schemes at the 2014 price review. Where companies' proposals have differed from our calculations we have over-written their proposals in line with our overall approach.

This resulted in the company's proposals being adjusted from £0.725 million over the control period to £0.562 million.

In total, this resulted in the company's proposed costs being adjusted from £10.488 million over the control period to £10.053 million.

We note that from 2013-14 through to 2019-20 the company is proposing cost reductions of 27%. This is significantly greater than the proposed reduction for the household control. As part of its representations we request for the company to provide us with a clear explanation of why it expects much higher cost reductions for its non-household retail activities than its household.

But we also note that the company's opex in 2013-14 is significantly higher than the preceding two years. As part of its representations we request for the company to provide us with a clear explanation of the cost increase, and to explain why the increase should not be treated as an exceptional one-off event.

Average revenue controls

The allowed average retail cost component and the allowed net margin for each customer type are shown below.

The average revenue per customer – £ (r) – has also been shown. For the avoidance of doubt, it is the average cost component and the allowed net margin that made up the non-household retail control. The average revenue per customer is shown only to help comparisons to be drawn.

Non-household retail controls: draft determinations for Affinity Water,
South West Water, Dŵr Cymru and Northumbrian Water

Customer type	Units	2015-16	2016-17	2017-18	2018-19	2019-20
Standard unmeasured water	£	13.30	12.94	13.09	12.90	12.69
	%	2.0%	2.0%	1.9%	1.9%	1.9%
	£ (r)	27.83	27.79	28.10	28.39	28.47
Standard unmeasured sewerage	£	14.74	14.40	14.65	14.60	14.23
	%	2.0%	2.0%	1.9%	1.9%	1.9%
	£ (r)	47.65	47.95	49.46	50.23	50.52
Standard measured water	£	16.36	16.07	16.05	16.00	15.75
	%	2.7%	2.7%	2.7%	2.7%	2.7%
	£ (r)	35.44	35.31	35.48	35.75	35.84
Standard measured sewerage	£	15.04	14.84	14.96	14.96	14.83
	%	2.7%	2.6%	2.6%	2.6%	2.6%
	£ (r)	44.00	44.24	45.12	46.06	46.69
Large and special user 50-100 MI water	£	737.40	737.28	737.35	737.36	737.26
	%	1.6%	1.8%	1.8%	1.9%	1.9%
	£ (r)	2,369.95	2,606.50	2,724.78	2,815.00	2,901.77
Large and special user 50-100 MI sewerage	£	697.18	697.06	697.13	697.14	697.05
	%	1.5%	1.7%	1.8%	1.8%	1.8%
	£ (r)	2,355.47	2,628.82	2,818.78	2,971.54	3,096.41
Large and special user 100-250 MI water	£	1,171.65	1,171.45	1,171.56	1,171.59	1,118.18
	%	1.5%	1.7%	1.8%	1.9%	1.9%
	£ (r)	4,928.12	5,485.73	5,751.81	5,963.09	6,195.65
Large and special user 100-250 MI sewerage	£	684.73	684.61	684.68	684.69	684.60
	%	1.5%	1.7%	1.8%	1.8%	1.8%
	£ (r)	2,275.18	2,537.89	2,715.51	2,862.66	2,984.12
Large and special user 250+ MI water	£	1,917.24	1,916.92	1,917.10	1,917.14	1,916.88
	%	1.6%	1.8%	1.9%	1.9%	1.9%

Customer type	Units	2015-16	2016-17	2017-18	2018-19	2019-20
	£ (r)	10,881.78	12,187.46	12,807.59	13,322.51	13,786.21
Large and special user 250+ MI sewerage	£	2,875.86	2,875.38	3,354.93	3,354.99	2,875.32
	%	1.6%	1.7%	1.7%	1.8%	1.9%
	£ (r)	16,738.35	19,007.45	20,446.13	21,676.76	22,863.08
Large and special user special agreements water	£	563.89	563.80	563.85	563.86	563.79
	%	2.1%	2.1%	2.2%	2.2%	2.2%
	£ (r)	701.45	705.86	708.90	712.31	715.76
Large and special user special agreements sewerage	£	471.19	471.11	471.15	471.16	471.10
	%	2.4%	2.4%	2.4%	2.4%	2.4%
	£ (r)	1,519.88	1,563.26	1,609.31	1,660.63	1,704.81
Trade effluent	£	85.51	85.50	85.50	85.51	85.49
	%	2.4%	2.5%	2.5%	2.5%	2.5%
	£ (r)	467.10	481.17	493.56	506.55	517.78

Dŵr Cymru

Indicative non-household retail total revenue

The table below shows the indicative total of non-household allowed revenue. The table is indicative, as it does not assume any gains or losses from competition or impacts from the company charging customers at levels different to the relevant default tariffs for the projected customers in each customer type.

Table 3 Indicative non-household retail total revenue price control including net margins (£ million, nominal prices)

	Units	2015-16	2016-17	2017-18	2018-19	2019-20
Indicative non-household retail total revenue price control including net margins	£m	8.2	7.9	7.8	7.7	7.7

Note:

There will be no indexation for retail price controls from this price base. The non-household wholesale charge includes forecast RPI so that the total non-household retail revenue can be displayed on the same price base as other retail costs. Figures exclude retail services to developers and revenues associated with miscellaneous charges.

Net margins

The company proposed net margins that aggregated to 2.5% for contestable customers, and 1.0% for non-contestable customers. This is in line with our risk and reward guidance, so we have accepted the company's proposals.

Cost proposals

Below we set out our interventions on the company's costs, including for:

- consistency with existing policy, including for example ensuring that companies cost information is presented in a consistent price base and pension deficit costs are presented as per our stated policy; and
- cost escalation, including for example material new investments or increases in costs or requests for input cost allowances.

In [IN 13/17](#) we explained how we would treat the costs associated with water companies reducing the deficits in their defined benefit pension schemes at the 2014 price review. Where companies' proposals have differed from our calculations we have over-written their proposals in line with our overall approach.

This resulted in the company's proposals being adjusted from £0.051 million over the control period to £0.082 million.

In total, this resulted in the company's proposed costs being adjusted from £28.862 million over the control period to £28.893 million (pre-efficiency challenge).

Efficiency challenge

In ‘[Setting price controls for 2015-20 – final methodology and expectations for companies’ business plans](#)’, we confirmed that we would set an up-front non-household efficiency challenge for companies operating wholly or mainly in Wales, by comparing their tariffs with equivalent English default tariffs.

In setting the benchmark for the company, we have compared costs across the industry for five different tariff types:

- water unmeasured;
- water measured (<50 MI);
- sewerage unmeasured;
- sewerage measured; and
- trade effluent.

We have weighted the implied challenge from each tariff type by the number of customers the company has on each tariff type.

This gave Dŵr Cymru an implied efficiency challenge of 4% from 2013-14. But, as the company is proposing an 11% cost reduction from 2013-14 levels, we have chosen not to apply the efficiency challenge, instead accepting the company’s proposals as this offers a better outcome for customers.

Average revenue controls

The allowed average retail cost component and the allowed net margin for each customer type are shown below.

The average revenue per customer – £ (r) – has also been shown. For the avoidance of doubt, it is the average cost component and the allowed net margin that made up the non-household retail control. The average revenue per customer is shown only to help comparisons to be drawn.

Customer type	Units	2015-16	2016-17	2017-18	2018-19	2019-20
Raw water < 50 MI (measured)	£	27.84	26.95	26.21	25.80	26.02
	%	1.0%	1.0%	1.0%	1.0%	1.0%
	£ (r)	34.36	33.99	33.47	33.30	33.77
Partially treated water	£	38.30	37.09	36.13	35.80	36.03

Non-household retail controls: draft determinations for Affinity Water,
South West Water, Dŵr Cymru and Northumbrian Water

Customer type	Units	2015-16	2016-17	2017-18	2018-19	2019-20
< 50 MI (measured)	%	1.0%	1.0%	1.0%	1.0%	1.0%
	£ (r)	51.52	51.05	50.55	50.71	51.44
Potable water < 50 MI (non-household)	£	32.68	31.01	30.09	29.46	29.56
	%	1.0%	1.0%	1.0%	1.0%	1.0%
	£ (r)	39.01	37.46	36.71	36.21	36.42
Potable water < 50 MI (non-household)	£	16.08	15.41	15.13	15.00	15.17
	%	1.0%	1.0%	1.0%	1.0%	1.0%
	£ (r)	18.98	18.43	18.23	18.18	18.43
Raw treated water > 50 MI (measured)	£	7,488.68	7,188.26	7,009.55	6,984.26	6,899.85
	%	2.5%	2.5%	2.5%	2.5%	2.5%
	£ (r)	19,196.86	19,174.06	19,324.46	19,600.56	19,765.36
Partial water > 50 MI (measured)	£	11,102.32	10,655.37	10,389.51	10,348.82	10,219.68
	%	2.5%	2.5%	2.5%	2.5%	2.5%
	£ (r)	28,496.21	28,456.71	28,676.60	29,077.63	29,309.82
Water large user 50 MI – 99 MI (measured)	£	1,816.63	1,743.55	1,700.92	1,691.57	1,671.52
	%	2.5%	2.5%	2.5%	2.5%	2.5%
	£ (r)	4,352.36	4,336.04	4,364.30	4,418.12	4,444.85
Water large user 100 MI – 249 MI (measured)	£	2,540.90	2,438.10	2,378.31	2,366.56	2,336.50
	%	2.5%	2.5%	2.5%	2.5%	2.5%
	£ (r)	6,244.30	6,224.87	6,268.97	6,349.92	6,388.71
Water large user 250 MI – 499 MI (measured)	£	5,137.86	4,929.04	4,806.97	4,786.30	4,722.69
	%	2.5%	2.5%	2.5%	2.5%	2.5%
	£ (r)	12,953.40	12,927.43	13,027.35	13,208.05	13,300.36
Water large user 500 MI – 1000 MI (measured)	£	7,974.43	7,663.97	7,478.79	7,460.50	7,384.98
	%	2.5%	2.5%	2.5%	2.5%	2.5%
	£ (r)	20,092.79	20,081.77	20,245.39	20,554.05	20,758.87

Non-household retail controls: draft determinations for Affinity Water,
South West Water, Dŵr Cymru and Northumbrian Water

Customer type	Units	2015-16	2016-17	2017-18	2018-19	2019-20
Water large user >1000 (measured)	£	14,312.81	13,747.57	13,411.26	13,374.09	13,225.67
	%	2.5%	2.5%	2.5%	2.5%	2.5%
	£ (r)	36,573.71	36,550.85	36,850.39	37,403.80	37,754.95
Special agreement register – customer reference WSHNONPOT8	£	1,254.46	1,208.29	1,179.79	1,173.82	1,162.96
	%	2.5%	2.5%	2.5%	2.5%	2.5%
	£ (r)	2,913.74	2,910.05	2,929.00	2,965.61	2,988.96
Special agreement register – customer reference WSHNONPOT9	£	28,886.31	27,773.88	27,092.11	26,995.47	26,641.73
	%	2.5%	2.5%	2.5%	2.5%	2.5%
	£ (r)	74,785.52	74,851.58	75,483.24	76,565.81	77,156.24
Special agreement register – customer reference WSHPOT1	£	1,168.40	1,127.59	1,101.98	1,098.14	1,087.15
	%	2.5%	2.5%	2.5%	2.5%	2.5%
	£ (r)	2,744.83	2,746.08	2,766.07	2,802.97	2,824.38
Sewerage measured <100 MI	£	34.25	32.52	31.56	30.93	31.02
	%	1.0%	1.0%	1.0%	1.0%	1.0%
	£ (r)	42.99	41.50	40.75	40.31	40.58
Sewerage un- measured <100 MI	£	14.94	14.27	13.97	13.81	13.97
	%	1.0%	1.0%	1.0%	1.0%	1.0%
	£ (r)	18.90	18.34	18.16	18.08	18.34
Sewerage measured >100 MI	£	3,695.47	3,548.41	3,459.76	3,443.04	3,395.71
	%	1.0%	1.0%	1.0%	1.0%	1.0%
	£ (r)	6,426.31	6,363.54	6,342.21	6,389.40	6,399.87
Sewerage trade effluent <100 MI	£	169.73	161.81	157.14	155.37	152.94
	%	1.0%	1.0%	1.0%	1.0%	1.0%
	£ (r)	285.28	280.45	278.34	278.81	278.20
Sewerage trade effluent >100 MI	£	3,258.42	3,119.07	3,035.12	3,010.54	2,956.41
	%	1.0%	1.0%	1.0%	1.0%	1.0%

Customer type	Units	2015-16	2016-17	2017-18	2018-19	2019-20
	£ (r)	5,668.71	5,594.37	5,563.71	5,586.09	5,569.92
Outfall tariff	£	1,147.71	1,101.71	1,073.76	1,065.69	1,049.37
	%	1.0%	1.0%	1.0%	1.0%	1.0%
	£ (r)	1,913.61	1,888.23	1,877.17	1,883.99	1,879.73

Northumbrian Water

Indicative non-household retail total revenue

The table below shows the indicative total of non-household allowed revenue. The table is indicative, as it does not assume any gains or losses from competition or impacts from the company charging customers at levels different to the relevant default tariffs for the projected customers in each customer type.

Table 4 Indicative non-household retail total revenue price control including net margins (£ million, nominal prices)

	Units	2015-16	2016-17	2017-18	2018-19	2019-20
Indicative non-household retail total revenue price control including net margins	£m	9.6	9.8	9.9	10.1	10.3

Note:

There will be no indexation for retail price controls from this price base. The non-household wholesale charge includes forecast RPI so that the total non-household retail revenue can be displayed on the same price base as other retail costs. Figures exclude retail services to developers and revenues associated with miscellaneous charges.

Net margins

The company proposed net margins that aggregated to 2.5%. This is in line with our risk and reward guidance, so we have accepted the company's proposals.

Cost proposals

Below we set out our interventions on the company's costs, including for:

- consistency with existing policy, including for example ensuring that companies cost information is presented in a consistent price base and pension deficit costs are presented as per our stated policy; and
- cost escalation, including for example material new investments or increases in costs or requests for input cost allowances.

The table requirements stipulated the use of 2012-13 prices. The company did not deflate its costs; so we have deflated its submission from 2013-14 prices to 2012-13 prices.

In [IN 13/17](#) we explained how we would treat the costs associated with water companies reducing the deficits in their defined benefit pension schemes at the 2014 price review. Where companies' proposals have differed from our calculations we have over-written their proposals in line with our overall approach. This resulted in the company's proposals being adjusted from £0.550 million over the control period to £0.438 million.

Overall, the company's proposed costs increase by more than our non-household retail materiality threshold of 5.3% between 2015 and 2020. So we assessed the evidence presented in the company's plan.

The company proposed £2.9 million in capital expenditure to replace its customer contact and billing system, and £0.766 million for market operator running costs, distributed across the last three years of 2015-20.

In line with the May draft determination on the company's household controls, we do not consider the supporting information to be sufficient to justify the proposed full investment (see section A4.2.2 of the [company-specific appendix](#)). Also, the company did not provide sufficient detail behind its proposed market operator running cost forecast. So we have reduced the company's new costs down to our materiality threshold.

In total (including the pension deficit repair cost and price base adjustments), this resulted in the company's proposed costs being adjusted from £25.213 million over the control period to £23.979 million.

Average revenue controls

The allowed average retail cost component and the allowed net margin for each customer type are shown below.

The average revenue per customer – £ (r) – has also been shown. For the avoidance of doubt, it is the average cost component and the allowed net margin that made up the non-household retail control. The average revenue per customer is shown only to help comparisons to be drawn.

Customer type	Units	2015-16	2016-17	2017-18	2018-19	2019-20
Cust type 01, unmeasured, unmeas water N, unmeasured	£	17.52	17.79	18.08	18.40	18.74
	%	6.0%	6.0%	6.0%	6.0%	6.0%
	£ (r)	37.81	38.84	40.00	41.14	42.32
Cust type 02, unmeasured, unmeas water S, unmeasured	£	23.38	23.97	24.62	25.35	26.17
	%	3.7%	3.7%	3.7%	3.7%	3.7%
	£ (r)	46.97	48.49	50.22	51.99	53.86
Cust type 03, measured, meas water N std, measured	£	30.59	30.53	30.46	30.40	30.33
	%	3.9%	3.9%	3.9%	3.9%	3.9%
	£ (r)	58.59	59.47	60.33	61.23	62.10
Cust type 04, measured, meas water N f20, measured	£	1,756.23	1,756.08	1,755.92	1,755.76	1,755.61
	%	2.6%	2.6%	2.6%	2.6%	2.6%
	£ (r)	2,632.62	2,653.14	2,673.22	2,732.75	2,782.87
Cust type 05, measured, meas water N fx, measured	£	1,764.50	1,764.31	1,764.13	1,763.95	1,763.78
	%	1.3%	1.3%	1.3%	1.3%	1.3%
	£ (r)	3,018.18	3,064.29	3,110.15	3,143.48	3,174.89
Cust type 06, measured, meas water N f+, measured	£	1,794.53	1,794.25	1,793.95	1,793.69	1,793.40
	%	0.7%	0.7%	0.7%	0.7%	0.7%
	£ (r)	5,344.03	5,471.00	5,596.06	5,728.11	5,853.42
Cust type 07, measured, meas water S std, measured	£	23.49	23.44	23.39	23.34	23.30
	%	3.3%	3.3%	3.3%	3.3%	3.3%
	£ (r)	49.28	50.02	50.73	51.52	52.21
Cust type 08, measured, meas water S f20,	£	1,775.21	1,774.97	1,774.71	1,774.48	1,774.24
	%	2.0%	2.0%	2.0%	2.0%	2.0%

Non-household retail controls: draft determinations for Affinity Water,
South West Water, Dŵr Cymru and Northumbrian Water

Customer type	Units	2015-16	2016-17	2017-18	2018-19	2019-20
measured	£ (r)	2,748.02	2,784.44	2,815.46	2,847.46	2,892.22
Cust type 09, measured, meas water S fx, measured	£	1,760.77	1,760.57	1,760.38	1,760.18	1,760.01
	%	1.1%	1.1%	1.1%	1.1%	1.1%
	£ (r)	3,162.51	3,207.44	3,354.54	3,408.94	3,458.82
Cust type 10, measured, meas water S f+, measured	£	1,777.08	1,776.76	1,776.52	1,776.34	1,776.03
	%	0.8%	0.8%	0.8%	0.8%	0.8%
	£ (r)	4,741.40	4,834.00	4,766.12	4,859.01	4,944.27
Cust type 11, unmeasured, unmeas sew (foul only), unmeasured	£	19.02	18.84	19.54	19.43	19.20
	%	5.0%	5.0%	5.0%	5.0%	5.0%
	£ (r)	39.07	39.54	40.98	41.58	41.98
Cust type 12, unmeasured, unmeas sew (foul and SWD), unmeasured	£	21.30	21.63	21.99	22.39	22.82
	%	5.2%	5.2%	5.2%	5.2%	5.2%
	£ (r)	43.45	44.48	45.55	46.69	47.86
Cust type 13, unmeasured, unmeas sew (SWD only), unmeasured	£	19.46	19.69	19.95	20.22	20.52
	%	3.7%	3.7%	3.7%	3.7%	3.7%
	£ (r)	39.67	41.33	43.13	45.11	47.22
Cust type 14, measured, meas sew (SWD only), measured	£	34.63	34.47	34.32	34.17	34.02
	%	3.3%	3.3%	3.3%	3.3%	3.3%
	£ (r)	65.98	66.63	67.29	67.97	68.61
Cust type 15, measured, meas sew (foul only) – std, measured	£	30.57	30.44	30.32	30.20	30.08
	%	3.7%	3.7%	3.7%	3.7%	3.7%
	£ (r)	59.33	59.95	60.58	61.23	61.82
Cust type 16, measured, meas sew (foul and SWD) – std, measured	£	29.72	29.61	29.49	29.38	29.27
	%	2.3%	2.3%	2.3%	2.3%	2.3%
	£ (r)	61.79	62.63	63.44	64.33	65.14
Cust type 17, measured,	£	1,674.79	1,674.63	1,674.45	1,674.43	1,674.34

Customer type	Units	2015-16	2016-17	2017-18	2018-19	2019-20
meas sew (foul only) – LU, measured	%	1.6%	1.6%	1.6%	1.6%	1.6%
	£ (r)	2,724.64	2,760.27	2,796.45	2,834.25	2,870.04
Cust type 18, measured, meas sew (foul and SWD) – LU, measured	£	1,682.88	1,682.83	1,682.73	1,682.69	1,682.64
	%	0.9%	0.9%	0.9%	0.9%	0.9%
	£ (r)	3,809.09	3,889.74	3,968.81	4,029.75	4,082.90
Cust type 19, measured, trade effluent – std, measured	£	247.51	246.88	246.25	245.63	245.01
	%	1.4%	1.4%	1.4%	1.4%	1.4%
	£ (r)	453.69	460.15	466.39	472.87	478.93
Cust type 20, measured, ind water, measured	£	1,957.67	1,957.32	1,957.05	1,956.74	1,956.48
	%	0.7%	0.7%	0.7%	0.7%	0.7%
	£ (r)	6,552.47	6,672.66	6,806.87	6,938.62	7,066.24
Cust type 21, measured, trade effluent – special agreement, measured	£	1,884.34	1,883.72	1,883.09	1,882.32	1,881.76
	%	0.7%	0.7%	0.7%	0.7%	0.7%
	£ (r)	8,196.13	8,332.47	8,542.22	8,723.91	8,933.00

Observations on companies' proposals

We have not intervened to amend the companies' cost and net margin allocations between customer types for the draft determinations. We highlight below a number of areas where we have identified concerns with companies' cost and net margin allocations. This is not to say that other issues do not exist, or that the below issues would necessarily lead to a breach of competition law.

We are setting out these issues simply to highlight to companies where we have concerns that they may wish to consider, in developing their representations.

Table 4 Observations on companies' non-household retail proposals

Company	Concern
Dŵr Cymru	The company allocated its doubtful debt costs in line with revenue billed. This assumes that the risk of non-payment is uniform for all customer types. This assumption has not been supported by compelling evidence.
Northumbrian	The gross margins of some customer types are heavily driven by the company's allocation of key account management costs. This is despite, for some customer types, only a minority of customers in the proposed band apparently receiving key account services.

Ofwat
29 August 2014