



## Correcting an error in the retail average cost to serve model

During the representations on our August draft determinations an error has been identified in the 'New costs and adjustments' sheet of the 'Retail average cost to serve' model. As a result of this error the economies of scope factor (1.3) has been applied twice to the number of unmetered dual service customers. This resulted in reduced allowed new costs, which has had the knock on effect of reducing the unmetered average cost to serve and the amount of costs that some companies can recover.

We have corrected the error and have published the amended retail average cost to serve model. This has increased the unmeasured average cost to serve from £20.73 per customer (as published in the draft determination company specific appendices) to £20.77 per customer. The table below shows the increase in recoverable household retail costs for companies.

**Table 1 Recoverable retail costs (£m)**

	2015-16	2016-17	2017-18	2018-19	2019-20
Anglian	0.000	0.000	0.000	0.000	0.000
Dŵr Cymru	0.017	0.033	0.050	0.067	0.068
Northumbrian	0.464	0.339	0.213	0.086	0.086
Severn Trent	0.000	0.000	0.139	0.186	0.187
South West	0.000	0.000	0.000	0.037	0.000
Southern	0.021	0.042	0.064	0.086	0.086
Thames	0.000	0.000	0.000	0.000	0.000
United Utilities	0.036	0.073	0.110	0.148	0.149
Wessex	0.541	0.541	0.541	0.541	0.541
Yorkshire	0.000	0.000	0.000	0.000	0.000
Affinity	0.000	0.000	0.000	0.000	0.000

	2015-16	2016-17	2017-18	2018-19	2019-20
Bristol	0.000	0.000	0.000	0.000	0.000
South Staffordshire	0.006	0.013	0.019	0.026	0.026
Dee Valley	0.000	0.002	0.003	0.005	0.005
Portsmouth	0.000	0.000	0.000	0.000	0.000
Sembcorp Bournemouth	0.000	0.001	0.000	0.000	0.000
South East	0.000	0.000	0.000	0.000	0.000
Sutton & East Surrey	0.000	0.000	0.000	0.000	0.000
<b>Industry</b>	<b>1.086</b>	<b>1.046</b>	<b>1.140</b>	<b>1.181</b>	<b>1.148</b>

We will take into account the impact of this correction in our final determinations. However, we note that there may still be movements in the ACTS modelling ahead of final determinations depending on the representations that companies make to our draft determinations.

[Amended retail average cost to serve model](#)

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