

In-period ODI draft determination
Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

8th November 2017

Re Draft Determination of in-period ODIs for 2017

To Whom It May Concern,

Thank you for the opportunity to respond to the consultation on the Draft Determination of in-period ODIs for 2017. Dŵr Cymru Welsh Water (DCWW)'s response to the consultation is set out below.

With regards to the summary of draft determinations, we feel that in the case of Severn Trent Water, the summary could have made clearer that the company had claimed in full the £39.994 million wastewater outperformance payment, and are proposing the deferral of the collection of £27 million of this outperformance payment until future periods. It is not immediately clear that customers will, in due course, see bill increases to fund the deferred portion of the outperformance payment awarded.

We do not have any direct issues to raise with regards to the draft determinations for in-period ODIs for Anglian Water and South West Water.

In general we accept that the outline of the in-period ODI framework is consistent with the PR14 methodology and DCWW's understanding of how the framework would apply in practise.

We found section 3 clear in setting out Ofwat's approach to assessing in-period ODIs. It does however begin to shed light on a consequence of the proposal in the PR19 Methodology that "companies should adopt in-period ODIs as a default for all their ODIs". The increased prevalence of in-period ODIs, coupled with the discouragement of deadbands will see a step change in the number of in-period determinations Ofwat will be asked to make. Taken simply, given 10 water and sewerage companies with 5 price controls and another 10 water only companies with 3 price controls, even if on average there are only 4 ODIs per price control this could mean over 300 "mini-determinations" in each of the 5 years of the 2020-2025 period. We think that it is worth considering whether the cost and complexity that this will introduce for both companies and Ofwat; in some cases for small variances in performance, with no regards to materiality will truly be in the best interest of customers.

Yours faithfully,



Mike Davis

Director of Strategy and Regulation