

Andy Duff  
Ofwat  
Centre City Tower  
7 Hill Street  
Birmingham  
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Dear Andy

### **Licence variation: Dee Valley Water**

I am writing to you in response to our proposed licence variation and in particular, the concern raised that wastewater bills in Powys could rise on account of the licence variation. I wanted to give you, and our key stakeholders, assurance that there will be no negative bill impact for customers arising directly out of the licence change.

We are able to provide this assurance by committing to use the financial levers available to us now and those which may be available in the future to maintain the bill “differential”, which we discuss below.

Our assessment is that the impact of Powys wastewater customers operating under the STW licence is that average bills are £4 lower than would occur if it was a stand-alone region (ie, consistent with the NAV consultation). This is because under such a scenario, the Pay As You Go (PAYG) rate for Powys would be set at the natural level and this would increase the AMP7 revenue requirement by approximately £1m (in 17/18 prices) relative to the level implied by its bills today. Unadjusted, this would lead to higher bills for wastewater customers in Powys.

We therefore commit to using the financial levers available to us now and those which may be available at future reviews to adjust the revenue requirement for the network plus price control (that is the price control that applies to those parts of the value chain which are not part of the separate controls for bioresources and water resources) to maintain the bill differential. We assess that an adjustment to the revenue requirement of £210k per year is necessary to maintain the £4 saving for the average household bill and we will apply this approach at PR19. We will confirm this approach to our CCG and set this out in our business plan.

A consequence of this is that the network plus control for wastewater will not look financeable on a standalone basis for the foreseeable future. We assess however, that financeability will be maintained at the level of the appointed business and we consider the approach is appropriate given our objective to maintain the bill differential for wastewater customers.

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Our business plans for future price reviews will apply the same principles to ensure we maintain the bill differential for the wastewater customers.

Regards



**Liv Garfield**  
**CEO, Dee Valley Water**