

June 2018

Trust in water

Decision document: Modification, under section 13 of the Water Industry Act 1991, of Severn Trent Water Limited's (Severn Trent Water) licence and Dee Valley Water Limited's (Dee Valley Water) licence

1. About this document

Following the [notice](#) of the proposal published on 23 March 2018 (issued under section 13 of the Water Industry Act 1991), this notice confirms that Ofwat has now modified the conditions of the Instruments of Appointment ('licences') of Severn Trent Water Limited (Severn Trent Water) and Dee Valley Water Limited (Dee Valley Water). The modifications will give effect to the changes Ofwat considers necessary following the [conditional decision](#) of the same date to grant variations to the areas of appointment for both companies and to grant Dee Valley Water a new sewerage licence.

Ofwat has decided to:

- Grant the sewerage licence to Dee Valley Water to reflect Dee Valley Water becoming a sewerage appointee as well as a water appointee;
- Make the modifications to both the Dee Valley Water and Severn Trent Water licences to allow the price controls set at PR14 and at PR16 to be reflected across the new areas of appointment – under the principle that customers should benefit from the same commitments as the companies agreed under that price review;
- Make the modifications to the Dee Valley Water licence to reflect the addition of 'in-period ODIs' – that is, to allow the outcome delivery incentives (ODIs) set at PR14 to apply to customers in the Powys region to continue to apply when this area is transferred to Dee Valley Water; and
- Make the modifications to both the Dee Valley Water and Severn Trent Water licences to insert the most recent set of financial ring-fencing conditions.

All these changes will come into effect on 1 July 2018 and are available on our website:

- [Appointment of Dee Valley Water as the sewerage undertaker for all of the area in Wales for which Severn Trent Water is currently the sewerage undertaker](#)
- [Modifications of the conditions of appointment of Dee Valley Water](#)
- [Modifications of the conditions of appointment of Severn Trent Water](#)
- [Variation of the appointment of Dee Valley Water and Severn Trent Water as water undertakers to vary Dee Valley's appointment to include all of the area in Wales for which Severn Trent Water is currently the water undertaker \(the Powys site\) and for a consequential variation to be made to Severn Trent Water's appointment as a water undertaker](#)
- [Variation of the appointment of Severn Trent Water and Dee Valley Water as water undertakers to vary Severn Trent's appointment to include all of the area in England for which Dee Valley Water is currently the water undertaker \(the Chester site\) and for a consequential variation to be made to Dee Valley Water's appointment as a water undertaker](#)

The reasons for the grant and the modifications are set out in the [conditional decision](#).

2. Responses to the consultation

We received two responses to our consultation, one from Severn Trent Water and one from Dee Valley Water (Appendix 1).

In their responses, both appointees had no comments or objections as to the form of the proposed licence modifications.

However, the agreement of both Severn Trent Water and Dee Valley Water was conditional on obtaining consents from Ofwat under the new Condition P. Both appointees considered that the consents needed to be in place at the point when the new licence modifications became effective. They both stated that until agreement was reached on the form of those Condition P consents, they could not consent to the licence modifications made pursuant to section 13 WAI91.

Ofwat has since granted consent to Severn Trent Water and Dee Valley Water in relation to certain provisions in its financing arrangements which Severn Trent Water and Dee Valley Water considered required Ofwat's consent, approval or agreement. Severn Trent Water and Dee Valley Water have now formally agreed to the licence modifications pursuant to section 13 WAI91 (appendix 2 and 3).

Appendix 1: Severn Trent Water's and Dee Valley Water's consultation responses

[Severn Trent response](#)

[Dee Valley Water response](#)

Appendix 2: Severn Trent Water's confirmation of acceptance of the proposed licence modifications

[Confirmation of acceptance](#)

Appendix 3: Dee Valley Water's confirmation of acceptance of the proposed licence modifications

[Confirmation of acceptance](#)

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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