

Dŵr Cymru: Actions summary table

Actions guidance

Company actions

We categorise actions that slow-track and significant scrutiny companies need to do as the following:

- **required actions** for companies which in general are required so that we can make draft determinations (or final determinations for some aspects of past delivery); and
- **advised actions** for companies to do by a specific date but that are not required for our draft determinations.

Each action has a unique reference. The prefix 'WSH' denotes the company Dŵr Cymru. The central acronym references the test area where the action has been identified, please see the 'PR19 initial assessment of plans: Glossary' for a key of these acronyms. Actions whose numbers are preceded with an 'A' denote required actions and actions whose numbers are preceded with a 'B' denote advised actions.

Timings and required response

- **Required actions:** Slow-track and significant scrutiny companies should address all **required actions** by the date shown in the 'date required' column in the table below (the majority of these are by 10am on 1 April 2019). The response to actions should be set out by companies in their resubmitted business plans and data tables. The template action tracker should be completed with a short description of the response and relevant business plan and/or data table references and should be submitted by 10 am on 1 April 2019. We will review the response to these actions in our assessment of company submissions ahead of determinations.
- **Advised actions:** Slow-track and significant scrutiny companies should set out their response to their **advised actions** by the date shown in the 'date required' column in the table below. For advised actions due on 1 April 2019 companies should include details of their response in their actions tracker.
- **Actions tracker:** Each company must complete and submit the template action tracker by 10 am on 1 April 2019 for review. For additional guidance, please see the cover page of the template action tracker.
- **Assurance:**
 - Assurance must be provided where requested as part of an action.
 - Companies must indicate the assurance that they have undertaken for all changes to data tables.
 - Where Customer Challenge Groups (CCGs) have provided assurance this should be indicated. In some instances, we have stated where we expect companies to work with CCGs as part of their re-submission of (parts of) their business plans. Please use our PR19 methodology as the guide for where their assurance of the quality of engagement with customers may be required.
 - If additional assurance is not required, companies may still provide it if they deem it appropriate.

For all the detailed actions documents referenced in the table below, the template action tracker and glossary, please see the [initial assessment of plans webpage](#).

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Test area	Action reference	Action type	Action	Date required
Engaging customers	N/A	N/A	None.	N/A
Addressing affordability and vulnerability	WSH.AV.A1	Required	Dŵr Cymru has not provided sufficient evidence to demonstrate that it has tested multiple bills profiles with customers beyond 2025, particularly for the 2025-30 period. Dŵr Cymru should undertake customer engagement on long-term bill profiles for the 2025-30 period and provide sufficient evidence to demonstrate customer support for each of the profiles tested. Dŵr Cymru should confirm that testing has been assured by its CCG and conducted in line with social research best practice.	1 April 2019
	WSH.AV.A2	Required	Dŵr Cymru has proposed a reputational performance commitment on Priority Services Register (PSR) growth called 'Vulnerable customers on priority services register' (PR19WSH_Sv5). It is proposing to increase its PSR reach from 1.7% in 2019/20 to 3.3% of customers in 2024/25. Dŵr Cymru has checked no PSR data over the past two years. We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): Dŵr Cymru should adapt its performance commitment on 'Vulnerable customers on priority services register' (PR19WSH_Sv5) to align with this proposed PSR Common Performance Commitment. This will include committing to grow its PSR to at least 7% of its customer base (measured by households) by 2024/25 and committing to checking at least 90% of PSR data every two years. For further information on the performance commitment definition, and reporting guidelines, please refer to 'Common performance commitment outline for the Priority Service Register ("PSR")', published on the initial assessment of plans webpage.	1 April 2019
	Advised actions	Advised	No Affordability and Vulnerability actions are advised.	N/A
Delivering outcomes for customers	WSH.OC.A1-54	Required	The company has a number of actions in relation to its performance commitments, outcome delivery incentives and ODI risk/return package. Please see 'Dŵr Cymru: Delivering outcomes for customers detailed actions'.	Please see dates in 'Dŵr Cymru: Delivering outcomes for customers detailed actions'
	Advised actions	Advised	No advised actions	N/A
Securing long-term resilience	WSH.LR.A1	Required	The company should ensure that its common and bespoke performance commitments associated with operational resilience are clearly defined, sufficiently demanding for AMP7 and the long term, and supported by the right incentives. We expect the company to satisfy the relevant actions set out in relation in the outcomes areas ensuring a line of sight between risks to resilience and package of outcomes.	1 April 2019
	WSH.LR.A2	Required	The company should provide a commitment that it will, by 22 August 2019, prepare and provide to us an action plan to develop and implement a systems based approach to resilience in the round and ensure that the company can demonstrate in the future an integrated resilience framework that underpins the company's operations and future plans showing a line of sight between risks to resilience, planned mitigations, package of outcomes and corporate governance framework.	1 April 2019

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	WSH.LR.A3	Required	The company should also provide a commitment to work with the sector to develop robust forward looking asset health metrics and provide greater transparency of how its asset health indicators influence its operational decision making.	1 April 2019
	Advised actions	Advised	No advised actions.	N/A
Targeted controls, markets and innovation	WSH.CMI.A1	Required	The company's bioresources plan assumes growth rates lower than historical trends and highlights that at trend growth rates operational headroom eroded in the price control period triggering the need for additional treatment capacity. The company proposes to address the risk by pursuing a trading strategy. The company should provide further evidence around how the sludge volume forecast was calculated, including any assumptions made or adjustments to model outputs. The company should also provide evidence of its engagement with other companies and other waste operators to ensure there will be sufficient capacity available in the market to address the potential operational needs.	1 April 2019
	WSH.CMI.A2	Required	The proposed split of fixed and variable revenues for the bio-resources revenue control has not been sufficiently evidenced, particularly where cost lines are partly incremental and partly fixed. We are also intervening to ensure that the bioresources revenue adjustment is set on a broadly comparable basis to avoid setting revenue controls that may distort the development of trades. We will set out our view in the draft determinations based on the updated tables bio 1, Bio3 and Bio4. We will treat the funding of the 2020 RCV (run-off, returns and tax) as fixed for these purposes, along with revenues to recover local authority rates; some fees; and a proportion of direct and indirect costs of bioresources treatment and transport.	1 April 2019
	WSH.CMI.A3	Required	The company should provide a commitment to provide a detailed work programme by end August 2019 to assure us that the company will deliver appropriate drainage and wastewater management plans. The programme should ensure that the company can prepare and consult on its first drainage and wastewater management plan no later than the summer of 2022 to enable revised plans to be prepared in early 2023 to inform PR24 business plans.	1 April 2019
	WSH.CMI.A4	Required	The company has provided a bid assessment framework that does not meet the principles set out in the price review methodology. These include, but is not limited to, lack of detail to demonstrate that the approach is non-discriminatory and set out detail on how the company will manage commercially sensitive information that it receives. We require the company to revise its bid assessment framework document to address our feedback.	1 April 2019
	WSH.CMI.A5-A6	Required	For DPC, the company is required to provide further evidence to support the decisions that determined why some schemes were not suitable for DPC. The list of schemes and the required evidence is detailed in 'Dŵr Cymru: Direct procurement for customers detailed actions'.	1 April 2019
	WSH.CMI.B1	Advised	The company should consider how it can collaborate with other companies to maximise the opportunities for research to address common challenges (eg leakage detection, water efficiency and wastewater treatment processes) rather than companies progressing research independently.	1 April 2019
Securing cost efficiency	WSH.CE.A1	Required	We provide our view of efficient costs for the company along with our reasoning. We expect it to address areas of inefficiency, or lack of evidence, in the revised business plan. Where appropriate, we expect it to withdraw investment proposals if either: <ul style="list-style-type: none"> the need for investment is not compelling; or there is no need for a cost adjustment claim beyond our existing cost baseline. 	1 April 2019

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	WSH.CE.A2	Required	There is significant investment proposed in the delivery of the reservoir safety programme and therefore the company is required to propose a specific outcome delivery incentive in order to ensure customer protection for efficient delivery. The company should provide evidence to justify the level of the performance commitment and the outcome delivery incentive rates proposed, in line with our Final Methodology. We expect to receive evidence of customer support for outperformance payments, where proposed, and that the incentive rates proposed are reflective of customer valuations.	1 April 2019
	WSH.CE.A3	Required	<p>1) U_IMP6 schemes - When applied to the 4,953m³ storage volume reported in line 10 of table WWS4 the proposed unit cost formula would result in the company retaining £0.273m (about 5%) of the £5.749m totex requested for these schemes in table WWS2. Given that the storage schemes are all scheduled to be delivered in year 5 and therefore the risk of abortive expenditure is minimal the company should justify this proposed level of retention.</p> <p>2) WFD_IMPg schemes - The proposals to replace unconfirmed schemes with others of equal value rather than return money to customers is inconsistent with the proposed approach for unconfirmed UWWTD schemes and does not meet our PR19 Methodology requirement for a cost adjustment mechanism. We note the similarity of approach to that proposed for any unconfirmed NEP schemes, but that the policy the company cites to justify the approach, i.e. Welsh Government's expectation that any headroom in AMP7 created by the removal of Amber schemes will be filled by bringing forward other schemes from AMP8, is not relevant in England. Accordingly, the company should explain its proposed approach for these schemes in England, provide evidence of customer support for it, or submit revised proposals.</p> <p>3) The company should identify for Amber NEP schemes included in its AMP7 investment programme, the total costs included for each and the lines within table WWS2 and, if applicable, table WS2 (capex and opex) to which these costs have been allocated.</p>	1 April 2019
	WSH.CE.A4	Required	There may be significant impacts in terms of investment or type of investment as a result of the metaldehyde ban. The company should investigate and agree with the DWI the scale and timing of any potential changes compared to its submitted plans. Significant changes and uncertainty may require an outcome delivery incentive to protect customers in the instance of expenditure not being required. Should the company propose a performance commitment and outcome delivery incentive, the company should provide evidence to justify the level of the performance commitment and the outcome delivery incentive rates proposed, in line with our Final Methodology. We expect to receive evidence of customer support for outperformance payments, where proposed, and that the incentive rates proposed are reflective of customer valuations.	1 April 2019
	Advised actions	Advised	No advised actions	1 April 2019
Aligning risk and return	WSH.RR.A1	Required	The company should remove the uncertainty mechanism for business rates or provide compelling evidence to support the proposed uncertainty mechanism to support its view that adequate protections are not already in place given totex cost sharing arrangements. If the company retains an uncertainty mechanism in its revised business plan, it should ensure the proposal is underpinned by RoRE assessment in accordance with section 10.4.3 of the PR19 methodology.	1 April 2019

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Test area	Action reference	Action type	Action	Date required
	WSH.RR.A2	Required	The company should provide further evidence on whether it is reasonable to assume totex outcomes (in RoRE risk analysis) should be asymmetrically skewed to the downside or provide compelling evidence that this is an appropriate assumption within an incentive based regime.	1 April 2019
	WSH.RR.A3	Required	The company has targeted a credit rating for the notional company that is one notch above the minimum for investment grade and lower than the target for its actual structure. The company should provide evidence to support its view that this is reasonable for the long term financeability of the notional company or actions that could be taken to secure the long term financeability of the notional company.	1 April 2019
	WSH.RR.A4	Required	The company should provide further evidence that the business plan is consistent with the target credit rating on its actual corporate structure, in particular setting out threshold levels for key financial ratios and how these are consistent with the target credit ratings	1 April 2019
	WSH.RR.A5	Required	The company should ensure it is using the correct assumptions for the notional company in assessing the key financial ratios. The RPI rate of inflation should be used to translate the nominal cost of debt to real for index linked debt.	1 April 2019
	WSH.RR.A6	Required	The company should provide further evidence to support the calculation of RCV run-off rates and demonstrate that the rates are consistent with the approach set out in the business plan.	1 April 2019
	Advised actions	Advised	No advised actions.	N/A
Accounting for past delivery	WSH.PD.A1-6	Required	The company has a number of actions in relation to the detail in some of its PR14 reconciliations. Please see 'Dŵr Cymru: Accounting for past delivery detailed actions'.	Please see dates in 'Dŵr Cymru: Accounting for past delivery detailed actions'
	WSH.PD.B1-6	Advised	The company should develop and provide further evidence to support the continuous improvement and deliverability of outcomes, costs and customer complaints handling. Please see 'Dŵr Cymru: Accounting for past delivery detailed actions'.	Please see dates in 'Dŵr Cymru: Accounting for past delivery detailed actions'
Securing confidence and assurance	WSH.CA.A1	Required	On gearing benefits sharing, while the company does not forecast gearing in excess of 70% in 2020-25, it should incorporate our default sharing mechanism from our 'Putting the sector in balance' position statement into its plan.	1 April 2019
	WSH.CA.A2	Required	Acknowledging Dwr Cymru is a company limited by guarantee, the company is required to confirm how it will adapt the expectations on dividends for 2020-25 for its circumstances as set out in 'Putting the sector in balance' to include: <ul style="list-style-type: none"> • clear board commitment to signal changes to its policy stakeholders; and • commitment to transparency that the dividend policy in 2020-25 will take account of obligations and commitments to customers applied in 2020-25 and when determining 'dividends'. 	1 April 2019

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			Please provide an update on the steps you are taking to fully meet the expectations as set out in our putting the sector in balance position statement.	
	WSH.CA.A3	Required	<p>On executive pay the company is required to confirm that it is committed to adopt the expectations on performance related pay for 2020-25 as set out in 'Putting the sector in balance' to include:</p> <ul style="list-style-type: none"> • commitment to report how changes, including the underlying reasons, are signalled to customers; and • commitment to publish the executive pay policy for 2020-25 once it has been finalised. <p>Please provide an update on the steps you are taking to fully meet the expectations as set out in our putting the sector in balance position statement.</p>	1 April 2019
	WSH.CA.A4	Required	The company is required to provide a revised financial model and data tables on 1 April 2019. Please see 'Dwr Cymru: Securing confidence and assurance detailed actions.'	1 April 2019
	WSH.CA.B1	Advised	The company has an advisory action regarding its financial model. Please see 'Dwr Cymru: Securing confidence and assurance detailed actions.'	1 April 2019

Securing cost efficiency

The tables below set out your performance on cost at different services and for different cost types. Costs are in £m of 2017-18. We index wholesale controls with consumer price inflation (CPIH). We do not index retail controls.

Costs by control

Costs	Water resources	Network + (water)	Bioresources	Network + (wastewater)	Residential retail	Company level
Business plan totex (£m)	276.4	1,374.0	125.1	1,445.7	284.0	3,505.1
Our view of totex (£m)	251.0	1,058.3	158.0	1,195.1	203.2	2,865.6
Efficiency challenge (£m)	25.4	315.6	-32.9	250.6	80.8	639.5
Efficiency challenge (%)	9.2%	23.0%	-26.3%	17.3%	28.4%	18.2%

Costs by residential retail, water and wastewater

Costs	Residential retail	Wholesale water	Wholesale wastewater	Company level
Business plan totex (£m)	284.0	1,650.4	1,570.8	3,505.1
Our view of totex (£m)	203.2	1,309.4	1,353.0	2,865.6
Efficiency challenge (£m)	80.8	341.0	217.7	639.5
Efficiency challenge (%)	28.4%	20.7%	13.9%	18.2%

Costs by base, enhancement and residential retail

Costs	Wholesale base costs			Enhancement costs			Residential retail	Company level
	Water	Wastewater	Total	Water	Wastewater	Total		
Business plan base/enhancement costs (£m)	1,086.9	1,141.2	2,228.2	563.4	429.5	992.9	284.0	3,505.1
Our view of base/enhancement costs (£m)	1,089.2	1,055.4	2,144.6	220.2	297.6	517.8	203.2	2,865.6
Efficiency challenge (£m)	-2.2	85.8	83.6	343.2	131.9	475.1	80.8	639.5
Efficiency challenge (%)	-0.2%	7.5%	3.8%	60.9%	30.7%	47.8%	28.4%	18.2%

Efficiency challenge (%) = efficiency challenge (£m) divided by business plan totex.

Note, the costs in the tables do not include pension deficit repair costs (for which we make an allowance in accordance with our policy set out in Information Notice 13/17) and third party costs. The costs are gross of grants and contributions.

Key areas where we disallow enhancement costs.

- **Wholesale water:** Supply-demand balance -£70m; improving taste odour and colour -£89m; resilience (considered to be base) -£33m.
- **Wholesale wastewater:** growth -£76m; Loughor estuary project -£54m.