

April 2019

Trust in water

# **PR19 draft determinations: South West Water – Accounting for past delivery actions and interventions**

## PR19 draft determinations: South West Water - Accounting for past delivery actions and interventions

Following our initial assessment of plans, we categorised two types of actions for fast-track companies:

- agreed actions that fast-track companies committed to implement to ensure that their plans meet the threshold for fast-track status; and
- required actions for companies which in general were required for draft determinations (or final determinations for some aspects of past delivery).

Table 1 below sets out the agreed and required actions, the model the action relates to, a summary of the company's response to the action, our assessment of the company's response, and any further interventions we are making as part of the draft determination. Table 1 also sets out any further interventions that are not resulting from an action, which we are making as part of the draft determination.

Each action and further intervention that is not resulting from an action has a unique reference. The prefix 'SWB' denotes the company South West Water. The central acronym references the test area where the action has been identified, please see the 'PR19 draft determinations: Glossary' for a key of these acronyms. Actions whose numbers are preceded with an 'A' denote agreed or required actions. Intervention numbers are preceded with a 'C' followed by a three digit code for the model the intervention is relevant to, and a two digit reference for the interventions in that model. The model codes are set out below.

Model	Code
ODIs	002
Land sales	003
WRFIM	005
Totex	006
Water trading	007
Residential retail	008
SIM	009
RCV adjustments feeder model	010
Revenue adjustments feeder model	011
South West / Bournemouth aggregation	012

For all other documents related to the South West Water draft determination, please see the [draft determinations webpage](#).

**Table 1: South West Water’s response to required actions and interventions for draft determinations**

Model	Ref.	Action type	Action	Date required	Summary of the company’s response to the action	Our assessment and rationale	Interventions
Land sales	SWB.PD.A1	Required	<b>PR14 Land sales:</b> The company should provide additional evidence to support the forecast trajectory reported in table App9.	15 July 2019	No company action required for the draft determination.	No intervention required. We will review the additional evidence before making any intervention for the final determination.	N/A
Land sales	SWB.PD.C003.01	Intervention not resulting from an action	N/A	N/A	N/A	Intervention required. We are intervening to revise the calculation of the present value effect of 50% of proceeds from disposals of interest in land for the wholesale water price control. We are doing this so that the calculation aligns with the revised business plan table templates released on 31 January 2019.	In the original business plan table App9, the present value was calculated in error by multiplying proceeds by the discount factor. Our intervention corrects the present value calculation by dividing proceeds by the discount factor. This correction aligns with the revised business plan table templates released on 31 January 2019.  For the South West area, the revision increases the reduction in the net present value effect of 50% of proceeds from disposals of interest in land within the wholesale water price control from - £1.793 million to - £2.100 million (2017-18 FYA CPIH deflated price base).  For the Bournemouth area, the revision increases the reduction in the net present value effect of 50% of proceeds from disposals of interest in land within the wholesale water price control from - £0.843 million to - £0.870 million (2017-18 FYA CPIH deflated price base).  For the combined South West and Bournemouth area, the revisions increase the reduction in the net present value effect of 50% of proceeds from disposals of interest in land within the wholesale water price control from - £2.636 million to -£2.970 million (2017-18 FYA CPIH deflated price base).  Please see published draft determination land disposal reconciliation models for South West Water and Bournemouth Water.

Model	Ref.	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Land sales	SWB.PD.C003.02	Intervention not resulting from an action	N/A	N/A	N/A	Intervention required. We are intervening to revise the calculation of the present value effect of 50% of proceeds from disposals of interest in land for the wholesale wastewater price control. We are doing this so that the calculation aligns with the revised business plan table templates released on 31 January 2019.	In the original business plan table App9, the present value was calculated in error by multiplying proceeds by the discount factor. Our intervention corrects the present value calculation by dividing proceeds by the discount factor. This correction aligns with the revised business plan table templates released on 31 January 2019.  The revision reduces the reduction in net present value effect of 50% of proceeds from disposals of interest in land within the wholesale wastewater price control from -£0.897 million to -£0.788 million (2017-18 FYA CPIH deflated price base).  Please see published draft determination land disposal reconciliation model for South West Water.
Outcomes	SWB.PD.A2a	Required	<b>PR14 Outcome delivery incentives:</b> The company is required to exclude the service incentive mechanism from App27 (Bournemouth area) and allocate each performance commitment's outcome delivery incentive payments and penalties to a single PR19 price control as per methodology (South West area).	15 July 2019	No company action required for the draft determination.	Intervention required. We are intervening on the service incentive mechanism for the Bournemouth area because the SIM is being reconciled separately from outcome delivery incentives.  No intervention required on the allocation of outcome delivery incentive payments.  Our final methodology required the allocation of outcome delivery incentive payments to a single PR19 price control. However, following the IAP, we are relaxing this requirement and allowing companies to allocate to multiple PR19 price controls.	We are excluding the Bournemouth area outperformance payment for Service Incentive Mechanism (SIM) of £0.230 million (2012-13 prices net of tax) applied to revenue for end of period outcome delivery incentives for the residential retail price control.  The intervention results in a net outperformance payment applied to revenue for end of period outcome delivery incentives for the residential retail price control of £0.000 million.  Please see published draft determination outcome delivery incentives reconciliation model for Bournemouth Water.
Outcomes	SWB.PD.A2b	Required	<b>PR14 Outcome delivery incentives:</b> The company should report the service level and resulting outcome delivery incentive for performance commitment 'W-B1 Water restrictions placed on customers (numbers)' in line with the definition published in the company specific appendix at PR14. The company should	15 July 2019	No company action required for the draft determination.	No intervention required. We will review South West Water's revised data before making any intervention for the final determination.	N/A

Model	Ref.	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			not exclude any restrictions placed on customers for this performance commitment. Tables App27 should be updated accordingly.				
Outcomes	SWB.PD.A2c	Required	<b>PR14 Outcome delivery incentives:</b> The company should provide further evidence to support the exclusions it makes for W-A5: Duration of interruptions in supply (hours/property).	15 July 2019	No company action required for the draft determination.	<p>Intervention required.</p> <p>We are intervening because South West Water has not reported the service level and resulting outcome delivery incentive for performance commitment W-A5: Duration of interruptions in supply (hours/property) for 2017-18 in line with the definition published in the company specific appendix at PR14.</p> <p>South West Water excludes restrictions placed on customers for this performance commitment which results in performance of 0.369 hours per property in 2017-18 and an underperformance payment of - £0.895 million (2012-13 prices net of tax).</p> <p>Our intervention includes the excluded hours per property and therefore revises the performance in 2017-18 to 0.544 hours per property and increases the underperformance payment to - £1.867 million (2012-13 prices net of tax).</p> <p>We will review this intervention once we receive South West Water's updated information.</p>	<p>We are increasing the underperformance payment for the performance commitment W-A5: Duration of interruptions in supply (hours/property) in 2017-18 by - £0.972 million (2012-13 prices net of tax). This adjustment represents the difference between our view of the underperformance payment - £1.867 million and the company's view of - £0.895 million (both 2012-13 prices net of tax)</p> <p>The intervention results in a net performance payment applied to revenue in 2017-18 for end of period outcome delivery incentives for the water network plus price control of £0.652 million (2012-13 prices net of tax) in 2017-18.</p> <p>The intervention reduces the overall net outperformance payment for end of period outcome delivery incentives for the water network plus price control from £8.411 million to £7.293 million (2017-18 FYA CPIH deflated price base).</p> <p>Please see published draft determination outcome delivery incentives reconciliation model for South West Water.</p>

Model	Ref.	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Outcomes	SWB.PD.A2d	Required	<p><b>PR14 Outcome delivery incentives:</b> South West Water is required to update its forecast for 2019-20 performance to take account of the actual 2018-19 performance for all its performance commitments. We expect the company to pay particular focus where we found the evidence provided in its business plan for the 2018-20 forecasts to be insufficient which was for:</p> <ul style="list-style-type: none"> <li>W-A3: Asset reliability (pipes)</li> <li>W-E5: Pollution incidents (category 3 and 4)</li> <li>W-F1: Customers paying a metered bill</li> <li>W-A5: Duration of interruptions in supply (hours/property)</li> <li>S-C1: Wastewater treatment numeric compliance (%)</li> <li>S-B1: Operational customer contacts resolved first time (%)</li> <li>C1: Repair visible leaks</li> </ul>	15 July 2019	No company action required for the draft determination.	<p>No intervention required.</p> <p>We will review South West Water's updated data before making any interventions for the final determination.</p>	N/A
Residential retail	SWB.PD.A3a	Required	<p><b>PR14 Residential retail:</b> The company should clarify what the correct values are in table R9 (Bournemouth area) for the forecast number of metered water-only customers in 2018-2019 and 2019-2020.</p>	15 July 2019	No company action required for the draft determination.	<p>Intervention required.</p> <p>We are intervening because we identified unexpected differences between forecasts and actuals in South West Water's business plan table R9 which we do not expect at this stage.</p>	<p>We are using the Bournemouth area figures from South West Water's submitted model for the following lines as these are more likely to be the correct entries:</p> <ul style="list-style-type: none"> <li>Reforecast number of metered water only customers 139,111 (2018-19), 141,873 (2019-20)</li> <li>Actual number of unmetered water-only customers 59,286 (2015-16)</li> <li>Actual number of metered water-only customers 128,178 (2015-16)</li> </ul>
Residential retail	SWB.PD.A3b	Required	<p><b>PR14 Residential retail:</b> The company should clarify what the correct values are in table R9 (Bournemouth area) for the actual number of metered water-only customers in 2019-2020.</p>			<p>We will review this intervention once we receive South West Water's updated information.</p>	<p>For the Bournemouth area, along with our interventions to round modification factors to two decimal places as detailed below in <b>SWB.PD.C008.01</b>, our interventions</p>

Model	Ref.	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Residential retail	SWB.PD.A3c	Required	<b>PR14 Residential retail:</b> The company should clarify what the correct values are in table R9 (Bournemouth area) for the actual number of unmetered water-only customers in 2019-2020.				increase the total residential retail revenue payment at the end of the 2015-20 period from -£0.272 million to -£0.324 million (2017-18 FYA CPIH deflated price base).  Please see published draft determination residential retail revenue reconciliation model for Bournemouth Water.
Residential retail	SWB.PD.A3d	Required	<b>PR14 Residential retail:</b> The company should clarify what the correct values are in table R9 (South West area) for the reforecast number of unmetered water-only customers in 2015-2016.	15 July 2019	No company action required for the draft determination.	Intervention required.  We are intervening because we identified unexpected differences between forecasts and actuals in South West Water's business plan table R9 which we do not expect at this stage.	We are using South West area figures from South West Water's submitted model as these are more likely to be the correct entries.  For South West area, along with our interventions to round modification factors to two decimal places as detailed below in <b>SWB.PD.C008.01</b> , our interventions reduce the total residential retail revenue payment at the end of the 2015-20 period from -£3.374 million to -£3.361 million (2017-18 FYA CPIH deflated price base).  Please see published draft determination residential retail revenue reconciliation model for South West Water.
Residential retail	SWB.PD.A3e	Required	<b>PR14 Residential retail:</b> The company should clarify what the correct values are in table R9 (South West area) for the actual number of metered water and wastewater customers in 2019-2020.			We will review this intervention once we receive South West Water's updated information.	
Residential retail	SWB.PD.A3f	Required	<b>PR14 Residential retail:</b> The company should clarify why it has taken its particular approach (both areas) in relation to pre-occupied properties given that other companies that have also experienced the non-household retail market opening have not submitted different values for business plan table R9 and the 2017-2018 annual performance report.	15 July 2019	No company action required for the draft determination.	No intervention required.  In its September 2018 business plan submission, South West Water changed the values for the actual number of unmetered and metered water-only customers in table R9. This was already incorporated in the reconciliation model submitted in July 2018.	N/A
Residential retail	SWB.PD.C008.01	Intervention not resulting from an action	N/A	N/A	N/A	Intervention required.  We are intervening to round South West Water's modification factor figures to 2 decimal places to ensure consistency with the PR14 Reconciliation Rulebook.	We are rounding to 2 decimal places, modification factor figures for 2015-16 to 2019-20 associated with the following lines in business plan table R9 for both the South West Water and Bournemouth areas: <ul style="list-style-type: none"> <li>• Unmetered water-only customer</li> <li>• Unmetered wastewater-only customer</li> <li>• Unmetered water and wastewater customer</li> <li>• Metered water-only customer</li> <li>• Metered wastewater-only customer</li> <li>• Metered water and wastewater customer</li> </ul>

Model	Ref.	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
							<p>For the South West Water area, along with our interventions to use figures from South West Water's submitted model rather than business plan table R9 as detailed above in <b>SWB.PD.A3d and SWB.PD.A3e</b>, our interventions reduce the total residential retail revenue payment at the end of the 2015-20 period from -£3.374 million to - £3.361 million (2017-18 FYA CPIH deflated price base).</p> <p>For the Bournemouth area, along with our interventions to use figures from South West Water's submitted model rather than business plan table R9 as detailed above in <b>SWB.PD.A3a, SWB.PD.A3b and SWB.PD.A3c</b> our interventions increase the total residential retail revenue payment at the end of the 2015-20 period from -£0.272 million to - £0.324 million (2017-18 FYA CPIH deflated price base).</p> <p>For the combined South West and Bournemouth area, along with our interventions to use figures from the South West Water's submitted model rather than business plan table R9 as detailed above in <b>SWB.PD.A3a to SWB.PD.A3e</b>, our interventions increase the total residential retail revenue payment at the end of the 2015-20 period from -£3.646 million to - £3.684 million (2017-18 FYA CPIH deflated price base).</p> <p>Please see published draft determination residential retail revenue reconciliation models for South West Water and Bournemouth Water.</p>
Residential retail	SWB.PD.C008.02	Intervention not resulting from an action	N/A	N/A	N/A	No intervention required. We are including South West Water's updated data from its September 2018 business plan submission.	For South West Water, we are including the revised forecast figure for 2019-20 of 591,985 for 'Actual customer numbers – Metered water and wastewater customer' as submitted in its business plan in September 2018. This replaces the figure of 591,958 contained in South West Water's July 2018 past delivery submission.
Residential retail	SWB.PD.C008.03	Intervention not resulting from an action					For Bournemouth Water, we are including the revised actual figure for 2016-17 of 57,409 for 'Actual customer numbers – Unmetered water-only customer' as submitted in its business plan in September 2018. This replaces the

Model	Ref.	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
							figure of 54,656 contained in South West Water's July 2018 past delivery submission.
Residential retail	SWB.PD.C008.04	Intervention not resulting from an action					For Bournemouth Water, we are including the revised actual figure for 2016-17 of 131,873 for 'Actual customer numbers – Metered water-only customer' as submitted in its business plan in September 2018. This replaces the figure of 136,687 contained in South West Water's July 2018 past delivery submission.
Residential retail	SWB.PD.C008.05	Intervention not resulting from an action	N/A	N/A	N/A	Intervention required. We are intervening to apply the appointee WACC as the discount rate to be used to provide a financing adjustment for the time value of money of the reward or penalty in line with the PR14 Reconciliation Rulebook. This may be required if the materiality threshold for financing adjustment is exceeded. Our intervention ensures that there is no mismatch between the discount rate used and the revenue control to which it is applied.	For South West Water we are including a figure of 3.85% for the 'Materiality threshold for financing adjustment - Discount Rate.' This replaces the figure of 3.7% contained in South West Water's September 2019 submission. For Bournemouth Water we are including a figure of 3.9% for the 'Materiality threshold for financing adjustment - Discount Rate.' This replaces the figure of 3.6% contained in South West Water's September 2019 submission.
Totex	SWB.PD.A4a	Required	<b>PR14 Totex:</b> The company should use the updated actual values for the transitional expenditure.	15 July 2019	No company action required for the draft determination.	No intervention required. We will review South West Water's updated data before making any interventions for the final determination.	N/A
	SWB.PD.A4b	Required	<b>PR14 Totex:</b> The company should ensure all values are consistent in its models and business plan tables WS15/WWS15.				

Model	Ref.	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Totex	SWB.PD.A4c	Required	<b>PR14 Totex:</b> The company should provide a detailed explanation to support its forecasted performance for years 2018-19 and 2019-20 in tables WS15/WWS15 given the high underspend.			No intervention required. We will review South West Water's explanation for its forecast performance in 2018-19 and 2019-20 before making any interventions for the final determination.	N/A
Totex	SWB.PD.C006.01	Intervention not resulting from an action	N/A	N/A	N/A	No intervention required. We are including South West Water's updated data from its September 2018 business plan submission.	For South West Water, we are including the following revised actual and forecast figures for 2018-19 and 2019-20 for 'Sewerage: Third party services (opex)' as submitted in its business plan in September 2018: <ul style="list-style-type: none"> <li>2018-19 £1.707 million and 2019-20 £1.660 million in outturn (nominal) prices</li> </ul> These replace the figures of £1.716 million for 2018-19 and £1.669 million for 2019-20 contained in South West Water's July 2018 past delivery submission.  Please see published draft determination total expenditure reconciliation model for South West Water.
Totex	SWB.PD.C006.02	Intervention not resulting from an action				No intervention required. We are including South West Water's updated data from its September 2018 business plan submission.	For South West Water, we are including the following revised forecast figures for 2018-19 and 2019-20 for 'Sewerage: Actual Totex' as submitted in its business plan in September 2018: <ul style="list-style-type: none"> <li>2018-19 £159.740 million, 2019-20 £155.914 million in outturn (nominal) prices</li> </ul> These replace the figures of £157.684 million for 2018-19 and £153.309 million for 2019-20 contained in South West Water's July 2018 past delivery submission.  Please see published draft determination total expenditure reconciliation model for South West Water.

Model	Ref.	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Totex	SWB.PD.C006.03	Intervention not resulting from an action				<p>No intervention required.</p> <p>We are including South West Water's updated data from its September 2018 business plan submission.</p>	<p>For South West Water, we are including the following figures for 2015-16 to 2019-20 for 'Adjustments to totex - Sewerage: Disallowables' as submitted in its business plan in September 2018:</p> <ul style="list-style-type: none"> <li>2015-16 £1.860 million, 2016-17 £2.680 million, 2017-18 £0.326 million, 2018-19 £0.000 million and 2019-20 £0.000 million in outturn (nominal) prices</li> </ul> <p>Please see published draft determination total expenditure reconciliation model for South West Water.</p>
Totex	SWB.PD.C006.04	Intervention not resulting from an action	N/A	N/A	N/A	<p>Intervention required.</p> <p>We are intervening to ensure the values for 'Wholesale water baseline totex' correspond to the PR14 final determination.</p>	<p>For Bournemouth Water, we are including the following values for 2015-16 to 2019-20 for 'Wholesale water baseline totex' as contained in the PR14 final determination:</p> <ul style="list-style-type: none"> <li>2015-16 £28.045 million, 2016-17 £27.262 million, 2017-18 £26.383 million, 2018-19 £24.902 million and 2019-20 £24.144 million in 2012-13 FYA RPI deflated prices</li> </ul> <p>These values replace the following values contained in its business plan in September 2018:</p> <ul style="list-style-type: none"> <li>2015-16 £28.166 million, 2016-17 £27.351 million, 2017-18 £26.469 million, 2018-19 £24.984 million and 2019-20 £24.224 million in 2012-13 FYA RPI deflated prices</li> </ul> <p>Please see published draft determination total expenditure reconciliation model for Bournemouth Water.</p> <p>Our intervention uses the values from the PR14 final determination. Combined with the intervention detailed in <b>SWB.PD.C006.05</b>, <b>SWB.PD.C006.06</b> and <b>SWB.PD.C006.07</b>, the net effect of the interventions reduces the totex menu RCV reduction for South West Water from - £68.197 million to - £66.745 million (2017-18 FYA CPIH deflated price base) and increases the totex menu revenue reduction from - £10.179 million to - £10.218 million (2017-18 FYA CPIH deflated price base) within the wholesale water price control.</p>

Model	Ref.	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
							Please see published draft determination revenue, RCV adjustments and aggregation feeder models for South West Water and Bournemouth Water.
Totex	SWB.PD.C006.05	Intervention not resulting from an action	N/A	N/A	N/A	<p>Intervention required.</p> <p>We are intervening to ensure the values for 'Water: FD allowed totex inclusive of menu cost exclusions, less PDRC allowance' correspond to the PR14 final determination.</p>	<p>For Bournemouth Water, we are including the following values for 2015-16 to 2019-20 for 'Water: FD allowed totex inclusive of menu cost exclusions, less PDRC allowance' as contained in the PR14 final determination:</p> <ul style="list-style-type: none"> <li>2015-16 £28.166 million, 2016-17 £27.351 million, 2017-18 £26.469 million, 2018-19 £24.984 million and 2019-20 £24.224 million in 2012-13 FYA RPI deflated prices</li> </ul> <p>These values replace the following values contained in its business plan in September 2018:</p> <ul style="list-style-type: none"> <li>2015-16 £28.127 million, 2016-17 £27.342 million, 2017-18 £26.461 million, 2018-19 £24.976 million and 2019-20 £24.215 million in 2012-13 FYA RPI deflated prices</li> </ul> <p>Please see published draft determination total expenditure reconciliation model for Bournemouth Water.</p> <p>Our intervention uses the values from the PR14 final determination. Combined with the interventions detailed in <b>SWB.PD.C006.04</b>, <b>SWB.PD.C006.06</b> and <b>SWB.PD.C006.07</b>, the net effect of the interventions reduces the totex menu RCV reduction for South West Water from - £68.197 million to - £66.745 million (2017-18 FYA CPIH deflated price base) and increases the totex menu revenue reduction from - £10.179 million to - £10.218 million (2017-18 FYA CPIH deflated price base) within the wholesale water price control.</p> <p>Please see published draft determination revenue, RCV adjustments and aggregation feeder models for South West Water and Bournemouth Water.</p>

Model	Ref.	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Totex	SWB.PD.C006.06	Intervention not resulting from an action	N/A	N/A	N/A	<p>No intervention required.</p> <p>We are including South West Water's revised data as contained in its September 2018 business plan submission.</p>	<p>For Bournemouth Water, we are including therevised value of £0.108 million in outturn (nominal) prices for 2016-17 for 'Adjustments to totex - Water: third party services (opex)' as submitted in its business plan in September 2018. This replaces the value of £0.000 million contained in South West Water's July 2018 past delivery submission.</p> <p>Please see published draft determination total expenditure reconciliation model for Bournemouth Water.</p> <p>Our intervention uses the values from the PR14 final determination. Combined with the interventions detailed in <b>SWB.PD.C006.04</b>, <b>SWB.PD.C006.05</b> and <b>SWB.PD.C006.07</b>, the net effect of the interventions reduces the totex menu RCV reduction for South West Water from - £68.197 million to - £66.745 million (2017-18 FYA CPIH deflated price base) and increases the totex menu revenue reduction from - £10.179 million to - £10.218 million (2017-18 FYA CPIH deflated price base) within the wholesale water price control.</p> <p>Please see published draft determination revenue, RCV adjustments and aggregation feeder models for South West Water and Bournemouth Water.</p>
Totex	SWB.PD.C006.07	Intervention not resulting from an action	N/A	N/A	N/A	<p>No intervention required.</p> <p>We are including South West Water's revised data as contained in its September 2018 business plan submission.</p>	<p>For Bournemouth Water, we are including the following values for 2016-17, 2018-19 and 2019-20 for 'Adjustments to totex - Water: third party services (capex)' as submitted in its business plan in September 2018:</p> <ul style="list-style-type: none"> <li>2016-17 £0.607 million, 2018-19 £0.648 million and 2019-20 £0.667 million in outturn (nominal) prices</li> </ul> <p>These replace the figures of £0.000 million for 2016-17, £0.655 million for 2018-19 and £0.618 million for 2019-20 contained in South West Water's July 2018 past delivery submission.</p> <p>Please see published draft determination total expenditure reconciliation model for Bournemouth Water.</p>

Model	Ref.	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
							<p>Our intervention uses the values from the PR14 final determination. Combined with the interventions detailed in <b>SWB.PD.C006.04, SWB.PD.C006.05 and SWB.PD.C006.06</b>, the net effect of the interventions reduces the totex menu RCV reduction for South West Water from - £68.197 million to - £66.745 million (2017-18 FYA CPIH deflated price base) and increases the totex menu revenue reduction from - £10.179 million to - £10.218 million (2017-18 FYA CPIH deflated price base) within the wholesale water price control.</p> <p>Please see published draft determination revenue, RCV adjustments and aggregation feeder models for South West Water and Bournemouth Water.</p>
All models	SWB.PD.A5	Required	<p><b>PR14 reconciliations:</b> Further to the actions we have set out to address our concerns over the evidence provided in its business plan for the individual reconciliations, we will require the company to refresh all of its PR14 reconciliations to replace its 2018-19 forecast performance with 2018-19 actual performance and update the evidence for its forecast 2019-20 performance taking into account of the actual 2018-19 performance. The company should submit the updated past delivery tables and populated models by 15 July 2019.</p>	15 July 2019	No company action required for the draft determination.	<p>No interventions required.</p> <p>We will review South West Water's responses to its actions and further information provided for all the PR14 reconciliation models before making any further interventions for the final determination.</p>	N/A
N/A	SWB.PD.A6	Required	<p>The company should produce and provide to Ofwat, as part of its response to its draft determination, additional evidence that it has identified:</p> <ul style="list-style-type: none"> <li>the drivers of incidents performance and customer communication and support performance during and after major incidents, pollution incidents and where statutory and licence obligations enforced by the EA/NRW, DWI and Ofwat have not been met;</li> </ul>	24 May 2019	No company action required for the draft determination.	<p>No intervention required.</p> <p>We will review South West Water's additional evidence before making any interventions for the final determination.</p>	N/A

Model	Ref.	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<ul style="list-style-type: none"> <li>lessons learnt from good and poor past and current performance;</li> <li>the performance gap between current performance and proposed performance in the 2020-25 business plan;</li> <li>the measures planned or already in place to ensure deliverability of the 2020-25 business plan.</li> </ul>				
N/A	SWB.PD.A7	Required	<p>The company should produce and provide to Ofwat, as part of its response to its draft determination, an action plan that sets out:</p> <ul style="list-style-type: none"> <li>how the company will continuously monitor incidents performance and customer communication and support during and after major incidents and deliver targets set by the EA/NRW in the Environmental Performance Assessment (EPA), by DWI and by Ofwat's regulations, including what evidence it will look for beyond itself and the sector;</li> <li>how the company will identify drivers of performance and lessons learnt from both good and poor performance;</li> <li>how the company will identify measures to improve performance and integrate these into its business;</li> <li>how the company will ensure that this is a continuous rather than one-off process.</li> </ul>	24 May 2019	No company action required for the draft determination.	<p>No intervention required.</p> <p>We will review South West Water's additional evidence before making any interventions for the final determination.</p>	N/A
N/A	SWB.PD.C011.01	Intervention not resulting from an action	N/A	N/A	N/A	<p>Intervention required.</p> <p>We are standardising the discount factor used to profile revenue adjustments.</p>	We have used our view of the wholesale WACC as the discount factor in the profiling of the revenue adjustments.

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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