

July 2019

Trust in water

PR19 draft determinations

**Dŵr Cymru – Securing long-term
resilience actions and interventions**

0 f w a t

www.ofwat.gov.uk

PR19 Draft Determinations: Dŵr Cymru – Securing long-term resilience actions and interventions

Following our initial assessment of plans, we categorised two types of actions for slow-track and significant scrutiny companies:

- required actions for companies which in general were required for 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.

Table 1 below sets out the required and advised actions, 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.

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 draft determinations: Glossary' for a key to 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.

Table 2 below sets out any further interventions that are not resulting from an action which we are making as part of the draft determination.

Each further intervention that is not resulting from an 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 draft determinations: Glossary' for a key to these acronyms. Intervention numbers are preceded with a 'C'.

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

Table 1 – Dŵr Cymru's response to required actions and interventions for draft determinations

| Test area | Action reference | Action type | Action | Date required | Summary of company response to action | Our assessment and rationale | Required interventions |
|-------------------------------|------------------|-------------|--|---------------|--|--|--|
| 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 the 2020 to 2025 period 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 | Dŵr Cymru has not implemented all relevant outcome actions associated with operational resilience, in particular those related to asset health and bespoke resilience performance commitments. | Intervention required. The company should address any outstanding interventions associated with operational resilience from the 'Dŵr Cymru - Delivering outcomes for customers actions and interventions' tables, in particular those related to mains repairs, unplanned outage and to its bespoke resilience performance commitments ('Asset Resilience' performance commitments) | Refer to interventions described in the 'Dŵr Cymru - Delivering outcomes for customers actions and interventions' tables regarding mains repairs, unplanned outage and asset resilience performance commitments. |

| Test area | Action reference | Action type | Action | Date required | Summary of company response to action | Our assessment and rationale | Required interventions |
|-----------|------------------|-------------|--|---------------|--|---|------------------------|
| | 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 | Dŵr Cymru has confirmed its commitment to complete the action by 22 August 2019. | No intervention required. The company has complied with the required action. | N/A |
| | 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 | Dŵr Cymru has confirmed this commitment. | No intervention required. The company has complied with the required action. | N/A |
| | Advised actions | Advised | No advised actions. | N/A | N/A | N/A | N/A |

Table 2 – Further interventions for draft determinations

| Intervention reference | Our assessment and rationale | Interventions |
|------------------------|--|---|
| WSH.LR.C1 | The Board assurance on actual and notional financeability and financial resilience in the revised business plan was provided on the basis of the assumptions made in the business plan, prior to any interventions we have made in the draft determination and our updated view of the cost of capital. There is evidence of further downward pressure on the cost of capital in very recent market data which will be considered for our final determination. | We expect companies, in their responses to the draft determination, to provide further Board assurance that they will remain financeable on a notional and actual basis, and that they can maintain the financial resilience of their actual structure, taking account of the reasonably foreseeable range of plausible outcomes of their final determination, including most recent data on the cost of capital. |

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.

Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

Phone: 0121 644 7500
Fax: 0121 644 7533
Website: www.ofwat.gov.uk
Email: mailbox@ofwat.gov.uk

July 2019

© Crown copyright 2019

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

This document is also available from our website at www.ofwat.gov.uk.

Any enquiries regarding this publication should be sent to us at mailbox@ofwat.gov.uk.

