

July 2019

Trust in water

# PR19 draft determinations

**Hafren Dyfrdwy – Addressing affordability and vulnerability actions and interventions**

## PR19 Draft Determinations: Hafren Dyfrdwy - Addressing affordability and vulnerability 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 'HDD' denotes the company Hafren Dyfrdwy. 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 'HDD' denotes the company Hafren Dyfrdwy. 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 Hafren Dyfrdwy draft determination, please see the [draft determinations webpage](#).

**Table 1: Hafren Dyfrdwy'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
Addressing affordability and vulnerability	HDD.AV.A1	Required	Hafren Dyfrdwy has proposed a higher bill than what it tested with customers in North Wales. A bill profile with an increase of 1% was tested in North Wales. However, an increase of 3.7% was submitted in the business plan for this area. Hafren Dyfrdwy should provide sufficient and convincing evidence that it has engaged with its customers on affordability and acceptability of its proposed bills and bill profiles for the 2020 to 2025 period. Hafren Dyfrdwy should demonstrate that its customers find its proposed bill and bill profiles acceptable and affordable. This should include testing its proposed bills and bill profiles for the 2020 to 2025 period with both the regions it serves. Hafren Dyfrdwy should confirm that testing has been assured by its customer challenge group and conducted in line with social research best practice.	1 April 2019	The company undertakes additional research into acceptability of bills in the North Wales region. The research highlights that 70% of customers find the real terms plan costs to be acceptable. The research is undertaken with 216 customers. The results mean that Hafren Dyfrdwy's overall weighted real bill acceptability (accounting for both regions) is 73%. The customer challenge group confirms the new exercise was undertaken in line with social research best practice and 'The customer challenge group are satisfied with the company's process and practice when undertaking this research in both Mid and North Wales and there is no	No intervention required. We have considered the evidence provided in making a decision on the bill profile for the company. The research appears to be high quality and is subject to assurance from the company's customer challenge group. However, in the round bill acceptability is not sufficient. This issue has been addressed in our Aligning Risk and Return documentation for Hafren	For more information see PR19 Draft Determinations: Hafren Dyfrdwy Aligning Risk and Return Actions and Interventions (HDD.RR.A8)

					outstanding action from the customer challenge group on this item.' The company does not undertake quantitative research on alternative bill profiles but does address this in deliberative research.	Dyfrdwy.	
HDD.AV.A2	Required	Hafren Dyfrdwy should provide a long-term bill profile for the 2025-30 period.	1 April 2019	Hafren Dyfrdwy outlines in detail its proposed bill profile for the 2025 to 2030 period. The profile is set following engagement with customers in two deliberative workshops, one in each of the areas it serves.	No intervention required.  HDD's response is satisfactory as it sets out clearly what bills will be on water and wastewater.	N/A	
HDD.AV.A3	Required	Hafren Dyfrdwy has not provided evidence to demonstrate that it has tested bills or bill profiles beyond 2025, particularly for the 2025-30 period, with customers.  Hafren Dyfrdwy 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. Hafren Dyfrdwy should confirm that testing has been assured by its CCG and conducted in line with social research best practice.	1 April 2019	Hafren Dyfrdwy undertakes qualitative research into bill profiles with 24 customers. The company's business plan narrative includes some description of customer preferences for the following features; stable bills, fair charges over time and charges that support low cost borrowing. Customers are given two choices that show divergent views of the bill. One with higher charges in the 2020 to 2025 period and lower during the 2025 to 2030 period and one with steady prices throughout 2020 - 30. The customer challenge group comments positively on the exercise: 'The customer challenge group had the opportunity to comment on the research material and attended one of the workshops. The research findings were discussed with the customer challenge group who welcomed consultation on a range of options to balance future bill profiles. The customer challenge group has also seen the peer review of the company's approach and it is satisfied that it was carried out in accordance with best practice, given the time available.'	No intervention required because long-term bill profiles are not set as part of PR19.  It is questionable whether HDD's response is satisfactory as it does not test a range of options (it pre-selected two out of five possibilities on customers' behalf) with customers and its research exercise has a very low sample. It is therefore not clear that customers prefer the chosen profile.	N/A	
HDD.AV.A4	Required	Hafren Dyfrdwy has not provided sufficient evidence on the level of cross-subsidy for social tariffs in its business plan. Hafren Dyfrdwy has also not provided sufficient evidence on support for this cross-subsidy across its customer base.  Hafren Dyfrdwy should provide evidence on the level of cross-subsidy proposed and the support level for this cross-subsidy across its customer base.	1 April 2019	Hafren Dyfrdwy sets out further detail around how it decides its social tariff cross-subsidy, including via a review of its original research exercise from Frontier Economics, who state 'The social tariff research undertaken by DJS Research reflects established market research practice and the specific guidance for social tariff research from the Welsh Government. The sample size is over 400, which is	No intervention required.  Hafren Dyfrdwy's response is satisfactory as it sets out clearly the level of support for the cross-subsidy and contains assurances on the quality of the original work to establish the level of cross-subsidy.	N/A	

					sufficient to generate representative results.' It goes on to state 'By focusing on cross-subsidy levels that had a high degree of acceptability, 83% for Wrexham and 82% for Powys, Hafren Dyfrdwy have greatly reduced any risk arising from a proportion of respondents that may have been influenced by the specific way in which the cross-subsidy figures were presented.' The company confirms that customers will be paying different levels of cross-subsidy in the different areas that Hafren Dyfrdwy serves. The customer challenge group does not comment on the resubmission, but the company reiterates that they reviewed the original research and did not have any outstanding actions.		
HDD.AV.A5	Required	<p>Hafren Dyfrdwy has not proposed a performance commitment on Priority Services Register (PSR) growth. It is proposing to increase its PSR reach from 0.7% in 2019/20 to 1.1% of customers in 2024/25. We consider this to be an insufficiently ambitious target. In addition, Hafren Dyfrdwy has only checked 50% of PSR data over the past two years.</p> <p>We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): Hafren Dyfrdwy should include a Performance Commitment to increase its PSR reach to at least 7% of its customer base (measured by households) by 2024/25. It should also commit to checking at least 90% of PSR data every 2 years via its Performance Commitment.</p> <p>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.</p>	1 April 2019	See PR19 Draft Determinations: Hafren Dyfrdwy Outcomes Actions and Interventions	See PR19 Draft Determinations: Hafren Dyfrdwy Outcomes Actions and Interventions	See PR19 Draft Determinations: Hafren Dyfrdwy Outcomes Actions and Interventions	
Advised actions	Advised	No advised actions.	N/A				

**Table 2: Further interventions for draft determinations**

Intervention reference	Our assessment and rationale	Interventions
N/A	N/A	N/A

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