

December 2019

PR19 final determinations

**Anglian Water – Accounting for past
delivery final decisions**

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PR19 final determinations: Anglian Water - Accounting for past delivery final decisions

In our [draft determinations](#), we published the ‘Accounting for past delivery actions and interventions’ document for each company. This set out the required and advised actions in our initial assessment of plans, a summary of the company’s response to the action, our assessment of the company’s response, and any further interventions we made as part of the draft determination. It also set out any further interventions that were not resulting from an action, which we made as part of the draft determination.

This document sets out the decisions on accounting for past delivery we are making for the final determination. Our decisions and interventions set out here are relative to the company’s 15 July 2019 past delivery submission (the ‘15 July 2019 submission’). They also take into account the representations made on all our draft determinations, responses from companies to our queries and additional information provided following further engagement with companies and other stakeholders as part of the final determination process.

Table 1 below sets out all the initial assessment of plans actions, the model the action relates to, a summary of the company’s response to the initial assessment of plans action, our assessment of the company’s response, any further interventions we made as part of the draft determination, a summary of the company’s updated submission and / or representation on the draft determination, our assessment of the company’s updated submission and / or representation and our final interventions for the final determination. Table 1 also sets out any further interventions that are not resulting from an action which we are making as part of the final determination.

Our final determination and the final decisions set out in this document take account of Anglian Water’s actual performance in 2018-19 and updated evidence for its forecast performance in 2019-20 (taking into consideration its actual performance in 2018-19) as submitted on 15 July 2019 or in updated information submitted as part of its 30 August 2019 representation.

Each action and further intervention that is not resulting from an action has a unique reference. The prefix ‘ANH’ denotes the company Anglian Water. The central acronym references the test area where the action has been identified (please see the ‘Glossary’ for a key to these acronyms). Actions whose numbers are preceded with an ‘A’ denote required actions from the initial assessment of plans. Actions whose numbers are preceded with a ‘B’ denote advised actions from the initial assessment of plans. Draft determination interventions not resulting from an initial assessment of plans action are preceded with a ‘C’ and new interventions for the final determination not related to a previous action are preceded with a ‘D.’ Both draft and final interventions are 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. Where a company submits updated information as part of its 30 August 2019 representation and we reflect this in our final determination, we identify this intervention in our final determination models with the reference ANH.PD.REP. The past delivery model codes are set out below.

Model	Code
ODIs	002
Land sales	003
WRFIM	005
Totex	006
Water trading	007
Residential retail	008
Residential retail SIM	009
RCV adjustments feeder model	010
Revenue adjustments feeder model	011
South West Water aggregation model	012
Thames Water / Southern Water revenue profiling model	013
Business retail SIM	014
Southern Water enforcement revenue adjustments	015

For all other documents related to the Anglian Water’s final determination, please see the [final determinations webpage](#).

Table 1 – Accounting for past delivery final decisions for Anglian Water

Model	Ref.	IAP action	Summary of company response to the IAP action	Our assessment and rationale for the draft determination	Summary of company updated submission and / or representation	Our assessment and rationale for the final determination decision	Decision for the final determination	
All models	ANH.PD.A6	PR14 reconciliations: 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.	No company action required for the draft determination.	No intervention required. We will review Anglian 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.	In its 15 July 2019 submission, Anglian Water updates all of its PR14 reconciliations with actual performance for 2018-19 and provides evidence for its forecast performance in 2019-20.	Our final interventions take account of Anglian Water's actual performance in 2018-19 and updated evidence for its forecast performance in 2019-20 (taking into consideration its actual performance in 2018-19) as submitted on 15 July 2019 and in its 30 August 2019 representation.	N/A	
All models	ANH.PD.REP	<p>In its 30 August 2019 representation, Anglian Water submits the following updated past delivery business plan tables and reconciliation models to align with its 15 July 2019 submission, reflect our draft determination and support its representations:</p> <ul style="list-style-type: none"> App9 (Adjustments to RCV from disposals of interest in land), App23 (Inflation measures), App25 (PR14 reconciliation adjustments summary), App27 (PR14 reconciliation - outcome delivery incentives summary), WS13 / WWS13 (PR14 WRFIM), WS15 / WWS15 (PR14 Totex), R9 (PR14 reconciliation of household revenue) and R10 (PR14 SIM); and Totex and RCV / Revenue adjustments feeder models. <p>Unless otherwise stated, our final determination and any interventions we have made for the final determination as set out in the table below, take account of Anglian Water's latest updated information including the company's latest view of inflation.</p>						
Land disposals	ANH.PD.A1	PR14 Land sales: Anglian Water is required to provide additional evidence to support the forecast trajectory in table App9.	Anglian Water provides additional evidence to support the forecast trajectory in table App9.	No intervention required. Commentary supplied to support the forecast is sufficient.	In its representation, Anglian Water does not raise substantive reasons to change our draft determination in relation to this specific action.	N/A	N/A	

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Outcomes	ANH.PD.A2a	<p>PR14 Outcome delivery incentives: Anglian 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.</p> <p>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>	No company action required for the draft determination.	<p>No intervention required.</p> <p>We will review Anglian Water's updated data before making any interventions for the final determination.</p>	<p>In its 15 July 2019 submission, Anglian Water provides evidence for its updated forecast performance for 2019-20 in light of its actual performance in 2018-19 for all of its performance commitments.</p> <p>In its representation, Anglian Water does not raise substantive reasons to change our draft determination in relation to the specific actions ANH.PD.A2a to ANH.PD.A2j.</p>	<p>Intervention required.</p> <p>We have assessed the data the company provides and its forecasts for the 2019-20 reporting year. We are intervening where we found data errors or inconsistencies, or the company provided insufficient evidence for its performance.</p> <p>Please see ANH.PD.C002.01 below.</p>	N/A
Outcomes	ANH.PD.A2b	W-D3: Per property consumption (PPC) (litres/household/day reduction)	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a
Outcomes	ANH.PD.A2c	W-I1: Mean zonal compliance (MZC)	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a
Outcomes	ANH.PD.A2d	W-A4: Water quality contacts	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a
Outcomes	ANH.PD.A2e	W-A3: Properties at risk of persistent low pressure	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a
Outcomes	ANH.PD.A2f	S-A3: Properties flooded externally from sewers - three-year average (reduction)	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a

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Outcomes	ANH.PD.A2g	W-E2: Environmental compliance (water)	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a
Outcomes	ANH.PD.A2h	S-C1: Percentage of bathing waters attaining excellent status	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a
Outcomes	ANH.PD.A2i	S-C4: Environmental compliance (wastewater)	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a
Outcomes	ANH.PD.A2j	S-F2: Sewerage non-infrastructure	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a	As ANH.PD.A2a

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Outcomes	ANH.PD.C002.01	Table App27 (PR14 reconciliation - financial outcome delivery incentives summary)	N/A	<p>Intervention required.</p> <p>For consistency with the other companies that have in-period outcome delivery incentives, and we have adjusted the 'total to be applied at PR19' so that it includes the 2018-19 (£2.060 million) and 2019-20 (£4.120 million) outcome delivery incentive values.</p>	<p>In its representation, Anglian Water includes a revised table App27 that reflects our draft determination decision to allow 2019-20 outperformance payments to be recovered through the PR14 reconciliation mechanism.</p>	<p>Intervention retained.</p> <p>We are making an adjustment to the in-period outcome delivery incentive 'Total to be applied at PR19' value in column M of table App27 in Anglian Water's 15 July 2019 submission, so that it includes the 2018-19 (column J) and 2019-20 (column K) totals under its W-D4 Leakage three year average performance commitment. Previously, for in-period outcome delivery incentives column M contained the 2018-19 (column J) total only.</p> <p>We are making this intervention relative to the company's 15 July 2019 submission. The intervention is consistent with the company's view in its representation.</p>	<p>For consistency with other companies that have in-period ODIs, we have adjusted the 'Total to be applied at PR19' so that it includes 2018-19 (£3.090 million) and 2019-20 (£3.605 million) outcome delivery incentive values in 2012-13 prices.</p> <p>Our intervention increases the total net performance revenue payment at the end of the 2015-20 period for wholesale water from £24.945 million to £29.077 million (2017-18 FYA CPIH deflated price base).</p>
Outcomes	ANH.PD.C002.02	N/A	N/A	<p>Intervention required.</p> <p>Anglian Water does not include the £0.2 million outperformance payment for performance commitment W-B1 (value for money perception - variation from baseline against WaSCs (water)) in its 1 April 2019 submission of table App27.</p>	<p>In its 15 July 2019 submission, Anglian Water includes the £0.2 million outperformance payment in 2017-18 for performance commitment W-B1 (value for money perception - variation from baseline against WaSCs (water)) to correct the error in its 1 April 2019 submission.</p>	<p>No intervention required.</p> <p>The draft determination intervention is no longer required because the company addresses the issue appropriately in its 15 July 2019 submission.</p>	N/A

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Residential retail	ANH.PD.A3a	PR14 Residential retail: Anglian Water is required to clarify what the correct number is in table R9 for metered wastewater only customers in 2017-2018.	In its submission, the company clarifies that actual revenue (net) for metered wastewater only customers in 2017-2018 is £12,583 million.	No intervention required. Commentary supplied to support the data is sufficient.	In its representation, Anglian Water does not raise substantive reasons to change our draft determination in relation to this specific action.	N/A	N/A
Residential retail	ANH.PD.A3b	PR14 Residential retail: Anglian Water is required to provide further evidence to explain its forecasts which depart from the trend in the first three years of the control period.	The company provides evidence to explain its forecasts for 2018-19 and 2019-20 referring to the forecasts being consistent with its WRMP and the methodology to capture local authority planning targets.	No intervention required. Commentary supplied to support the data is sufficient.	In its representation, Anglian Water does not raise substantive reasons to change our draft determination in relation to this specific action.	N/A	N/A
Residential retail	ANH.PD.A3c	PR14 Residential retail: Anglian Water is required to provide further clarity on the reasons for the difference between reforecast customer numbers and actual customer numbers in 2018-2019.	The difference between actual and reforecast customer numbers in 2018-2019 is due to the forecast for actual customer numbers figure being a more recent forecast.	No intervention required. Commentary supplied to support the data is sufficient.	In its representation, Anglian Water does not raise substantive reasons to change our draft determination in relation to this specific action.	N/A	N/A

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Residential retail	ANH.PD.C008.01	N/A	N/A	<p>Intervention required.</p> <p>We are intervening to round Anglian Water's modification factor figures to two decimal places to ensure consistency with the 'PR14 reconciliation rulebook'.</p>	<p>In its representation, Anglian Water does not raise substantive reasons to change our draft determination in relation to this specific intervention.</p>	<p>Intervention retained.</p>	<p>We are rounding to two decimal places, modification factor figures for 2015-16 to 2019-20 associated with the following lines in business plan table R9:</p> <ul style="list-style-type: none"> • unmetered water-only customer; • unmetered wastewater-only customer; • unmetered water and wastewater customer; • metered water-only customer; • metered wastewater-only customer; and • metered water and wastewater customer. <p>Our interventions do not result in any changes to the total residential retail revenue payment at the end of the 2015-20 period which remains at - £5.599 million (2017-18 FYA CPIH deflated price base).</p>

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Residential retail	ANH.PD.C008.02	N/A	N/A	<p>Intervention required.</p> <p>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.</p> <p>Our intervention ensures that there is no mismatch between the discount rate used and the revenue control to which it is applied.</p>	<p>In its 15 July 2019 submission, Anglian Water includes a figure of 0.00% for the 'Materiality threshold for financing adjustment - Discount Rate.'</p> <p>In its representation, Anglian Water does not raise substantive reasons to change our draft determination in relation to this specific intervention.</p>	Intervention retained.	<p>For Anglian Water we are including a figure of 3.74% for the 'Materiality threshold for financing adjustment - Discount Rate.' This replaces the figure of 0% contained in Anglian Water's 15 July 2019 submission and 30 August representation.</p> <p>Our interventions do not result in any changes to the total residential retail revenue payment at the end of the 2015-20 period because the materiality threshold is not exceeded.</p>
Residential retail service incentive mechanism (SIM)	ANH.PD.C009.01	N/A	N/A	<p>Intervention required.</p> <p>We are intervening to adjust Anglian Water's residential retail revenue as a result of its SIM performance from 2015-16 to 2018-19.</p>	<p>In its representation, Anglian Water includes an updated adjustment of 3.86% of residential retail revenue which is + £17.774 million (2017-18 FYA CPIH deflated price base) based companies' reported SIM performance in 2018-19 and our methodology.</p>	<p>Intervention required.</p> <p>We are updating our analysis to take account of companies' finalised scores for 2018-19.</p>	<p>We are intervening to set the residential retail service incentive mechanism adjustment to +4.04% of residential retail revenue, which is £18.602 million (2017-18 FYA CPIH deflated price base) in total over the period. We explain how we calculate this is in the 'Accounting for past delivery technical appendix'.</p>

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Totex	ANH.PD.A4	PR14 Totex: Anglian Water is required to provide evidence to explain its forecast performance in tables WS15/WWS15.	<p>Anglian Water provides evidence to explain its forecast performance. The company explains that its performance is driven by ongoing increased costs from severe weather in 2018 (water).</p> <p>For wastewater, it cites re-phasing of projects and reinvested efficiencies to explain the deferral of £45m to 2019-20.</p>	<p>No intervention required.</p> <p>The company provides sufficient evidence in response to this action.</p>	In its representation, Anglian Water does not raise substantive reasons to change our draft determination in relation to this specific action.	N/A	N/A
Wholesale revenue forecasting incentive mechanism (WRFIM)	ANH.PD.A5	PR14 Wholesale revenue forecasting incentive mechanism: Anglian Water is required to provide evidence to explain its forecast performance in tables WS13/WWS13.	Anglian Water explains its forecast performance.	<p>No intervention required.</p> <p>The company provides sufficient evidence to explain its forecasts.</p>	In its representation, Anglian Water does not raise substantive reasons to change our draft determination in relation to this specific action.	N/A	N/A

Model	Ref.	IAP action	Summary of company response to the IAP action	Our assessment and rationale for the draft determination	Summary of company updated submission and / or representation	Our assessment and rationale for the final determination decision	Decision for the final determination
Revenue adjustments	ANH.PD.C011.01	N/A	N/A	<p>Intervention required.</p> <p>We are standardising the discount factor used to profile revenue adjustments.</p> <p>Companies can choose to apply revenue adjustments either in the first year, or, spread over a number of years in the 2020-25 period to minimise the impact on bills or to generate a bill profile that is appropriate for its customers.</p> <p>We consider the wholesale WACC is an appropriate discount factor as this is a measure of the time value of money that is consistent with the price control framework. We are not intervening in Anglian Water's choices for profiling revenue adjustments in 2020-25.</p>	<p>In its representation, Anglian Water does not raise substantive reasons to change our draft determination in relation to this specific intervention.</p>	<p>Intervention required.</p> <p>We are intervening to reflect our updated view of the wholesale WACC.</p> <p>We are not intervening in Anglian Water's choices for profiling revenue adjustments in 2020-25.</p> <p>Where profiling selections have been made for controls with no revenue (Dummy control and/or Business retail) we have set these selections to '0'. This has no impact on the modelling outputs.</p>	<p>We are using our view of the wholesale WACC (2.92%) as the discount factor to preserve the net present value of the outperformance or underperformance payments due when spreading adjustments over the period.</p>

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales.

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