

December 2019

PR19 final determinations

Hafren Dyfrdwy – Accounting for past delivery final decisions

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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 Hafren Dyfrdwy’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 ‘HDD’ denotes the company Hafren Dyfrdwy. 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 HDD.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 Hafren Dyfrdwy’s final determination, please see the [final determinations webpage](#).

Table 1 – Accounting for past delivery final decisions for Hafren Dyfrdwy

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	HDD.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 Hafren Dyfrdwy'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, Hafren Dyfrdwy 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 Hafren Dyfrdwy'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	HDD.PD.REP	In its 30 August 2019 representation, Hafren Dyfrdwy does not submit any updated past delivery business plan tables or reconciliation models.					
Land disposals	HDD.PD.A1	PR14 Land sales: Hafren Dyfrdwy is required to provide additional evidence to support the forecast trajectory in table App9.	Hafren Dyfrdwy provides additional evidence to support the forecast trajectory in table App9.	No intervention required. Commentary provided confirming zero sales is sufficient.	In its representation, Hafren Dyfrdwy 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
Outcomes	HDD.PD.A2a	<p>PR14 Outcome delivery incentives: Hafren Dyfrdwy is required to clearly set out how it has established historical performance on the basis of the new company area for each performance commitment. This should set out if the assessment of historical performance is directly from auditable underlying sources or if any judgements have been made. Where judgements are made we expect the company to assess the potential for the judgement to affect the historical performance level and therefore the future level.</p>	<p>Hafren Dyfrdwy sets out performance for both North Wales (previously Dee Valley Water) and Mid Wales (previously Severn Trent) for each performance commitments. The source or method used is set out, and the associated data confidence. The company presents details of the specific checks and findings from its assurance processes.</p> <p>In addition, Hafren Dyfrdwy identifies the need for a translation from tables App5 (PR14 performance commitment reconciliation) and App6 (PR14 sub-measure reconciliation) to App27 (PR14 financial outcome delivery incentives summary). It is producing an outcome delivery incentive workbook as part of the Annual Performance Report submission in July 2019. This spreadsheet will demonstrate how the incentives have been calculated through the licence variation and uncapping processes.</p>	<p>No intervention required.</p> <p>We will review Hafren Dyfrdwy's full suite of reconciliation models (including counterfactuals, and updated data and translation spreadsheet) before making any interventions for the final determination.</p>	<p>In its 15 July 2019 submission, Hafren Dyfrdwy provides a full suite of updated reconciliation models including counterfactuals and translation spreadsheet.</p> <p>In its representation, Hafren Dyfrdwy does not raise substantive reasons to change our draft determination in relation to this specific action.</p>	<p>No intervention required.</p> <p>The company addresses the issue appropriately in its 15 July 2019 submission.</p>	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
Outcomes	HDD.PD.A2b	As well as establishing historical performance levels Hafren Dyfrdwy is required to explain how it has used this information to forecast performance, or otherwise set out how it derived its forecasts for each performance commitment.	As HDD.PD.A2a	As HDD.PD.A2a	As HDD.PD.A2a	As HDD.PD.A2a	As HDD.PD.A2a
Outcomes	HDD.PD.A2c	Hafren Dyfrdwy is required to provide a clear explanation of how the values in App27 have been calculated in particular the payments for performance commitments customers rating our services as good value for money (S-B1 and W-C1) for Hafren Dyfrdwy in 2018-19 and 2019-20 and 'A1: discoloured water contacts' performance commitment for Dee Valley Water.	<p>S-B1 and W-C1 (customers rating our services as good value for money)</p> <p>Hafren Dyfrdwy states that by exceeding the outperformance deadband both the water and wastewater service earn a £125,000 outperformance payment, and these are split in accordance with the NAV agreement.</p> <p>A1 (discoloured water contacts)</p> <p>Hafren Dyfrdwy states that it has incorrectly multiplied the outperformance incentive rate by a factor of 100.</p>	<p>Intervention required.</p> <p>S-B1 and W-C1 (customers rating our services as good value for money)</p> <p>The forecast performance levels in 2018-19 and 2019-20 are equal to the outperformance payment deadband and therefore do not qualify for outperformance payments.</p> <p>A1 (discoloured water contacts)</p> <p>To correct a company error we are intervening to reduce the forecast 2018-19 and 2019-20 outperformance payments.</p>	<p>S-B1 and W-C1 (customers rating our services as good value for money)</p> <p>In its 15 July 2019 submission, Hafren Dyfrdwy changes the 2018-19 and 2019-20 outperformance payments for performance commitments W-C1 and S-B1 to zero. For the draft determination, these payments were £700 in both years for W-C1 (water) and £500 in both years for S-B1 (wastewater). The company states that these measures are not applicable in Powys.</p> <p>A1 (discoloured water contacts)</p> <p>In its 15 July 2019 submission, Hafren Dyfrdwy corrects the error it made in its September 2018 calculations, in which it incorrectly multiplied the outperformance incentive rate by a factor of 100.</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

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
Outcomes	HDD.PD.A3	PR14 outcome delivery incentives: Hafren Dyfrdwy is required to update the evidence for its forecast 2019-20 performance to take account of the actual 2018-19 performance for all its performance commitments.	No company action required for the draft determination.	No intervention required. We will review Hafren Dyfrdwy's updated data before making any interventions for the final determination.	In its 15 July 2019 submission, Hafren Dyfrdwy 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. In its representation, Hafren Dyfrdwy does not raise substantive reasons to change our draft determination in relation to this specific action.	Intervention required. 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. Please see HDD.PD.C002.01, HDD.PD.D002.01, HDD.PD.D002.02 and HDD.PD.D002.03 below.	N/A
Outcomes	HDD.PD.C002.01	N/A	N/A	For the 2017-18 financial year we are intervening to adjust the totals in line with the ' Final determination of in-period ODIs for 2018 ' published on 13 December 2018.	Hafren Dyfrdwy does not raise substantive reasons to change our draft determination in relation to this specific intervention.	Intervention retained. For clarity, we are including the Hafren Dyfrdwy share of the £63.203 million deferral of the wastewater outperformance payment that was included in Severn Trent Water's 2018 in-period ODI determination. This amounts to £0.278 million (0.44% of the £63.203 million deferral). We are also including the Hafren Dyfrdwy share of the £27m deferral of the wastewater outperformance payment that was included in Severn Trent Water's 2017 in-period ODI determination. This amounts to £0.119 million (0.44% of the £27 million deferral).	These interventions have no impact on price limits as the customer bills have already been changed to reflect this determination.

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Outcomes	HDD.PD.D002.01	N/A	N/A	N/A	In table App27 of its 15 July 2019 submission, Hafren Dyfrdwy does not include the full amount of the underperformance payment in 2017-18 of - £0.008755 million (2012-13 prices) for performance commitment B2 (sustainable economic level of leakage).	<p>Intervention required.</p> <p>Following Hafren Dyfrdwy's response to a query, we are including an adjustment of - £0.006 million to correct this. This ensures the full amount of the 2017-18 underperformance payment is included.</p> <p>In addition, in its 2018 annual performance report (page 9), Hafren Dyfrdwy reports changes to its reported actual leakage performance in 2016-17. The company's states that its updated performance in 2016-17 is 96.5 litres per property per day (previously 89.0 litres per property per day) against a target of 90.8 litres per property per day meaning that an underperformance penalty of £0.0294 million is due.</p> <p>We are therefore intervening for 2016-17 to reflect changes to its reported actual leakage performance in 2016-17.</p>	<p>We are intervening to include a revenue adjustment of - £0.006 million (2012-13 prices) in 2017-18 to ensure the full amount of the 2017-18 underperformance payment for performance commitment B2 (sustainable economic level of leakage) is included.</p> <p>We are also intervening to include the 2016-17 underperformance payment of - £0.0294 million (2012-13 prices) for performance commitment B2 (sustainable economic level of leakage).</p>

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
Outcomes	HDD.PD.D002.02	N/A	N/A	N/A	In table App27 of its 15 July 2019 submission, Hafren Dyfrdwy includes the 2017-18 underperformance for performance commitment W-A3 (asset stewardship - number of sites with coliform failures (WTWs) in the 'Total to be applied at PR19' column but not in the 2017-18 column.	Intervention required. We are including an adjustment of - £0.003 million to correct this error. This ensures the underperformance is included in 2017-18.	We are intervening to include a RCV adjustment of - £0.003 million (2012-13 prices) for an underperformance payment for performance commitment W-A3 (asset stewardship - number of sites with coliform failures (WTWs)) in the 2017-18 column. This is 0.58% ¹ of the - £0.4630 million underperformance payment accrued by Severn Trent Water.
Outcomes	HDD.PD.D002.03	N/A	N/A	N/A	N/A	Intervention required. Following Hafren Dyfrdwy's response to a query, we are re-allocating the forecast 2019-20 outperformance payment for the W-B8 (restrictions on water use) performance commitment of £0.0079 million from PR19 water network plus price control (100%) to 50% water resources and 50% water network plus.	We are intervening to include an outperformance payment of £0.004 million (2012-13 prices) in 2019-20 for 'Net performance payment / (penalty) applied to revenue for in-period ODI adjustments ~ Water resources' and 'Net performance payment / (penalty) applied to revenue for in-period ODI adjustments ~ Water network plus.'

¹ Allocations of Severn Trent Water wholesale water rewards and penalties for 1 April 2015 to 30 June 2018 to Hafren Dyfrdwy are set out in table 11 of 'Consultation under section 13 of the Water Industry Act 1991 on proposed modification of Severn Trent Water Limited's (Severn Trent Water) licence to include the Powys Site and proposed modification of Dee Valley Water Limited's (Dee Valley Water) licence to include the Chester site' published 23 March 2018.

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Residential retail	HDD.PD.C008.01a	N/A	N/A	<p>Intervention required.</p> <p>We are intervening to include an updated weighted average modification factor for allowed retail service revenue per unmeasured water customer in 2018-19 and 2019-20.</p> <p>This is because the PR14 modification factors were different for Severn Trent Water and Dee Valley Water unmeasured water customers and it is appropriate to use a weighted average for the merged company.</p> <p>Since Hafren Dyfrdwy did not have any unmeasured wastewater customers prior to the merger, we use Severn Trent Water's modification factors for these customer types.</p>	<p>In its representation, Hafren Dyfrdwy states that the weighted average retail modification factors we used in the draft determination are incorrect. The company argues that our approach is inconsistent with the principle that every customer of the pre-merger entities Dee Valley and Severn Trent should be in the same position as they would have been absent the merger and the corresponding border variation.</p>	<p>Intervention retained.</p> <p>Our calculations and those carried out by Hafren Dyfrdwy produce the same results and there is no inconsistency. We are therefore retaining our intervention although we fully agree with the position set out in Hafren Dyfrdwy's representation in relation to the need to consider customers' position as it would have been without the merger.</p> <p>Our approach to calculate a weighted average modification factor uses the correct PR14 final determination modification factors for customers affected by the border variation. Our analysis calculates a weighted average modification factor for the unmeasured water-only customer types which mirrors an approach that uses multiple bespoke modification factors for the affected customers. The equivalence of our and Hafren Dyfrdwy's approaches is further evidenced by the fact that the final calculated residential retail revenue adjustment is the same as the company's view of the adjustment (subject to other interventions we have made). The only difference is the method by which this was achieved.</p>	<p>We are including the following calculated weighted average modifications factors for 'Allowed retail service revenue per unmeasured water customer':</p> <ul style="list-style-type: none"> • 2018-19: £22.96 (outturn prices) • 2019-20: £23.00 (outturn prices) <p>We are basing our calculation on the actual customer numbers figures for Severn Trent Water and Dee Valley Water as contained in the residential retail revenue model submitted in July 2019 which replace the following company figures:</p> <ul style="list-style-type: none"> • 2018-19: £22.90 (outturn prices) • 2019-20: £22.93 (outturn prices) <p>The modification factors for the unmeasured customer types that include a wastewater component are the following:</p> <ul style="list-style-type: none"> • Allowed retail service revenue per unmeasured sewerage customer (outturn prices) - £23.41 (2018-19), £23.59 (2019-20) • Allowed retail service revenue per unmeasured dual service customer (outturn prices) - £30.43 (2018-19), £30.67 (2019-20)

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Residential retail	HDD.PD.C008.01b	N/A	N/A	<p>Intervention required.</p> <p>We are intervening to include an updated weighted average modification factor for allowed retail service revenue per measured water customer in 2018-19 and 2019-20.</p> <p>This is because the PR14 modification factors were different for Severn Trent Water and Dee Valley Water measured water customers and it is appropriate to use a weighted average for the merged company.</p> <p>Since Hafren Dyfrdwy did not have any measured wastewater customers prior to the merger, we use Severn Trent Water's modification factors for these customer types.</p>	<p>In its representation, Hafren Dyfrdwy states that the weighted average retail modification factors we used in the draft determination are incorrect. The company argues that our approach is inconsistent with the principle that every customer of the pre-merger entities Dee Valley and Severn Trent should be in the same position as they would have been absent the merger and the corresponding border variation.</p>	<p>Intervention retained.</p> <p>Our calculations and those carried out by Hafren Dyfrdwy produce the same results and there is no inconsistency. We are therefore retaining our intervention although we fully agree with the position set out in Hafren Dyfrdwy's representation in relation to the need to consider customers' position as it would have been without the merger.</p> <p>Our approach to calculate a weighted average modification factor uses the correct PR14 final determination modification factors for customers affected by the border variation. Our analysis is calculating a weighted average modification factor for the measured water-only customer types which mirrors an approach that uses multiple bespoke modification factors for the affected customers. The equivalence of our and Hafren Dyfrdwy's approaches is further evidenced by the fact that the final calculated residential retail revenue adjustments is the same as the company's view of the adjustment (subject to other interventions we have made). The only difference is the method by which this was achieved.</p>	<p>We are including the following calculated weighted average modifications factors for 'Allowed retail service revenue per measured water customer':</p> <ul style="list-style-type: none"> • 2018-19: £26.41 (outturn prices) • 2019-20: £26.48 (outturn prices) <p>We are basing our calculation on the actual customer numbers figures for Severn Trent Water and Dee Valley Water as contained in the residential retail revenue model submitted in July 2019 which replace the following company figures:</p> <ul style="list-style-type: none"> • 2018-19: £26.15 (outturn prices) • 2019-20: £26.21 (outturn prices) <p>The modification factors for the measured customer types that include a wastewater component are the following:</p> <ul style="list-style-type: none"> • Allowed retail service revenue per measured sewerage customer (outturn prices) - £24.11 (2018-19), £24.29 (2019-20) • Allowed retail service revenue per measured dual service customer (outturn prices) - £37.49 (2018-19), £37.74 (2019-20)

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Residential retail	HDD.PD.C008.01c	N/A	N/A	Intervention required. We are intervening to round Hafren Dyfrdwy's modification factor figures to two decimal places to ensure consistency with the ' PR14 reconciliation rulebook '.	In its representation, Hafren Dyfrdwy does not raise substantive reasons to change our draft determination in relation to this specific intervention.	Intervention retained.	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: <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>Along with our intervention to include calculated weighted modification factors for the merged company as detailed in HDD.PD.C008.01a and HDD.PD.C008.01b above, our interventions do not change the total residential retail revenue payment at the end of the 2015-20 period which remains at - £0.532 million (2017-18 FYA CPIH deflated price base).</p>
Residential retail service incentive mechanism (SIM)	HDD.PD.A4	PR14 Service incentive mechanism: Hafren Dyfrdwy is required to provide more evidence to support the forecast trajectory in table R10.	Hafren Dyfrdwy provides an explanation of its forecast trajectory in chapter 9 of its business plan.	No intervention required. The explanation provided for the company's forecasts is sufficient.	In its representation, Hafren Dyfrdwy 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
Residential retail service incentive mechanism (SIM)	HDD.PD.C009.01	N/A	N/A	<p>Intervention required.</p> <p>We are intervening to adjust Hafren Dyfrdwy's residential retail revenue as a result of its SIM performance from 2015-16 to 2018-19.</p>	<p>In its representation, Hafren Dyfrdwy does not raise substantive reasons to change our draft determination in relation to this specific intervention.</p>	<p>Intervention retained.</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 - 2.34% of residential retail revenue, which is - £0.281 million (2017-18 FYA CPIH deflated price base) in total over the period. We further explain how we calculate this in the 'Accounting for past delivery technical appendix.'</p>

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
Business retail service incentive mechanism (SIM)	HDD.PD.D014.01	N/A	N/A	N/A	N/A	<p>Intervention required.</p> <p>We published 'Reconciling the business retail service incentive mechanism consultation.' in August 2019. Following this consultation we did not receive stakeholder feedback suggesting substantive changes to our approach. Therefore we are intervening to reconcile the business retail service incentive mechanism as proposed in the consultation</p>	<p>We are intervening to set Hafren Dyfrdwy's business retail service incentive mechanism adjustment to:</p> <ul style="list-style-type: none"> £2.69 per 'Water: Unmeasured and 0-5 MI/a' customer; £9.54 per 'Water: 5-50 MI/a' customer; £0.0 per 'Water: 50+ MI/a' customer; £2.37 per 'Waste Water: Unmeasured and 0-5 MI/a' customer; £10.23 per 'Waste Water: 5-50 MI/a' customer; and £3.27 per 'Waste Water: 50+ MI/a' customer. <p>This reflects the company's performance relative to other business retailers from 2015-16 to 2018-19. Using the company's forecasts for business retail customer numbers this equates to £0.096 million (2017-18 FYA CPIH deflated prices). This is 5.53% of business retail revenue for water customers using less than 50MI a year and wastewater customers over the period, multiplied by Hafren Dyfrdwy's 69.15% of the incentive payment. We further explain how we calculate this in the 'Accounting for past delivery technical appendix.'</p>

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Totex	HDD.PD.A5a	PR14 Totex: Hafren Dyfrdwy is required to provide a detailed explanation to support its forecasted performance for years 2018-19 and 2019-20 in tables WS15/WWS15, with particular focus on the unusually high forecasted overspend in year 2018-19.	Hafren Dyfrdwy responds to this action on P.164 of its revised business plan. The company's performance is driven by increased spend on distribution service reservoirs and investment in customer contact centres.	No intervention required. The company satisfactorily responds to this action.	In its representation, Hafren Dyfrdwy does not raise substantive reasons to change our draft determination in relation to this specific action.	N/A	N/A
Totex	HDD.PD.A5b	PR14 Totex: Hafren Dyfrdwy should amend the PR14 final determination controls and targets data in tables WS15/WWS15 and reconciliation model, in order for it to match the values agreed with Ofwat.	Hafren Dyfrdwy responds to this action and provides PR14 final determination controls and targets data which matches the values agreed with Ofwat.	No intervention required. The company satisfactorily responds to this action.	In its representation, Hafren Dyfrdwy does not raise substantive reasons to change our draft determination in relation to this specific action.	N/A	N/A
Totex	HDD.PD.A5c	PR14 Totex: Hafren Dyfrdwy is also required to either re-submit the model without the changes made to cells L97-98, M97-98, N97-98, P97-08 in the 'Calcs' tab; or alternatively provide a credible explanation of why it has used a hard-coded value, rather than the formula.	Hafren Dyfrdwy did not resubmit the model. This action refers to formulae within the model which the company changed in its July 2018 submission. We have used data from the company's business plan tables to run the model, so no change required.	No intervention required.	In its 15 July 2019 submission, Hafren Dyfrdwy proposes replacing the formula which calculates the additional income with the original additional income value calculated using the original menu choice calculated at PR14 final determinations.	No intervention required. We consider that the additional income calculation should be recalculated to take account of the new menu choice as this is consistent with our approach to recalculating the menu choice following the boundary variation for the Chester and Powys sites. Hafren Dyfrdwy does not provide sufficient evidence that its proposed changes are appropriate.	N/A

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Totex	HDD.PD.D006.01	N/A	N/A	N/A	In its 15 July 2019 submission, Hafren Dyfrdwy includes recalculated 'Water: implied menu choice' and 'Water: final menu choice' figures following the boundary variation involving the Chester and Powys sites.	Intervention required. Hafren Dyfrdwy does not provide a sufficient explanation of how it has recalculated these figures.	We are intervening to change the 'Water: implied menu choice' figure from 103.807 to 103.770 and the 'Water: final menu choice' from 100.000 to 103.770. We are recalculating these menu choices to take account of the adjusted baseline menu figures provided by the company for 2018-19 and 2019-20 following the boundary variation involving the Chester and Powys sites.
Totex	HDD.PD.D006.02	N/A	N/A	N/A	In its 15 July 2019 submission, Hafren Dyfrdwy includes recalculated 'Sewerage: implied menu choice' and 'Sewerage: final menu choice' figures following the boundary variation involving the Chester and Powys sites.	Intervention required. Hafren Dyfrdwy does not provide a sufficient explanation of how it has recalculated these figures.	We are intervening to change the 'Sewerage: implied menu choice' and 'Sewerage: final menu choice' figures from 94.497 to 95.128. We are recalculating these menu choices to take account of the adjusted baseline menu figures provided by the company for 2018-19 and 2019-20 following the boundary variation involving the Chester and Powys sites.

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	HDD.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 Hafren Dyfrdwy's choices for profiling revenue adjustments in 2020-25.</p>	<p>In its representation, Hafren Dyfrdwy 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 Hafren Dyfrdwy'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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