

December 2019

PR19 final determinations

Severn Trent Water – 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 Severn Trent 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 ‘SVE’ denotes the company Severn Trent 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 IAP. Actions whose numbers are preceded with a ‘B’ denote advised actions from the IAP. 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 SVE.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 Severn Trent Water’s final determination, please see the [final determinations webpage](#).

Table 1: Accounting for past delivery final decisions for Severn Trent Water

Model	Ref.	IAP action	Summary of company's 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	SVE.PD.A7	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 interventions required. We will review Severn Trent Water's responses to its actions and further information provided for all the PR14 reconciliation models before making any interventions for the final determination.	In its 15 July 2019 submission, Severn Trent 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 Severn Trent 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	SVE.PD.REP	In its 30 August 2019 representation, Severn Trent Water does not submit any updated past delivery business plan tables or reconciliation models.					
Land sales	SVE.PD.A1	PR14 Land sales: The company should provide additional evidence to support the forecast trajectory reported in table App9.	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.	In its 15 July 2019 submission, Severn Trent Water provides evidence in support of its forecast trajectory.	No intervention required. The company addresses the issue appropriately in its 15 July 2019 submission.	N/A
Land sales	SVE.PD.C003.01	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 its representation, Severn Trent Water does not raise substantive reasons to change our draft determination in relation to these specific interventions.	No intervention required. The draft determination intervention is no longer required because the company addresses the issue appropriately in its 15 July 2019 submission. In the original business plan table App9, the present value was calculated in error by multiplying proceeds by the discount factor.	N/A

Model	Ref.	IAP action	Summary of company's 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
Land sales	SVE.PD.C003.02	N/A	N/A	<p>Intervention required.</p> <p>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.</p>		<p>Our draft determination intervention corrected the present value calculation by dividing proceeds by the discount factor. This correction aligns with the revised business plan table templates released to companies on 31 January 2019 and the template used for the 15 July 2019 submission.</p>	N/A
Land sales	SVE.PD.C003.03	N/A	N/A	<p>No intervention required.</p> <p>We are including Severn Trent Water's updated data from its September 2018 business plan submission.</p>	<p>In its 15 July 2019 submission, Severn Trent Water includes its revised actual figure for 'RCV midnight adjustment ~ land sales water: Actual current and forecast sales' in 2014-15 of 4,960 (£ thousands) as submitted in its September 2018 business plan.</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's 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	SVE.PD.A2a	PR14 Outcome delivery incentives: Severn Trent Water is required to provide a clear explanation of how the values in App27 have been calculated.	No company action required for the draft determination.	<p>Intervention required.</p> <p>We are unable to understand the reasons for differences in the App27 figures for water network plus in-period ODI adjustments and are asking Severn Trent Water to provide further explanation.</p> <p>We are intervening to ensure net performance payments and penalties applied to revenue reconcile to the outcome of the 2018 in-period determination.</p> <p>We will review this intervention once we receive Severn Trent Water's updated information.</p>	<p>In its 15 July 2019 submission, Severn Trent Water provides updated information on its outcome delivery performance and incentive payments which we have reviewed for the final determination.</p> <p>In its representation, Severn Trent Water does not raise substantive reasons to change our draft determination in relation to this specific intervention.</p>	<p>Intervention required.</p> <p>Although we consider Severn Trent Water's updated information provides consistent figures for water network plus in-period ODI adjustments, we note the following:</p> <p>W-B7 (customers at risk of low pressure):</p> <p>In the Severn Trent Annual Performance Report 2019 (page 47) the company reported that it had identified an inconsistency in the way its low pressure assessments had been undertaken. It had reviewed historically reported low pressure values and identified a number of properties in the 2015-16, 2016-17 and 2017-18 reporting years where it could not confirm that the properties were not at risk of low pressure. As a result of this, the company has restated its reported values, and adjusted the in-period outperformance payments, for the W-B7 performance commitment as follows:</p> <p>2015-16: original performance 162, restated performance 204, ODI adjustment -£0.033m</p> <p>2016-17: original performance 187, restated performance 231, ODI adjustment -£0.035m</p> <p>2017-18: original performance 204, restated performance 214, ODI adjustment -£0.008m</p>	<p>We are intervening to include the following figures to be consistent with Severn Trent Water's 2019 annual performance report:</p> <p>2015-16: ODI adjustment of - £0.033m</p> <p>2016-17: ODI adjustment of - £0.035m</p> <p>2017-18: ODI adjustment of - £0.008m</p>

Model	Ref.	IAP action	Summary of company's 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	SVE.PD.A2b	PR14 Outcome delivery incentives: Severn Trent Water is required to provide a clear explanation of how the values in App27 have been calculated.	No company action required for the draft determination.	<p>Intervention required.</p> <p>We are unable to understand the reasons for differences in the App27 figures for wastewater network plus in-period ODI adjustments and are asking Severn Trent Water to provide further explanation.</p> <p>We are intervening to ensure net performance payments and penalties applied to revenue reconcile to the outcome of the 2018 in-period determination.</p> <p>We will review this intervention once we receive Severn Trent Water's updated information.</p>	<p>In its 15 July 2019 submission, Severn Trent Water provides updated information on its outcome delivery performance and incentive payments which we have reviewed for the final determination.</p> <p>In its representation, Severn Trent Water does not raise substantive reasons to change our draft determination in relation to this specific intervention.</p>	<p>Intervention required.</p> <p>Following confirmation from the company of the PR19 price control allocations for its PR14 performance commitments, we are intervening to re-allocate £0.082 million (2012-13 prices) between the PR19 wastewater network plus and PR19 bioresources price controls to be in line with the confirmed allocations. Reference: response to query SVE-APR-OC-001 (22 August 2019).</p> <p>For information, we calculate the 'Total to be applied at PR19' in the 'Ofwat App27' worksheet for 'Net performance payment / (penalty) applied to revenue for in-period ODI adjustments ~ Wholesale wastewater' as follows:</p> <p>2015-16: Nil (there were no in-period ODI deferrals in the 2015-16 reporting year)</p> <p>2016-17: £26.8812m (99.56% of the £27.000m wastewater in-period ODI deferral)</p> <p>2017-18: £62.9249m (99.56% of the £63.203m wastewater in-period ODI deferral)</p> <p>2018-19: £3.3880m in-period ODIs for the 2018-19 reporting year</p> <p>2019-20: £1.2254m in-period ODIs for the 2019-20 reporting year</p>	<p>We agree with Severn Trent Water's view that the 'Total to be applied at PR19' is £94.420m (rounded to 3 decimal places).</p> <p>We are intervening to re-allocate £0.082 million (2012-13 prices) between the PR19 wastewater network plus and PR19 bioresources price controls to be in line with the company's confirmed allocations.</p>

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Outcomes	SVE.PD.A2c	PR14 Outcome delivery incentives: Severn Trent Water is required to provide a clear explanation of how the values in App27 have been calculated.	No company action required for the draft determination.	<p>Intervention required.</p> <p>We are unable to understand the reasons for differences in the App27 figures for water network plus end of period ODI adjustments and are asking Severn Trent Water to provide further explanation.</p> <p>We are intervening to ensure net performance payments and penalties applied to revenue reflect our view of the outperformance payments following our independent check of actual performance and reported ODI underperformance and outperformance payments.</p> <p>We will review this intervention once we receive Severn Trent Water's updated information.</p>	<p>In its 15 July 2019 submission, Severn Trent Water provides updated information on its outcome delivery performance and incentive payments which we have reviewed for the final determination.</p> <p>In its representation, Severn Trent Water does not raise substantive reasons to change our draft determination in relation to this specific intervention.</p>	<p>Intervention required.</p> <p>Following confirmation from the company of the PR19 price control allocations for its PR14 performance commitments, we have intervened to re-allocate £1.001 million (2012-13 prices) between the PR19 water resources and PR19 water network plus price controls to be in line with the confirmed allocations. Reference: response to query SVE-APR-OC-001 (22 August 2019).</p>	<p>We agree with Severn Trent Water's view that the 'Total to be applied at PR19' is £1.066 million (rounded to 3 decimal places) for 'Net performance payment / (penalty) applied to revenue for end of period ODI adjustments ~ Water network plus.</p> <p>We are intervening to re-allocate £1.001 million (2012-13 prices) between the PR19 water resources and PR19 water network plus and PR19 bioresources price controls to be in line with the company's confirmed allocations.</p>
Outcomes	SVE.PD.A2d	PR14 Outcome delivery incentives: Severn Trent Water is required to provide a clear explanation of how the values in App27 have been calculated in particular the payments for performance commitment 'customers rating our services as good value for money' (S-B1 and W-C1) for Severn Trent in 2018-19 and 2019-20	No company action required for the draft determination.	<p>No intervention required.</p> <p>We will review Severn Trent Water's updated information before making any interventions for the final determination.</p>	<p>In its 15 July 2019 submission, Severn Trent Water provides evidence of how it calculates the values in App27 for payments for performance commitment 'customers rating our services as good value for money' (S-B1 and W-C1) in 2018-19 and 2019-20.</p> <p>In its representation, Severn Trent Water 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

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Outcomes	SVE.PD.A2e	PR14 Outcome delivery incentives: Severn Trent Water is required to provide a clear explanation of how the values in App27 have been calculated in particular the payments for 'A1: discoloured water contacts' performance commitment for Dee Valley Water	No company action required for the draft determination.	No intervention required. We will review Severn Trent Water's updated information before making any interventions for the final determination.	In its 15 July 2019 submission, Severn Trent Water provides evidence of how it calculates the values in App27 for payments for performance commitment 'A1: discoloured water contacts' performance commitment for Dee Valley Water. In its representation, Severn Trent Water does not raise substantive reasons to change our draft determination in relation to this specific action.	No intervention required. The company addresses the issue appropriately in its 15 July 2019 submission.	N/A
Outcomes	SVE.PD.A2f	PR14 Outcome delivery incentives: 'W-A3 Asset stewardship – number of sites with coliform failures (WTWs)': the company needs to include the underperformance payment for 2017-18 that is included in the annual performance report in its App27 table.	No company action required for the draft determination.	Intervention required. We are intervening to account for the underperformance payment of - £0.461 million (2012-13 prices) in 2017-18 that Severn Trent Water included in table App27 of its annual performance report. We will review any additional evidence Severn Trent Water provides for the final determination.	In its 15 July 2019 submission, Severn Trent Water corrects this error and includes an underperformance payment figure of - £0.463 million (2012-13 prices) in 2017-18 for 'Net performance payment / (penalty) applied to RCV for end of period ODI adjustments ~ Water network plus.'	No intervention required. The draft determination intervention is no longer required because the company addresses the issue appropriately in its 15 July 2019 submission.	N/A

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Outcomes	SVE.PD.A2g	<p>Severn Trent 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"> • W-B3: Speed of response in repairing leaks (% fixed within 24 hours) • S-C1: Improvements in river water quality against WFD criteria • W-B7: Customers at risk of low pressure • W-B10: Non-delivery of the outcome of the Birmingham resilience scheme • S-A1: Number of internal sewer flooding incidents • S-A2: Number of external sewer flooding incidents • S-A3: Partnership working • S-C4: Biodiversity • S-C7: Overall environmental performance (basket of environmental measures) 	No company action required for the draft determination.	<p>No intervention required.</p> <p>We will review Severn Trent Water's updated data before making any interventions for the final determination.</p>	<p>In its 15 July 2019 submission, Severn Trent 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, Severn Trent Water does not raise substantive reasons to change our draft determination in relation to this specific action.</p>	<p>Intervention required.</p> <p>We have assessed the data that 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 SVE.PD.D002.01 below.</p>	N/A

Model	Ref.	IAP action	Summary of company's 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	SVE.PD.D002.01	N/A	N/A	N/A	In its 30 August 2019 submission, Severn Trent Water provides evidence that it has delivered an innovative scheme that has avoided future investment to accommodate growth and so requires an upward adjustment for performance commitment S-C5 (sustainable sewage treatment).	Intervention required. In its 30 August 2019 submission, Severn Trent Water provides sufficient evidence that it has delivered an innovative scheme using a technology that the company believes is a first in the UK water industry, which has avoided future investment to accommodate growth and so requires an upward adjustment for performance commitment S-C5 (sustainable sewage treatment) of £5.890 million (41,266 population equivalent * £28,547 per 1,000 PE per year * 5 years).	We are intervening to include an outperformance payment of £5.890 million (2012-13 prices) in 2019-20 for 'Net performance payment / (penalty) applied to revenue for end of period ODI adjustments ~ Wastewater network plus.' The reward of this outperformance payment is conditional on the company not requesting additional funds to accommodate growth up to 2030 at either its Rugby or Finham sewage treatment works.
Residential retail	SVE.PD.A3a	PR14 Residential retail: The company should clarify what the correct value is in table R9 for actual number of wastewater-only customer in 2017-2018.	No company action required for the draft determination.	No intervention required. We will review Severn Trent Water's updated data before making any interventions for the final determination.	In its 15 July 2019 submission, Severn Trent Water clarifies the correct value for actual number of wastewater-only customers in 2017-18.	N/A	N/A
Residential retail	SVE.PD.A3b	PR14 Residential retail: The company should provide further evidence to support its forecasts for unmetered wastewater-only customers in 2018-2019 and 2019-2020.	No company action required for the draft determination.	No intervention required. We will review Severn Trent Water's additional evidence before making any interventions for the final determination.	In its 15 July 2019 submission, Severn Trent Water provides further evidence to support its forecasts for unmetered wastewater-only customers in 2018-19 and 2019-20.	N/A	N/A
Residential retail	SVE.PD.A3c	PR14 Residential retail: The company should provide further evidence to support its forecasts for metered water customers in 2018-2019 and 2019-2020.	No company action required for the draft determination.	No intervention required. We will review Severn Trent Water's additional evidence before making any interventions for the final determination.	In its 15 July 2019 submission, Severn Trent Water provides further evidence to support its forecasts for metered water customers in 2018-19 and 2019-20.	N/A	N/A

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Residential retail	SVE.PD.A3d	PR14 Residential retail: The company should provide further evidence to support its forecasts for metered water and wastewater customers in 2018-2019.	No company action required for the draft determination.	No intervention required. We will review Severn Trent Water's additional evidence before making any interventions for the final determination.	In its 15 July 2019 submission, Severn Trent Water provides further evidence to support its forecasts for metered water and wastewater customers in 2018-2019.	N/A	N/A
Residential retail	SVE.PD.C008.01	N/A	N/A	Intervention required. We are intervening to round Severn Trent Water's modification factor figures to 2 decimal places to ensure consistency with the PR14 Reconciliation Rulebook.	In its representation, Severn Trent Water does not raise substantive reasons to change our draft determination in relation to this specific intervention.	Intervention retained.	We are rounding to 2 decimal places the 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 • Metered water and wastewater customer <p>Along with our intervention to include calculated weighted modification factors for the merged company as detailed in SVE.PD.C008.02 and SVE.PD.C008.03 below, our interventions reduce the total residential retail revenue payment at the end of the 2015-20 period from - £7.487 million to - £7.485 million (2017-18 FYA CPIH deflated price base).</p>

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Residential retail	SVE.PD.C008.02	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>In its May 2019 representation, Severn Trent Water 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>The company adds no substantial reasons in its August 2019 representation.</p>	<p>Intervention retained.</p> <p>Our calculations and those carried out by Severn Trent Water 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 Severn Trent Water'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 unmeasured water-only customer types which mirrors an approach that uses multiple bespoke modification factors for the affected customers. The equivalence of our and Severn Trent Water'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: £23.36 (nominal prices) • 2019-20: £23.52 (nominal 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: £23.41 (nominal prices) • 2019-20: £23.59 (nominal prices)

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Residential retail	SVE.PD.C008.03			<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>	See SVE.PD.C008.02 above.	<p>Intervention retained.</p> <p>Our calculations and those carried out by Severn Trent Water 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 Severn Trent Water'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 Severn Trent Water'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 measured water customer:'</p> <ul style="list-style-type: none"> • 2018-19: £29.15 (nominal prices) • 2019-20: £29.33 (nominal 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: £29.84 (nominal prices) • 2019-20: £30.04 (nominal prices)

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Residential retail	SVE.PD.D008.01	N/A	N/A	N/A	<p>In its 15 July 2019 submission, Severn Trent Water identifies a number of historical errors in actual customer numbers in 2016-17 and 2017-18 reported in the 2016-17 and 2017-18 APRs. In addition, the company states that it provided incorrect data on reforecast customer numbers in its business plan and past delivery submissions since July 2018.</p> <p>On that basis, the company's 15 July 2019 submission includes revised data for actual customer numbers and reforecast customer numbers in 2016-17 and 2017-18.</p>	<p>Intervention required.</p> <p>We consider that it is inappropriate to amend the company's reforecasts for 2016-17 and 2017-18 at this stage of the PR19 process. Accurate reforecast customer numbers data is key to the forecasting incentive included in the retail model which encourages companies to better understand the number of customers they'll serve prior to the start of every charging year.</p> <p>We are accepting Severn Trent Water's revised data for actual customer numbers in 2016-17 and 2017-18 which ensures that the residential retail revenue adjustment in the final determination takes account of the revised actual customer numbers. We expect the company to put in place more robust quality assurance arrangements when preparing future submissions in relation to residential retail. This should prevent similar errors occurring in the future.</p>	<p>We are intervening to revert the reforecast customer numbers to the values submitted in the company's September 2018 business plan submission.</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 for financing adjustment is not exceeded</p>
Residential retail service incentive mechanism (SIM)	SVE.PD.A4	PR14 Service incentive mechanism: The company should provide more evidence to support the forecast trajectory in table R10.	No company action required for the draft determination.	No intervention required. We will review Severn Trent Water's additional evidence before making any interventions for the final determination.	In its 15 July 2019 submission, Severn Trent Water provides more evidence to support its forecast trajectory in table R10.	N/A	N/A

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Residential retail service incentive mechanism (SIM)	SVE.PD.D009.01	N/A	N/A	Intervention required. We are intervening to adjust Severn Trent Water's residential retail revenue as a result of its SIM performance from 2015-16 to 2018-19.	In its representation, Severn Trent Water considers that, in 2019-20, with SIM being retired and C-MeX starting in shadow (and hence reputational form), applying SIM financial incentives to 2019-20 would be at odds with this transition, especially if it means judging SIM performance from results in previous years.	Intervention retained. The SIM financial incentives are based on average performance between the four years from 2015-16 to 2018-19, and applied to residential retail revenues for the five years from 2020-21 to 2024-25. The SIM will not operate in 2019-20 as a financial incentive. We consider that this is consistent with our PR19 final methodology. We are updating our analysis to take account of companies' finalised scores for 2018-19.	We are intervening to set the residential retail service incentive mechanism adjustment to - 2.52% of residential retail revenue, which is - £15.692 million (2017-18 FYA CPIH deflated price base) in total over the period. We further explain how we calculate this is in the 'Accounting for past delivery technical appendix'.
Totex	SVE.PD.A5a	PR14 Totex: The company should amend the PR14 final determination controls and targets data in tables WS15/WWS15 in order for it to match the values agreed with Ofwat.	No company action required for the draft determination.	No intervention required. We will review Severn Trent Water's updated data before making any interventions for the final determination.	In its 15 July 2019 submission, Severn Trent Water addresses this IAP action. In its representation, Severn Trent Water does not raise substantive reasons to change our draft determination in relation to this specific action.	No intervention required. The company addresses the issue appropriately in its 15 July 2019 submission.	N/A
Totex	SVE.PD.A5b	PR14 Totex: The company should provide more detailed and numerically sound explanation of its forecasted totex for years 2018-2019 and 2019-2020. It should also either re-submit the model without the changes made to cells L97-98, M97-98, N97-98, P97-08; or alternatively it should provide a credible explanation of why it has used a hard-coded value, rather than the formula.	No company action required for the draft determination.	No intervention required. We will review Severn Trent Water's additional information and updated data before making any interventions for the final determination.	In its 15 July 2019 submission, Severn Trent Water proposes replacing the formula which calculates the additional income with the original additional income value calculated using the original menu choice from PR14 final determinations.	No intervention required. We consider that the additional income calculation should be calculated to take account of the new menu choice as this is consistent with our approach to recalculate the menu choice following the boundary variation for the Chester and Powys sites. Severn Trent Water does not provide sufficient evidence that its proposed changes are appropriate.	N/A

Model	Ref.	IAP action	Summary of company's 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
Totex	SVE.PD.D006.01	N/A	N/A	N/A	In its 15 July 2019 submission, Severn Trent Water submits a different 'Sewerage: final menu choice figure' compared to its 'Sewerage: implied menu choice'. It has rounded to 95.120.	Intervention required. The final menu choice figure should not be rounded.	We are intervening to change the 'Sewerage: final menu choice' figure from 95.120 to 95.118. We are recalculating this menu choice to take account of the adjusted baseline menu figures for 2018-19 and 2019-20 following the boundary variation involving the Chester and Powys sites. This is also consistent with the 'Sewerage: implied menu choice' figure used.
WRFIM	SVE.PD.A6	PR14 Wholesale revenue forecasting incentive mechanism: The company should use consistent values for the 2018-19 and 2019-20 wastewater recovered revenue values in its model and business plan table WWS13.	No company action required for the draft determination.	No intervention required. We are including Severn Trent Water's data from its September 2018 business plan submission.	In its 15 July 2019 submission, Severn Trent Water addresses this IAP action. In its representation, Severn Trent Water does not raise substantive reasons to change our draft determination in relation to this specific action.	No intervention required. The company addresses the issue appropriately in its 15 July 2019 submission.	N/A

Model	Ref.	IAP action	Summary of company's 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	SVE.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>In its representation, Severn Trent Water does not raise substantive reasons to change our draft determination in relation to this specific intervention.</p>	<p>Intervention required to reflect our updated view of the wholesale WACC.</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.</p> <p>We are not intervening in Severn Trent 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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