

September 2020

# **Thames Water – Adjusting for actual performance in 2019-20: Blind year adjustment – Overview**

## **Thames Water: Adjusting for actual performance in 2019-20, Blind year adjustment, Overview**

## 1. Introduction

In PR14, we set mechanisms to incentivise companies to do the right thing for their customers during 2015-20. These financial incentives cover cost efficiency, outcomes performance, revenue forecasting, customer service, water trading and land sales. In setting the 2019 periodic review (PR19) final determinations, we applied reconciliation adjustments to revenues for the 2020 to 2025 period and to the regulatory capital value (RCV) to take account of how companies performed against these incentive mechanisms in 2015-20.

Many of these mechanisms required data for the last year of the price control period, 2019-20 (the blind year), to assess the financial payments between companies and customers. When PR19 was completed in December 2019, this financial year had not finished. Consequently, companies provided forecast data, which we considered and adjusted as necessary, for inclusion in the PR19 final determinations. Companies reported their actual performance for 2019-20 alongside their Annual Performance Reports (APRs) submitted to Ofwat by 15 July 2020.

This document sets out our assessment of the difference between the 2019-20 performance assumed in the PR19 final determination and the actual 2019-20 performance for Thames Water. It sets out:

- the extent to which the revenues and RCV adjustments we made in the PR19 final determination for these incentive mechanisms need to be adjusted to reflect actual performance;<sup>1</sup>
- which controls these adjustments apply to; and
- the adjustments to be made ‘in period’ (that is adjustments applied during 2020-25) or as part of the 2024 price review process (leading to adjustments applied over 2025-30).

Our approach to completing the reconciliations, is set out in the ‘[PR14 reconciliation rulebook](#)’ (the ‘reconciliation rulebook’), which we originally published in 2015 and have subsequently updated. The adjustments also reflect the interventions and decisions that formed part of Thames Water’s PR19 final determination. Alongside this document, we are publishing models for each reconciliation, and for the overall RCV and revenue adjustments, on our website.

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<sup>1</sup> Although we made adjustments for the 2010-15 Reconciliation and SIM reconciliation in the PR19 final determination. However, beyond updating the values to take account of actual 2019-20 RPI and CPIH indices, these do not need to be adjusted as part of the blind year process.

As set out in the 'Adjusting for company actual performance in 2019-20 - Blind Year adjustment, Overview', we designated all of the PR14 performance commitments with financial incentives as being in-period for the purpose of applying the blind year adjustment for differences between the 2019-20 forecast and actual performance figures.<sup>2</sup>

Generally, we expect any adjustments from the 2019-20 forecast, to account for actual figures, to be modest and these adjustments should not significantly impact bills. It is for companies to take measures to smooth the impact for their customers if any impact is larger than originally expected.

In 'IN 20/06: Approach to PR19 Blind year adjustments for 2019-20 performance' we confirmed how we intended to take forward a licence modification,<sup>3</sup> which would affect the blind year adjustment process. The two changes we proposed would:

- allow any revenue adjustment associated with the blind year reconciliation of totex menus to be applied during 2020-25 by including it in the blind year adjustment figure for the Revenue Forecasting Incentive (RFI) formula; and
- allow the correction of unambiguous revenue errors in relation to our final determinations to also be included in the blind year adjustment figure for the RFI formula.

Our published documentation and supporting models for the draft proposals related to the blind year adjustments are presented on the basis that the modifications, as set out in the consultation notice, will be implemented ahead of the 15 November 2020 deadline for in-period outcome delivery incentive (ODI) determinations. If the proposed licence modifications are not made, this would mean that:

- blind year revenue adjustments for totex menus will be applied as part of PR24; and
- we would not correct for any unambiguous revenue errors until PR24.

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<sup>2</sup> PR14 included a protection to cap the impact ODIs could have across the five years 2015-20 for most companies. This applies to the blind year ODI adjustments. Companies classified as 'enhanced' in the 2014 price review process were not covered by the cap.

<sup>3</sup> This was first consulted on in 'PR19 Reconciliation Rulebook Consultation – proposed approach and policy The PR19 Reconciliation rulebook'

## 2. Proposed Blind year Adjustment for Thames Water

This section sets out our assessment of the blind year adjustment for Thames Water and how it will apply.

### 2.1 Our interventions

Each company was required to submit its view of the impact that actual reported 2019-20 performance would have on its PR19 revenue allowances when compared to the forecast level of performance that was included as part of its PR19 final determination. Using this information we have assessed what the blind year adjustment should be.

In making this assessment, we reviewed Thames Water's blind year submissions and, where appropriate, sought clarity on company information. Where necessary we are proposing to intervene to ensure the blind year adjustments are appropriate. We summarise our proposed interventions for Thames Water in table 1 below.

**Table 1: Blind year adjustment interventions (2017-18 prices, unless otherwise stated)**

Incentive	Intervention(s)
Outcome delivery incentives (ODIs)	We are intervening to include an underperformance payment for WC2 (Leakage). We are intervening so that no ODI underperformance payment applies for the blind year reconciliation for WB7 (Compliance with SEMD advice notes).
Residential retail revenue	No interventions
Wholesale revenue forecasting incentive mechanism (WRFIM)	No interventions
Totex	No interventions
Land sales	No interventions

#### 2.1.1 ODI revenue and RCV adjustments

We are intervening to impose an underperformance payment on **WC2 (Leakage)**.

Thames Water does not report an ODI payment for its leakage performance commitment in its [2019-20 Annual Performance Report](#) (APR). The company reports performance on WC2 as 595 MI/d. This figure includes a 6 MI/d reduction that is driven by an increase in population and property numbers. Furthermore, in deriving its reported leakage figure the company has applied methodological changes and a data update to the household night use, wastage and unmeasured consumption components of its leakage calculation. The methodological changes and the data update have reduced the reported leakage value by 24 MI/d (megalitres of water per day).

In August 2018 Ofwat accepted undertakings given by Thames Water to address our findings that it had breached two of its legal obligations in relation to its management of leakage reduction.<sup>4</sup> As a result, the company has, amongst other measures, sought to improve its leakage performance and better understand the components used in calculation of leakage. During 2019-20, the company has informed us of its progress towards these aims, including some methodological changes and the data update. The data it reports in the 2019-20 APR reflects this.

However, in assessing the company's 2019-20 performance and associated ODI payments, we apply the framework and expectations set in the PR14 final determination and subsequent policy statements. This applies to all companies and is distinct from the specific undertakings Thames Water had to implement following the investigation.

While the components from which leakage is derived can vary, reporting of leakage requires assumptions and the application of consistent and reliable methods. Assumptions and methodologies for leakage reporting during the 2015-20 period were set as part of each company's PR14 final determination. Consequently, we consider subsequent methodological changes and data updates to be changes to the calculation of the performance commitment.

Such changes reduce consistency and transparency for customers and other stakeholders. Therefore, we expect companies to consider [IN 16/07](#) (May 2016) which sets out our policy in relation to requests for changes to the performance commitments in the 2014 price review company specific appendices. The Information Notice explains that we expect companies to follow a specified process when implementing changes to their outcomes, performance commitments and ODIs. This process involves engaging with stakeholders, reporting information using the existing and revised methodologies and demonstrating why the new measure

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<sup>4</sup> Details of our investigation are presented on our [website](#) including the [Notice of Ofwat's imposition of a financial penalty on Thames Water Utilities Limited](#)

represents a material improvement for customers. Prior to making its methodological changes and data update Thames Water did not follow the processes set out in the Information Notice.

We consider that companies should only receive incentive payments from delivery of real performance improvements and that the impact on performance commitments with and without methodological changes should be clear. We have taken this approach for other companies during 2015-20, where data updates and methodological changes led to adjusted levels of leakage but did not impact associated ODI payments. We will also apply this approach during the 2020-25 price control period, for which we have explained that we expect companies to commit that their ODI payments will only relate to real performance changes and not definitional, methodological or data changes in the performance commitment.<sup>5</sup>

We are therefore intervening to exclude the 24 MI/d impact of the methodological changes and data update from the calculation of ODI incentives for WC2 for Thames Water. This leads to an underperformance payment of -£5.850 million (2012-13 prices, net of tax).

Thames Water's PR14 final determination requires it to incur underperformance payments on leakage above 606 MI/d. To calculate the ODI payment we adjust the company's reported performance of 595 MI/d upwards by 24 MI/d to 619 MI/d. The intervention is calculated as  $((619 - 606) * -£0.450 \text{ million})$ , where -£0.450 million is the underperformance incentive rate (£ million / megalitre/ day).

We are also intervening so that no underperformance payment applies to **WB7 (Compliance with SEMD advice notes)**.

Thames Water includes an underperformance payment in 2019-20 for WB7. This commitment was scrutinised in PR19 in detail and the PR19 final determination included a performance commitment for 2020-25 to deliver outputs that, although they had been included in the PR14 final determination, the company advised us during PR19 that it would not deliver by 2019-20. The PR19 performance commitment exposes the company to stronger underperformance incentive rates for non-delivery than would have been incurred under PR14. Consequently, we consider that customers' interests are best served if all outputs that were not forecast to be delivered at the time of the PR19 final determination are reconciled using the PR19 performance commitment to provide strong incentives to deliver. We are therefore intervening so that no ODI underperformance payment applies for the blind year reconciliation.

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<sup>5</sup> See for example [Thames Water – Outcomes performance, commitment appendix December 2019](#)

### 2.1.2 WRFIM revenue adjustments

The company has populated the WRFIM model in line with our expectations and we have made no interventions. Thames Water made an adjustment to remove the element of the WRFIM penalty that it incurs as a result of its voluntary deferral of wastewater revenue in 2019-20 (£0.553m 2019-20 prices). The WRFIM mechanism was introduced to incentivise companies to avoid revenue forecasting errors by applying a penalty to variations that fall outside a set uncertainty band. We agree that the company's voluntary deferral of revenue and the associated under-recovery is not attributable to a forecasting error and in the circumstances the resulting penalty is not appropriate, as the voluntary deferral is in the interests of customers.

### 2.1.3 Totex menu revenue and RCV adjustments

We have retained a number of interventions from the PR19 final determination model.

### 2.1.4 Other adjustments

In its blind year submission, Thames Water included an adjustment to its RCV to account for a PR14 corrigenda issued in 2018<sup>6</sup>, which we had excluded from its PR19 final determination in error. As this correction relates to the company's RCV, it does not fit within the proposed licence modification for unambiguous revenue errors. However, because all blind year RCV adjustments are made at PR24 we adjust to account for this error in the blind year totals reported in this document. This adjustment will reduce the RCV by £7.269m in 2012/13 prices (£8.268m in March 2018 prices) at PR24.

## 2.2 The proposed Blind year adjustments

[The PR19 Reconciliation Rulebook Consultation – proposed approach and policy](#) (the 'PR19 rulebook consultation') sets out how we expect blind year adjustments to be applied. In Annex 2 to the notifications of the PR19 final determination of Price Controls for [each company](#) we designated all PR14 performance commitments (including any changes) as in period to allow us to adjust company price controls to reflect actual performance in 2019-20. Annex 3 of the notification of the PR19 final

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<sup>6</sup> [“Corrigenda to the company specific appendix that accompanied the Notification by the Water Services Regulation Authority of its determination of Price Controls for Retail Activities and for Wholesale Activities for Thames Water Utilities Limited”, Ofwat, May 2018](#)

determination for each company sets out the RFI formula for 2020-25 in relation to the network plus and water resources price controls. It includes a blind year adjustment factor that allows blind year revenue adjustments for other PR14 reconciliation mechanisms to be taken into account.

Our approach is intended to ensure that any adjustments are made as close as possible to when customers are impacted by company performance:

- **Performance commitment (ODI) revenue adjustments** will be applied to bills in the 2021-22 charging year.
- **Other wholesale revenue adjustments** related to WRFIM, PR14 water trading incentives, and the Totex menu will be included in the RFI formula and can be applied over the last four years of the 2020-25 period in manner determined by each company.
- **Other retail revenue adjustments** will be applied as end-of-period revenue adjustments through the PR19 residential retail reconciliation model – this includes blind year adjustments related to the PR14 residential retail reconciliation model; and
- **RCV adjustments** from the Totex menu, PR14 outcome delivery incentives and land sales will be applied at PR24– because these form part of the midnight adjustments to RCV.

Table 2 below summarises the blind year adjustments proposed for Thames Water and when these will feed through into customer bills.

**Table 2: Summary of proposed blind year adjustment (£ million, 2017-18 FYA CPIH deflated: PR19 base year prices)**

Type of adjustment	Total Value (£m)	Control				Thames Tideway	When it applies
		Network Plus	Water resources	Residential retail	Bioresources		
ODI revenue adjustments	16.355	16.355	0.000	0.000	0.000	N/A	In 2021-22 through in-period determination of price controls
WRFIM revenue adjustments	16.298	15.285	N/A	N/A	N/A	1.013	Over the last four years of the 2020-25 period and captured within the RFI formula blind year adjustment (BYA)
Water trading revenue adjustments	-0.001	0.000	-0.001	N/A	N/A	N/A	
Totex menu revenue adjustments	0.070	-0.360	N/A	N/A	N/A	0.430	
Other revenue adjustments	0.000	0.000	N/A	N/A	N/A	N/A	
<b>Total</b>	<b>32.722</b>	<b>31.280</b>	<b>-0.001</b>	<b>0.000</b>	<b>0.000</b>	<b>1.443</b>	
Residential retail revenue adjustments	0.852	N/A	N/A	0.852	N/A	N/A	End-of-period revenue adjustment, captured within the Residential Retail model blind year adjustment (BYA)
Totex menu RCV adjustments	3.428	10.470	N/A	N/A	N/A	-7.042	At PR24, flowing through 2025-30 price controls
Land sales RCV adjustments	11.522	11.522	N/A	N/A	N/A	0.000	
ODI RCV adjustments	-0.021	0.000	-0.021	N/A	N/A	0.000	
Other RCV adjustments	-8.198	-8.198	N/A	N/A	N/A	0.000	
<b>Total</b>	<b>6.731</b>	<b>13.793</b>	<b>-0.021</b>	<b>N/A</b>	<b>N/A</b>	<b>-7.042</b>	

## 2.3 Change in price controls

As explained in section 2.2, different elements of the blind year adjustment are recovered in different ways. With the exception of the ODI revenue adjustments, all adjustments are either recovered by companies across the remaining four years of the price control period through the RFI formula, or recovered in the following price control period. ODI revenue adjustments are recovered in 2021-22 through a performance measure adjustment determination.

Table 3 sets out the proposed changes to price controls for Thames Water to account for the blind year ODI revenue adjustments<sup>7</sup>.

We are using the PR19 in-period adjustments model to calculate proposed changes to price controls. The version of the model we use (and are publishing alongside this document) includes some updates to reflect issues companies raised in the PR19 rulebook consultation.

**Table 3: Summary of proposed changes to the price controls for the blind year ODI revenue adjustments**

Control		2020-21	2021-22	2022-23	2023-24	2024-25
Water resources (K factor)	PR19 final determination		3.90	-1.00	0.67	3.51
	Revised		3.90	-1.00	0.67	3.51
Water network plus (K factor)	PR19 final determination		4.80	2.54	1.30	0.22
	Revised		7.47	0.00	1.30	0.22
Wastewater network plus (k factor)	PR19 final determination		-0.72	-1.69	-0.40	-0.16
	Revised		-0.81	-1.59	-0.40	-0.16
Thames Tideway Tunnel	PR19 final determination		4.64	2.78	-11.51	-10.68
	Revised		4.64	2.78	-11.51	-10.68
Bioresources (sludge) - Revised total revenue (£m) – 2017-18 Nov CPIH prices	PR19 final determination		160.767	161.621	162.479	163.333
	Revised		No change	No change	No change	No change

<sup>7</sup> The starting revenue allowances for the Water resources, Water and Wastewater network plus and Tideway price controls do not change – only the K factors. For the residential retail price control we propose to adjust the revenue allowed by a fixed amount instead of changing the value of any of the elements set out in the final determination of the price control. No changes are being proposed to the Bioresources price control. All wastewater ODI revenue adjustments are applied to wastewater network plus.

<b>Control</b>		<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>
Residential retail - Revised total revenue (£m) – nominal prices	PR19 final determination		143.177	146.137	148.468	150.721
	Revised		143.177	146.137	148.468	150.721

IN 20/06 explained that we did not expect companies to submit proposals on spreading ODI adjustments across charging years. This is because we were expecting ODI adjustments to be relatively small (as we are only adjusting for the variance from forecast performance) and because the blind year revenue adjustments that are applied through the RFI formula provides some flexibility to companies to manage volatility.

Thames Water, has indicated that it was considering spreading the blind year ODI adjustment across two or more years. If, after reviewing our proposed blind year adjustments, Thames Water considers there remains a case for spreading the blind year ODI adjustment across two or more years, it should set out its proposals in its response to this document. It should set out in full its reasons and demonstrate how it has taken the views of stakeholders into account in reaching its view.

In calculating the blind year adjustment, we calculate the adjusted PR14 reconciliation for all relevant mechanisms for the whole of the 2015-20 period with updated 2019-20 performance. We then calculate the difference between this updated view and the equivalent information from PR19 final determination.

For completeness, Annex 1 sets out how the overall PR14 reconciliation adjustments for 2015-20 differ between: (a) the PR19 final determination; (b) the values submitted by Thames Water in light of 2019-20 actual performance; and (c) our assessment, net of any interventions we make. It also sets out the overall midnight adjustments to the RCV by price control.

All models used to calculate our view of the blind year adjustment are published alongside this document on our website.

### 3. Next steps

We welcome any written comments or representations on our proposals by 15 October 2020. Representations can be made by all stakeholders. Representations can be sent either to our inbox ([PR19BlindYear@ofwat.gov.uk](mailto:PR19BlindYear@ofwat.gov.uk)).

To ensure transparency, we expect companies to publish representations in full. We also intend to publish all the written representations we receive on our website once we set out final proposals.

In view of this, if respondents consider that some of the information in their representations should not be disclosed (for example, because they consider it is commercially sensitive information) they should identify that information and explain why. We would expect strong, robust reasons that are specific to the information concerned. We will take such explanations into account, but we cannot give an assurance that information included in representations will not be disclosed.

Where companies are making representations, they should consider what further evidence may be necessary to submit with their representations.

We will publish final proposals by 13 November 2020 after considering representations from all stakeholders.

## Annex 1 Reconciliation of PR14 incentives for 2015-20 for Thames Water

**Table A1-1: Reconciliation of PR14 incentives by PR14 price control (£ million, 2017-18 FYA CPIH deflated: PR19 base year prices)**

	Wholesale water			Wholesale wastewater			Residential Retail			Tideway		
	PR19 FD	Company BY view	Ofwat BY view	PR19 FD	Company BY view	Ofwat BY view	PR19 FD	Company BY view	Ofwat BY view	PR19 FD	Company BY view	Ofwat BY view
<b>Revenue</b>												
Outcome delivery incentives	-140.3	-121.1	-123.7	-7.8	-8.4	-8.4	0.0	0.0	0.0	N/A	N/A	N/A
Residential retail revenue	N/A	N/A	N/A	N/A	N/A	N/A	1.1	1.9	1.9	N/A	N/A	N/A
Wholesale revenue forecasting incentive mechanism	74.7	84.1	84.1	64.8	71.2	71.2	N/A	N/A	N/A	2.0	3.0	3.0
Totex	-5.2	-4.9	-4.9	-1.0	-1.6	-1.6	N/A	N/A	N/A	72.3	72.9	72.9
Land sales	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Residential retail service incentive mechanism	N/A	N/A	N/A	N/A	N/A	N/A	-102.8	-98.6	-103.1	N/A	N/A	N/A
PR09 blind year adjustments	-1.3	-1.3	-1.3	-24.1	-24.2	-24.2	N/A	N/A	N/A	N/A	N/A	N/A
CIS RCV inflation correction	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water trading	0.5	0.5	0.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other adjustments	0.0	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>-71.5</b>	<b>-42.8</b>	<b>-45.4</b>	<b>31.9</b>	<b>36.9</b>	<b>36.9</b>	<b>-101.8</b>	<b>-96.7</b>	<b>-101.2</b>	<b>74.2</b>	<b>75.9</b>	<b>75.9</b>

Blind Year adjustments: Thames Water

	Wholesale water			Wholesale wastewater			Residential Retail			Tideway		
	PR19 FD	Company BY view	Ofwat BY view	PR19 FD	Company BY view	Ofwat BY view	PR19 FD	Company BY view	Ofwat BY view	PR19 FD	Company BY view	Ofwat BY view
<b>RCV</b>												
Outcome delivery incentives	0.0	0.0	0.0	-148.8	-149.3	-149.3	N/A	N/A	N/A	0.0	0.0	0.0
Residential retail revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wholesale revenue forecasting incentive mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Totex	308.8	313.1	313.1	86.0	93.4	93.4	N/A	N/A	N/A	-158.2	-165.7	-165.7
Land sales	-31.1	-25.8	-25.8	-17.9	-11.8	-11.8	N/A	N/A	N/A	0.0	0.0	0.0
Residential retail service incentive mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PR09 blind year adjustments	17.7	17.7	17.7	-7.7	-7.7	-7.7	N/A	N/A	N/A	N/A	N/A	N/A
CIS RCV inflation correction	-96.3	-96.6	-96.6	-181.5	-182.0	-182.0	N/A	N/A	N/A	N/A	N/A	N/A
Water trading	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other adjustments	0.0	0.0	0.0	0.0	-87.5	-8.2	N/A	N/A	N/A	-26.5	-26.4	-26.5
<b>Total</b>	<b>199.1</b>	<b>208.5</b>	<b>208.5</b>	<b>-269.8</b>	<b>-344.9</b>	<b>-265.6</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-184.7</b>	<b>-192.1</b>	<b>-192.3</b>

Note:

These adjustments are made in line with the 'PR14 reconciliation rulebook' and reflect the interventions explained in summary in table 4.11 in 'Thames Water final determination' and in detail in 'Thames Water - Accounting for past delivery final decisions'.

Revenue in these tables may not reconcile to the lines for 'Reconciliation of PR14 incentives, 2020-25' in table 4.12 in the 'Thames Water final determination'. This is because the values in table 4.12 reflect adjustments made in the financial model for the tax treatment of the wholesale revenue forecasting incentive mechanism and totex reconciliations, and net present value profiling of the

reconciliation adjustments over the 2020-25 period used for setting the allowed revenue. The treatment of tax and profiling are explained in the '[PR14 reconciliation rulebook](#)'. The revenue adjustment values shown in tables 1 and 2 below assume a single year adjustment in the first year of the 2020-25 period. As well as replacing forecast performance with actual performance in 2019-20, the company's blind year view and our blind year draft determinations set out in the above table also replace forecasts of inflation in 2019-20 with actual RPI and CPIH indices.

**Table A1-2: Ofwat's view of PR14 reconciliation adjustments for 2015-20 by PR19 price control (£ million, 2017-18 FYA CPIH deflated: PR19 base year prices)**

	RCV adjustments					Revenue adjustments					
	Water resources	Network plus water	Network plus wastewater	Bio-resources	Tideway	Water resources	Network plus water	Network plus wastewater	Bio-resources	Residential Retail	Tideway
Outcome delivery incentives	0.0	0.0	-149.3	N/A	0.0	0.0	-123.7	-8.4	0.0	0.0	N/A
Residential retail revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1.9	N/A
Wholesale revenue forecasting incentive mechanism	N/A	N/A	N/A	N/A	N/A	N/A	84.1	71.2	N/A	N/A	3.0
Totex	14.9	298.2	93.4	N/A	-165.7	N/A	-4.9	-1.6	N/A	N/A	72.9
Land sales	-1.2	-24.6	-11.8	N/A	0.0	N/A	N/A	N/A	N/A	N/A	N/A
Residential retail service incentive mechanism	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-103.1	N/A
PR09 blind year adjustments	0.8	16.9	-7.7	N/A	N/A	N/A	-1.3	-24.2	N/A	N/A	N/A
CIS RCV inflation correction	-4.6	-92.0	-182.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water trading	N/A	N/A	N/A	N/A	N/A	0.5	0.0	N/A	N/A	N/A	N/A
Other adjustments	0.0	0.0	-8.2	N/A	-26.5	N/A	0.0	0.0	N/A	N/A	N/A
<b>Total</b>	<b>9.9</b>	<b>198.6</b>	<b>-265.6</b>	<b>N/A</b>	<b>-192.3</b>	<b>0.5</b>	<b>-45.9</b>	<b>36.9</b>	<b>0.0</b>	<b>-101.2</b>	<b>75.9</b>

Note: These totals exclude any outcome delivery incentive revenue adjustments for business retail performance commitments.

**Table A1-3: Ofwat's view of midnight adjustments to RCV by PR19 price control (£ million, 2017-18 FYA CPIH deflated: PR19 base year prices)**

	RCV adjustments				
	Water resources	Network plus water	Network plus wastewater	Bioresources	Tideway
PR14 reconciliations	9.9	198.6	-265.6	N/A	-192.3
IFRS adjustments	5.6	22.4	26.1	1.9	6.1
<b>Midnight adjustments to RCV</b>	<b>15.5</b>	<b>220.9</b>	<b>-239.5</b>	<b>1.9</b>	<b>-186.1</b>

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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