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Adjusting for company actual performance in 2019-20: Blind year adjustment – Overview

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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 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 the 2019 periodic review (PR19) was completed in December 2019, this financial year had not finished. As a result, companies provided forecast data, which we considered and adjusted as necessary, for inclusion in the PR19 final determination. Companies reported their actual performance for 2019-20 alongside their Annual Performance Reports (APRs), submitted to Ofwat by 15 July 2020.

This document provides an overview of our assessment of the difference between the 2019-20 performance assumed in the PR19 final determinations and actual 2019-20 performance. It sets out the extent to which, for each company, the revenues and RCV adjustments included in the PR19 final determination for 2019-20 need to be adjusted to reflect actual performance.

Consistent with our stated approach in PR19 Reconciliation Rulebook Consultation – proposed approach and policy (the 'PR19 rulebook consultation'), any required adjustments will be made either 'in period' (that is adjustments would be recovered during the 2020-25 period) or as part of the 2024 price review process (which would see adjustments recovered during 2025-30).

The approach that we have adopted to complete the reconciliations, is set out in the 'PR14 reconciliation rulebook' (the 'reconciliation rulebook'), which we originally published in 2015 and have subsequently updated. The reconciliation rulebook sets out the methodology companies should use to calculate these adjustments. It also presents the mechansisms we will use to implement the reconciliations, and our approach toward inflation, tax, and the time value of money as well as detailing relevant mechanism-specific issues.

Annex 1 presents a list of mechanisms that we can use to implement the blind year reconciliations, and notes whether mechanisms will be reconciled via an adjustment to the RCV or an adjustment to allowed revenue. We made adjustments for past delivery 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 will not be adjusted as part of the blind year as these are not linked to 2019-20 performance.

2 Next steps

We welcome any written comments or representations on our proposals by 19 October. Representations can be made by all stakeholders. Representations can be sent to our inbox (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 our 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.

Currently, we assume that the blind year adjustment for four companies (Anglian Water, Northumbrian Water, Yorkshire Water and Bristol Water) will apply in the same way as for other companies. The price controls for these four companies are currently being re-determined by the Competition and Markets Authority (CMA). The CMA decisions may therefore affect when and how the blind year adjustment is applied.

3 Key interventions

We reviewed company blind year submissions and, where appropriate, sought clarity on company information. In a small number of cases our assessment identifies areas where we may need to intervene to ensure that the blind year adjustment is appropriate. We summarise our proposed interventions in table 1 below alongside the overall proposed blind year adjustment (including any interventions). We provide further detail on many of the interventions below, and full details are presented in the company-specific appendices.

Table 1: Blind year adjustments and key interventions by company (£ million, 2017-18 FYA CPIH deflated: PR19 base year prices)

Company	Key interventions	Proposed blind year adjustment including interventions	
		Revenue (£m)	RCV (£m)
Anglian Water	None	-28.7	6.5
Dŵr Cymru	We are intervening to include an underperformance payment for performance commitment ‘F1 Asset Serviceability (water)’.	-7.0	3.9
Hafren Dyfrdwy	We are intervening to ensure the modification factors in the residential retail model reflects the reallocation, between Severn Trent Water and Hafren Dyfrdwy, of parts of their regulated businesses that took place in 2018.	2.2	3.0
Northumbrian Water	None	4.4	2.5
Severn Trent Water	We are intervening to increase the underperformance payment on S-A1 (internal sewer flooding) and S-A2 (external sewer flooding). We identify potential interventions on W-D1 (improvements in river water quality against WFD criteria), which we will consider for our final decision. We are intervening to ensure the modification factors in the residential retail model reflects the reallocation, between Severn Trent Water and Hafren Dyfrdwy, of parts of their regulated businesses that took place in 2018.	-15.8	14.2
South West Water	None	-8.9	12.9
Southern Water	We are intervening to include underperformance payments for performance commitments ’13 Thanet sewers’ and ’15 Millbrook sludge’.	16.7	30.2

Company	Key interventions	Proposed blind year adjustment including interventions	
		Revenue (£m)	RCV (£m)
Thames Water	We are intervening to include an underperfomance 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).	33.6	6.7
United Utilities	None	-1.3	14.3
Wessex Water	None	1.5	6.9
Yorkshire Water	None	19.3	13.2
Affinity Water	None	3.8	1.8
Bristol Water	None	3.5	3.7
Portsmouth Water	We are intervening to reduce the outperformance payment for B1 (Leakage). We are intervening to amend the company's calculation for B1 (Per capita consumption). We also adjust for ODI payments that, in the PR19 Final Determination, were applied in 2015-18 but are determined from 5-year averages and are therefore updated as part of this blind year assessment. We make an adjustment to revenue recovered in 2019-20.	-0.8	0.2
South East Water	None	2.7	0.5
South Staffs Water	None	0.7	0.3
SES Water	None	-3.2	-0.1
Industry total		**22.7**	**120.6**

Note: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.

The majority of the interventions we are proposing relate to performance commitments and associated outcome delivery incentives.

Dŵr Cymru reports meeting its 'F1 Asset serviceability - water' performance commitment in 2019-20. However, we are intervening to apply an underperformance payment of -£2.5 million (2012-13 prices, net of tax) for this performance commitment. In 'PR19 final determinations: Dŵr Cymru – Accounting for past delivery final decisions' (December 2019) we explained that further poor performance of a sub-measure of this perfomance commitment (supply interruptions > 12 hours) in 2019-20 could trigger an underperformance payment. We consider the evidence shows the status of the sub-measure to be 'deteriorating' while the status of the performance commitment overall is 'marginal'.

Severn Trent Water's 2019-20 APR explains that the company is using new evidence and methodologies in its process to determine the number of sewer flooding incidents to exclude from 'S-A1 Internal sewer flooding' and 'S-A2 external sewer flooding' performance commitments. The company described its proposed approach to us earlier this year and we committed to reviewing the evidence as part of our assessment of APRs. The company's revised approach results in a small number of additional incidents being excluded from the performance commitments (less than 1% of the total number of sewer flooding incidents).

We reviewed all of the evidence the company provided and, overall, we consider that expansion of the methodologies used to determine exclusions does not represent a material improvement for customers. We also consider that there is insufficient evidence of the number of exclusions that have been applied as a result of each methodology or that each methodology is sufficiently robust.

We are therefore intervening to apply the underperformance payments associated with the excluded internal (-£0.3 million, 2012-13 prices, net of tax) and external (-£0.2 million, 2012-13 prices, net of tax) sewer flooding incidents.

Severn Trent Water also reports an outperformance payment for 2019-20 for 'W-D1 Improvements in river water quality against WFD criteria' performance commitment. We are advised by the Environment Agency that for the reported improvements at Battlefield Brook, Upper Worfe and Meece Brook the company has demonstrated insufficient evidence of delivery to agreed specifications and timescales. We have not included interventions to remove outperformance for these improvements in our draft decision models. Ahead of our final decision, we require the company to engage with the Environment Agency to demonstrate satisfactory delivery of these improvements. For the final decision, we will intervene to remove £0.750 m (2012-3 prices, net of tax) of outperformance for each intervention that is not delivered in excess of the performance commitment level.

Southern Water argues that delays to two of its PR14 capital investments ('15 Millbrook sludge' and '13 Thanet sewers') were outside of its control (due to COVID-19 restrictions)[1]. The provisions of the PR14 final determinations specify that, as Southern Water did not meet predefined delivery dates, it should incur underperformance payments. The company proposes that it should not incur these payments as it argued that the delays were outside of its control.

[1] This issue relates to delivery of performance commitments in the 2015-20 control period, which has now ended, and is the only Covid-19 impact raised in company blind year submissions. As a consequence, we consider this isolated issue, ex-post, as part of the blind year process. We continue to work closely with Water UK to understand the impacts of Covid-19 on the sector and, as set out in Rachel Fletcher's letters, of 19 March 2020 and 14 July 2020, will consider whether any ex-post adjustments for the 2020-25 period are appropriate once there has been sufficient time to understand the impacts of Covid-19.

Southern Water did not provide convincing evidence to support its arguments. For Thanet sewers, we consider that, while COVID-19 did contribute to the delay in delivering this investment, previous impacts on work timelines meant that completion would not have been well in advance of the deadline, even in the absence of COVID-19. For Millbrook sludge, we consider that, while COVID-19 impacted progress on delivering this investment, previous impacts on work timelines meant that delivery by the deadline would have been highly unlikely, even without further issues arising.

COVID-19 only affected the last few weeks of the five year control period and full delivery of these schemes could have been secured earlier to mitigate the risk of non-delivery. On this basis we are intervening to apply an underperformance payment of -£0.566 million (2012-13 prices, net of tax) for Millbrook Sludge and an underperformance payment of -£0.950 million (2012-13 prices, net of tax) for Thanet Sewers. The level of underperformance payment we impose reflects our view that there is sufficient evidence that the schemes were, in large part, operational by the agreed deadline and that customers were receiving many of the benefits by this point.

Thames Water does not report an underperformance payment for its leakage performance commitment in its 2019-20 APR. The company reports performance on WC2 as 595 Ml/d. This figure includes reductions that relate to methodlogical changes and data updates in the leakage calculation. 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 [2]. As a result, the company has, amongst other measures, sought to improve its leakage performance and better understand the components used in the 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.

In assessing the company's 2019-20 performance and associated ODI payments, we apply the framework and expectations set out 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.

We consider methodological changes and data updates reduce consistency and transparency for customers and other stakeholders. When proposing such changes, 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 represents a material

[2] 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

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 the 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.[3]

We are therefore intervening to exclude the 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 -£5.9 million (2012-13 prices, net of tax).

Portsmouth Water reports an outperformance payment for its leakage performance commitment in its 2019-20 APR. The company's reported level of leakage is derived including an adjustment due to a methodological change, which it has rebased and subsequently considers to be aligned with the methodology used to set the performance commitment level. The change results in a reduction in reported leakage.

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 represents a material improvement for customers. Portsmouth Water has not followed these processes prior to making this change.

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

[3] See for example Thames Water – Outcomes performance, commitment appendix December 2019

their ODI payments will only relate to real performance changes and not definitional, methodological or data changes in the performance commitment.

We are therefore intervening to exclude the impact of the methodological change from the calculation of ODI incentives for Portsmouth Water. This reduces the outperformance payment by £0.037 million (2012-13 prices, net of tax).

For Portsmouth Water we also make an adjustment of £0.2m to revenue recovered in 2019-20, to reflect a variance in new connections from the PR19 final determination.

Other interventions

We didn’t identify any issues and therefore we are not proposing any interventions in the following areas:

- Water trading revenue adjustments,
- Totex menu revenue and RCV adjustments,
- Residential retail revenue adjustments; and
- Land sales.

Annex 2 sets out the proposed blind year adjustments at a sector level across each model by price control.

4 Making blind year adjustments

In the PR19 rulebook consultation, we set out how we expected 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 performance in 2019-20. Annex 3 of the PR19 final determinations set out the Revenue Forecasting Incentive (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 sector level adjustments proposed and when these will feed through into customer bills.

Table 2: Summary of proposed blind year adjustment and when they will be implemented (£ million, 2017-18 FYA CPIH deflated: PR19 base year prices)

Type of adjustment	Value (£m)	When it applies
ODI revenue adjustments	-39.3	In 2021-22 through in-period determination of price controls
WRFIM revenue adjustments	54.4	Over the last four years of the 2020-25 period and captured within the RFI formula blind year adjustment (BYA)
Water trading revenue adjustments	0.0	

Totex menu revenue adjustments	3.5	
Other revenue adjustments	0.0	
Total revenue adjustment	**18.6**	
Residential retail revenue adjustments	4.1	End-of-period revenue adjustment, captured within the Residential Retail model blind year adjustment (BYA)
Totex menu RCV adjustments	127.8	At PR24, flowing through 2025-30 price controls
Land sales RCV adjustments	11.5	
ODIs RCV adjustments	-10.5	
Other RCV adjustments	-8.2	
Total	**120.6**	

For ODI revenue adjustments, we must redetermine price controls. 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.

The company specific documents set out what the impact of ODI revenue adjustments would mean for price controls. We present this alongside the other revenue adjustments that will be recovered through the RFI formula across the remaining years of the price control period. Both of these will affect the revenue recovered from customers

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.

If, after reviewing our proposed blind year adjustments, a company considers that there is 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 it should demonstrate how it has taken the views of stakeholders into account in reaching its view.

In '[IN 20/06: Approach to PR19 Blind year adjustments for 2019-20 performance'] we explained that we we would be taking forward a licence modification[4] which would affect the blind year adjustment process. The changes we were proposing would:

- allow for any revenue associated with the blind year reconciliation of totex menus to be applied in period by including it in the blind year adjustment figure for the RFI formula.
- allow unambiguous revenue errors in relation to our final determinations to also be included in the blind year adjustment figure for the RFI formula[5].

We also publish today alongside these draft proposals for the blind year adjustments a consultation notice for the licence modifcation. Our published documentation and supporting models for the draft proposals related to the blind year adjustments are presented on the basis that the proposed licence modification, 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.
- We would not correct for any unambiguous revenue errors until PR24.

[4] This was first consulted on in the 'PR19 rulebook consultation'.
[5] We only intend to include this item when calculating the blind year adjustment figure for Southern Water and it is therefore not included in the proposed licence modifications for other water companies. See the consultation notice for details.

Annex 1 PR14 reconciliation rulebook mechanisms

Incentive mechanism	Purpose	Revenue or RCV
Outcome delivery incentives	Outcome delivery incentives provide outperformance payments for companies that exceed their stretching performance commitment levels, and underperformance payments for companies if performance is below their performance commitment levels. This provides incentives for companies to do the right thing for customers, the environment and wider society. We published 'Information Notice IN 16/07' about the limited circumstances in which companies can change their outcomes.	Revenue or RCV as defined by each performance commitment
Wholesale total expenditure (totex) sharing	Where a company over- or under-performs on its totex allowance, this mechanism shares the over- or underspend with customers.	Revenue and RCV
Wholesale revenue forecasting incentive mechanism (WRFIM)	This mechanism provides financial incentives for companies to make accurate forecasts of wholesale revenue, ensuring under- and over-recovery is reconciled.	Revenue
Water trading incentive	This mechanism provides financial incentive payments to encourage companies to engage in new water trades in the 2015-20 period.	Revenue
Residential retail revenue	This mechanism adjusts the total revenue allowance to reflect actual customer numbers and enable companies to recover their allowed costs per customer for residential retail.	Revenue
2010-15 reconciliation	Further adjustments for performance against the PR09 incentive mechanisms, to reflect the update for actual 2014-15 performance as published in the reconciliation rulebook. This also includes the RCV adjustment in respect of correcting the treatment of inflation in the PR09 capital expenditure incentive scheme.	Revenue and RCV
Land sales	This mechanism adjusts the RCV to share equally with customers any proceeds from disposals of interest in land.	RCV
Residential retail service incentive mechanism	A financial incentive to encourage good customer service performance relative to other companies in the sector.	Revenue
Business retail service incentive mechanism	A financial incentive to encourage good customer service performance relative to other companies in the sector.	Revenue

The reconciliation rulebook does not cover how the residential retail or business service incentive mechanisms are reconciled for PR19. We consulted on how the residential retail service incentive mechanism would be reconciled in 'PR19 draft determinations: Accounting for past delivery technical appendix'. We consulted on how the business retail service incentive mechanism would be reconciled in 'Reconciling the business retail service incentive mechanism consultation'.

Annex 2: Sector wide view of reconciliation of PR14 incentives for 2015-20

Table A2-1: Reconciliation of PR14 incentives by PR14 price control (£ million, 2017-18 FYA CPIH deflated: PR19 base year prices)

	Wholesale water			Wholesale wastewater			Residential Retail			Thames 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
Revenue												
Outcome delivery incentives	-101.6	-104.7	-102.5	269.4	232.8	230.8	-4.4	-4.7	-4.7	N/A	N/A	N/A
Residential retail revenue	N/A	N/A	N/A	N/A	N/A	N/A	-12.1	-8.1	-8.1	N/A	N/A	N/A
Wholesale revenue forecasting incentive mechanism	-34.0	-22.6	-24.0	-0.7	42.7	42.7	N/A	N/A	N/A	2.0	3.0	3.0
Totex	92.9	104.2	104.3	-54.1	-62.5	-62.5	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	-134.7	-86.5	-134.9	N/A	N/A	N/A
PR09 blind year adjustments	-17.0	-17.0	-17.0	-27.9	-28.0	-28.0	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	0.7	7.8	0.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

	Wholesale water			Wholesale wastewater			Residential Retail			Thames 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
Other adjustments	0.0	0.0	0.0	-125.9	0.0	-126.0	N/A	N/A	N/A	N/A	N/A	N/A
Total	**-59.0**	**-32.3**	**-38.4**	**60.8**	**185.0**	**57.1**	**-151.3**	**-99.3**	**-147.8**	**74.2**	**75.9**	**75.9**
RCV												
Outcome delivery incentives	-29.3	-22.2	-25.1	-64.5	-89.6	-79.4	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	606.8	669.6	670.2	-719.9	-648.5	-648.3	N/A	N/A	N/A	-158.2	-165.7	-165.7
Land sales	-64.9	-53.5	-59.3	-38.4	-32.0	-32.7	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	60.9	61.0	61.0	76.6	76.8	76.8	N/A	N/A	N/A	N/A	N/A	N/A
CIS RCV inflation correction	-584.8	-585.8	-585.6	-736.4	-737.8	-737.8	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

	Wholesale water			Wholesale wastewater			Residential Retail			Thames 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
Total	**-11.3**	**69.0**	**61.2**	**-1,482.6**	**-1,518.6**	**-1,429.6**	**N/A**	**N/A**	**N/A**	**-184.7**	**-192.1**	**-192.3**

Table A2-2: 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	Thames Tideway	Water resources	Network plus water	Network plus wastewater	Bio-resources	Residential Retail	Thames Tideway
Outcome delivery incentives	2.2	-27.3	-79.4	N/A	0.0	24.2	-126.6	230.7	0.1	-4.7	N/A
Residential retail revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-8.1	N/A
Wholesale revenue forecasting incentive mechanism	N/A	N/A	N/A	N/A	N/A	N/A	-24.0	42.7	N/A	N/A	3.0
Totex	62.9	607.4	-648.3	N/A	-165.7	N/A	104.3	-62.5	N/A	N/A	72.9
Land sales	-5.3	-54.0	-32.7	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	-134.9	N/A
PR09 blind year adjustments	7.9	53.1	76.8	N/A	N/A	N/A	-17.0	-28.0	N/A	N/A	N/A

	RCV adjustments					Revenue adjustments					
	Water resources	Network plus water	Network plus wastewater	Bio-resources	Thames Tideway	Water resources	Network plus water	Network plus wastewater	Bio-resources	Residential Retail	Thames Tideway
CIS RCV inflation correction	-59.0	-526.6	-737.8	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	0.2	N/A	N/A	N/A	N/A
Other adjustments	0.0	0.0	-8.2	N/A	-26.5	N/A	0.0	-126.0	N/A	N/A	N/A
Total	**8.7**	**52.5**	**-1,429.6**	**N/A**	**-192.3**	**24.6**	**-63.0**	**57.0**	**0.1**	**-147.8**	**75.9**

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

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

Ofwat
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