



The voice for water consumers
Y corff sy'n rhoi llais i ddefnyddwyr dŵr

CCW's response to Consultation:

Adjusting for company actual performance in 2019-20 - Blind Year adjustment

Proposed modifications to Condition B of licences (RFI)

1. Introduction

- 1.1 CCW is the statutory consumer organisation representing water and sewerage consumers in England and Wales.
- 1.2 We welcome the opportunity to respond to Ofwat's consultations on:
 - a. Adjusting for company actual performance in 2019-20 - Blind Year adjustment
 - b. Proposed modifications to Condition B of licences (RFI)

2. Our response

- 2.1 While we appreciate that full details are in the company specific appendices, and the summary document outlines the interventions made, it would have been helpful if the main document tabulated both company and Ofwat view of the adjustment. This would allow stakeholders to more readily understand the scale of the difference between the company and Ofwat view.
- 2.2 For all companies where there is a blind year adjustment it would be useful to see this relative to total revenue and RCV in order to understand the materiality of the adjustment. It would shed some light on which companies' blind year adjustments are more significant and would show which company's outturn performance was more significantly different to the performance included in the PR19 final determination.
- 2.3 We appreciate that company specific documents set out what the impact of ODI revenue adjustments would mean for price controls. However, it would have been useful if the summary document included this impact. From the consumer perspective the impact on bills and bill volatility is paramount. While appreciating that ODI revenue adjustments will apply in 2021/22, it would be useful if Ofwat published indicative bill impacts of the adjustments assuming they applied in a single year and compared this to the impact of smoothing any adjustment over a two or three years.
- 2.4 Where it is demonstrable that taking ODI impacts into 2021/22 charges can contribute to significant bill volatility later in the 2020-25 period, we would be supportive of smoothing these impacts over a number of years. As we noted in our response to the PR19 reconciliation rulebook consultation, customers prefer stable/predictable bills. This is especially important in the current period of economic uncertainty with many customers worried about the affordability of bills.
- 2.5 Our research shows that a significant proportion of customers do not support the potential impact of ODI outperformance payments on bills once this risk is fully appreciated. We are testing customers' appetite for ODIs further by using our online community (WaterVoice) to explore this. We will publish the outcome of this in November.
- 2.6 We have no comments to make on the proposed modification to licence Condition B. We understand that the changes will mean that totex menu blind year adjustment will be included in all 17 companies' Revenue Forecasting Incentive calculations. Correction of unambiguous errors will be included in Southern Water's licence only – Ofwat will propose new licence modifications for other companies should Ofwat be persuaded that there are unambiguous revenue errors.

Enquiries

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