

IAP Response

Ref B2.WSH.OC.A8

Customer Protection

1 April 2019

B2.WSH.OC.A8 Customer Protection

Protecting customers from bill volatility is an integral part of Welsh Water’s annual charge setting process. Additionally, the company has made a commitment to keep the average household bill below the 2019/20 level (£444) in real terms through to 2025. (MoS BI1).

The charge setting process calculates charges taking account of forecast volumes and customer numbers, changes in the level of revenue allowed arising from price controls and the appropriate index and, from 2021, any changes arising from reported performance against in-period ODIs. The process includes a phase to review the impact of these charges on customers’ bills. The change in customers’ bills is reviewed. Where any customers would see increases of more than [inflation] then alternative options are considered. The options include delaying the full uptake of the revenue allowance or to use a glide-path to introduce the change in bills over a number of years. Any abatement of the full allowance would then form part of the “WRFIM” adjustments in future years or as part of the PR24 true-up The Company works with CCWater Wales to review the consequences of this step to ensure that any re-balancing is not undue.

As an example of this the 2018/19 charges included an abatement of k and a two year glide-path used to smooth an increase in Assessed Measured Charges. These measures were due, in part, to high inflation in November 2017.

We have a strong track record of returning profits to customers “in-period” due to the unique structure of the Company, This includes a robust process of engagement with the customers to determine whether the distributions are made through revenue or additional investment.

Technical Appendix 1 outlines Ofwat concerns that some companies have provided insufficient information or consideration of approaches to protect customers (p21). Ofwat’s company specific feedback confirms we have provided a package of performance commitments that “provides confidence that customers will be protected if outperformance payments are greater than expected” (p5). The review of Performance commitments undertaken in response to the IAP feedback provides this same level of protection.

Protecting customers from bill volatility is an integral part of Welsh Water’s annual charge setting process. Additionally, the company has made a commitment to keep the average household bill below the 2019/20 level (£444) in real terms through to 2025. (MoS BI1).

The charge setting process calculates charges taking account of forecast volumes and customer numbers, changes in the level of revenue allowed arising from price controls and the appropriate index and, from 2021, any changes arising from reported performance against in-period ODIs. The process includes a phase to review the impact of these charges on customers’ bills. The change in customers’ bills is reviewed. Where any customers would see increases of more than [inflation] then alternative options are considered. The options include delaying the full uptake of the revenue allowance or to use a glide-path to introduce the change in bills over a number of years. Any abatement of the full allowance would then form part of the “WRFIM” adjustments in future years or as part of the PR24 true-up The Company works with CCWater Wales to review the consequences of this step to ensure that any re-balancing is not undue.

As an example of this the 2018/19 charges included an abatement of k and a two year glide-path used to smooth an increase in Assessed Measured Charges. These measures were due, in part, to high inflation in November 2017.

We have a strong track record of returning profits to customers “in-period” due to the unique structure of the Company, This includes a robust process of engagement with the customers to determine whether the distributions are made through revenue or additional investment.

Technical Appendix 1 outlines Ofwat concerns that some companies have provided insufficient information or consideration of approaches to protect customers (p21). Ofwat’s company specific feedback confirms we have provided a package of performance commitments that “provides confidence that customers will be protected if outperformance payments are greater than expected” (p5). The review of Performance commitments undertaken in response to the IAP feedback provides this same level of protection.