

## Wessex Water Services Ltd Response to Ofwat's PR19 Draft Determination – August 2019

**Representation reference:** Risk and Reward R6

**Representation title:** Bill profile and incidence effects

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### Summary of issue

In the draft determination average bills have been smoothed for dual service customers, we agree with this approach, and note that it was the desired outcome of our customer engagement.

Single service customers make up c50% of our customer base. The draft determination has K factors at a single service level that could create large incidence effects for these customer groups.

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### Change requested

As well as considering dual service average bills we request that when the final determination is confirmed that attention is paid to the K factors at a service level to ensure that all customers are more likely to have bill profiles that are in line with their preferences.

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### Rationale (including any new evidence)

We have c57%, or c710,000 (670,000 waste and 40,000 supply) single service customers (average over AMP7). As published in the draft determination the K factors are as follows:

K factors as per DD	20-21	21-22	22-23	23-24	24-25
Water Resources	0.0%	5.3%	10.8%	-11.3%	0.2%
Water Network Plus	0.0%	8.4%	-1.6%	0.8%	0.4%
Waste Network Plus	0.0%	-4.2%	3.3%	3.3%	1.7%

These K factors suggest potentially severe incidence effects for some customer groups in 21-22 (for supply only) and in 22-23 and 23-24 (for wastewater only customers) if CPIH is as forecast.

Smoothing of the allowed revenues at a price control level would assist in solving these issues without having a substantial effect on dual service bills.

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**Why the change is in customers' interests**

Our customers have consistently expressed a clear preference for steady bill profiles as evidenced in the customer engagement provided in the PR19 business plan submission and in previous submissions.

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**Links to relevant evidence already provided or elsewhere in the representation document**

p.62 of our business plan summary "For You For Life" contains the results of our most recent customer research in this area.