

Rachel Fletcher
Chief Executive
Ofwat
By email

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Dear Rachel

Hafren Dyfrdwy: final determination

The Hafren Dyfrdwy Board has very carefully considered Ofwat's Final Determination published on the 16 December. Having concluded these discussions, the Board has decided not to request a referral to the Competition and Markets Authority. The Board have discussed and considered the obligations we would be accepting, and the implications for our customers, our people, the environment we depend on, and those who invest in us.

There were a number of welcome changes from the draft determination and when considered as a package in the round, it is a package that we are accepting. At the same time, some concerns remain for us – within this package we are taking on varying degrees of risk and challenge with extremely limited opportunity to balance risks and priorities across a very small programme of work. Most notably, the application of Ofwat's policy on Performance Commitments (PCs) and incentives (ODIs) means that only the top 25% of companies are expected to pass the bar, which is likely to mean that even the very best companies don't achieve this degree of stretch across all measures and in every year. In service areas which are affected by our extremely rural and hilly topography we are exposed to more risk than other companies. This is an area where we would welcome early engagement on the future framework, to better integrate costs and service into Ofwat's comparative modelling tools.

We recognise that the timing of licence change has created extra complexity and we appreciate Ofwat's constructive and detailed feedback, which we tried at each stage in the price review to build upon. Overall, we believe that the 2019 Price Review has been a very comprehensive process that will help deliver the best outcomes for customers.

As we now focus on delivering our commitments, and Ofwat looks to delivering its strategy, we look forward to continuing this constructive relationship.

Yours sincerely



Liv Garfield
Chief Executive