



The voice for water consumers
Llais defnyddwyr dŵr

**CCW's response to
Ofwat's 2025-30 Draft Price Determination
for Dŵr Cymru Welsh Water**

28 August 2024

1. Introduction

The Consumer Council for Water (CCW) is the statutory consumer organisation representing household and non-household water and sewerage consumers in England and Wales. We welcome the opportunity to respond to Ofwat's Draft Determination for Dŵr Cymru Welsh Water (DCWW).

2. Executive Summary

Overall view

We are assured that due to Ofwat's efficiency challenges customers will not pay more than is necessary for the service they receive and are not charged twice for work which should have already been delivered.

We recognise that in order to improve service performance for customers and the environment, the draft determination has to balance delivering for customers and the environment efficiently whilst securing the capital investment that is required to make this happen. We welcome Ofwat's challenge to the company's proposed costs, as customers should be assured that allowed expenditure is efficient and any poorly evidenced investment is challenged.

It is vital that the outcome sees Dŵr Cymru (DCWW) deliver the commitments in its price determination and demonstrates to customers what they are getting that is tangibly better than now in terms of service performance and environmental improvements.

Customer trust in the sector has declined in CCW's annual Water Matters survey¹, and Ofwat's recent research² has found that only 38% trust their water company to provide them with good value for money. Additionally, joint research between CCW and Ofwat shows that less than a quarter (23%) of people trust their water company to do what's right for the environment³. Trust in water companies has also never been lower among households in Wales – slipping to an average score of 6.93 out of 10 according our annual Water Matters survey⁴. PR24 must be a strong driver for DCWW to address these worrying trends. We want all companies to demonstrate a culture of

¹ [Water Matters 2024 - CCW](#) shows significant shifts across nearly every metric that we use to measure people's views. In many cases, these were the lowest scores recorded in the thirteen years of Water Matters.

² [Wave Five of Ofwat's Cost of Living research](#) (undertaken in March)

³ [Customer Spotlight: People's views and experiences of water 2024 - CCW](#)

⁴ CCW's Water Matters Annual Tracking survey [Water Matters 2024 - CCW](#)

transparency and regularly update customers on their progress against this in order to improve customer satisfaction and trust.

We are disappointed that it has not been possible to understand how customer preferences have been considered in Ofwat's decisions. Although the overview documents are an improvement on previous years, they should be improved further so that customers can see the targets companies should meet each year compared to current performance, and the expenditure they have been allowed to deliver these improvements.

CCW recognise that Ofwat grades water companies' business plans to incentivise them to deliver strong evidence and propose efficient costs. CCW believes companies already have enough incentives through actual delivery of their plans. We want to see business plans assessed so that companies are penalised for poorly evidenced plans rather than rewarded for the basic company responsibility to write a decent business plan. Although Ofwat has measures to claw back money if plans are not delivered, CCW does not believe there should be a financial reward taken out of bill payers' pockets for merely writing a robust business plan.

What we support and why

- CCW welcomes Ofwat accepting DCWW's contribution of £64 million from profits to support hardship funds and other support measures⁵, including £13m per year to fund its social tariff.⁶
- We agree with the reduction of DCWW's total expenditure by £718m to £5.2bn⁷ to deliver efficiency, remove poorly evidenced proposals and to ensure customers do not double pay for things that should have already been delivered. We also support that the recovery of costs for its biggest plan cost yet (up from £3.8bn in the last price review for environmental enhancements and service resilience⁸) should be spread over the long term. This is a fairer reflection of the benefits current and future customers should see and could help to manage bill profiles and affordability challenges in the short term.
- CCW supports the revised B-MeX Wales which will continue to incentivise companies in Wales to deliver a better business customer service experience. We like the addition of a contacts survey in the measure and support the absolute target. We think performance should be monitored during

⁵ Page 13: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

⁶ Page 16: [WSH02-Executive Summary.pdf](#)

⁷ Page 6: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

⁸ Page 5: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

PR24 with a view to informing future targets. Retaining caps and collars for this measure is also a good idea.

- We were pleased to see Ofwat’s environment focussed decisions on:
 - The £17 million totex⁹ to monitor river water quality in nine Special Areas of Conservation (SAC) rivers
 - Ofwat’s £114m efficiency challenge on the company’s National Environment Plan (NEP)¹⁰
 - Ofwat’s challenge on the phosphorus reduction cost¹¹. Phosphorus reduction is a key priority in Wales¹². However, company evidence of proposals relating to costs need to be sound and solid before the final determination.
- We support the more challenging targets on leakage, per capita consumption, reduction of customer contact on water quality, total pollution incidents, external sewer flooding. These are service priorities for customers and Ofwat’s determinations reflect this. This decision also aligns with Wales PR24 Forum steers¹³.
- We support the new non-household customer consumption reduction measure. We agree with the core proactive approach to engaging with business customers in supporting them to reduce water usage where they are able to do so.
- We support the decision to reduce customer contacts on drinking water quality to 1.0 per 1,000 customers¹⁴. The company has had a high level of customer contacts on water quality. Its recent performance is an outlier in the industry¹⁵. Ofwat’s decision seems to be challenging the company to improve performance from PR19 and it aligns with Wales PR24 Forum steers.
- We support the increase in the meter installation programme focusing on geographical areas and we welcome the installation of smart meters.
- We support the allowance of £20 million for development costs for Cwm Taf water major project¹⁶, DCWW’s plan to build new water treatment works and associated facilities to replace the existing works at Llwyn-on, Cantref and Pontsticill, which are nearing the end of their operational lives.

⁹ Page 8: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

¹⁰ Page 9: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

¹¹ <https://www.ofwat.gov.uk/wp-content/uploads/2024/08/Key-Dataset-2-V3.xlsb> (wastewater enhancement allowance)

¹² Wales River Pollution Summit Action plan of phosphorus removal to relieve pressure from Special Areas of Conservation ([River pollution summit action plan | GOV.WALES](#)).

¹³ [WSH38-Response to PR24 Forum Strategic Steers.pdf](#)

¹⁴ <https://www.ofwat.gov.uk/wp-content/uploads/2024/08/Key-Dataset-1-V4.xlsb>

¹⁵ Discover Water data- Taste [DiscoverWater \(en-GB\)](#) and Odour [DiscoverWater \(en-GB\)](#)

¹⁶ Page 11: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

- We are pleased to see the £341 million allowed to invest in DCWW's water resources over 2025-30¹⁷. Customers placed a high priority on the reliability and resilience of water supplies in the customer engagement DCWW carried out to inform its business plan¹⁸.
- We also support:
 - Ofwat's proposal to set assumed energy costs at a baseline reflecting the Government's industrial use index, and 'true up' at PR29 if companies' actual costs are lower or higher. This protects customers from the risk of paying too much 'up front'.
 - The reduction of notional gearing to 55%¹⁹ as higher leveraged capital structures have risks for customers.
 - The use of Price Control Deliverables and other protections in place to remunerate customers in the event of failure or delay in delivering.
 - The absolute zero target for the serious pollution incidents PC and the proposed introduction of a new measure for serious water supply interruptions.
 - The ambition for 22% reduction in emissions across water and wastewater activities²⁰

What we have concerns with and want to see in the Final Determination

- We want to see a 'smoother' increase to spread the £137 bill impact²¹ across the five years to ease the pressure on customers in the first year of the five-year price control without increasing the overall impact for customers. DCWW's Draft Determination means an increase of 29% on the average combined water and wastewater bill over the 2025-30 period, and 40% increase when you add inflation. This is the joint highest bill (and one of the largest bill increases) across England and Wales. Any likely further increases to bill changes after the draft determinations should be tested in line with the PR24 Acceptability and Affordability research guidance²².
- We are disappointed that Ofwat's Draft Determination has not challenged the company to eradicate water poverty by 2030. Ofwat has simply noted and accepted the company's plans on affordability.
- CCW asks for a Final Determination that presents an ambitious final storm overflow spill reduction target that prioritises most harmful spills first. If a spill reduction measure is retained in the final determination for Welsh companies, this could be achievable by asking DCWW to:

¹⁷ Page 10: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

¹⁸ [WSH03-PR24 Business Plan Document \(2\).pdf](#) page 36

¹⁹ Page 7: [PR24-draft-determinations-Aligning-Risk-and-Return-Allowed-Return-Appendix.pdf \(ofwat.gov.uk\)](#)

²⁰ Page 7: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

²¹ Page 5: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

²² [Guidance-Acceptability-and-affordability-of-PR24-business-plans.pdf \(ofwat.gov.uk\)](#).

- Accelerate its storm overflow environmental assessments to identify the most harmful spills and prioritise the allowed investment accordingly
 - Introduce a storm overflow spill prioritisation plan, transparent to customers and informed by robust evidence from the assessment of harm
- Ofwat's Final Determination should explicitly explain whether allowed expenditure on lead aligns with the 'lead free Wales' priority in the strategic steers²³ to companies in Wales (which CCW supports). At the moment we cannot verify whether it is doing that.
 - We think the DCWW internal sewer flooding target could be more challenging with relative targets, related investment and base costs applied to better incentivise the comparatively poor performers. We acknowledge the draft determination goes beyond the water company's original proposal. Ofwat has also accepted the company proposed a long term objective of reaching approximately 100 incidents by 2050²⁴ which goes beyond the Wales PR24 Forum DCWW company specific steer²⁵.
 - We fully support the concept of C-MeX. However, we are disappointed that, after extensive engagement with Ofwat, an additional metric to measure customer complaint volumes is not part of the range of C-MeX components. This is a missed opportunity to incentivise a reduction in customer complaints.
 - We do support the inclusion of the other measures of customer experience in C-MeX. This includes the increased weighting on customer contact surveys and use of cross sector comparators.
 - We are disappointed that Ofwat has withdrawn the Gearing Outperformance Sharing Mechanism in its Draft Determinations and would like to see it reinstated. The principle of this mechanism should act as an extra safeguard against financial windfalls and an added incentive to reduce high risk gearing.
 - We wish to see further detail on how the smart metering programme will help reduce household and business demand, and the expectations this investment implies for leakage reduction and tariff development.
 - Proposed enhanced Outcome Delivery Incentive (ODI) rates, which could see customers paying more for areas of service they may view as a company's basic responsibility.

²³ Page 16 [WSH38-Response to PR24 Forum Strategic Steers.pdf](#)

²⁴ Page 6, <https://www.ofwat.gov.uk/publication/pr24-draft-determinations-dwr-cymru-outcomes-appendix/>

²⁵ [How will your money be spent on water in Wales - CCW](#)

3. Our detailed comments

Customer acceptability and affordability

CCW is undertaking research with household and non-household customers to test the package of bill changes, service improvements and investments in the Draft Determination for customer acceptability and affordability.

We are using surveys to test the Determination with a sample of around 500 DCWW household customers, and are conducting in-depth interviews with a small sample of non-household customers.

The household customer surveys follow the same CCW and Ofwat guidance companies used for testing their business plans with household customers. This will ensure there is consistency and comparability in the results with business plans.

Our research will provide a definitive measure of customers' views of the Draft Determination.

While the results are not available in time for this response, when DCWW re-tested its business plan in 2024, due to change to its proposed bill profile, it revealed only 15% of²⁶ customers found the plan affordable, while 81% found the package of improvements acceptable.

The current research we are undertaking will show whether the interventions Ofwat has made to increase the ambition of what DCWW need to achieve are more acceptable and affordable for customers.

We will provide the results of the research to Ofwat in September 2024, as the results are not available in time for inclusion in this consultation response.

Any likely further increases to bill changes after the draft determinations should be tested in line with the PR24 Acceptability and Affordability research guidance²⁷.

Bill profile

The DCWW Draft Determination proposes an increase of 29% on the average combined water and wastewater bill over the 2025-30 period. This increases to 40% over 2025-30 when forecast inflation

²⁶ Dŵr Cymru Welsh Water Revised Business Plan Affordability and Acceptability research January 2024 – not publically available.

²⁷ [Guidance-Acceptability-and-affordability-of-PR24-business-plans.pdf \(ofwat.gov.uk\)](https://www.ofwat.gov.uk/guidance-acceptability-and-affordability-of-pr24-business-plans.pdf).

is taken into account²⁸. This means the average DCWW bill is the joint highest (and one of the largest bill increases) in England and Wales.

The average customer bill increases across every year of 2025-30 but at the highest rate in 2025-26 (£69 on average). Affordability pressures and bill shocks are likely to be at their highest for customers at this point given continuing cost-of-living issues for many. So we want to see a 'smoother' increase to spread the £137 across the five years to ease the pressure on customers in the first year of the five-year price control without increasing the overall impact for customers.

We welcome Ofwat's challenge to the company's proposed costs, as customers should be assured that allowed expenditure is efficient and any poorly evidenced investment is challenged.

Affordability support

We are disappointed that Ofwat's draft determination has not challenged the company to eradicate water poverty by 2030.

Ofwat has simply noted and accepted the company's plans on affordability. As a result we could see an even bigger increase in the number of DCWW customers in water poverty by 2030 than originally thought when we considered the original business plan submitted to Ofwat.²⁹ Ofwat's determination and the company's plan do not go far enough. We would like them to present a final determination that eradicates water poverty by the end of 2030.

Ofwat has noted in its statement in the 'Welsh Government priorities and our 2024 price review draft determinations³⁰' document that Wales companies have promised to end water poverty by 2030, and that it expects them to meet that commitment.

For 2025-30, Ofwat accepted company plans to enhance its existing social tariff which provides a flat lower bill for eligible customers facing financial hardship. The company aims to insulate customers on social tariffs from any real-terms bill increases. However, it wishes to retain some flexibility in the level of the discount applied so it can optimise the design and reach of the tariffs to maximise the benefits for customers depending on the economic outlook. DCWW stated that it will maintain its current level of funding for social tariffs in real terms for 2025-30. The remainder of the cost will be funded by the company. CCW supports this approach³¹.

²⁸ Based on Office of Budget Responsibility economic forecast March 2024

²⁹ The original DCWW business plan before its early 2024 revision to reflect new environmental enhancement costs predicted an increase of customers in water poverty to 162,000 from 139,000. This could be higher following the bill profile increase in early 2024 and at draft determination profile level.

³⁰ Page 13: [Welsh-Government-priorities-and-our-2024-price-review-draft-determinations.pdf \(ofwat.gov.uk\)](#)

³¹ Page 6: [PR24-draft-determinations-Dwr-Cymru-Quality-and-ambition-assessment-appendix.pdf](#)

We believe companies should make direct contributions to funding their social tariff. In this context, we support DCWW contributing £64 million from profits to support hardship funds and other support measures³², including £13m per year to fund its social tariff. This should increase take-up from the current 132,000 customers to 190,000 by the end of 2029-30³³.

It is good that Ofwat has highlighted levels of company funding for non-social tariff support. However we note that in doing so it has not distinguished between funding which is specifically committed from profits and that which is being funded as a choice within cost-to-serve allowances, and so paid for by customers. In the interests of transparency we would welcome Ofwat being clear about this in the final determination, and ensuring company commitments can be compared and tracked on a like-for-like basis.

Costs and financing

Cost efficiency challenge

Ofwat reduced DCWW's proposed totex by £718m, to £5.2bn³⁴. Customers expect Ofwat to remove any poorly evidenced expenditure, inefficient costs and any proposed activities that have been funded previously.

The totex is still significantly more than DCWW's allowance for 2020-25, which was £3.8 billion³⁵. The increased allowance reflects a step change in the size of the National Environment Programme (NEP), expenditure on water supply/demand balance, water quality, increased resilience and improved services to customers.

Much of the investment delivers benefits in the long term so we agree that the recovery of these costs should be spread over the long term as it is a fairer reflection of the benefits current and future customers should see. This small extension in the time over which the investment is recovered from customers will also help to manage bill profiles and affordability challenges in the short term.

Enhancement Expenditure

³² Page 13: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

³³ Page 19: [WSH03-PR24 Business Plan Document \(1\).pdf](#)

³⁴ Page 6: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

³⁵ Page 6: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

Ofwat proposes to provide DCWW a total enhancement expenditure allowance of £1.9 billion³⁶. This is 19%, or £0.5 billion, lower than the company requested in its business plan³⁷. Around three quarters of this allowance is for wastewater enhancement, principally to fund schemes identified in the NEP programme.

Ofwat found that many of the proposed enhancement schemes are ineligible for this form of expenditure, as they are focused on the operation of assets efficiently and effectively which should be undertaken via base expenditure³⁸. We agree with this assessment.

Energy costs

We support Ofwat's proposal to set assumed energy costs at a baseline reflecting the Government's industrial use index, and 'true up' at PR29 if companies' actual costs are lower or higher.

This protects customers from paying too much up front for what is a significant base cost driver (approx. 15% of base costs are for energy) in what is a volatile wholesale energy market. Ofwat's use of the Government index should also incentivise companies to achieve cost efficient deals from their suppliers.

Assumed Rate of Return and Weighted Average Cost of Capital

Ofwat has increased the allowed rate of return to 3.72% (compared to the 3.23% initial view in the final methodology)³⁹. We recognise that with a high cost investment programme, an increase in equity financing cost assumptions (in the Weighted Average Cost of Capital) is the main driver of the increase in allowed returns as equity needs to increase if the enhancement investment is to be delivered in a financially sustainable way.

The bill impact this can lead to is a concern for CCW given customer affordability pressures, but its effect has been mitigated by the totex efficiency challenges Ofwat has applied.

Ofwat's Draft Determinations make a case that the increase in the assumed cost of equity should retain investment, help address risks associated with highly geared companies⁴⁰, as well as reflecting market conditions.

³⁶ Page 6: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

³⁷ Page 10: [PR24-draft-determinations-Total-expenditure-allowances-by-company.pdf \(ofwat.gov.uk\)](#)

³⁸ Pages 11 – 13: [PR24-draft-determinations-Total-expenditure-allowances-by-company.pdf \(ofwat.gov.uk\)](#)

³⁹ Page 9: [PR24-draft-determinations-Aligning-Risk-and-Return-Allowed-Return-Appendix.pdf \(ofwat.gov.uk\)](#)

⁴⁰ Page 16 of Ofwat's Financial Resilience Monitoring Report 2022-23 shows 11 companies are above the notional gearing level.

It is in this context that we support the reduction of notional gearing to 55%⁴¹ as higher leveraged capital structures have risks for customers.

A lower notional gearing assumption increases the weight of the more expensive equity component in Ofwat's notional capital structure, while a higher cost of equity directly increases the cost associated with equity financing.

Together, these factors can lead to higher allowed returns and may appear to be giving some assistance to less financially resilient companies that may have a greater challenge in raising the required equity.

If customers are being asked to pay more to secure the financing needed, it is essential that companies deliver the improvements set out in the Draft Determinations and customers see tangible improvements in their local environment and the service they receive.

Ofwat must also provide assurance that the company can deliver efficiently and demonstrate to customers that they will see and experience improvements in return for paying higher costs to enable this investment.

In an uncertain economic climate, we also do not wish to see a return to the level of financing windfalls in the past when companies were able to raise capital at a lower cost than assumed⁴².

For the Final Determinations Ofwat needs to consider both the need to attract finance to allow companies to deliver for customers and the environment, and safeguard against risk of high outperformance caused by unexpected changes to inflation, interest rates or other factors by ensuring customers receive a share of any possible windfalls in the future.

Gearing Outperformance Sharing Mechanism

We are disappointed that Ofwat has withdrawn the Gearing Outperformance Sharing Mechanism in its Draft Determinations⁴³. While Ofwat has not had to 'activate' the mechanism since price controls were set at PR19, it may give the impression that Ofwat changed the rules part way through the price control and that if there had been any outperformance since 2020, this would not have been shared with customers as a 'true up' at this price review.

We acknowledge that two thirds of the £4.6 billion equity injected into the sector since 2021 has been to strengthen financial resilience and reduce gearing⁴⁴.

⁴¹ Page 7: [PR24-draft-determinations-Aligning-Risk-and-Return-Allowed-Return-Appendix.pdf \(ofwat.gov.uk\)](#)

⁴² For example, the financing windfalls highlighted in the National Audit Office review of economic regulation in the water sector (2015) see [here](#)

⁴³ [PR24-draft-determinations-Aligning-Risk-and-Return-Appendix-1.pdf \(ofwat.gov.uk\)](#) page 68

⁴⁴ Confirmed in separate correspondence from Ofwat to CCW.

The presence of the sharing mechanism coupled with the notional gearing of 55% may help discourage excessive gearing by reducing the financial incentives for companies to take on high levels of debt, and therefore adds to the range of options Ofwat has to protect financial resilience. Ofwat should reintroduce this mechanism, calibrated to account for changes in forecast inflation that were unforeseen when it was last set at PR19.

Customers should also benefit from the lower costs associated with high gearing, especially since they bear some of the risks if a highly geared company encounters financial difficulties.

Customer influence

Outside of the brief mention within the quality assessment summary there is little explanation of the extent to which Ofwat has assessed the quality and extent of the company's customer engagement and challenge of the business plan, or how it may have influenced its Draft Determinations. In the main '*Delivering Outcomes for Customers and the Environment*' document, the only mention of customer engagement having any influence is where it states that customer support may be used in support of a bespoke performance commitment.

There is also a line in the 'Your Water Your Say' report that suggests a larger suite of evidence has been considered:

"Evidence from 'Your water, your say' surveys forms part of the suite of evidence of customers' and stakeholders' views that we have considered for our Draft Determination".

However, we cannot find the larger suite of evidence in the supporting published documents.

Ofwat's comments on DCWW's specific engagement is limited to four lines, stating that it is "*broadly in line with our minimum expectations*" but commenting that while research materials were published some could have been more accessible.

Given the scale of research and engagement that took place to inform the company's business plan, including the work of the *ICG name* in pushing the company to go further, summarising this effort in a few lines sends a signal that customers' views have not been adequately considered by Ofwat.

This is particularly disappointing considering the requirements placed on companies in relation to transparency about the use, or otherwise, of evidence from customer engagement in its decision making. In its 2022 position paper "*PR24 and beyond: Customer engagement policy*" Ofwat stated in its section on board assurance of customer engagement under the Transparent heading that

“companies should be able to demonstrate how they have taken account of evidence from customer engagement. Companies should be able to explain why they have not taken account of evidence from customer engagement or research wherever this is the case.”⁴⁵

Ofwat has not followed its own guidance in its Draft Determinations. It is not clear to what extent customer engagement evidence has impacted on its decision making. We continue to believe that meaningful customer research and engagement must be a key part of decision making for future investment. However, the lack of information about how Ofwat has considered this evidence could lead companies to question whether the extensive engagement they carried out was worthwhile.

Cost sharing rates

We accept DCWW’s standard cost sharing rate of 50/50 for any future out- or under-performance, given the company’s ‘standard’ categorisation in Ofwat’s quality assessment of the business plan.

Customer experience

C-MeX

We support the Customer Experience measure (C-MeX) to measure and incentivise improvements in customer satisfaction with both contacts and non-contacts through the use of surveys and cross-sector comparators. We support the increase in the financial value of this incentive for 2025-30, so it is comparable to other ODIs, and the greater weighting in the satisfaction of customers who have had reason to contact the company.

Ofwat’s move to set C-MeX targets based on the UKCSI all-sector upper quartile as a benchmark for a company’s customer satisfaction should see every company incentivised to improve to a level comparative with customer satisfaction with other sectors.

However, the Draft Determinations lacks specific annual targets for companies, to show the level of stretch needed from current C-MeX targets to reach the UKCSI benchmark, so we would like Ofwat to confirm that it will consult CCW further on this.

We are disappointed that, after extensive engagement with Ofwat, an additional metric to measure customer complaint volumes is not part of the range of C-MeX components.

⁴⁵ [Ofwat PR24 and beyond Customer engagement policy – a position paper February 2022 Page 11](#)

Our annual complaints reports⁴⁶ show a continued increase in customer complaints in the last three years. High volumes of complaints are evidence of a poor experience by many customers and can be an indicator of more fundamental problems.

Measures of customer satisfaction alone may not adequately incentivise companies to resolve customer issues first time to prevent complaints and address the causes of complaints. As such, we want to see 25% of the value of C-MeX based on a measure of the volume of complaints a company receives.

Ofwat raises concerns in the Draft Determinations about the reliability and accuracy of complaint data as reported by companies, as the basis of its decision to exclude a complaints volume metric. However we have demonstrated to Ofwat how CCW has delivered greater consistency in data reporting through the development of our guidance to companies, and new complaint assessments. Including telephone and other complaints (in addition to written complaints) in our data suite means a full picture is possible of company performance. After a shadow period, we first published this information in our 2023 complaints report⁴⁷. By the start of the 2025 period, we will have three years of complaints information, which includes telephone and other ways to contact. Written complaints data has, of course, been reported on for many years.

The Draft Determination also says that Ofwat has ongoing concerns about data quality across all PCs, and commits to greater scrutiny to ensure data is robust and can be trusted. We fail to see how complaints data quality represents a greater risk of data inconsistency than other data sources, and would like Ofwat to reconsider including a complaints volume metric in C-MeX. Otherwise this is a missed opportunity to address the trend of rising complaints to incentivise poor performing companies to improve, because complaints volumes can be seen as evidence of the wider decline in customers' trust with the sector.

Alternatively, Ofwat could consider a separate performance commitment on the volume of complaints. Ofwat could signal its intention to include this from 2026 onwards in the Final Determination, if it needs time to develop targets for each company.

Business customer experience

We support the introduction of B-MeX Wales to incentivise companies to deliver a better customer service experience for business customers. We are pleased to see the associated rewards and penalties align with the value of other ODIs.

⁴⁶ [Household customer complaints report 2023 - CCW](#)

⁴⁷ [Household customer complaints report 2023 - CCW](#)

We agree with the 50/50 split in B-MeX Wales for the contact and non-contact surveys, and the 50/50 split between billing and operational contacts to mirror C-MeX. We also support an absolute target given as this is a new regulatory measure⁴⁸.

We don't support the caps and collars on the ODI for B-MeX Wales. This was not applied with BR-MeX England and its restrictions on penalties and rewards may weaken the incentive, especially as companies in Wales deliver the retail and wholesale functions for customers.

Operational incidents

The household and business customer experience measures for England and Wales no longer include a proposal to include a separate component for non-contact operational incidents due to concerns over how to define the scope of customers and survey them.

We recognise that this is a risk, but suggest that the proposed new common PC for serious supply interruptions may mitigate this. As well as measuring the volume and frequency of 12 hour+ incidents, we suggest that this should be an opportunity to survey customers' experiences as part of this. In this way it will also be a measure of customers' experiences with the companies in the context of longer supply interruptions.

Statutory investment programme

The company's business plan and long-term delivery strategy are largely consistent with the achievement of statutory requirements, relevant government targets and the Wales PR24 Forum strategic steer. Although it did not meet Ofwat's minimum expectation in this area, the impact of this on their ability to conduct our price review was not material.⁴⁹

Ofwat is proposing expenditure allowances for DCWW to undertake a significant investment programme to improve the environment over the 2025-30 period. This is worth £1.3 billion including £719 million to reduce the use of storm overflows and £250 million to prevent nutrient pollution in rivers⁵⁰.

We recognise that the environment and drinking water quality programmes are largely driven by legislation, and we have seen from DCWW's customer engagement and the research to test the

⁴⁸ Companies in Wales did have a bespoke version of it in the past.

⁴⁹ Page 7: [PR24-draft-determinations-Dwr-Cymru-Quality-and-ambition-assessment-appendix.pdf](#)

⁵⁰ Page 8: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

business plan that customers broadly want to see the improvements these programmes should deliver⁵¹.

We support the £17 million totex to monitor river water quality in nine Special Areas of Conservation (SAC) rivers. These rivers are particularly valuable in terms of their biodiversity, including species that are under threat such as Atlantic salmon and freshwater pearl mussels⁵².

Ofwat's decision includes all the outputs and outcomes proposed by DCWW within its National Environment Programme (NEP), but with an efficiency challenge of £114 million on the costs put forward by the company⁵³. Customers will expect the regulator to ensure this programme is delivered efficiently, so we support these challenges.

We agree with Ofwat's concern that DCWW has not provided sufficient assurance that it can meet the phosphorus reduction target in its NEP⁵⁴. We expect that to be addressed with more convincing evidence from the company in the Final Determination. At the same time we acknowledge that phosphorus reduction is a key priority in Wales⁵⁵.

Storm overflows

Ofwat rejected the company's proposed bespoke performance commitment to track the harm caused by storm overflow spills due to insufficient evidence and issues with defining harm⁵⁶. We want to see assurance and a final determination in which DCWW's delivery of the storm overflow reduction programme prioritises spills that cause more frequent harm to rivers, bathing water and ecosystems. This would be an efficient use of customers' money on an issue that matters to them. We have always supported prioritising investment and action for storm overflows causing harm first.

We also understand Ofwat's decisions is based on the principle that a performance commitment has to be driven by robust evidence of the harm caused by spills.

If a common spill reduction performance commitment is retained in the final determination for Welsh companies we ask that it prioritises most harmful spills first. This could be achievable by final determination that asks DCWW to:

- Accelerate its storm overflow environmental assessments to identify the most harmful spills and prioritise the allowed investment accordingly. Approximately 30% of sites have been surveyed

⁵¹ Page 14: [A15_P2LongTermOutcomes_QualandQuantResearch_results.pdf](#)

⁵² Page 8: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

⁵³ Page 8/9: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

⁵⁴ Page 7: [PR24-draft-determinations-Dwr-Cymru-Quality-and-ambition-assessment-appendix.pdf](#)

⁵⁵ Wales River Pollution Summit Action plan of phosphorus removal to relieve pressure from Special Areas of Conservation ([River pollution summit action plan | GOV.WALES](#)) and Wales PR24 Forum Strategic steers to Companies in Wales - [How will your money be spent on water in Wales - CCW](#)

⁵⁶ Table 5: [PR24-draft-determinations-Dwr-Cymru-Quality-and-ambition-assessment-appendix.pdf](#)

so far. This needs to increase for the company to address storm overflow impacts efficiently and effectively.⁵⁷

- Introduce a storm overflow spill prioritisation plan, transparent to customers so they can be assured that the worst storm overflows are subject to improvements first, and informed by robust evidence from the assessment and surveys of harm.

We support the requirement for companies to report data on when event duration monitors are working, along with total spills per total number of storm overflows. This should incentivise timely maintenance of monitors.

We support the level of base costs allowed for addressing reductions in storm overflow spills and the harm they cause. We consider that companies can deliver improvements in storm overflow spills by preventing or removing blockages, undertaking investment to ensure existing permits are met and maintaining assets well.

It is important that a specific spill overflow reduction is set in the final determination. Overall, compared to the equivalent investment programmes for storm overflow reduction across England and Wales, DCWW's programme seems unambitious in term of spill reduction⁵⁸. If the company gathers more information about the harm caused by its storm overflows, there may be a case for the company to go further to address the overflows that cause the greatest level of pollution.

If that is the case, we think Ofwat should consider a 'gated' approach to any additional investment to address storm overflows, similar to other 'gated' investment in other draft determinations, so investment for pollution reduction is allowed if the company provides robust data to justify it during 2025-30.

Nature based solutions

We welcome increased allowances for the company to use nature based approaches to some of the solutions needed to improve environmental standards and reduce pollution. DCWW's programme includes solutions using wetlands and reedbeds to supplement treatment processes and using Rainscape-style approaches to slow down flows of rainwater run-off⁵⁹.

Our research shows that customers broadly support nature based solutions as they can be more sustainable in the long term⁶⁰.

⁵⁷ Around 250 of frequently spilling 800 overflows have been surveyed so far. [PR24 Business Plan 2025-30 | Dŵr Cymru Welsh Water \(dwrcymru.com\)](#) p.92-93

⁵⁸ Around 110 storm overflows to be added in 2025-30, out of around 2,300 storm overs in DCWW's area of supply.

⁵⁹ Page 8: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

⁶⁰ [Keen to go Green? Customer preferences and priorities for waste water solutions - CCW](#)

Our recent research⁶¹ on river quality also shows that people have become more concerned about supporting nature and no longer relying entirely on built solutions. Protecting and restoring biodiversity is a generally well supported concept, and a high priority for customers who see the wider benefits of working with nature.

It is important for companies to trial new approaches to identify and share successful new innovations that may be lower cost and more sustainable in the long term.

Drinking Water Quality programme

Lead Pipes

We support investment in reducing lead pipes as this addresses both water quality and a public health risk. We think that Ofwat has made decisions that could help pave the way towards the delivery a lead-free Wales even though this does not meet the full Wales PR24 Forum steer aspiration for DCWW.

In addition to the works it's been funded for, we believe Dŵr Cymru could manage replacing additional lead pipes through its mains replacement activity. Mains replacement allows the company the opportunity for efficiency in lead removal. Digging up for main replacement could help companies identify lead in the pipes it owns and contact customers to test the water for lead at home, so effectively targeting pipe replacement.

The industry across England and Wales is going to be doing more to co-ordinate lead reduction trials in 2025-30. This will facilitate shared learnings on what has most success in terms of customer engagement and uptake of lead reduction schemes, particularly in properties, private supply pipes and work to prioritise vulnerable groups and schools by companies in Wales.

The other allowances under the drinking water quality programme, while higher than the equivalent at PR19, appear to be a pragmatic approach to addressing risks and offers protection for customers through the use of the PCD mechanisms.

Customer contacts on water quality

We welcome the programme and increased draft determination ambition seeking to address the causes of customer contacts about drinking water. This should be an area that directly improves the service so customers will hopefully see the improvement delivered.

⁶¹ [Customer Spotlight: People's views and experiences of water 2024 - CCW](#)

We support the challenge presented to DCWW to reduce customer contacts on drinking water quality to 1.0 per 1,000 customers⁶². The company has had a high level of customer contacts on water quality for over a decade and its recent performance is an outlier in the industry⁶³. This seems to be challenging the company to improve performance from PR19 and it aligns with Wales PR24 Forum steers.

Security and Emergency Measures (SEMD)

Water supply security is a primary statutory responsibility for companies. We support setting a common security (SEMD) non-delivery PCD to protect customers. Failure to deliver in this area is failing customers who expect their companies to deliver resilient services. The PCD covers both physical security and emergency planning, which are both key aspects of ensuring these essential services are resilient.

Customer protections

We support the combination of Performance Commitment penalties, Price Control Deliverables and other protections in place to remunerate customers in the event of failure or delay.

Discretionary investment programme

Under the totex allowance it is unclear what cost are allowed for statutory and discretionary investment and this needs to be clearer in the final determination.

We recognise that discretionary investment is limited in this determination due to the high cost of the statutory investment programmes, as trade-offs have been made to protect customer affordability.

However this has meant that some customer supported investment proposals have been delayed, reduced or cut, so we remain concerned that some issues such as net zero compliance, asset resilience and drinking water quality improvements may not be fully addressed until PR29 or beyond.

In this context, Ofwat must ensure companies provide assurance that any deferred investment does not lead to risk to service delivery in the intervening period, and indicate what future bill impacts may be when companies have to 'catch up' at a later date. We also have a concern that deferred schemes may be more urgent and costly when it comes time to deliver them.

⁶² [Key-Dataset-1-V2.xlsb \(live.com\)](#)

⁶³ Discover Water data- Taste [DiscoverWater \(en-GB\)](#) and Odour [DiscoverWater \(en-GB\)](#)

Mains renewal

The Draft Determination allows DCWW expenditure to increase the water main renewals rate from 0.02% to 0.47% over 2025-30. Customers may question why DCWW was allowed to build up a backlog of required asset replacement and maintenance due to a lack of investment in the past. However, as catch-up is needed and the company's research shows customers want to see the service improvements new and renovated assets should deliver, we support the allowance in the draft determination.

We also support the customer protections Ofwat has applied to ensure costs are efficient, and the Price Control Deliverables and other mechanisms in place to return money to customers in the event of failure or delay.

Net zero carbon emissions by 2050

The Draft Determination proposes a 22% reduction in emissions across water and wastewater activities⁶⁴. But it is unclear how far this progresses toward the Wales PR24 net zero target by 2040⁶⁵ steer⁶⁶.

The Final Determination needs to be clear with customers on what progress will be made to 2030, and that it is a sufficient milestone to fully achieving net zero in the future.

Water resources and demand management

Customers placed a high priority on the reliability and resilience of water supplies in the customer engagement DCWW carried out to inform its business plan⁶⁷. So we support the £341 million allowed to invest in its water resources over 2025-30⁶⁸.

This should help protect the country from drought, build new sources of water supply, and help customers save water.

⁶⁴ Page 8: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

⁶⁵ Page 27: [WSH38-Response to PR24 Forum Strategic Steers.pdf](#)

⁶⁶ The Welsh Government legislation on net zero target aligns with that of UK government, however strategic steers to DCWW seem to be more ambitious.

⁶⁷ Page 15: https://corporate.dwrcymru.com/-/media/Project/Files/Page-Documents/Corporate/Library/PR24-Reports/Customer-Research/Web/A15_-_P2LongTermOutcomes_QualandQuantResearch_results.ashx

⁶⁸ Page 10: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

Water Resource Management Plan

The Draft Determination aligns with the company's Water Resources Management Plan (WRMP).

Company research shows that customers place a priority on the security of their supplies,⁶⁹ so we support the twin track approach in the WRMP of increasing and maximising availability of water supplies, whilst also reducing the demand for water through reduced consumption and leakage.

We also agree with the added protection/resilience it potentially provides for flexibility (for example, if demand reduction isn't delivering, supply schemes can be fast tracked and vice versa). This will be needed if companies' limited control over how their customers choose to use water (particularly during droughts and reference the huge peaks in demand during 2022) means there are limits on how far they can go with demand management.

We support the added protection for customers through the use of Price Control Deliverables to incentivise delivery, which also avoids the risk of companies benefitting from external factors such as more favourable weather conditions etc. or other contributing risk factors changing.

We support:

- The core proactive approach to engaging with business customers in supporting them to reduce water usage where they are able to do so⁷⁰.
- The increase in the meter installation programme focusing on geographical areas and installing smart meters⁷¹.
- The allowance of £20 million for the development costs for Cwm Taf water major project, DCWW's plan to build new water treatment works and associated facilities to replace the existing works at Llwyn-on, Cantref and Pontsticill, which are nearing the end of their operational lives⁷².

The delivery of Cwm Taf project may span a longer period than the next five years and may be delivered for DCWW by a third party under Ofwat's Direct Procurement for Customers (DPC) model⁷³. We agree that cost allowances at this stage should only be given for the pre-construction development of these projects, which comprise the project development costs and the cost of developing the project for competitive delivery.

⁶⁹ Page 15: https://corporate.dwrcymru.com/-/media/Project/Files/Page-Documents/Corporate/Library/PR24-Reports/Customer-Research/Web/A15_-P2LongTermOutcomes_QualandQuantResearch_results.ashx

⁷⁰ Page 10: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

⁷¹ Page 11: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

⁷² Page 11: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

⁷³ Page 11: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

While we support the use of direct procurement for third parties to deliver large investment with separate pricing controls, Ofwat and DCWW must provide assurance that any large projects put out to tender will be more cost efficient than 'in house', are fully deliverable, and customers are protected from any risks.

Water Efficiency Fund

CCW supports the aims of Ofwat's proposed Water Efficiency Fund - we agree there is an urgent need for a new approach to increase the focus on demand management.

We have submitted responses to both of Ofwat's consultations⁷⁴.

Performance Commitments and Outcome Delivery Incentives

Performance Commitments (PCs) need show evidence of significant improvements on current performance for a range of measures that matter to both customers and the environment.

As such, we welcome Ofwat's challenges to the company's PC targets to deliver more stretching improvements than it proposed in areas we highlighted in our assessment of the business plan – leakage reduction, per capita consumption, total pollution incidents, internal and external sewer flooding.

In addition to the rejection of the bespoke PC based on the harm caused by storm overflows which we comment on above, the target for storm overflow spills in the common PC, although not finalised, is stated by Ofwat to be below 30 average spills per overflow⁷⁵, compared to DCWW's proposed 38.7⁷⁶. We support this level of greater ambition in what is a priority for customers.

Serious Supply Interruptions

We support Ofwat's proposal for a new 2025-30 PC to track serious supply interruptions (of 12 hours or more). This should provide added transparency of company performance and an added incentive for companies to reduce lengthy supply interruptions which can have considerable impacts on businesses and households.

Leakage

⁷⁴ Our latest response is here - [CCW response to Scoping the Water Efficiency Fund: Second Ofwat Consultation - CCW](#)

⁷⁵ <https://www.ofwat.gov.uk/wp-content/uploads/2024/08/Key-Dataset-1-V3.xlsb>

⁷⁶ <https://corporate.dwrcymru.com/-/media/project/files/page-documents/corporate/library/pr24-reports/may-2024/wsh101-business-plan-tables-240229.ashx> tab OUT1

Leakage reduction is a customer priority. As such we welcome companies' efforts to continue to reduce it as it helps to improve the resilience of water resources, to protect the environment and also supports companies in reducing their Green House Gas emissions from treating and pumping water.

The scale of investment to reduce leakage is higher at PR24 than it was at PR19, so there needs to be clear correlation between the allowance given and the level of ambition in the company's leakage reduction PC.

For DCWW, the 35% absolute target for leakage reduction against the 2024-25 baseline⁷⁷ is a more stretching target to achieve by 2029/30 compared to the business plan. CCW supports this.

Sewer flooding

The absolute target of 23% reduction⁷⁸ applied to the internal sewer flooding PC⁷⁹ is an improvement to the business plan proposal, but does not go far enough to assist customers at risk. While we accept trade-offs have been made to protect customer affordability in the light of a high-cost environment programme, Ofwat's joint research with CCW⁸⁰ clearly shows the impact sewer flooding can have on households, businesses and communities. So we think this should be more challenging with relative targets and related investment and base costs applied to better incentivise the comparatively poor performers. However, we acknowledge that the draft determination goes beyond the water company's original proposal. The company has also proposed a long term objective of reaching approximately 100 incidents by 2050⁸¹ which goes beyond the Wales PR24 Forum DCWW company specific steer⁸².

We support Ofwat's exclusion of exceptional weather in the sewer flooding PC design as including it may disincentivise companies from addressing sewer flooding risks in periods of exceptional rainfall.

Drinking Water Quality customer contacts

DCWW has a high level of customer contacts on water quality⁸³. So CCW welcomes any challenge to its performance. The draft determination seems to have accepted the Wales-specific steer to

⁷⁷ Page 10: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

⁷⁸ Page 12: [Overview-of-Dwr-Cymrus-PR24-draft-determination.pdf](#)

⁷⁹ <https://www.ofwat.gov.uk/wp-content/uploads/2024/08/Key-Dataset-1-V3.xlsx> shows 0.63 incidents per 10k connection by 2029-30. The equivalent in the business plan data table is 1.07 (<https://corporate.dwrcymru.com/-/media/project/files/page-documents/corporate/library/pr24-reports/may-2024/wsh101-business-plan-tables-240229.ashx> tab OUT1)

⁸⁰ [Customer experiences of sewer flooding - CCW](#)

⁸¹ Page 6, <https://www.ofwat.gov.uk/publication/pr24-draft-determinations-dwr-cymru-outcomes-appendix/>

⁸² [How will your money be spent on water in Wales - CCW](#)

⁸³ Discover Water data- Taste [DiscoverWater \(en-GB\)](#) and Odour [DiscoverWater \(en-GB\)](#)

reduce the contacts to 1.0 per 1,000 customers.⁸⁴ This seems to be a more ambitious challenge than PR19 and it aligns with Wales PR24 Forum steers.

We are aware the some companies have challenged the use of the Drinking Water Quality customer contact PC as they rely on customer contacts to alert them to drinking water taste, odour and appearance issues, which they otherwise may not know about. In this context, it may lead to companies discouraging customer contacts.

However, a high level of drinking water quality customer contacts can be viewed as evidence of the level of drinking water quality issues affecting customers (as customers are most likely to contact a company only if there is a problem), so we support this PC to give transparency and incentivise companies to address customer issues effectively.

Ofwat could develop a separate metric in this PC to track repeated contacts from the same customer and/or location, so there is greater distinction between overall contacts and those where the company has failed to respond effectively.

Outcome Delivery Incentives

Outcome Delivery Incentives (ODIs) should drive companies to improve in areas of service where they are currently comparatively poor and/or where robust evidence shows customers want to see improvement.

In this context we support:

- ODI rates proportionate to the size of the company's regulated capital value, so incentives are sufficiently strong to prevent failure but not disproportionate to the allowances needed to deliver customer supported investment.
- The top down approach to setting rates with alignment to evidence of customer valuations of levels of priority for different areas of service. This means 8 PCs that more directly affect customers⁸⁵ have a higher value, which we support.
- The removal of caps and collars for more established PCs, with an aggregate sharing mechanism in place to ensure any higher rewards for outperformance beyond PC targets are shared with customers. Established PCs have more historical performance data to inform target

⁸⁴ 29/30 PC target - [This table](#)

⁸⁵ Water supply interruptions, Customer contacts about water quality, Leakage, Per capita consumption, internal sewer flooding, External sewer flooding, total pollution incidents, Storm overflows – these PCs have ODI rates of +/- 0.6% of RoRE (compared to +/- 0.5% for 'standard' ODIs).

setting which means more confidence in the level of stretch and ambition set, so the protections from caps and collars are not needed to mitigate against uncertainty.

- The new reporting methodology Ofwat proposes, which will provide greater transparency, accuracy and assurance on how companies are performing.

We do not support the use of enhanced ODI rates for six PCs⁸⁶, to provide additional outperformance payments to companies at the frontier of performance. Even with the aggregate sharing mechanism in place, customer will still be asked to pay higher rewards than under rather 'standard' rates in this scenario.

While this may encourage companies to go further and set the bar higher for others to follow, asking customers to pay more for an area of company performance that customers may regard as a basic responsibility by companies does not justify bigger rewards.

Long term context

The five-year package of investment and PC targets should act as a milestone towards delivering a longer term set of outcomes. While there is some evidence that the five-year determination acts as a milestone towards longer term outcomes (for example, through the allowance of development costs for long term investment projects), it's unclear to what extent the company's Long Term Delivery Strategy and adaptive planning informed decisions and the investment costs (and subsequent bill impacts for customers) that may follow in PR29.

DCWW did not set out alternative pathways in line with Ofwat's guidance. So there is insufficient explanation of the challenges DCWW could face in the future and how they propose to respond to them⁸⁷. CCW expects more detail to be included in the Final Determinations.

Enquiries

Enquiries about this consultation should be addressed to:

Jon Johnson

CCW

Jonathan.Johnson@ccwater.org.uk

⁸⁶ Water supply interruptions; leakage; per capita consumption (PCC); internal sewer flooding; external sewer flooding; and total pollution incidents

⁸⁷ Table 2: [PR24-draft-determinations-Dwr-Cymru-Quality-and-ambition-assessment-appendix.pdf](#)

Telephone: 07776963044