November 2025

Final determination adjusting for company actual ODI payments in 2024-25: Hafren Dyfrdwy

Ofwat

1. Introduction

This document sets out our final determinations on Hafren Dyfrdwy's outcome delivery incentive (ODI) payments for 2024-25. It confirms the extent to which the price controls in Hafren Dyfrdwy's PR24 final determinations need to be adjusted for the difference between the company's actual and forecast performance for final charging year of the 2020-25 period (the 'blind year') in relation to its PR19 performance commitments.[1] This final determination does not cover the wider adjustments to Hafren Dyfrdwy's price controls for the other PR19 reconciliation mechanisms or correction of unambiguous errors (other than those relating to ODIs).[2]

The specific changes, and our reasons for these, are set out in this document, the sector overview and associated models which can be found on our website.

In making our final determinations, we considered stakeholder responses to our draft determinations, published on 2 October 2025, and other relevant information, including the CMA's provisional redetermination of our PR24 determinations (to the extent it is relevant to this process).

Alongside this document, for each company we are publishing models on our website.

We are not publishing stakeholder responses to our blind year draft determinations with our ODIs final determinations. This is because they include comments on non-ODI areas of the blind year draft determinations, for which we will not publish our final determinations until December. Instead, we set out the full text of stakeholders' ODI related responses under the "Stakeholder responses" headings in section 3. We will publish stakeholders' responses to our blind year draft determinations (including ODIs) with our blind year final determinations in December 2025. In accordance with the company's licence, tables in this document are shown in 2017-18 price base.

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[1] This determination is made pursuant to Part 3A of condition B of the company's licence (Performance Measure Adjustments, referred to in this document as outcome delivery incentives' determinations) and in accordance with Annex 2 of each company's notification of the PR24 final determination of price controls.
[2] Hafren Dyfrdwy's licence requires us to redetermine price controls for ODI payments no later than 15 November. We confirmed in IN25/01 that we would publish final determinations on the wider blind year adjustments in December 2025. This remains our intention.

2. Final determination of Blind year adjustment of outcome delivery incentives (ODIs)

Table 1 sets out our final determination of the blind year ODI payments to be applied to Hafren Dyfrdwy's price controls, and subsequently to customer bills, in the 2026-27 charging year. It also shows the change in ODI payments for Hafren Dyfrdwy between our draft and our final determinations.

Table 1: Change between draft and final determination on total ODI payments to be applied to customer bills in 2026-27 (£million, 2017-18 FYA CPIH deflated: PR19 base year prices)

	Draft determination on total blind year ODI payments (£m)	Change between draft and final determination (£m)	Final determination on total blind year ODI payments (£m)
Hafren Dyfrdwy	0.228	0.003	0.231

Table 2 shows the breakdown of our final determination on blind year ODI payments for Hafren Dyfrdwy, to be applied to price controls in the 2026-27 charging year.

Table 2: Final determination blind year revenue adjustment to 2026-27 bills for Hafren Dyfrdwy (£million, 2017-18 FYA CPIH deflated: PR19 base year prices)

	Water resources	Water network plus	Wastewater network plus	Bio-resources	Residential retail	Business retail	Total
PR24 FD ODI payments for 2024-25[3]	-0.347	-0.217	-0.054	0.000	0.000	-0.012	-0.630
Company view of actual ODI payments for 2024-25 performance[4]	-0.167	-0.068	0.004	0.000	-0.001	-0.018	-0.250
Ofwat interventions	-0.103	-0.103	-0.032	0.000	0.000	0.000	-0.238
C-MeX					0.073		0.073
D-MeX		0.013	0.003				0.016
Ofwat view of actual ODI payments for 2024-25 performance including C-MeX and D-MeX	-0.270	-0.158	-0.025	0.000	0.072	-0.018	-0.399
Blind year ODI payment adjustment for 2024-25 performance[5]	0.077	0.059	0.029	0.000	0.072	-0.006	0.231
Abatements	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Bespoke adjustments	0.000	0.239	0.000	0.000	0.000	0.000	0.239
Brought forward deferrals	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Blind year deferrals	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Final determination blind year adjustment to be applied to customer bills in 2026-27	0.077	0.298	0.029	0.000	0.072	-0.006	0.470

[3] This does not include any forecast payments for C-MeX and D-MeX for 2024-25.
[4] This excludes C-MeX and D-MeX.
[5] The difference between the PR24 FD ODI payments for 2024-25 and the Ofwat view of actual 2024-25 ODI payments for 2024-25 performance including C-MeX and D-MeX.

3. Key interventions and policy decisions

3.1 Leakage

Our draft determination

In our draft determination, we accepted the company's restated leakage performance for the 2020-25 period and applied a bespoke adjustment of £0.224 million (£0.239 million adjusted for the time value of money) in the company's favour. We accepted this restatement because it means that the company has reported its water balance using household consumption derived from its own data, which we consider is more accurate.

Stakeholder responses

In its draft determination consultation response, Hafren Dyfrdwy stated:

"In our PR19 Blind Year adjustment submission, we requested an adjustment for the restatement of leakage performance of £0.095m for the years 2020–21 to 2022–23, and £0.051m for 2023–24. We note that, in the Draft Blind year adjustment determination, Ofwat has calculated a materially similar adjustment (£0.239m) as our view of £0.233m, by retaining the £0.086m penalty adjustment that was applied in the FD Revenue adjustment feeder model."

The company presented a table with the restated leakage performance that it considered should be reflected in its final determination, supporting its view of an adjustment of £0.233 million.

Consideration of responses and final determination

We shared our workings for the leakage restatement of £0.224 million with the company via query HDD-APR-IP-004. In its response to our query, the company confirmed that it understood how the difference of £0.006 million had arisen and that it agreed with our calculation of the leakage restatement and with the proposed adjustment that we set out in our draft determination. Therefore, our final determination for Hafren Dyfrdwy's leakage restatement is £0.239 million, as included in our draft determination.

3.2 Per capita consumption

Our draft determination

In our draft determination, we accepted the company's restated per capita consumption performance for the 2020-25 period and applied an adjustment of £0.183 million in the customers' interests. We accepted this restatement because it means that the company has reported its water balance using household consumption derived from its own data, which we consider is more accurate.

Stakeholder responses

We did not receive any specific comments on this matter.

Consideration of responses and final determination

Having received no stakeholder responses on this matter, our final determination on Hafren Dyfrdwy's ODI payments for this performance commitment is as stated in our draft determination.

3.3 Internal sewer flooding

Our draft determination

In our draft determination we said that we had considered issues some stakeholders raised about potential discrepancies in reporting sewer flooding events occurring within building extensions (e.g. lean-tos, conservatories) and flooding incidents resulting from sewer jetting or backwashing.

All companies confirmed they reported flooding because of sewer jetting or backwash in line with the reporting guidance; all but three companies confirmed that flooding incidents within building extensions were being classified as internal sewer flooding. South West Water, Severn Trent Water, and Hafren Dyfrdwy highlighted potential differences in their reporting in relation to specific flooding incidents and provided reasons for their reporting, including explanations of their interpretation of the reporting guidance.

Both Severn Trent Water and Hafren Dyfrdwy excluded incidents occurring in permanent structures where the asset was previously external and is now internal (e.g. due to the addition of a conservatory, extension or lean-to) from their internal sewer flooding performance. Severn Trent Water had changed its reporting methodology from 2023-24 onwards, and Hafren Dyfrdwy in 2024-25, following a review of sewer flooding incidents. In their Annual Performance Reports and query responses, they stated that flooding incidents inside these types of buildings occur where building regulations have not been followed (e.g. unsealed manholes) and, ahead of the draft determination, submitted their rationale for excluding these incidents from internal sewer flooding performance.[6]

[6] Response to query HDD-APR-IP-002 (27 August 2025)
Response to query SVE-APR-IP-004 (18 August 2025)

They also considered that their approach is consistent with the approach taken in the Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008 (the GSS).

We carefully considered each of the three companies' approaches, noting that the incentives and targets for external and internal sewer flooding differ, so how incidents are classified can affect ODI payments. We also carefully considered the basis on which companies' PCLs were set and, therefore, how actual performance could fairly be assessed against the targets.

We considered that Severn Trent Water and Hafren Dyfrdwy had changed their methodology and approach to reporting during the 2020-25 period, contrary to the expectations set out in the PR19 company-specific outcomes performance commitment appendix which states that "Companies should commit that their ODI payments will only relate to real performance changes and not definitional, methodological or data changes in the performance commitment". We noted that, for performance commitments, company performance and ODI payments are calculated in accordance with the performance commitment definitions, which are distinct from the provisions of the GSS.

Given that Severn Trent Water and Hafren Dyfrdwy have changed their reporting methodology mid-way through the 2020-25 period, we intervened to reclassify those incidents reported as external sewer flooding as internal sewer flooding for 2023-24 and 2024-25. The adjustment for Hafren Dyfrdwy resulted in an additional underperformance payment of £0.032 million for 2024-25.

We said that for the 2025-30 reporting period we expected South West Water, Severn Trent Water and Hafren Dyfrdwy to include incidents of the nature described above in their internal sewer flooding data. We said any wider changes to internal and external sewer flooding PCs and wider policy interactions will be considered as part of any future PR29 methodology development.

Stakeholder responses

In relation to the internal sewer flooding ODI, Severn Trent Water and Hafren Dyfrdwy disagree with our proposed changes for two reasons.

First, the companies say that Ofwat's change is inconsistent with other decisions it has made and that their approach is consistent with the policy Ofwat is applying to South West Water (i.e. customers should not be rewarded for illegal behaviour). They say that Ofwat has accepted South West Water's approach and rejected theirs on the basis that South West Water had applied its adjustment for the whole of the 2020-25 period. The companies say that, given their in-period reporting has no bearing on the 2020-25 PCLs for internal sewer flooding (which were based on the upper quartile of company forecasts made in 2019) there is no logical reason why their exclusion of illegal build overs should not be accepted.

Secondly, the companies state that their approach aligns with the GSS and building regulations, whereas Ofwat's intervention does not. Severn Trent Water says that the application of the "Internal flooding" definition to a building which has been built unlawfully (and has unlawfully interfered with the undertaker's legal rights) relies on the guidance being indifferent to unlawful actions of customers that cause the circumstances of an internal flooding in circumstances where the GSS explicitly exclude an undertaker from liability. Severn Trent Water considers that if the guidance is indifferent to the unlawful acts of customers in this context it would frustrate the legislative framework of the Water Industry Act 1991 (the Act) and the GSS.

The companies' approach to exclusions is therefore based on the rationale that (a) Ofwat's guidance is not indifferent to whether a building is constructed lawfully or not (b) as the relevant sewer flooding event occurs within the curtilage of a customer's building there would, but for the unlawful act of the customer, have been an "external" flooding event; and (c) therefore, the flooding event should be properly categorised as "external" since it would meet this definition in any event. as otherwise this would result in the perverse outcome of a customer being rewarded for their unlawful act and the undertaker being penalised for having its assets unlawfully built over – a matter firmly not in its control. "

Consideration of responses and final determination

In their representations and query responses it has become clear that there are inconsistencies between companies in reporting. Severn Trent Water has also highlighted the increased difficulty and, in some cases, additional expense that can arise when structures are built over their assets and the time and resources taken to address these issues.

While we understand the companies' concerns in this regard and the complex circumstances in which flooding incidents can occur, our determination is made in the wider context of the PR19 legal framework and our statutory duties, including those set out in section 2 of the Act. This means that there may be other considerations, as well as an individual company's performance in relation to its performance commitments, which are material to the making of a determination under Part 3A of Condition B of each company's licence.

The sewer flooding performance commitments were designed at PR19 with the purpose of incentivising companies to reduce the number of sewer flooding incidents, measured specifically by reference to improvement against a sector level forecast upper quartile PCL, which was set using forecasts provided by companies based on their reported historical performance. When determining ODI payments, it is therefore essential that reporting is consistent with the basis upon which the baseline PCLs were calculated (in this case based on an upper quartile industry target where the incidents in question were included). The stated objective of the reporting guidance is that it "seeks to enable all companies to report on sewer flooding for the defined year with confidence and at a reasonable level of accuracy and with a common approach. Companies shall apply consistent and robust methods and common assumptions. This will facilitate the comparison of performance across companies by customers, regulators and other companies with reasonable confidence."

If companies change their approach to reporting, this results in a shift away from the intended level of stretch and payments which were set at final determinations, our ability to compare across companies is compromised and performance across the sector is not being determined fairly between companies. This is why our PR19 methodology says, and each company's PR19 performance commitment appendix repeats:

> "Companies should commit to keeping the definitions of their performance commitments unchanged during 2020-25 and, if any unavoidable changes are required, to follow our procedures for changes. Companies should commit that their outcome delivery incentive payments will only relate to real performance changes and not definitional, methodological or data changes in the performance commitment. We will be mindful of these points when we are assessing companies' performance against their commitments and outcome delivery incentives during the 2020-25 period."[7]

The sewer flooding performance commitments operate separately to other parts of the legislative framework such as the circumstances in which payments need not be made to customers under the GSS regulations or compliance with the requirements of building regulations.

Having considered stakeholder responses on this matter, in our final determinations we are taking a targeted and proportionate approach to ensure that performance is measured consistently across all companies and that reported performance and incentive payments are aligned to the expectations set at PR19 final determinations to ensure fairness and protect the interests of customers.

This means that we retain our draft determination intervention for Hafren Dyfrdwy. The effect of this was an adjustment for internal sewer flooding of £0.032 million for 2024-25 in its customers' favour. We also retain our draft determination for Severn Trent Water and we intervene, in our final determination, to include sewer flooding caused by internal manholes within South West Water's (South West area) internal sewer flooding performance for the 2020-25 period.

By intervening on South West Water's (South West area) internal sewer flooding performance for the 2020-25 period, we apply a consistent approach to our treatment of sewer flooding for Severn Trent Water, South West Water and Hafren Dyfrdwy in our final determination. We disagree with Severn Trent Water and Hafren Dyfrdwy's statement in their draft

[7] See Appendix 2: Changes to performance commitments during the price control period, in each company's PR19 performance commitment appendix.

determination consultation response that we accepted South West Water's approach and rejected theirs on the basis that South West Water had applied its adjustment for the whole of the period. In our draft determination for South West Water, we said that we proposed not to intervene to adjust ODI payments for 2020-25, but this was subject to the company confirming, in its consultation response, whether flooding from internal manholes which are not sealed/ secured was included or excluded in its PR19 PCL. The company has confirmed in its consultation response that it included sewer flooding from internal manholes in its internal sewer flooding forecasts for PR19.

All three companies suggest that the consistent reporting of performance against the internal sewer flooding PCL, with respect to the excluded incidents, should not be an important consideration in our decision on whether to intervene. The reason they give for this is that the PCL was based on the common industry upper quartile forecast target set by Ofwat, not on historical actual performance for individual companies. We do not agree with this. The PR19 upper quartile industry PCL for internal sewer flooding was based on forecasts that were based on the reported actual performance at that time. We note that, at the time that the PCL was set, the three companies included these incidents in their data, and all other companies have confirmed that they include such incidents in their reported performance. This means that South West Water, Severn Trent Water and Hafren Dyfrdwy have reported performance and ODI payments on this PC (for all or part of the 2020-25 period) in a different way to the data used to set the industry PCL (target).

Noting the principles set out in Annex 2 of companies' PR19 final determinations Outcomes performance commitment appendix, above, we consider that each of these companies' reported performance and ODI payments relate to a methodological change rather than a real change in performance. By intervening to include these incidents, we are ensuring that the performance and ODI payments for these three companies on this PC is consistent with how targets were set and with how the rest of the sector (who do not exclude and therefore will not benefit from an impact on performance and payments for the PC) as reported.

In the draft determination, we said that South West Water, Severn Trent Water and Hafren Dyfrdwy should include such incidents in their internal sewer flooding data for 2025-30.

For the purposes of future reporting, for the final determination we have considered whether the issues the companies raised mean we should retain or amend the proposed approach to reporting for 2025-30. We considered the companies' arguments in the wider context of our expectation that companies report on a consistent basis and the basis on which the PR24 targets were set. We also considered the relevance and application of the PR24 final determination policy for managing the impact of improvements to reporting. [8]

On balance, we consider that South West Water, Severn Trent Water and Hafren Dyfrdwy should include these flooding incidents in their reported data going forwards. However, we

[8] See 7.-PR24-final-determinations-Delivering-outcomes-for-customers-and-the-environment-1.pdf

will ask all companies including South West Water, Severn Trent Water and Hafren Dyfrdwy to set out in the commentary to their APR submissions the number of incidents of this kind that they have included in their data each year. We will confirm the expectation in our information notice for the 2025-26 APR submission. This will allow consistent comparison across the period and help facilitate discussion of the performance commitment definition and guidance for PR29. It will also allow us to consider interventions at PR29 to adjust ODI payments for internal sewer flooding if appropriate.

3.4 Length of river quality improved

Our draft determination

In our draft determination, we noted that the Performance Commitment (PC) definition required that in order for a scheme to be considered complete, a revised permit to discharge needs to have been issued by National Resources Wales (NRW). We noted that the company had reported that it had met the PCL for this PC with £0 ODI payments due.

We also noted that one of the four schemes, Newtown STW, the company had not yet received a revised permit to discharge by the PC deadline of 31 March 2025. However, we noted that it had received a provisional confirmation from NRW, which stated that it "will be able to claim for this scheme, without needing to wait for this permit to be issued, as long as you can provide evidence that the required work has been carried out".

In our draft determination, we accepted the company's reported performance and ODI payment of £0, on the basis of the provisional confirmation from NRW. We requested that the company provides the permit for its Newtown STW Scheme with its draft determination consultation response or an updated written confirmation from NRW that the company has met the conditions to claim for this scheme, if not the permit has not been yet granted.

Stakeholder responses

In its draft determination response, the company provides the Natural Resources Wales (NRW) permit for Newtown (Dolfor Lock) STW as required.

Consideration of responses and final determination

Having considered stakeholders' responses on this matter, our final determination on Hafren Dyfrdwy's ODI payments for this performance commitment is as stated in our draft determination.

3.5 C-MeX and D-MeX

Our draft determination

Our draft determination proposed ODI payments for both C-MeX and D-MeX for Hafren Dyfrdwy based on data from the Annual Performance Report (APR) submissions, compared against the recorded data from our survey agent, BMG. The C-MeX and D-MeX scores for 2024-25 can be found on the Customer and Developer Services experience pages of the Ofwat website and in the published C-MeX and D-MeX models.

Stakeholder responses

Four companies identified that the 2024-25 annual allowed residential retail revenue figures used in the C-MeX model to calculate ODI payments had not been updated to reflect the values from the last in-period determination in 2023. Full details of these responses are set out in the relevant company's ODI final determination document, which are published on our website.

Consideration of responses and final determination

We agree that the allowed residential retail revenue figures had not been updated for 2024-25. Having considered stakeholders' responses on this matter, in our final determination we have included the 2022-23 values in the C-MeX model to recalculate performance payments. Consequently, we apply an outperformance payment of £0.073 million for C-MeX. This is an increase in the outperformance payment of £0.070 million in our draft determination.

3.6 Deferrals and abatements

Our draft determination

Companies can ask us to defer outperformance or underperformance payments, or to abate outperformance payments on individual performance commitments.

Hafren Dyfrdwy did not request to abate any outperformance payments. Hafren Dyfrdwy did not request to defer any of its ODI payments.

Stakeholder responses

We did not receive any specific comments on this matter.

Consideration of responses and final determination

Having received no stakeholder responses on this matter, our final determination on deferrals and abatements is as stated in our draft determination.

3.7 Bespoke adjustments

In some instances, we may need to make bespoke adjustments to account for matters that have arisen after our PR19 determinations and after publication of the reconciliation rulebook in December 2020.

Bespoke adjustments relate to instances where, in their 2024-25 APR, companies have restated their previous performance to be in line with the reporting requirements of the relevant performance commitment(s). Where such adjustments are required, a time value of money adjustment is also applied to ensure the revenue adjustments are Net Present Value (NPV) neutral.

Bespoke adjustments for Hafren Dyfrdwy are summarised in Table 3. They are explained in further detail in the section 3.1 of this document.

Table 3: Breakdown of bespoke adjustments (£million, 2017-18 FYA CPIH deflated: PR19 base year prices)

Price control	Prior year restatements	Time value of money adjustment on prior year total	Total bespoke adjustment to be applied to 2026-27 bills
Water resources	0.000	0.000	0.000
Water network plus	0.224	0.015	0.239
Wastewater network plus (WaSCs only)	0.000	0.000	0.000
Bioresources (WaSCs only)	0.000	0.000	0.000
Residential retail	0.000	0.000	0.000
Business retail	0.000	0.000	0.000
Total	0.224	0.015	0.239

Table 4: Final determination changes to PR24 price controls

This table sets out the impact of our final determination on the company's PR24 price controls, as set out in the in-period adjustments model published on our website. See the final determination ODI payments sector overview on our website for how we apply adjustments for tax and inflation.[9]

Price control		2025-26	2026-27	2027-28	2028-29	2029-30
Water resources (K factors)	PR24 determination	175.52	9.36	5.36	-4.65	-3.60
	Revised	175.52	10.94	3.92	-4.65	-3.60
Water network plus (K factors)	PR24 determination	21.99	9.01	3.99	-9.09	5.07
	Revised	21.99	10.54	2.61	-9.09	5.07
Wastewater network plus (K factors)	PR24 determination	65.19	7.95	5.92	6.90	3.72
	Revised	65.19	8.56	5.35	6.90	3.72
Bioresources (unadjusted revenue, UR_t £m, 2022-23 FYA CPIH prices)	PR24 determination	0.670	0.675	0.683	0.689	0.695
	Revised	0.670	0.675	0.683	0.689	0.695
Residential retail (cost per customer, £ nominal prices)	PR24 determination	37.03	37.68	38.90	39.74	40.90
	Revised	37.03	38.68	38.90	39.74	40.90
Business retail (cost per customer by tariff band, £ nominal prices)	PR24 determination - Tariff Band 1 water <50ML	74.09	76.11	79.99	75.76	75.87
	Revised	74.09	75.25	79.99	75.76	75.87
	PR24 determination - Tariff Band 2 wastewater	91.23	89.42	94.16	91.93	89.04
	Revised	91.23	88.42	94.16	91.93	89.04

We have based Hafren Dyfrdwy's final determination on the data and commentary provided to us by Hafren Dyfrdwy and, where relevant, other stakeholders. Should any of this information be revised or restated in future years, we will take account of adjustments we have made to the relevant price control in relation to the performance commitment(s) in question in making future determinations.

[9] Final determination adjusting for company actual ODI payments in 2024-25: Sector Overview.

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales.

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