



Key indicators – guidance (printable)

We expect each company to publish, at least annually, their performance against a set of key indicators. When set in context by the companies, the indicators provide their stakeholders (including regulators, investors and customers) with an overall picture of company performance.

Companies' key indicators are part of our risk-based approach to regulation. You can find more detail about our approach to regulation in '[Regulatory compliance – a proportionate and targeted approach](#)'.

These pages set out the indicators we expect companies to publish and guidance for how they should do this. Our guidance reflects changes we have made to some of the indicators since companies published them for the first time in 2011-12. We described the changes below and in '[IN 13/02 Regulatory reporting for 2012-13 – process](#)'.

Changes applying from 2011-12

There are some areas of the guidance where we consider minor clarification would be beneficial. These are shown as track-changes in definitions, tolerances and units [\[link\]](#) for the following indicators:

- internal sewer flooding;
- greenhouse gas (GHG) emissions; and
- pollution incidents (sewerage).

We will no longer require companies to publish the following indicator:

- pollution incidents (water).

There are no other changes

The indicators

The indicators are grouped into four high-level areas providing a broad overview of company performance. We summarise them below.

You can also find more detailed information about each of the indicators – including the definitions, tolerances and units later in this document.

Customer experience

Indicator	Definition	Measure
Service incentive mechanism (SIM)	The level of customer concern with company service and how well the company deals with them.	Score
Internal sewer flooding	Number of incidents of internal sewer flooding for properties that have flooded within the last ten years.	Number of incidents
Water supply interruptions	Number of hours lost due to water supply interruptions for three hours or longer, per property served.	Hours per total properties served

Reliability and availability

Indicator	Definition	Measure
Serviceability water non-infrastructure	Assessment of the recent historical trend in serviceability to customers, as measured by movements in service and asset performance indicators.	Stable / Improving / Marginal / Deteriorating
Serviceability water infrastructure	Assessment of the recent historical trend in serviceability to customers, as measured by movements in service and asset performance indicators.	Stable / Improving / Marginal / Deteriorating
Serviceability sewerage non-infrastructure	Assessment of the recent historical trend in serviceability to customers, as measured by movements in service and asset performance indicators.	Stable / Improving / Marginal / Deteriorating
Serviceability sewerage infrastructure	Assessment of the recent historical trend in serviceability to customers, as measured by movements in service and asset performance indicators.	Stable / Improving / Marginal / Deteriorating
Leakage	Total leakage measures the sum of distribution losses and supply pipe losses in megalitres per day (Ml/d). It includes any uncontrolled losses between the treatment works and the customer's stop tap. It does not include internal plumbing losses.	Megalitres a day (Ml/day)
Security of supply index (SoSI)	Indicates the extent to which a company is able to guarantee provision of its levels of service for restrictions of supply. The indicator measures security of supply for two scenarios (where relevant) – under dry year	Index score

	annual average conditions and peak demand conditions.	
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Environmental impact

Indicator	Definition	Measure
Greenhouse gas (GHG) emissions	Measurement of the annual operational GHG emissions of the regulated business.	Kilo tonnes of carbon dioxide equivalent (ktCO ₂ e)
Pollution incidents (sewerage)	The total number of pollution incidents (categories 1 to 3) in a calendar year emanating from a discharge or escape of a contaminant from a sewerage company asset.	Category 1-3 incidents per 10,000 km of sewer
Serious pollution incidents (sewerage)	The total number of serious pollution incidents (categories 1 and 2) in a calendar year emanating from a discharge or escape of a contaminant from a sewerage company asset.	Category 1-2 incidents per 10,000 km of sewer
Discharge permit compliance	Performance of sewerage assets to treat and dispose of sewage in line with the discharge permit conditions imposed on sewage treatment works.	%
Satisfactory sludge disposal	Companies determine their own definitions of satisfactory sludge disposal; as a minimum, we expect companies to adhere to the Safe Sludge Matrix and comply with any legal obligations.	%

Financial

Indicator	Definition	Measure
Post-tax return on capital	Current cost operating profit less tax as a return on regulatory capital value.	%
Credit rating	The company's ability to comply with its licence requirement to maintain an investment grade credit rating.	Assessment by rating agencies
Gearing	Traditionally financed companies – net debt as a percentage of the total regulatory capital value at the financial year end OR structured companies – as defined by company financial covenants.	%
Interest cover	For traditionally financed companies, adjusted interest cover and FFO/interest OR for structured companies, adjusted interest cover or PMICR as required within the financial covenants. For reporting purposes, the company is required to report the lower of the interest cover ratios.	Ratio

Publishing key performance indicators

We expect each company to publish all of the indicators that are relevant to the services they provide. Although we have set out the indicators that we expect companies to publish, we do not intend to produce a template for publication. It is for the companies to decide on a format that sets out this information transparently. We recognise that companies may wish to provide additional information to explain the measure or their performance.

The indicators include those that the Environment Agency will use to assess water company performance in order to protect the environment. Companies have told us that they also expect to publish indicators that cover the quality of their drinking water. They are responsible for determining the assurance processes that they need in order to provide accurate and reliable information.

Companies may choose how to present the indicators but they must be published with:

- status (red, amber or green, where indicated)
- unit of measurement as per the guidance
- actual value

Companies may choose to publish additional indicators that they have defined and that they consider are important as part of their engagement with their stakeholders. The customer challenge groups may also use the indicators to understand company performance.

We also recognise that for some indicators it would be useful to stakeholders to understand how performance compares with earlier years. But it is for the companies to decide how this is presented.

In presenting the indicators companies may wish to provide supplementary information on the size of their operations in order for stakeholders to draw comparisons across the water and sewerage sectors.

Timing of publication

As a minimum, we expect companies to publish updated key indicators annually. But they can publish them more frequently if they wish. We recognise that companies prepare indicators regularly in order to manage their performance and activities, and that more frequent publication would not represent an additional burden.

We expect that companies will publish the indicators no later than 15 July each year. They must email riskandcompliance@ofwat.gsi.gov.uk with a link to the information for our website on the publication date.

Small companies

There are a number of new and existing entrants that, because of their size and – in some cases – the limited nature of the services they provide, that have not been subject to the same level of reporting as others. These include the new appointments created since privatisation and one existing small company (Cholderton). We have considered the current suite of indicators to establish what we think these companies should publish.

The indicators these companies publish may develop further over time. As part of their accountability to their customers these companies may also publish other indicators to set out their performance.

For those small companies that are applying for variations to develop their business, it would be good practice for them to consider the indicators that the larger companies publish, so that they have the systems in place to set out their performance in the future.

As a minimum, we would expect these companies to consider the current set of indicators set out in chapter 3, and where they have systems that allow them to report against these indicators to publish the information on their websites.

We also consider it would be good practice for them to publish their performance against the GSS (guaranteed standards of service) required by 'The Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008' on their websites.