



Outcomes consultation
Water 2020
Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

31 January 2017

Dear Sirs,

Ofwat's outcomes, performance commitments and ODIs consultation

Thank you for the opportunity to respond to your consultation on outcomes, performance commitments and outcome delivery incentives for the forthcoming price review.

We support Ofwat's strategy to ensure customers and wider society have trust and confidence in vital public water and wastewater services. We believe ease of understanding of companies' performance commitments and commitment levels is critical to achieving this strategy. For this reason, we urge Ofwat to ensure that its approach to setting performance commitments, both common and bespoke, be as clear and unambiguous as possible. This includes the way we describe the performance commitments, which should avoid technical jargon. We support the use of a 'basket' of measures over a single compound metric for issues such as resilience, as we believe this makes it easier for customers and CCGs to challenge companies on commitment levels.

We also believe customers need to continue to be at the heart of companies' Business Plans. This means that companies should deliver the best possible results in services that their customers want, when engagement and willingness to pay are considered, within the bounds of affordability. Companies that deliver the services that their customers want will ensure trust and confidence in the sector. We would welcome further insight into how Ofwat would deal with a situation in which customer support for the level of a performance commitment is different to that which Ofwat believes should be attainable, e.g. when comparing a company's performance with the 'frontier' performing companies.

To aid in preparing our response, specifically Ofwat's proposals on a new customer experience measure, we commissioned additional research with Frontier Economics, with whom we worked to prepare a report on the future of the Service Incentive Measure, available on Water UK's marketplace for ideas. The outcomes of this new research are summarised in our response to the consultation question 6. We would be pleased to share our research with Ofwat, and would welcome the opportunity to discuss it in more detail.



We recognise Ofwat needs to be more prescriptive in its guidance to allow greater comparability of companies' performance, and in setting baseline performance levels. However, we believe there is a careful balance to be struck between levels of prescription, the opportunity to innovate and for companies to remain focused on their customers. We welcome Ofwat's assurance that they will be open to innovation, even when it needs to be more prescriptive in certain areas.

If you have any further questions regarding our response, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'C Offer'.

Christopher Offer
Director of Regulation

Please find below Affinity Water's response to each of the consultation questions.

Q1 What is your view on the use of improved information, including comparative performance information, to make performance commitments more stretching?

In general, we support proposals to use improved information to make performance commitments (PCs) more stretching. We are pleased to support the water industry's efforts to publish comparative information via Discover Water, where it is presented in a consistent way, independently assured and making use of the best practice methods.

While our instincts suggest that comparative information, when made available to customers, may mean they demand more from their incumbent supplier, we note research undertaken by Frontier Economics¹ on the effect of comparative information on customer choices. Frontier Economics found that customers' choices were driven primarily by cost and did not change when comparative information on service levels was provided. Companies and regulators need to be mindful of evidence and research particularly if it does not support our opinions, however logical they seem.

We note Ofwat plans to provide information on the cost of capital, ranges for ODI rewards and penalties, and the wholesale cost assessment approach. We welcome this development and agree that the outputs and outcomes from changes in these metrics should be discussed with customers and CCGs within the context of service and bill levels. We are less convinced that presenting these detailed technical issues (arguably 'inputs' and factors affecting modelling) to customers and CCGs is necessary, when the consequences of changes to the inputs are shared.

We are committed to making comparative information to our customers as we deliver our in-period performance commitments and in our engagement for our next Business Plan.

Q2 What is your view on the common performance commitments we are suggesting for PR19?

Common PCs could be a helpful way for customers and CCGs to compare and contrast companies' performance. We broadly support Ofwat's proposals to introduce common PCs for PR19.

Many of the proposed common PCs are based on measures from companies' previous Business Plans. In the absence of the methodologies Ofwat plans to use to measure companies' performance, it is difficult to provide a comprehensive response. We recommend Ofwat publish its thoughts on metrics and measurements for all common PCs as soon as possible.

Some of the PCs already use terminology that is not familiar to customers, for example 'abstraction incentive mechanism'. Some are yet to be defined, such as 'resilience', and there are many views about what it means. We agree with Ofwat's view that PCs should be transparent and easy to understand. Therefore, a key success factor in engaging with our customers is to avoid the use of technical jargon. We would be pleased to work with Ofwat to develop the language of the performance commitments such that they are meaningful and make sense to customers and stakeholders alike. We see this is as a small but important part of the role of CCGs, to ensure that how we present and communicate information to customers is effective.

¹ <http://www.frontier-economics.com/publications/keeping-up-with-the-joneses/>

Ofwat has invited companies to explore more discrete groups of customers, including those in vulnerable circumstances and future customers. It is possible that companies' research across different customer groups could yield different results. Two possible outcomes include the same question asked of different customer groups getting different responses, or that customer responses are not what was predicted. We recognise companies' triangulation of their customer research has a part to play. We are keen to understand how Ofwat will take account of the potential for variation across different companies' customers and the impact on how performance levels will be set for the common PCs.

We support the principle of in-period ODIs, but recommend a commitment-by-commitment review to ensure that they do not unduly incentivise companies to focus on the short-term. We are also interested to understand customers' views on this issue. At the last price review, our customer engagement showed that customers were not supportive of this, primarily due to the potential impact on bill stability. We will need to consider this issue carefully and would be interested to understand if the option of end of period ODIs, if supported by customers, is still possible.

We strongly support Ofwat's principles to make companies' PCs as simple and transparent as possible, to aid customer engagement and understanding. It is possible that linking PCs to specific price controls will introduce confusion for customers, as they may become less transparent. For example, resilience PCs across multiple price controls could also have deeper 'layers' of measures within the price control, potentially creating a 'matrix' of resilience PCs. We are concerned this may be unduly complex and difficult with which to engage customers.

We note that three of the ten common PCs relate to companies providing sewerage services, so will not apply to water only companies. We offer the following thoughts on Ofwat's proposed common PCs:

1. New customer experience measure

- We support this as a common PC.
- We invite Ofwat to consider the research we commissioned from Frontier Economics on the future of the Service Incentive Mechanism², published on the Water UK marketplace for ideas.
- We are keen to explore opportunities with Ofwat to explore a new customer experience measure that better represents the full service provided to customers. We have undertaken further research with Frontier Economics on the detailed proposals in Ofwat's appendix 5 of this consultation, per our note in the covering letter to our response, which we would be pleased to share and discuss with Ofwat.

2. Water quality compliance

- We support this as a common PC.
- We understand the DWI is working on a proposed industry compliance risk index metric to replace mean zonal compliance. We assume Ofwat would take this work into account when determining the specific measure of water quality compliance.

3. Customer water supply interruptions

- In principle, we support this as a common PC, but would welcome further dialogue on the specific metric.
- We note the industry trend in recent years to report against a different unit of measurement, namely minutes per property. At PR14, we set our PC in accordance with the measure that our customers felt strongly about – interruptions greater than 12 hours.

² <https://stakeholder.affinitywater.co.uk/docs/Future-of-SIM.pdf>

We are keen to ensure our PCs reflect our customers' issues. We plan to test with our customers whether minutes per property or >12 hours is the measure they care most about, and will share this research with Ofwat. We welcome Ofwat's advice to triangulate the potential difference between customers' views and regulator's views about which measure takes priority.

4. Water distribution input

- We support the efficient use of water as a common PC.
- We have PCs on all three of these measures for our AMP6 Business Plan. We also made a commitment on unplanned outage. This is a useful measure of the efficient use of water, as it relates to planning our operations around customer demand, and resilience by seeking to minimise the potential for our sources being out of supply.
- **Water distribution input** may not be the easiest measure for our customers to understand, as it is linked to water resource licences, specifically the need and availability of accessing those licences.
- Our customers feel strongly about our **leakage** performance. The way we choose to report leakage is key. Reporting leakage in megalitres per day fails to account for the economic levels that are calculated, or whether the companies are operating at or below those levels, background levels of leakage, the natural rate of rise, the condition of the pipe network, historic levels of investment, or what the ratio between customer-side leakage and company-side leakage might be. For companies who do not forecast a water supply deficit, it may not be economical to pursue lower levels of leakage, and their customers may not support this strategy. For companies who have a water supply deficit, such as Affinity Water, the economic level is set via the development of the Water Resources Management Plan. At PR14, our customers supported going beyond the economic level of leakage, hence our commitment to industry-leading levels of leakage reduction. The end result would still identify us as having a higher percentage leakage than some other companies, despite going beyond the economic level and acting in accordance with our customers' wishes. A compound measure, accounting for the economic level and leakage stability (i.e. avoiding extreme peaks and troughs while allowing for usual seasonal variations), may be more appropriate, but could be less intuitive for customers. We would be pleased to contribute to the development of such a measure.
- Customers in Affinity Water's operating area have higher than average **per capita consumption** (PCC). A performance measurement of PCC in litres per head per day fails to account for the regional differences in customer demographics or their consumption behaviours. Consumption is affected by the levels of metering, which again is different for different companies and often dependent on the water supply / demand balance assessed for companies' Water Resources Management Plans. Active metering programmes, such as our Water Savings Programme, may have transition plans to support customers in avoiding bill shock, potentially delaying PCC reductions as customers take time to adjust. Although government and regulators expect water companies to influence customers' water consumption, it is ultimately the customer who chooses whether or not to reduce consumption. It is therefore unreasonable to expect companies to be ultimately responsible for their customers' lifestyle choices. We remain committed to supporting all customers in the efficient use of water.

5. Abstraction incentive mechanism

- We note this is the only one of the ten common performance commitments to explicitly consider the environment.

- We are one of the industry leaders on sources covered by AIM. However, there are some companies who have no AIM affected sources, and many others who have a small number of low-volume sources. Although schemes are 'live', for many companies, the AIM trigger levels have not been met.
- We therefore challenge if it is appropriate to have a common PC when some companies will not be affected.

6. Customer property sewer flooding (internal)

- Does not apply to water only companies.

7. Wastewater pollution incidents

- Does not apply to water only companies.

8. Asset health water – pipe bursts

- In principle, we support this as a common PC.
- Asset health is effectively the industry's new term for serviceability. Serviceability was originally a 'basket' of measures, as it was intended to represent a company's overall asset management of its entire system of assets.
- We note that Ofwat's proposal refers to below ground assets only, and does not consider the criticality of those assets (i.e. the number of customers affected). We suggest a more inclusive measure would be one that considers the asset health of a water company's system, both above and below ground assets. At PR14, our Asset Health Index measure considered the ratio between the availability and criticality of assets, which is a more customer focussed measure than the number of burst mains with no assessment of criticality. This measure balances the maintenance of companies' assets, with investment plans, with the impacts on customers' supplies, and is fully operational.
- If Ofwat wishes to use pipe bursts as the common performance commitment for asset health, we recommend Ofwat uses the number of bursts on critical assets, to better reflect the disruption to customers. This approach would help avoid unintended consequences of companies treating all assets equally, when arguably they should prioritise assets that affect customers.

9. Asset health wastewater – sewer collapses

- Does not apply to water only companies.

10. Possible new measure or measures of resilience

- In principle, we support a common PC on resilience.
- Ofwat has already set expectations that companies will engage their customers on resilience. We would welcome the opportunity to work closely with Ofwat to define resilience measures. We could also make use of the regional groups, such as Water Resources in the South East (WRSE). WRSE has a particular focus for companies to collaborate to ensure the resilience of customers' supplies in the South East of England. Our Chief Executive Office chairs the group, and we could table proposals to explore options and, where possible, use the WRSE model to test measures of resilience.
- We are active participants in industry projects exploring potential metrics. We welcome Ofwat's commitment to consider the outputs of these projects in defining the new measure of measures of resilience.
- Please refer to our response to question 8 of this consultation.

Q3 What is your view on how we might apply comparative assessments at PR19?

We understand Ofwat's logic proposing that common commitment levels could be set through comparative assessments.

We are keen to understand how Ofwat intends to balance setting the performance commitments for companies, particularly where customers may be satisfied with current performance, but Ofwat believes it should be more stretching, for example when compared to upper quartile or frontier performance. In such an instance, customers may not be willing to pay for an increase in performance. Should companies divert investment away from areas in which customers do wish to see improvements to achieve these service levels? This feels at odds with consumer-led regulation. We look forward to seeing clear guidance on how Ofwat intends to address this issue in its forthcoming methodology consultation.

We offer our view of Ofwat's proposal to have common commitment levels for all companies for the common performance commitments in the following table.

	Measure	Ofwat's provisional view on common commitment level	Affinity Water's view on common commitment level	Affinity Water comment
1	Future customer experience measure	Unclear	Yes	We expect Ofwat will set a common commitment level for this measure.
2	Water quality compliance	Yes	Yes	We agree with Ofwat's proposal to have a common commitment level for this measure, provided any change in service level is supported by companies' customers.
3	Supply interruptions	Yes	No	We do not support a common commitment level. Supply interruptions are complex and based on different factors for different companies, for example the age of their assets, replacement rates and soil corrosiveness. We suggest 'relative stretch' is a better way forward (see notes below).
4	Distribution input / leakage / PCC	No	No	We agree, this is not an appropriate measure for a common commitment level.
5	Abstraction incentive mechanism	No	No	We agree, this is not an appropriate measure for a common commitment level.
6	Internal sewer flooding	Yes	N/A	Does not apply to water only companies.
7	Pollution incidents	Yes	N/A	Does not apply to water only companies.
8	Water mains bursts	Yes	No	We do not support a common commitment level. The factors affecting water mains bursts are complex and different for different companies. Please see our response to question 2 on this common PC. We suggest a stratified burst parameter, a form of 'relative stretch' is a better way forward.
9	Sewer collapses	Yes	N/A	Does not apply to water only companies.
10	Resilience	Unknown	Unknown	Unknown.

In appendix 1, Ofwat notes it would be interested in respondents' views on the basket approach to comparative assessments. We encourage Ofwat to consider whether a basket approach is the most transparent method in setting common commitment levels, in terms of the ease of customers' understanding. We do feel there is considerable merit for a basket of measures for some PCs, to make them more inclusive – asset health (serviceability) is a good example.

In terms of setting levels for companies' performance commitments, we encourage Ofwat consider the concept of 'relative stretch'. Related to the above point, it may not be appropriate or realistic to expect all companies to achieve frontier level performance. For example, at PR14, Affinity Water proposed to reduce its leakage level by 14%. Customers supported going beyond the economic level of leakage. Achieving this reduction would not put Affinity Water at the frontier of leakage levels, but, in percentage terms, it was the largest leakage reduction commitment in the industry. Ofwat may wish to consider relative stretch against companies' own performance, as well as those operating under similar conditions (e.g. geographic location), and not just base levels on the top performing companies. In this way, customer willingness to pay is not ignored when setting commitment levels.

Ofwat considers that glide paths will not be needed for PR19. We accept in principle that glide paths may not be needed, but we suggest there could be circumstances in which they may continue to be useful. Sight of Ofwat's detailed proposals around the setting of common commitment levels would help us determine if glide paths would be a necessary tool to avoid undue penalty when expecting companies to achieve very stretching levels of performance. At this stage, we feel glide paths should remain in Ofwat's methodology toolbox.

In general, we support the use of company-specific factors. We suggest they should be discussed with Ofwat prior to the submission of companies' Business Plans in September 2018. As companies' Business Plans will be built on the foundation of their performance commitments, any company-specific factors would be inherent in investment proposals. Early dialogue would prevent the risk of an entire Business Plan being reworked after submission, should Ofwat feel there is insufficient evidence to apply company-specific factors.

Q4 To what extent do you agree with our proposed approach to leakage performance commitments for PR19?

We agree with Ofwat that customers feel leakage is an important issue. As a water company in the South East of England, we are acutely aware of water scarcity, reflected in the Environment Agency's classification that all eight of our communities across three operating regions are in serious water stress.

We anticipate setting our leakage commitment levels in accordance with our Water Resources Management Plan, as we did at PR14. Leakage is one of a number of different interventions available to us to balance supply and demand. We will be seeking our customers' views on going beyond the economic level of leakage.

In terms of leakage trends, we would encourage Ofwat to be mindful of the natural rate of rise; maintaining leakage at levels beyond what is economic may not be the most efficient or effective way to invest in our assets. Other issues we think Ofwat should consider are background levels of leakage, the condition of the pipe network, the historic levels of investment and the ratio between customer-side leakage and company-side leakage.

Ofwat may also wish to consider the ratio between company-side leakage and customer-side leakage. Companies could reduce leakage on their network to near-background levels but could appear to have a high level of leakage due to customer-side leaks. It is estimated that around a quarter of all water that goes to waste is from customers' supply pipes³. Ofwat's own data suggests that non-metered customers are likely to have a higher level of leakage on pipes they own compared to metered customers⁴. There is a direct financial incentive for metered customers to reduce leakage on their pipework.

We already report our leakage in megalitres per day. We are keen to explore other measures for ease of comparison to other companies, particularly those that take account of factors that may affect reported leakage levels – for example, population density.

We encourage caution in Ofwat's expectations that companies will account for future issues, such as the value of water and the scope for water trading. These introduce uncertainty into companies' plans.

We welcome Ofwat's views on basing leakage PCs on three-year averages. Consistent with Ofwat's plans to encourage a long-term view for the sector, opportunities to move away from short-term thinking to ensure better value for customers, for example avoiding occasions where companies need to appoint significant new resources for a short time to address an increase in leakage caused by prolonged freeze-thaw, particularly as these tend to occur late in the regulatory year.

Q5 What factors should we take into account in our guidance on setting performance levels for bespoke performance commitments at PR19?

We believe that bespoke performance commitments should reflect the issues that customers are concerned about. They may already be covered by the common performance commitments. In setting commitment levels, we feel customers should have the greatest influence on targets, based on engagement and willingness to pay. This ensures that companies are focussed on delivering what their customers want.

We anticipate setting performance commitment levels at the highest level possible within the bounds of customers' affordability. We are keen to explore the difference between willingness to pay and ability to pay, to determine the impact on the scope of our investment proposals. Affordability and ability to pay should be considered in setting bespoke performance commitments.

As stated previously, we are keen to understand Ofwat's approach to companies who have proposed commitment levels in line with customers' expectations and willingness to pay, but where Ofwat might expect a tougher commitment level (e.g. if comparing to frontier levels of performance).

We are pleased to that Ofwat is open to making performance commitments more stretching by exploring means other than tougher commitment levels.

³ CC Water position on leakage, last updated November 2013.

<http://www.ccwater.org.uk/waterissues/currentkeywaterissues/leakage/>

⁴ CIWEM position statement on leakage, 45l/h/d compared to 19l/h/d quoted with Ofwat as the source.

<http://www.ciwem.org/wp-content/uploads/2016/04/Water-supply-pipes.pdf>

Q6 What is your view on our development of a new customer experience measure for PR19?

We support Ofwat's proposals to develop a new customer experience measure for PR19. We submitted our own research on the future of the Service Incentive Mechanism⁵ (SIM) to the Water UK marketplace for ideas. We have also commissioned further research with Frontier Economics into future measurement options, and would be pleased to share and discuss this with Ofwat.

We agree that the new measure should encompass the full range of services that companies provide to their customers. We believe that the measure should incentivise companies to deliver an excellent customer service and experience in a less prescriptive way. We suggest it should consider the emerging digital and social elements of customer service. This could include defining a broader customer satisfaction measure, and / or allocate less weight to the quantitative measure in the current SIM.

The new customer experience measure should reflect the changing nature and use of communication channels. The mechanism should ensure all contact channels are considered, to encourage innovation. We have already moved to more immediate customer feedback, which has led to greater levels of response and higher quality feedback.

We agree that improving trust and confidence is very important, and should support the wider direction of travel for the industry. We believe that the new customer experience measure should be more heavily focused on qualitative aspects. We recognise the importance of continuing to monitor quantitative aspects, and suggest that these are focused on the number of complaints and the time taken to respond to complaints. We suggest that any quantitative audits or surveys be proportional to each companies' customer base (e.g. number of complaints per 1,000 properties), rather than an absolute number, to better compare companies' performance.

We understand Ofwat's thinking on cross-sector comparisons, but suggest care needs to be taken to establish a reflective measure. For example, a much higher proportion of customers accept that their energy supply or mobile telephones will be disrupted than their water supply. We believe that water companies may learn from how other industries deliver excellent customer service, however financial incentives would be inappropriate if applied to any cross-industry comparison.

We believe that water companies should be separately encouraged to support customers in vulnerable circumstances, outside of the future customer experience measure. However, to the extent that it is possible to carry out post-survey analysis on how customer satisfaction varies for vulnerable customers, we recognise that this could provide useful insights.

More powerful outcome delivery incentives

Q7 What is your view on the options for increasing the power of reputational and financial ODIs at PR19?

In general, we are supportive of Ofwat's thinking on increasing the power of reputational and financial ODIs, where they do not impose additional regulatory burden. We are committed to being the leading, community-focussed water company, so meeting our customers' expectations is central to achieving that vision.

⁵ <https://stakeholder.affinitywater.co.uk/docs/Future-of-SIM.pdf>

We feel the most effective way for Ofwat to increase the power of reputational incentives is for them to be clearly linked to the issues that customers want their companies to focus on. Transparent and unambiguous links between customer engagement and willingness to pay with companies' commitment levels will support more powerful reputational incentives.

Companies' reputations will also be affected by their performance against stated performance commitments, whether or not they have penalties or rewards, financial or reputational. It is in the interests of companies to meet their performance commitments.

As mentioned earlier in our response, we support the principle of in-period ODIs, but recommend a commitment-by-commitment review to ensure that they do not unduly incentivise companies to focus on the short-term.

We understand Ofwat's rationale for industry standard ODIs, assuming that the standards were proportional to the company revenue.

We support Ofwat's proposals to increase the proportion of ODIs with financial rewards, allowing for a more balanced regime of incentives. Companies with genuinely ambitious plans should be allowed to access greater rewards.

Better reflecting resilience in outcomes

Q8 What is your view on our proposals for better reflecting resilience within the outcomes framework?

We refer to our responses to questions 2 and 3.

Ofwat identifies that seven of the ten common PCs incorporate resilience, to a greater or lesser extent. We recommend companies are clear about what is 'additional' or 'new' resilience investment, and where resilience has improved from planned investment from previous price reviews. For example, companies improving their asset health measure will be improving resilience, but it is not 'additional' investment, as increased resilience was inherent in investment plans. We would encourage Ofwat to be mindful of its intentions to ensure PCs are easy to understand. We suggest that, while resilience is inherent in a number of the common PCs, it would be easier for customers if resilience is measured under a single PC – probably the resilience common PC.

We note Ofwat's expectations that companies will support five-year PCs with long-term projections. We would draw Ofwat's attention to the rate at which uncertainty increases with longer-term forecasts, and welcome Ofwat's assurances that these projections will be re-examined for subsequent price reviews. This will ensure that companies are not rewarded should circumstances make targets easier to achieve, nor be unduly penalised should circumstances make it unforeseeably difficult.

We are active participants in the water industry's work to explore resilience metrics. Resilience encompasses all aspects of the water and wastewater service, and we would support a basket of measures (each of which was a single metric that was easy to understand and explain to customers), over a single metric with multiple measures.

Ofwat's resilience principles appear sound, and largely already underpin Affinity Water's approach to long-term planning and asset management. We would encourage Ofwat to offer these principles as guidance, rather than mandate them in companies' planning.

Q9 What is your view on the options and our preferred approach to asset health outcomes?

We refer to our responses to questions 2 and 3.

Customers' water supplies are dependent on the successful maintenance and operation of companies' assets, both above and below ground. We are concerned that a measure focussed on a single aspect of a companies' system does not reflect how well a company is managing its entire asset base.

Further, the number of bursts as a raw measure does not explore criticality, i.e. how many customers are affected by the serviceability of assets.

We recommend Ofwat considers an asset health measure that incorporates above and below ground assets, and criticality. This may be a 'basket' of asset health measures, similar to the previous measure of serviceability. This measure balances the maintenance of companies' assets, with investment plans, with the impacts on customers' supplies.

Making performance commitments more transparent

Q10 To what extent do you agree with our proposals for making performance commitments more transparent for customers?

We support making performance commitments and the associated rewards and penalties clear, unambiguous, complete and concise to help our customers engage with us and challenge us on our performance.

As we committed to in our last Business Plan, we agree that sharing information on our performance with customers is key to improving trust and confidence in the services we provide. It seems sensible to use established platforms such as Discover Water for companies to report progress against common performance commitments.

Ofwat is asking for more information on 'sub-commitments', i.e. those underpinning the main performance commitments (whether common or bespoke) that have incentives attached. We recognise that some measures may be complex, such as resilience and asset health, but we would prefer to work on the principle that performance commitments should be as easy to understand as possible, so that very few sub-commitments are needed. This would help contain the regulatory burden associated with reporting a significant number of sub-commitments. We think it is essential that customers' views on these sorts of proposals are sought.

We agree with Ofwat's principles introduced at PR14 that valued outcomes above scheme-specific performance commitments. Nevertheless, we recognise there may be circumstances that are appropriate to have bespoke, scheme-specific performance commitments. We welcome Ofwat's assurance that scheme-specific performance commitments will not be mandated where they are not appropriate or necessary in the context of companies' Business Plans.