

Affinity Water: Delivering outcomes for customers detailed actions

Table 1: Company-wide actions

Area	Concern	Required action	Action reference	Date required
Performance commitment (PC) definition	<p>The company proposes a small number of bespoke PCs which are low in ambition with insufficient evidence that the package reflects its customers' preferences or the issues that affect its operating area.</p> <p>We are concerned that the company only includes one bespoke asset health measure. It does not include any resilience PCs despite the water resource challenges that the company faces. For example, it has one of the worst levels of service in the sector and requires action to maintain supplies from the early 2020s.</p> <p>In addition to this the company proposes to discontinue its PR14 t PC on value for money (R-A2: Value for money survey) and cites the introduction of C-MeX as a justification for this. We do not consider this to be sufficient justification.</p>	<p>Appendix 2 of the PR19 methodology states "Companies must propose bespoke PCs to address their own particular resilience challenges." Therefore, the company should include resilience as part of its overall package of bespoke PCs.</p> <p>The company should consider the selection of further bespoke asset health measures that reflect the unique challenges faced by Affinity Water. This should include but not be limited to the two customer contacts measures from the asset health long list. Where the company proposes additional PCs it should provide evidence to support the selection of these PCs and customer engagement evidence to support any associated outperformance or underperformance payments.</p> <p>The company should provide justification for discontinuing its PR14 Value for Money PC (R-A2: Value for money survey). If sufficient justification for discontinuing the PC cannot be provided, the company should continue its PR14 Value for Money PC.</p>	<p>AFW.OC.A1</p> <p>AFW.OC.A2</p> <p>AFW.OC.A3</p>	<p>1 April 2019</p>

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Area	Concern	Required action	Action reference	Date required
PC stretch	No material company-wide concerns. Individual PC concerns are set out in table 2	No company-wide actions. Individual PC actions are set out in table 2	N/A	N/A
Performance reporting	No concern	None	N/A	N/A
Outcome Delivery Incentive (ODI) type	No material company-wide concerns. Individual PC concerns are set out in table 2	No company-wide actions. Individual PC actions are set out in table 2	N/A	N/A
ODI rates	<p>The company does not provide sufficient evidence to demonstrate that the marginal benefits it uses to formulate its ODI rates represent the valuations of its customers. In some instances this leads to ODI rates that are of higher magnitude than sector comparators.</p> <p>Companies that demonstrated higher quality evidence in their plans for ODI rates formulated marginal benefit estimates on the basis of a robust triangulation approach applied to customer valuations, which themselves were formed from a range of customer research and willingness to pay</p>	<p>The company should reconsider the ODI rates proposed and provide further evidence, either from its own customer base or wider industry studies, to demonstrate that the marginal benefit estimates used are reflective of its customers' preferences and valuations, or conduct further engagement to develop triangulated ODI rates that are based on a broader range of customer evidence.</p> <p>In cases of rejection or revisions to enhancement expenditure or a cost adjustment claim, the company should consider the implications, if any, for the associated level of the PC and ODI incentive rates proposed, and provide evidence to justify any changes to its business plan submission.</p>	AFW.OC.A4	1 April 2019

Area	Concern	Required action	Action reference	Date required
	<p>techniques. These companies also provided a transparent approach to the formulation of forecast efficient marginal costs. The resulting ODI rates were subsequently tested with these companies' customer bases.</p> <p>Our initial assessment of companies' enhancement expenditure and cost adjustment claims (including for scheme delivery) in the Cost Efficiency test results in the revision or rejection of some cost claims proposed by the company. In these instances only, there may be implications for the associated PC and ODI rate proposed.</p> <p>The company has provided insufficient evidence to demonstrate the formation of its marginal cost inputs in relation to the enhancement expenditure and cost adjustment claims that it proposes.</p>	<p>In cases where a scheme will no longer be undertaken, the company should consider the removal of the associated scheme-specific PC.</p> <p>The company should provide further evidence to detail the estimation of forecast efficient marginal costs within its ODI rate calculations, in line with our PR19 Final Methodology. In particular, the company should provide evidence to demonstrate how these marginal cost estimates relate to the cost adjustment claims or enhancement expenditure proposed by the company.</p>		
ODI deadbands, caps and collars	See Customer protection row below.	See Customer protection row below.	N/A	N/A

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Area	Concern	Required action	Action reference	Date required
Enhanced ODIs	No concern	None	N/A	N/A
Overall ODI package	<p>The company provides insufficient explanation of how its ODI package incentivises it, through better aligning the interests of management and shareholders with customers, to deliver on its PCs to customers.</p> <p>The company provides insufficient evidence that its ODI package is supported by robust customer engagement and valuations. There is also concern that the package may not be aligned with both customer and company priorities.</p>	<p>The company should provide further explanation of how its ODI package incentivises it, through better aligning the interests of management and shareholders with customers, to deliver on its PCs to customers or it should revise its package to do so.</p> <p>The company should provide further evidence, such as its initial engagement and acceptability research, to confirm that the package is aligned with both customer and company priorities or it should revise its package to do so.</p>	AFW.OC.A5	1 April 2019
ODI timing	No concern	None	N/A	N/A
Asset health ODI package	The company's asset health ODI package is not appropriate as we consider it does not offer sufficient customer protection\in addition to this the company does not demonstrate sufficient customer support for its outperformance payments.	<p>The company should increase its asset health underperformance payments in order to protect customers from poor performance or provide convincing evidence to demonstrate that its current proposals are in the interests of its customers (over the long and short term).</p> <p>The company should provide sufficient evidence that its customers support its proposed asset health outperformance payments. If it cannot do this, the</p>	AFW.OC.A6	1 April 2019

Area	Concern	Required action	Action reference	Date required
		<p>company should remove the outperformance payments.</p> <p>The company should provide a clear list of what it considers to be its asset health PCs, and state its P10 underperformance payments and P90 outperformance payments for each of its asset health ODIs in £m and as a percentage of RoRE. In general underperformance payments should be higher than outperformance payments.</p>		
Customer protection	<p>The company does not put forward sufficient customer protections. In particular, we have concerns about the potential for large outperformance payments, which could arise if the company significantly outperforms its PC targets. This could leave customers exposed to large increases in bills.</p> <p>The company proposes limited protection in terms of caps on individual PCs and does not outline any re-investment plans or details on bill smoothing mechanisms. Put together, these factors expose customers to an inappropriate level of financial risk that comes despite a comparatively low ODI package.</p>	<p>The company should apply additional protections through an appropriate outperformance payment sharing mechanism and by implementing caps on individual PCs which could result in material outperformance payments. The payment sharing mechanism and caps to material ODIs should be applied in accordance with guidance provided in the ‘Technical appendix 1: Delivering outcomes for customers’</p>	AFW.OC.A7	1 April 2019

Table 2: PC specific actions (for each PC)

	Area	Concern	Required action	Action reference	Date required
PR19AFW_W-D1 Supply interruptions greater than 3 hours	Definition	No concern	None	N/A	N/A
	Stretch	Supply interruptions greater than 3 hours: Water supply interruptions PC: Our PR19 methodology expectation for the water supply interruptions greater than 3 hours PC is for all companies to set performance at the upper quartile in each year of the 2020-2025 period. Based on the forecast data provided by companies in the September 2018 business plan submission, the values are: 2020/21 = 00:04:17; 2021/22 = 00:03:58; 2022/23 = 00:03:40; 2023/24 = 00:03:22; and 2024/25 = 00:03:00.	Supply interruptions greater than 3 hours: For this common PC we expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	AFW.OC.A8	1 April 2019

	Area	Concern	Required action	Action reference	Date required
		The company proposes service levels which are less stretching than these.			
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p>Supply interruptions greater than 3 hours: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies' comparative and historical performance, or exogenous factors such as household income or water stress.</p>	<p>Supply interruptions greater than 3 hours: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in supply interruptions</p> <p>The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for supply</p>	AFW.OC.A9	1 April 2019

	Area	Concern	Required action	Action reference	Date required
			<p>interruptions and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>		
	Caps, collars, deadbands	<p>Supply interruptions greater than 3 hours: The company proposes to apply an outperformance deadband in order to avoid being remunerated unless industry upper quartile performance is achieved. This risks reducing the incentive to reach the upper quartile. Proposing service levels that reflect upper quartile performance will provide appropriate incentives without the need for a deadband.</p> <p>In addition to this the company proposes to apply an underperformance collar. The company insufficiently justifies the level of this proposed collar, which is significantly lower than current and historical performance. This could weaken the company's incentive to improve performance and possibly allow performance deterioration.</p>	<p>Supply interruptions greater than 3 hours: The company should remove the proposed outperformance deadband and propose appropriate incentives that are supported by its customers.</p> <p>The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection.</p> <p>If the company decides to retain the deadband or the collar, it should provide a convincing ODI-specific justifications for these decisions.</p>	AFW.OC.A10	1 April 2019

	Area	Concern	Required action	Action reference	Date required
	Timing	No concern	None	N/A	N/A
PR19AFW_W-B1 Leakage	Definition	No concern	None	N/A	N/A
	Stretch	Leakage: There are concerns that the company's forecast performance is in the lower quartile. There is also insufficient justification for the selected reduction level. The company explains that the current target of 14% during 2015-20 is the highest in the industry, and that it is matching this for 2020-25.	Leakage: The company should reconsider its proposed service levels and ensure that they are stretching and meet the upper quartile values or provide compelling evidence to demonstrate why this level cannot be achieved. Based on the forecast data provided by companies in the September 2018 business plan submission the upper quartile values are 75 litres/property/day and 5.42 m3/km of mains/day. The company should clearly set out the evidence and rationale for the revised targets.	AFW.OC.A11	1 April 2019
	ODI type	Leakage: The company does not provide evidence that customers support the outperformance payment.	Leakage: The company should provide further evidence to justify the use of an outperformance	AFW.OC.A12	1 April 2019

	Area	Concern	Required action	Action reference	Date required
			payment for this PC, including evidence of customer support.		
	ODI rate	<p>Leakage: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies' comparative and historical performance, or exogenous factors such as household income or water stress.</p>	<p>Leakage: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in leakage</p> <p>The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for leakage and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>	AFW.OC.A13	1 April 2019

	Area	Concern	Required action	Action reference	Date required
	Caps, collars, deadbands	<p>Leakage: The company proposes a cap and collar for this PC. The proposed cap lies above the company's expected upper bound for the outperformance payment (P90 value), whereas the proposed collar lies within the company's expected boundary for the underperformance payment (P10 value). This creates an asymmetric balance of risk between outperformance and underperformance.</p>	<p>Leakage: The company should provide further ODI-specific evidence to support its use of a cap and a collar, whilst also considering how its use of these features aligns with its broader approach to customer protection.</p> <p>The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests. The company should consider a more appropriate balance of risk by amending the cap and collar.</p>	AFW.OC.A14	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19AFW_R-B1 Per capita consumption	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A

	Area	Concern	Required action	Action reference	Date required
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p>Per capita consumption: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies' comparative and historical performance, or exogenous factors such as household income or water stress.</p>	<p>Per capita consumption: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in per capita consumption.</p> <p>The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for per capita consumption and assess the appropriateness of the company's</p>	AFW.OC.A15	1 April 2019

	Area	Concern	Required action	Action reference	Date required
			customer valuation evidence supporting its ODI.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19AFW_R-C4 Gaps & Voids	Definition	No concern	None	N/A	N/A
	Stretch	Gaps & Voids: The company's target over the period offers no reduction in the first year of the plan and is constant at a reduction of 0.08 which is not stretching.	Gaps & Voids: The company should revise its target to include reductions in the first year of the plan and to target more stretching reductions. It should clearly set out the evidence and rationale for the revised target or if it retains the original targets it should set out why this is in the customers interests.	AFW.OC.A16	1 April 2019
	ODI type	Gaps & Voids: The company proposes to apply financial incentives to this PC but does not provide sufficient evidence to demonstrate that the specific	Gaps & Voids: The company should provide evidence to demonstrate that an outperformance payment would benefit customers and that it is	AFW.OC.A17	1 April 2019

	Area	Concern	Required action	Action reference	Date required
		proposed outperformance incentive would benefit customers.	designed in such a way that does not create perverse incentives with respect to the timely and accurate registration of void sites.		
	ODI rate	Gaps & Voids: The company has not provided sufficient information on the basis on which its incentive rates have been derived.	Gaps & Voids: The company should outline the basis on which its ODI rates have been calculated and demonstrate that they do not exceed the reduction in bills that customers would experience from a reduction in void sites.	AFW.OC.A18	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
PR19AFW_W-D2 Risk of severe restrictions in a drought	Definition	No concern	None	N/A	N/A
	Stretch	Risk of severe restrictions in a drought: There are concerns that the company has projected no improvement within the period 2020-25 for this PC.	Risk of severe restrictions in a drought PC: The company should explain its level of stretch and submit the intermediate calculation outputs as shown in the common definition guidance published on our website for the drought resilience metric.	AFW.OC.A19	1 April 2019

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	Area	Concern	Required action	Action reference	Date required
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19AFW_W-A1 Compliance Risk Index (CRI)	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	Compliance Risk Index (CRI): There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by	Compliance Risk Index (CRI): The company should provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for CRI and	AFW.OC.A20	1 April 2019

	Area	Concern	Required action	Action reference	Date required
		companies' comparative and historical performance, or exogenous factors such as household income or water stress.	<p>assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p> <p>The company should explain and evidence how its proposed ODI rate for CRI is coherent with the rates proposed for other asset health PCs.</p>		
	Caps, collars, deadbands	<p>Compliance Risk Index (CRI): The company proposes to apply both an underperformance deadband and an underperformance collar to this PC. We have concerns about the low level at which the collar is set, which results in a very small gap between the deadband and the collar. This restricts the performance range over which underperformance payments apply, potentially leaving customers under-compensated for poor performance.</p>	<p>Compliance Risk Index (CRI): We propose to intervene to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. As set out in the methodology we noted a deadband may be appropriate. It is important that the range of underperformance to the collar is adequate to provide clear incentives for companies to deliver statutory requirements.</p> <p>The company should set a deadband at 1.50 and collar at 9.5 for 2020-25.</p>	AFW.OC.A21	1 April 2019

	Area	Concern	Required action	Action reference	Date required
	Timing	No concern	None	N/A	N/A
	Definition	No Concern	None	N/A	N/A
PR19AFW_W-D3 Unplanned outage	Stretch	Unplanned outage: We have some concerns that the company's forecast performance level is not determined using data consistent with the common definition.	Unplanned outage: The company is required to provide fully audited 2018-19 performance data by 15 May 2019. This should take the form of an early APR submission, but only for Unplanned Outages. Board assured data can be provided with the main APR in July 2019, any changes will be taken into account for the Final Determination. Based on the latest performance and updated methodologies, the company should resubmit 2019-20 to 2024-25 forecast data in the 15 May 2019 submission. The company should also report its current and forecast company level peak week production capacity (PWPC) (MI/d), the unplanned outage (MI/d) and	AFW.OC.A22	15 May 2019

	Area	Concern	Required action	Action reference	Date required
			planned outage (MI/d) in its commentary for the May submission.		
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p>Unplanned outage: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies' comparative and historical performance, or exogenous factors such as household income or water stress.</p>	<p>Unplanned outage: The company should explain and evidence how its proposed ODI rate for unplanned outages is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.</p> <p>The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for unplanned outages and assess the</p>	AFW.OC.A23	1 April 2019

	Area	Concern	Required action	Action reference	Date required
			appropriateness of the company's customer valuation evidence supporting its ODI.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
	Definition	No concern	None	N/A	N/A
PR19AFW_W-D4 Number of burst mains	Stretch	Number of burst mains: The company provides insufficient evidence to justify flat performance through the period 2020-25 which is worse than historic performance or why no improvement in long term performance is forecast.	Number of burst mains: The company should reconsider its proposed service levels and ensure that they are stretching. If the company continues to propose performance that is worse than its historical levels, we will expect compelling evidence that increased active leakage control impacts the total number of mains repairs using the company's own data, including the relationship between pro-active and reactive mains repairs. As a minimum the evidence should show	AFW.OC.A24	1 April 2019

	Area	Concern	Required action	Action reference	Date required
			the historical correlation between active leakage control, pro-active and reactive mains repairs. It should also show the impact of this relationship on forecast repair rates from the output of asset performance modelling. The company should also demonstrate the reduced (worse) performance levels are in the interests of customers and the assets.		
	ODI type	No concern	None	N/A	N/A
	ODI rate	Number of burst mains: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies' comparative and historical performance, or exogenous factors such as household income or water stress.	Number of burst mains: The company should explain and evidence how its proposed ODI rate for mains bursts is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (including leakage, supply interruptions and low pressure) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises	AFW.OC.A25	1 April 2019

	Area	Concern	Required action	Action reference	Date required
			<p>performance in the long and short-term.</p> <p>The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for mains bursts and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>		
	Caps, collars, deadbands	<p>Number of burst mains: The company proposes to apply an underperformance collar to this PC, which is set quite close to the PC target level. We therefore have concerns that the proposed collar fails to protect customers from underperformance.</p>	<p>Number of burst mains: The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection.</p> <p>If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision, and it should</p>	AFW.OC.A26	1 April 2019

	Area	Concern	Required action	Action reference	Date required
			consider whether to change the level of the collar. The company's justification should refer to the proposed level of the collar, and it should explain why that particular level has been chosen and how this compensates customers adequately for poor service performance.		
	Timing	No concern	None	N/A	N/A
PR19AFW_W-D5 Properties experiencing longer or repeated instances of low pressure	Definition	Properties experiencing longer or repeated instances of low pressure: We are concerned that the company revised the definition of this asset health measure from the original DG2 and long list definition. While the company is able to do this in the bespoke package, its performance has been poor by the original definition. This will make the PC less transparent to stakeholders and customers as well as making trend analysis difficult for the company and wider stakeholders. The company provides insufficient evidence that the	Properties experiencing longer or repeated instances of low pressure: The company should either use the original DG2 and long list definition or provide further evidence to support its view that the updated definition is a better and more appropriate measure for the company, for wider stakeholders and for customers. In particular the company should refer to trend analysis which may be potentially more difficult and the poor current levels of performance in this	AFW.OC.A27	1 April 2019

	Area	Concern	Required action	Action reference	Date required
		updated definition addresses these issues. This measure is also the company's only bespoke asset health PC.	measure which may cause issues with transparency.		
	Stretch	Properties experiencing longer or repeated instances of low pressure: No improvement is proposed between 2019-21. The starting position for the period 2020-25 is insufficiently challenging.	Properties experiencing longer or repeated instances of low pressure: The company should revise its targets so that the starting levels for the period 2020-25 are challenging, it should also revise its stretch level for the period 2020-25 as a whole based on this. We expect compelling evidence why the levels that the company proposes are in the best interest of customers particularly if it retains the less stretching targets.	AFW.OC.A28	1 April 2019
	ODI type	Properties experiencing longer or repeated instances of low pressure: The company does not provide evidence that customers support the outperformance payment and the CCG does not support outperformance payments, as they are of the opinion	Properties experiencing longer or repeated instances of low pressure: The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.	AFW.OC.A29	1 April 2019

	Area	Concern	Required action	Action reference	Date required
		that the company should be performing better than it currently is.			
	ODI rate	<p>Properties experiencing longer or repeated instances of low pressure: The company selects a subset of values from the PR19 PJM Accent report to estimate its marginal benefit within the ODI rate calculation. The selected values result in an ODI outperformance payment that is of a large magnitude relative to its industry peers. The company does not provide sufficient evidence to set out the selection of these values and to justify its ODI outperformance payment formed on this basis.</p>	<p>Properties experiencing longer or repeated instances of low pressure: The company should reconsider the proposed ODI rates and either provide evidence to demonstrate why the subset of values selected to formulate its marginal benefit and outperformance payment are appropriate, or resubmit lower outperformance payments in line with customer evidence. If the company retains its outperformance payments it should pay regard to the principle that underperformance payments should be higher than outperformance payments.</p>	AFW.OC.A30	1 April 2019
	Caps, collars, deadbands	<p>Properties experiencing longer or repeated instances of low pressure: The company proposes to apply an underperformance collar to this PC, which is set outside of its P10 level and is therefore unlikely to come into force.</p>	<p>Properties experiencing longer or repeated instances of low pressure: The company should reconsider whether to apply an underperformance collar to this PC,</p>	AFW.OC.A31	1 April 2019

	Area	Concern	Required action	Action reference	Date required
		Given that the P10 associated with this PC is low relative to the company's other PCs, we judge that this collar is not necessary.	taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance.		
	Timing	No concern	None	N/A	N/A
PR19AFW_R-C2 Customers in vulnerable circumstances satisfied with our service	Definition	Customers in vulnerable circumstances satisfied with our service PC: The company combines in this PC satisfaction of customers receiving the company's support services among both financially and non-financially vulnerable customers. It is important to understand satisfaction of customers receiving assistance among each of these vulnerability groups separately due to their different needs	Customers in vulnerable circumstances satisfied with our service PC: The company should split this PC into 2 PCs, one for financial and one for non-financial support scheme support. This would support more transparent measurement and reporting than the current PC proposes. In addition, the company should provide additional evidence on the	AFW.OC.A32	1 April 2019

	Area	Concern	Required action	Action reference	Date required
		and the different types of services they receive. The company also provides insufficient evidence of its survey methodology.	sample size used in the monthly survey to determine the PC target and provide external assurance that the survey will be conducted in line with social research best practice.		
	Stretch	Customers in vulnerable circumstances satisfied with our service PC: There are some concerns that the performance level is insufficiently stretching as forecast satisfaction levels (82%) are below current satisfaction levels of ~90%.	Customers in vulnerable circumstances satisfied with our service PC: The company should revise its performance level to at least meet current satisfaction levels.	AFW.OC.A33	1 April 2019
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19AFW_R-C3	Definition	Customers in vulnerable circumstances who found us easy to	Customers in vulnerable circumstances who found us	AFW.OC.A34	1 April 2019

	Area	Concern	Required action	Action reference	Date required
Customers in vulnerable circumstances who found us easy to deal with		deal with PC: The company combines in this PC customers receiving the company's support services among both financially and non-financially vulnerable customers. It is important to understand the experience of customers receiving assistance among each of these vulnerability groups separately due to their different needs and the different types of services they receive. The company also provides insufficient evidence of its survey methodology.	easy to deal with PC: The company should split this PC into 2 PCs, one for financial and one for non-financial support scheme support. This would support more transparent measurement and reporting than the current PC proposes. In addition, the company should provide additional evidence on the sample size used in the monthly survey to determine the PC target for and provide external assurance that the survey will be conducted in line with social research best practice.		
	Stretch	Customers in vulnerable circumstances who found us easy to deal with PC: PC target for "customers in vulnerable circumstances who found us easy to deal with" does not appear stretching compared to other companies that measure customer satisfaction of vulnerable customers	Customers in vulnerable circumstances who found us easy to deal with PC: The company should revise its performance level for this PC so that it is more stretching and provide justification for the level of stretch as well.	AFW.OC.A35	1 April 2019
	ODI type	No concern	None	N/A	N/A

	Area	Concern	Required action	Action reference	Date required
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19AFW_W-B2 Environmental innovation - delivery of community projects	Definition	Environmental innovation - delivery of community projects PC: We are concerned that the choices presented to customers were different to the current definition of the PC. There is insufficient evidence provided relating to why financial incentives are appropriate.	Environmental innovation - delivery of community projects PC: The company should provide further evidence of customer support for this PC. In particular, the company should provide evidence that customers were presented with choice and context related to the design of the currently proposed PC.	AFW.OC.A36	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	Environmental innovation - delivery of community projects PC: The company provides insufficient evidence	Environmental innovation - delivery of community projects PC: The company should provide further evidence to justify the use of	AFW.OC.A37	1 April 2019

	Area	Concern	Required action	Action reference	Date required
		of customer support for the outperformance payment on this ODI. In addition, the delivery of schemes, such as behavioural change in water usage and water reuse may result in a direct impact on per capita consumption, potentially leading to a double counting of benefits.	an outperformance payment for this PC, including evidence of customer support. The company should demonstrate how this ODI will benefit customers. The company should also explain how it prevents double counting of benefits.		
	ODI rate	Environmental innovation - delivery of community projects PC: The company formulates the underperformance ODI rate from annual capex (depreciated over 60 years) rates as opposed to the total expenditure relevant for the schemes.	Environmental innovation - delivery of community projects PC: The company should provide further evidence to justify that the underperformance payment reflects the overall allowance for the schemes specified.	AFW.OC.A38	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19AFW_R-C4	Definition	No concern	None	N/A	N/A

	Area	Concern	Required action	Action reference	Date required
Number of properties wrongly classified as unoccupied (False voids)	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19AFW_W-B3 River restoration	Definition	No concern	None	N/A	N/A
	Stretch	River restoration PC: The PC is related to delivering regulatory requirements on time rather than providing additional benefits to customers. The company has not demonstrated that the proposed profile of work is stretching.	River restoration PC: The company should revise this PC to show that the profile of work is stretching.	AFW.OC.A39	1 April 2019
	ODI type	River restoration PC: The company provides insufficient evidence of	River restoration PC: The company should provide further	AFW.OC.A40	1 April 2019

	Area	Concern	Required action	Action reference	Date required
		customer support for outperformance payments.	evidence to justify the use of an outperformance payment for this PC, including evidence of customer support. The company should demonstrate how this ODI will benefit customers.		
	ODI rate	<p>River restoration PC: The evidence provided by the company states that the marginal benefit delivered from river restoration schemes is related to the timing of scheme delivery against schedule, as opposed to delivering additional benefits for customers. The company is not proposing to deliver any additional schemes within its P90 performance level estimate.</p> <p>The company calculates its marginal benefits based upon the environmental benefits delivered over 100 years, to value a short delay (less than 5 years) in a scheme.</p>	<p>River restoration PC: The company should provide further evidence to justify the marginal benefits estimated from river restoration schemes, in particular that customers are willing to pay greater amounts for expedited scheme delivery and that this will deliver additional benefits to customers than otherwise would occur. It should also demonstrate that outperformance payments will not occur from normal reprofiling of schemes that could occur in the absence of an outperformance payment.</p> <p>The company should provide evidence to justify the 100 year time</p>	AFW.OC.A41	1 April 2019

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	Area	Concern	Required action	Action reference	Date required
			period used to estimate the environmental benefits delivered, in forming valuations of a delay to the proposed scheme.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19AFW_W-B4 Abstraction reduction	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Abstraction reduction: The company does not provide sufficient evidence that customers support outperformance payments for this ODI.	Abstraction reduction: The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support. The company should demonstrate how this ODI will provide benefits that customers value.	AFW.OC.A42	1 April 2019

	Area	Concern	Required action	Action reference	Date required
	ODI rate	Abstraction reduction: The company does not provide sufficient evidence to demonstrate the timescales on which marginal benefits have been calculated for this PC.	Abstraction reduction: Should the company propose to keep outperformance payments on this ODI then the company should set out and justify the timescales over which marginal benefits have been calculated for this PC. In addition to this the company should also provide further evidence to justify the marginal benefits estimated from the expedited abstraction reduction covered by this PC, in particular that customers are willing to pay greater amounts for this expedited delivery.	AFW.OC.A43	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19AFW_W-B5 Number of sources operating under the	Definition	Number of sources operating under the Abstraction Incentive Mechanism: We are concerned that sites have been grouped into sources,	Number of sources operating under the Abstraction Incentive Mechanism: The company should provide further evidence that the	AFW.OC.A44	1 April 2019

	Area	Concern	Required action	Action reference	Date required
Abstraction Incentive Mechanism		this could make the measure insufficiently challenging.	grouping of sites into sources is the best option in terms of customer and environmental benefit. If the company cannot provide this evidence the definition should be amended to be based on the number of sites.		
	Stretch	No concern	None	N/A	N/A
	ODI type	Number of sources operating under the Abstraction Incentive Mechanism: The company does not provide sufficient evidence to justify the use of outperformance payments only for this ODI.	Number of sources operating under the Abstraction Incentive Mechanism: The company should provide further evidence to justify the use of outperformance payments for this ODI and evidence of customer support for this approach. Alternatively the company could consider the use of an underperformance payment in order to sufficiently incentivise this outcome.	AFW.OC.A45	1 April 2019
	ODI rate	No concern	None	N/A	N/A

	Area	Concern	Required action	Action reference	Date required
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19AFW_W-A2 Mean Zonal Compliance (MZC)	Definition	Mean Zonal Compliance (MZC): We consider having two PCs (MZC and CRI) that overlap to this extent may confuse customers and will not provide any useful incentives for the company. In addition the DWI will no longer measure MZC.	Mean Zonal Compliance (MZC): The company should remove MZC. If the company doesn't do this is should provide further evidence that customers support the provision of two very similar measures. Also see action AFW.OC.A1 as we expect the company to select the two PCs from the asset health long list that measure water quality contacts as also are reported on the Discover Water website.	AFW.OC.A46	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A

	Area	Concern	Required action	Action reference	Date required
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19AFW_W-C2 Number of occupied properties not billed (Gap sites)	Definition	No concern	None	N/A	N/A
	Stretch	Number of occupied properties not billed (Gap sites): The company provides insufficient evidence that its proposed target for 2020-25 is stretching.	Number of occupied properties not billed (Gap sites): The company should reconsider its proposed percentage target for 2020-25. The company should clearly set out the evidence and rationale for the revised target.	AFW.OC.A47	1 April 2019
	ODI type	Number of occupied properties not billed (Gap sites): The company proposes to apply financial incentives to this PC, as its customers could benefit from service improvements in this area and should therefore be protected if the company does not deliver on its commitments. However, the company provides insufficient evidence to justify	Number of occupied properties not billed (Gap sites): The company should provide evidence to demonstrate that an outperformance payment would benefit customers and that it is designed in such a way that does not create perverse incentives with respect to the timely and accurate identification of gap sites.	AFW.OC.A48	1 April 2019

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	Area	Concern	Required action	Action reference	Date required
		the use of an outperformance payment on this PC.			
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19AFW_R-C4 Number of occupied properties not billed (Gap sites)	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Number of occupied properties not billed (Gap sites): The company proposes to apply financial incentives to this PC, as its customers could benefit from service improvements in this area and should therefore be protected if the company does not deliver on its commitments. However, the company provides insufficient evidence to justify	Number of occupied properties not billed (Gap sites): The company should provide evidence to demonstrate that an outperformance payment would benefit customers and that it is designed in such a way that does not create perverse incentives with	AFW.OC.A49	1 April 2019

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	Area	Concern	Required action	Action reference	Date required
		the use of an outperformance payment on this PC.	respect to the timely and accurate registration of void sites.		
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A