

## Hafren Dyfrdwy: Delivering outcomes for customers detailed actions

**Table 1 – Company-wide actions**

Area	Concern	Required Action	Action reference	Date required
Performance Commitment (PC) definition	The company did not include any bespoke resilience PCs.	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.	HDD.OC.A1	1 April 2019
PC stretch	No concern at a company-wide level. See concerns below on an individual PC basis.	None at company-wide level. See actions below on an individual PC basis.	N/A	N/A
Performance reporting	Overall, there is insufficient evidence to allow us to understand whether the company will take a robust approach to PC reporting and enhancing the reputational impact of its Outcome Delivery Incentives (ODIs). These concerns are particularly important as the company has a new wastewater licence that allows it to provide water and wastewater services to Severn Trent Water’s	The company should provide further evidence on how it will capture and assure the data required for its PCs. The company should consider what performance reporting it will provide for customers beyond its annual performance report, including providing contextual information, to increase the impact of its ODIs on its reputation.	HDD.OC.A2	1 April 2019

	<p>previous Welsh customers in Powys and Monmouthshire.</p> <p>In addition the company does not propose any measures to increase the reputational impact of ODIs.</p>			
ODI type	<p>The company provides insufficient evidence to justify its proposals of ODI types. The CCG raised concerns that the type of ODI was not fully consulted on or made transparent to customers, together with concerns with misleading statements regarding bill movements within its customer research.</p>	<p>The company should provide sufficient and convincing evidence for its ODI type proposals and how these have been tested with customers. In particular, the company should provide evidence to support the use of outperformance payments and that in cases where these are proposed, they are supported by customers.</p>	HDD.OC.A3	1 April 2019
ODI rates	<p>The company provides insufficient evidence of an objective and consistent approach to triangulation of customer valuations that inform the proposed ODI rates. The company's CCG has raised explicit concerns that the ODI package was not fully discussed with or made transparent to customers.</p> <p>The company also does not provide sufficient evidence to demonstrate its ODI rate calculations across its package of proposed ODIs.</p> <p>Our initial assessment of companies' enhancement expenditure and cost adjustment claims (including for scheme delivery) in the Cost</p>	<p>In all cases, the company should provide further evidence to demonstrate and justify the calculation and level of its ODI outperformance and underperformance rates that it has proposed, both through the requested data tables and any additional written submissions.</p> <p>The company should 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, or conduct further engagement to develop triangulated ODI rates that are based on a broader base of evidence.</p> <p>The company should provide further evidence of customer acceptability for its ODI package, either in the form of further engagement or</p>	HDD.OC.A4	1 April 2019

	<p>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>from the existing evidence gathered by the company.</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> <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 section below.	See Customer protection section below.	N/A	N/A
Enhanced ODIs	No concern	None	N/A	N/A
Overall ODI package	The company does not provide sufficient evidence that its ODI package is supported by robust customer engagement and valuations. Additionally, concerns were noted with potentially	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.	HDD.OC.A5	1 April 2019

	<p>misleading statements regarding bill movements within the customer research.</p> <p>The company does not provide a convincing explanation of how the total ODI package provides appropriate incentives and aligns the interests of management and consumers. In particular, although the business plan contains evidence suggesting that the majority of customers would have supported incentive-linked bill amounts within the ranges set out by Ofwat, the overall package does not reflect this.</p> <p>The ODI package proposed is not within the indicative RoRE range and does not appear balanced, in line with customer priorities and company challenges. The package appears heavily skewed towards a small number of PCs, with insufficient evidence provided that there is customer support for this spread of financial incentives.</p>	<p>The company should provide further evidence of customer support for the overall size of its ODI package. In particular, the company should explain why the ODI package it proposes is in the best interests of customers, when the majority of customers appear to support more ambitious incentive-linked bill amounts than those currently proposed.</p>		
ODI timing	No concern	None	N/A	N/A
Asset health ODI package	The company does not demonstrate sufficient customer support for its outperformance payments for its asset health PCs.	The company should provide sufficient evidence that its customers support its proposed asset health outperformance payments.	HDD.OC.A6	1 April 2019

		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.	HDD.OC.A7	1 April 2019
Customer protection	<p>The company has not put forward sufficient customer protections. The company's upper RoRE estimate is the lowest in the sector, however, this is not sufficient justification for the lack of proposed customer protections within its business plan.</p> <p>We therefore 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>	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 <b>'Technical appendix 1: Delivering outcomes for customers'</b> .	HDD.OC.A8	1 April 2019

**Table 2: PC Specific Actions (for each PC)**

PC	Area	Concern	Required Action	Action reference	Date required
PR19HDD_A1 Water Quality Compliance (CRI)	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	<b>Water Quality Compliance (CRI) PC:</b> The company provides insufficient evidence and rationale for proposing a non-financial incentive. This is a high customer priority and insufficient evidence has been provided as to how a non-financial PC reflects customer priorities.	<b>Water Quality Compliance (CRI) PC:</b> The company should provide further evidence to justify the use of a non-financial incentive for this PC and evidence of customer support for this approach.	HDD.OC.A9	1 April 2019
	ODI rate	<b>Water Quality Compliance (CRI) PC:</b> See concern above.	<b>Water Quality Compliance (CRI) PC:</b> If the company proposes a financial underperformance incentive with a rate that is not consistent with our assessment of the reasonable range around the industry average (as set out in ‘ <b>Technical appendix 1: Delivering outcomes for customers</b> ’) it should demonstrate that this variation is consistent with customers’ underlying preferences and priorities for service improvements in CRI.  If the company proposes a financial underperformance incentive it should provide	HDD.OC.A10	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
			<p>the additional information set out in ‘<b>Technical appendix 1: Delivering outcomes for customers</b>’ to allow us to better understand the causes of variation in ODI rates for CRI and assess the appropriateness of the company’s customer valuation evidence supporting its ODI.</p> <p>In addition, the company should explain and evidence how any proposed ODI rate for CRI is coherent with the rates proposed for other asset health PCs.</p>		
	Caps, collars, deadbands	<b>Water Quality Compliance (CRI) PC:</b> See concern above	<p><b>Water Quality Compliance (CRI) PC:</b> We propose to intervene to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. If a financial incentive did apply to this PC, 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>If the company proposes an underperformance payment rate for this PC, the company should set a deadband at 1.50 and collar at 9.5 for 2020-25.</p>	HDD.OC.A11	1 April 2019
	Timing	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
PR19HDD_B1 Water supply interruptions	Definition	No concern	None	N/A	N/A
	Stretch	<p><b>Water supply interruptions PC:</b> Our PR19 methodology expectation for the Water supply interruptions 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; 2024/25 = 00:03:00. The company proposes service levels which are less stretching than these.</p>	<p><b>Water supply interruptions PC:</b> 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.</p>	HDD.OC.A12	1 April 2019
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p><b>Water supply interruptions PC:</b> The company provides insufficient evidence that its proposed ODI rates for 2020 to 2025 are appropriate. The proposed level is too low to provide a sufficient incentive and was not well supported by customer evidence.</p>	<p><b>Water supply interruptions PC:</b> The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in '<b>Technical appendix 1: Delivering outcomes for customers</b>') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in supply interruptions.</p>	HDD.OC.A13	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		There is also substantial variation in ODI rates across companies (both on an absolute and per household basis). This implies large differences in underlying customer preferences that cannot plausibly be explained by variation in factors such as comparative and historical performance, household income or water stress.	The company should also provide the additional information set out in ' <b>Technical appendix 1: Delivering outcomes for customers</b> ' to allow us to better understand the causes of variation in ODI rates for supply interruptions and assess the appropriateness of the company's customer valuation evidence supporting its ODI.		
	Caps, collars, deadbands	<b>Water supply interruptions PC:</b> The company proposes an underperformance collar, but does not provide any justification for this.	<b>Water supply interruptions PC:</b> The company should provide further evidence to justify the application of a collar and the specific level it should be set at.	HDD.OC.A14	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19HDD_B2 Leakage	Definition	<b>Leakage PC:</b> We identified in the APR18 submission evidence (shadow reporting table 3S) that there are sub-components of some common PCs assessed as 'Amber' or 'Red'. The company has not provided sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019/20.	<b>Leakage PC:</b> For sub-components rated 'Amber' or 'Red' in table 3S of the 2018 APR submission, the company should provide details on the actions needed to comply with the standard definitions of common performance metrics and its timetable for completing them.	HDD.OC.A15	1 April 2019
	Stretch	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	ODI type	<b>Leakage PC:</b> The company provides insufficient evidence to support its proposal for a financial outperformance incentive for this PC. The CCG raised concerns regarding the methods the company used to gain acceptance for outperformance payments.	<b>Leakage PC:</b> The company should provide further evidence of its approach to customer engagement and how it addressed the concerns raised by the CCG. The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.	HDD.OC.A16	1 April 2019
	ODI rate	<b>Leakage PC:</b> The company provides insufficient evidence that its proposed ODI rates for 2020 to 2025 are appropriate. The proposed level is too low to provide a sufficient incentive and was insufficiently supported by customer evidence.  There is also substantial variation in ODI rates across companies (both on an absolute and per household basis). This implies large differences in underlying customer preferences for leakage reduction that cannot plausibly be explained by variation in factors such as comparative and historical performance, household income or water stress.	<b>Leakage PC:</b> The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in ‘ <b>Technical appendix 1: Delivering outcomes for customers</b> ’) and demonstrate that this variation is consistent with customers’ underlying preferences and priorities for service improvements in leakage.  The company should also provide the additional information set out in ‘ <b>Technical appendix 1: Delivering outcomes for customers</b> ’ 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.	HDD.OC.A17	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	Timing	No concern	None	N/A	N/A
PR19HDD_B3 PCC	Definition	No concern	None	N/A	N/A
	Stretch	<b>Per capita consumption (PCC)</b> <b>PC:</b> The company provides insufficient evidence that its proposed service levels for 2020 to 2025 are stretching. It has proposed high service levels for PCC at 151 litres/head/day in 2024-25 and a relatively low percentage reduction of 3% over the period. This is despite "strong and clear" feedback from customers that want a PCC reduction.	<b>Per capita consumption (PCC) PC:</b> The company should reconsider its proposed service levels and ensure that they are stretching. The company should clearly set out the evidence and rationale for the revised targets.	HDD.OC.A18	1 April 2019
	ODI type	<b>Per capita consumption (PCC)</b> <b>PC:</b> The company provides insufficient evidence to support its proposal for a non-financial incentive for this ODI.	<b>Per capita consumption (PCC) PC:</b> The company should provide further evidence to justify the use of a non-financial incentive for this PC and evidence of customer support for this approach.	HDD.OC.A19	1 April 2019
	ODI rate	<b>Per capita consumption (PCC)</b> <b>PC:</b> See concern above.	<b>Per capita consumption (PCC) PC:</b> If the company proposes a financial incentive with a rate that is not consistent with our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') it should demonstrate that this variation is consistent with customers' underlying	HDD.OC.A20	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
			<p>preferences and priorities for service improvements in per capita consumption.</p> <p>If the company proposes a financial incentive it should provide the additional information set out in '<b>Technical appendix 1: Delivering outcomes for customers</b>' 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 customer valuation evidence supporting its ODI.</p>		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19HDD_B4 Resilience - drought risk	Definition	No concern	None	N/A	N/A
	Stretch	<b>Resilience - drought risk PC:</b> The company provides insufficient evidence that its presented risk is determined appropriately.	<b>Resilience - drought risk PC:</b> 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.	HDD.OC.A21	1 April 2019
	ODI type	No concern	None	N/A	N/A

PC	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
PR19HDD_B5 Asset health - burst mains	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	<b>Asset health - burst mains PC:</b> The company does not provide evidence that customers support the outperformance payment.	<b>Asset health - burst mains PC:</b> The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support. Alternatively, the company should remove the outperformance payment.	HDD.OC.A22	1 April 2019
	ODI rate	<b>Asset health - burst mains PC:</b> 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	<b>Asset health - burst mains PC:</b> The company should explain and evidence how its proposed ODI rates for mains bursts are 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 performance in the long and short-term.	HDD.OC.A23	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		such as household income or water stress.	The company should also provide the additional information set out in ' <b>Technical appendix 1: Delivering outcomes for customers</b> ' 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.		
	Caps, collars, deadbands	<p><b>Asset health - burst mains PC:</b>                      The company proposes to apply an outperformance and underperformance deadband to this PC, on the grounds that there is random variation in performance due to weather. However, the PR19 Methodology explains that we expect companies to manage the financial impacts of volatility in performance, and it is appropriate that customers are adequately compensated for below-target performance. Moreover, the use of deadbands could dampen the company's incentives to improve performance from its current position. We therefore judge that the company has insufficiently justified the need for deadbands on this PC.</p>	<p><b>Asset health - burst mains PC:</b> The company should either remove the proposed deadbands from this PC or provide convincing evidence to explain why these features are appropriate and in customers' interests.</p>	HDD.OC.A24	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
	Timing	No concern	None	N/A	N/A
PR19HDD_B6 Asset health - unplanned outage	Definition	<b>Asset health – unplanned outage PC:</b> We identified in the Annual Performance Report 2018 (APR18) submission evidence (shadow reporting table 3S) that there are sub-components assessed as 'Amber' or 'Red'. The company has not provided sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019-20.	<b>Asset health – unplanned outage PC:</b> The company should provide details on the actions needed to comply with the standard definition of this common performance metric and its timetable for completing them (where there is a sub-component rated Amber or Red in table 3S of the 2018 APR submission).	HDD.OC.A25	1 April 2019
	Stretch	<b>Asset health - unplanned outage PC:</b> The company did not submit past performance data or proposed service levels for this PC. It indicates it will be able to start shadow reporting in 2019.	<b>Asset health - unplanned outage PC:</b> The company is required to provide fully audited 2018-19 performance data by 15 May 2019. This should take the form of an early Annual Performance Report (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 re-submit 2019/20 – 2024/25 forecast data in the May submission. The company should also report their current and forecast company level peak week production capacity (MI/d), the unplanned outage (MI/d) and planned outage	HDD.OC.A26	15 May 2019

PC	Area	Concern	Required Action	Action reference	Date required
			(M/d) in their commentary for the May submission.		
	ODI type	<b>Asset health – unplanned outage PC:</b> The company proposes a non-financial incentive without providing sufficient justification. The company states that it is of low importance to customers, and not a customer-facing measure.	<b>Asset health – unplanned outage PC:</b> The company should propose a standard underperformance incentive rate for this PC supported by evidence to justify the customer valuations and forecast efficient marginal cost inputs that it proposes.	HDD.OC.A27	1 April 2019
	ODI rate	<b>Asset health – unplanned outage PC:</b> See concern above	<p><b>Asset health – unplanned outage PC:</b> If the company proposes a financial underperformance incentive with a rate that is not consistent with our assessment of the reasonable range around the industry average (as set out in ‘<b>Technical appendix 1: Delivering outcomes for customers</b>’) it should demonstrate that this variation is consistent with customers’ underlying preferences and priorities for service improvements in unplanned outages.</p> <p>If the company proposes a financial underperformance incentive it should provide the additional information set out in ‘<b>Technical appendix 1: Delivering outcomes for customers</b>’ to allow us to better understand the causes of variation in ODI rates for unplanned outages and assess the appropriateness of the company’s</p>	HDD.OC.A28	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
			customer valuation evidence supporting its ODI.  The company should explain and evidence how any 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.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19HDD_C4 Treatment works compliance	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	<b>Treatment works compliance PC:</b> There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding	<b>Treatment works compliance PC:</b> The company should explain and evidence how its proposed ODI rate for treatment works compliance is coherent with the rates proposed for PCs relating to the associated	HDD.OC.A29	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		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.	customer facing-impacts of the asset failure (including river water quality) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.  The company should also provide the additional information set out in ' <b>Technical appendix 1: Delivering outcomes for customers</b> ' to allow us to better understand the causes of variation in ODI rates for treatment works compliance and assess the appropriateness of the company's customer valuation evidence supporting its ODI.		
	Caps, collars, deadbands	<b>Treatment works compliance PC:</b> The company does not provide sufficient evidence that its proposed level of deadband is sufficiently challenging and protect customers from poor service delivery.	<b>Treatment works compliance PC:</b> The company should revise the deadband level to 99% or provide justification why this is not appropriate.	HDD.OC.A30	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19HDD_E1 Internal sewer flooding incidents	Definition	No concern	None	N/A	N/A
	Stretch	<b>Internal sewer flooding incidents PC:</b> Our PR19 methodology expectation for the Internal sewer flooding incidents PC is for all companies to set performance at the upper quartile in each year of	<b>Internal sewer flooding incidents PC:</b> 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.	HDD.OC.A31	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		<p>the 2020-2025 period. Based on the forecast data provided by companies in the September 2018 business plan submission, the values are: 2020/21 = 1.68; 2021/22 = 1.63; 2022/23 =1.58; 2023/24 = 1.44; 2024/25 =1.34.</p> <p>The company proposes service levels which are less stretching than these.</p>			
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p><b>Internal sewer flooding incidents PC:</b> The company provides insufficient evidence that its proposed ODI rates for 2020 to 2025 are appropriate. The proposed level is too low to provide a sufficient incentive and was not well supported by customer evidence. There is also substantial variation in ODI rates across companies (both on an absolute and per household basis). This implies large differences in underlying customer preferences that cannot plausibly be explained by variation in factors such as comparative and historical performance or household income.</p>	<p><b>Internal sewer flooding incidents PC:</b> The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in ‘<b>Technical appendix 1: Delivering outcomes for customers</b>’) and demonstrate that this variation is consistent with customers’ underlying preferences and priorities for service improvements in internal sewer flooding.</p> <p>The company should also provide the additional information set out in ‘<b>Technical appendix 1: Delivering outcomes for customers</b>’ to allow us to better understand the causes of variation in ODI rates for internal sewer flooding and assess the</p>	HDD.OC.A32	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
			<p>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 internal sewer flooding is coherent with the rates proposed for all other sewerage PCs (including sewer collapses and pollution incidents) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.</p>		
	Caps, collars, deadbands	<b>Internal sewer flooding incidents PC:</b> The company proposes an underperformance collar, but does not provide any justification for this.	<b>Internal sewer flooding incidents PC:</b> The company should provide further evidence to justify the application of a collar and the specific level it should be set at.	HDD.OC.A33	N/A
	Timing	<b>Internal sewer flooding incidents PC:</b> The company has not provided sufficient evidence to justify the application of ODI payments at the end of the 2020-25 period.	<b>Internal sewer flooding incidents PC:</b> The company should provide further evidence to justify the application of this ODI at the end of the 2020-25 period.	HDD.OC.A34	1 April 2019
PR19HDD_E2 Pollution incidents	Definition	No concern	None	N/A	N/A
	Stretch	<b>Pollution incidents PC:</b> Our PR19 methodology expectation for the Pollution Incidents 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	<b>Pollution incidents PC:</b> We expect the company to propose more stretching targets. We note that due to the small size of its sewerage system it may not be appropriate for the company to propose levels in line with the values we have calculated for forecast upper quartile performance as this would lead to	HDD.OC.A35	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		companies in the September 2018 business plan submission, the values are: 2020/21 = 24.51; 2021/22 = 23.74; 2022/23 = 23.00; 2023/24 = 22.40; 2024/25 = 19.50. The company proposes service levels which are less stretching than these.	very low numbers of category 3 pollution incidents in absolute terms. The company should clearly explain the rationale for the revised service levels that it proposes.		
	ODI type	<b>Pollution incidents PC:</b> The company provides insufficient evidence of its engagement with customers about the incentive type proposed.	<b>Pollution incidents PC:</b> The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.	HDD.OC.A36	1 April 2019
	ODI rate	<b>Pollution incidents PC:</b> The company provides insufficient evidence that its proposed ODI rates for 2020 to 2025 are appropriate. The proposed level is too low to provide a sufficient incentive and was not well supported by customer evidence. There is also substantial variation in ODI rates across companies (both on an absolute and per household basis). This implies large differences in underlying customer preferences that cannot plausibly be explained by variation in factors such as comparative and historical performance or household income.	<b>Pollution incidents PC:</b> The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in ' <b>Technical appendix 1: Delivering outcomes for customers</b> ') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in pollution incidents.  The company should also provide the additional information set out in ' <b>Technical appendix 1: Delivering outcomes for customers</b> ' to allow us to better understand the causes of variation in ODI rates for pollution incidents and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	HDD.OC.A37	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
			The company should explain and evidence how its proposed ODI rate for Pollution incidents is coherent with the rates proposed for all other sewerage PCs (including internal sewer flooding, sewer collapses) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19HDD_E4 Sewer flooding - extreme storms	Definition	<b>Sewer flooding - extreme storms PC:</b> The company provides insufficient evidence that its presented risk is determined appropriately.	<b>Sewer flooding - extreme storms PC:</b> The company should adopt the standard definition in full, providing full details of any assumptions in its measurement and reporting methodology. including all the information set out in section 3.6 of Developing and Trialling Wastewater Resilience Metrics, Atkins.	HDD.OC.A38	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A

PC	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
PR19HDD_E5 Sewer collapses	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	<b>Sewer collapses PC:</b> The company proposes an outperformance payment without demonstrating strong customer support besides stating that it is important to its customers. The company has not provided sufficient evidence that its customers support an outperformance payment for this particular PC.	<b>Sewer collapses PC:</b> The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support. Alternatively, the company should remove the outperformance payment.	HDD.OC.A39	1 April 2019
	ODI rate	<b>Sewer collapses PC:</b> 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	<b>Sewer collapses PC:</b> The company should explain and evidence how its proposed ODI rates for sewer collapses are coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (including pollution incidents and internal sewer flooding) and demonstrate how	HDD.OC.A40	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		explained by companies' comparative and historical performance, or exogenous factors such as household income.	<p>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 '<b>Technical appendix 1: Delivering outcomes for customers</b>' to allow us to better understand the causes of variation in ODI rates for sewer collapses and 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 Sewer collapses is coherent with the rates proposed for all other sewerage PCs (including internal sewer flooding and pollution incidents) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.</p>		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	<b>Sewer collapses PC:</b> The company has not provided sufficient evidence to justify the application of ODI payments at the end of the 2020-25 period.	<b>Sewer collapses PC:</b> The company should provide further evidence to justify the application of this ODI at the end of the 2020-25 period.	HDD.OC.A41	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
PR19HDD_A2 Number of complaints about drinking water quality	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	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
PR19HDD_A3 Number of lead pipes replaced	Definition	No concern	None	N/A	N/A
	Stretch	<b>Number of lead pipes replaced PC:</b> The company provides insufficient evidence that it has proposed stretching service levels.	<b>Number of lead pipes replaced PC:</b> The company should provide further evidence that the service levels are stretching including by benchmarking itself with the service levels proposed by Dŵr Cymru.	HDD.OC.A42	1 April 2019
	ODI type	<b>Number of lead pipes replaced PC:</b> The company does not provide sufficient evidence to justify the role of outperformance payments for an ODI which is already subject to a cost allowance.	<b>Number of lead pipes replaced PC:</b> 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 benefit customers.	HDD.OC.A43	1 April 2019

PC	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	<b>Number of lead pipes replaced PC:</b> The company does not provide sufficient evidence why the ODI is set as end-of-period.	<b>Number of lead pipes replaced PC:</b> The company should consider changing the design of this ODI to in-period, or alternatively provide further evidence to justify why an end-of-period ODI should apply.	HDD.OC.A44	1 April 2019
PR19HDD_B7 Properties at risk of receiving low pressure	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	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
PR19HDD_C1	Definition	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
Length of river water quality improved	Stretch	No concern	None	N/A	N/A
	ODI type	<b>Length of river water quality improved PC:</b> The company provides insufficient evidence that its proposed ODI type is appropriate. The CCG noted more evidence for why outperformance payments are necessary.	<b>Length of river water quality improved PC:</b> 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 benefit customers.	HDD.OC.A45	1 April 2019
	ODI rate	<b>Length of river water quality improved PC:</b> The company does not provide sufficient evidence to justify the willingness to pay values that it has selected to formulate its ODI outperformance and underperformance payment rates.	<b>Length of river water quality improved PC:</b> The company should either provide compelling evidence to justify the willingness to pay selected for this ODI.	HDD.OC.A46	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	<b>Length of river water quality improved PC:</b> The company does not sufficiently evidence why the ODI is set as end-of-period.	<b>Length of river water quality improved PC:</b> The company should consider changing the design of this ODI to in-period, or alternatively provide a convincing and well-evidenced argument for why an end-of-period ODI should apply.	HDD.OC.A47	1 April 2019
PR19HDD_C2 Hectares managed for biodiversity	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A

PC	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	<b>Hectares managed for biodiversity PC:</b> The company does not sufficiently evidence why the ODI is set as end-of-period.	<b>Hectares managed for biodiversity PC:</b> The company should consider changing the design of this ODI to in-period, or alternatively provide a convincing and well-evidenced argument for why an end-of-period ODI should apply.	HDD.OC.A48	1 April 2019
PR19HDD_C3 Satisfactory sludge disposal	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	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

PC	Area	Concern	Required Action	Action reference	Date required
PR19HDD_D1 Inspiring our customers to use water wisely	Definition	<b>Inspiring our customers to use water wisely PC:</b> The company provides limited information on the rationale for the selection of this PC.	<b>Inspiring our customers to use water wisely PC:</b> The company should consider how the proposed PC will impact per capita consumption. The company should clearly set out what the outcome of this PC is and its evidence and rationale for the proposed targets.	HDD.OC.A49	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
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19HDD_E3 Sewer blockages	Definition	No concern	None	N/A	N/A
	Stretch	<b>Sewer blockages PC:</b> The company provides insufficient evidence that its proposed service level for 2025 is stretching. The company proposes no further improvement in the 2020-25 period and in the longer term.	<b>Sewer blockages PC:</b> The company should reconsider its proposed service levels and ensure that they are stretching. The company should clearly set out the evidence and rationale for the revised targets.	HDD.OC.A50	1 April 2019

PC	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
PR19HDD_F1 Reduction in the number of void supply points	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	<b>Reduction in the number of void supply points PC:</b> The company proposes to apply financial incentives to this PC but does not provide sufficient evidence to demonstrate that the outperformance incentive would benefit customers.	<b>Reduction in the number of void supply points PC:</b> 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 registration of void sites.	HDD.OC.A51	1 April 2019
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	Timing	No concern	None	N/A	N/A
PR19HDD_G3 Non household customer experience	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	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
PR19HDD_G4 Welsh language services	Definition	<b>Welsh language services PC:</b> The PC relates to the availability of Welsh Language services and is as such correctly allocated to the residential retail control. However, the company does not explain why there is no partial allocation to the business retail control as well.	<b>Welsh language services PC:</b> The company should consider whether this PC should be allocated across price controls and include business retail. The company should include sufficient information to justify its decision.	HDD.OC.A52	1 April 2019
	Stretch	No concern	None	N/A	N/A

PC	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
PR19HDD_H1 Supporting our Priority Service customers during an incident	Definition	<b>Supporting our Priority Service customers during an incident PC:</b> The company does not provide a sufficiently clear definition of this PC. It does not provide sufficient evidence on how customers will be supported during a clean water incident. The company should justify how the support provided to customers through this PC goes above and beyond what is expected of companies during an incident.	<b>Supporting our Priority Service customers during an incident PC:</b> The company should clarify which incidents are covered under this PC. The company should justify how the support provided to customers through this PC goes above and beyond what is expected of companies during an incident.	HDD.OC.A53	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

PC	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
PR19HDD_H2 Help to pay when you need it	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	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
PR19HDD_H3 Effectiveness of the affordability support	Definition	<b>Effectiveness of the affordability support PC:</b> The company does not propose which price control this PC should be allocated to in the data table App1.	<b>Effectiveness of the affordability support PC:</b> The company should propose which price controls this PC should be allocated to in data table App1.	HDD.OC.A54	1 April 2019
	Stretch	<b>Effectiveness of the affordability support PC:</b> The company proposes to determine a baseline based on 2020-21 data and only	<b>Effectiveness of the affordability support PC:</b> The company should propose specific targets or percentage improvements to ensure that service levels are clear and stretching.	HDD.OC.A55	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		states service levels will improve year-on-year. It is not committing to specific targets or percentage improvements.			
	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