

## Portsmouth Water: Actions summary table

### Actions guidance

#### Company actions

We categorise actions that slow-track and significant scrutiny companies need to do as the following:

- **required actions** for companies which in general are required so that we can make draft determinations (or final determinations for some aspects of past delivery); and
- **advised actions** for companies to do by a specific date but that are not required for our draft determinations.

Each action has a unique reference. The prefix 'PRT' denotes the company Portsmouth Water. The central acronym references the test area where the action has been identified, please see the 'PR19 initial assessment of plans: Glossary' for a key of these acronyms. Actions whose numbers are preceded with an 'A' denote required actions and actions whose numbers are preceded with a 'B' denote advised actions.

#### Timings and required response

- **Required actions:** Slow-track and significant scrutiny companies should address all **required actions** by the date shown in the 'date required' column in the table below (the majority of these are by 10am on 1 April 2019). The response to actions should be set out by companies in their resubmitted business plans and data tables. The template action tracker should be completed with a short description of the response and relevant business plan and/or data table references and should be submitted by 10 am on 1 April 2019. We will review the response to these actions in our assessment of company submissions ahead of determinations.
- **Advised actions:** Slow-track and significant scrutiny companies should set out their response to their **advised actions** by the date shown in the 'date required' column in the table below. For advised actions due on 1 April 2019 companies should include details of their response in their actions tracker.
- **Actions tracker:** Each company must complete and submit the template action tracker by 10 am on 1 April 2019 for review. For additional guidance, please see the cover page of the template action tracker.
- **Assurance:**
  - Assurance must be provided where requested as part of an action.
  - Companies must indicate the assurance that they have undertaken for all changes to data tables.
  - Where Customer Challenge Groups (CCGs) have provided assurance this should be indicated. In some instances, we have stated where we expect companies to work with CCGs as part of their re-submission of (parts of) their business plans. Please use our PR19 methodology as the guide for where their assurance of the quality of engagement with customers may be required.
  - If additional assurance is not required, companies may still provide it if they deem it appropriate.

For all the detailed actions documents referenced in the table below, the template action tracker and glossary, please see the [initial assessment of plans webpage](#).

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Test area	Action reference	Action type	Action	Date required
Engaging customers	N/A	N/A	None.	N/A
Addressing affordability and vulnerability	<b>PRT.AV.A1</b>	Required	<p>Portsmouth Water has not proposed a performance commitment on Priority Services Register (PSR) growth. It is proposing to increase its PSR reach from 0.1% in 2019/20 to 0.2% of households in 2024/25. We consider this to be an insufficiently ambitious target. In addition, the company has checked no PSR data over the past two years.</p> <p>We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): Portsmouth Water should include a Performance Commitment to increase its PSR reach to at least 7% of its customer base (measured by households) by 2024/25. It should also commit to checking at least 90% of PSR data every 2 years via its Performance Commitment.</p> <p>For further information on the performance commitment definition, and reporting guidelines, please refer to 'Common performance commitment outline for the Priority Service Register ("PSR")', published on the initial assessment of plans webpage.</p>	1 April 2019
	Advised actions	Advised	No advised actions.	N/A
Delivering outcomes for customers	<b>PRT.OC.A1-A50</b>	Required	The company has a number of actions in relation to its performance commitments, outcome delivery incentives and ODI risk/return package. Please see 'Portsmouth Water: Delivering outcomes for customers detailed actions'.	Please see dates in 'Portsmouth Water: Delivering outcomes for customers detailed actions'
	Advised actions	Advised	No advised actions.	N/A
Securing long-term resilience	<b>PRT.LR.A1</b>	Required	The company should ensure that its common and bespoke performance commitments associated with operational resilience are clearly defined, sufficiently demanding for AMP7 and the long term, and supported by the right incentives. We expect the company to satisfy the relevant actions set out in relation in the outcomes areas ensuring a line of sight between risks to resilience and package of outcomes.	1 April 2019

Test area	Action reference	Action type	Action	Date required
	<b>PRT.LR.A2</b>	Required	The company should provide a commitment that it will, by 22 August 2019, prepare and provide to us an action plan to develop and implement a systems based approach to resilience in the round and ensure that the company can demonstrate in the future an integrated resilience framework that underpins the company's operations and future plans showing a line of sight between risks to resilience, planned mitigations, package of outcomes and corporate governance framework.	1 April 2019
	<b>PRT.LR.A3</b>	Required	The company should provide a commitment to work with the sector to develop robust forward looking asset health metrics and provide greater transparency of how its asset health indicators influence its operational decision making.	1 April 2019
	<b>PRT.LR.A4</b>	Required	Please explain the steps the company is taking to ensure it will be able to maintain long term financial resilience in the event that its requested adjustment to the cost of capital is not allowed at a future (subsequent to PR19) price control and set out the risk management/mitigation approaches that have been identified.	1 April 2019
	<b>PRT.LR.A5</b>	Required	Please explain how the company has taken account of the risks associated with its targeted credit rating, and outline associated risk management/mitigation approaches identified by the company to provide assurance on long term financial resilience.	1 April 2019
	<b>PRT.LR.A6</b>	Required	With respect to development of the Havant Thicket Winter Storage Reservoir: <ul style="list-style-type: none"> <li>• Demonstrate how the company has considered the risks to its long term financial resilience if the project is significantly delayed or does not proceed.</li> <li>• Explain how the company will ensure the development and financing of the project will not result in any detrimental impact to the service provided to Portsmouth Water customers.</li> </ul>	
	Advised actions	Advised	No advised actions.	N/A
Targeted controls, markets and innovation	<b>PRT.CMI.A1</b>	Required	The company has not provided insufficient detail to give us confidence that its customers will be adequately protected by the commercial arrangements between the company and Southern Water. Please set out the key commercial terms and explain how these would protect customers from bearing the cost of the reservoir over the longer term if Southern Water withdraw from the agreement where the need for proposed scheme is driven by their supply requirements. It is unclear that the proposed development should be included within the RCV of the company if Southern water (and its customers) are essentially funding the reservoir development through the proposed contractual framework as this would transfer residual risks to your customers.	1 April 2019
	<b>PRT.CMI.A2</b>	Required	The company should produce a standalone bid assessment framework document that addresses our feedback. This should provide sufficient clarity to a bidder.	15 July 2019
	<b>PRT.CMI.A3</b>	Required	Please explain the impact of the proposed changes to the metering programme on your water resources position	1 April 2019

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Test area	Action reference	Action type	Action	Date required
	<b>PRT.CMI.A4</b>	Required	For DPC, the company is required to provide further evidence to support the decisions that determined why some schemes were not suitable for DPC. The list of schemes and the required evidence is detailed in 'Portsmouth Water: Direct procurement for customers detailed actions'.	1 April 2019
	<b>PRT.CMI.B1</b>	Advised	The company should consider how it can collaborate with other companies to maximise the opportunities for research to address common challenges (eg leakage detection, water efficiency and water treatment processes) rather than companies progressing research independently.	
Securing cost efficiency	<b>PRT.CE.A1</b>	Required	We have provided our view of efficient costs for the company along with our reasoning. We expect it to address areas of inefficiency, or lack of evidence, in the revised business plan. Where appropriate, we expect it to withdraw investment proposals if either: <ul style="list-style-type: none"> <li>the need for investment is not compelling; or</li> <li>there is no need for a cost adjustment claim beyond our existing cost baseline.</li> </ul>	1 April 2019
	<b>PRT.CE.A2</b>	Required	There may be significant impacts in terms of investment or type of investment as a result of the metaldehyde ban. The company should investigate and agree with the DWI the scale and timing of any potential changes compared to its submitted plans. Significant changes and uncertainty may require an outcome delivery incentive to protect customers in the instance of expenditure not being required. Should the company propose a performance commitment and outcome delivery incentive, the company should provide evidence to justify the level of the performance commitment and the outcome delivery incentive rates proposed, in line with our Final Methodology. We expect to receive evidence of customer support for outperformance payments, where proposed, and that the incentive rates proposed are reflective of customer valuations.	1 April 2019
	Advised actions	Advised	No advised actions.	N/A
Aligning risk and return	<b>PRT.RR.A1</b>	Required	The company has proposed a target credit rating for the notional company that is three notches above a minimum investment grade and two notches higher than the target credit rating for the actual company. The company should provide further evidence to support its view that this is a reasonable balance between maintaining the financeability of the notional company and securing affordable bills for customers.	1 April 2019
	<b>PRT.RR.A2</b>	Required	The company has proposed a target credit rating for the actual company that is one notch above a minimum investment grade and two notches lower than the target credit rating for the notional company. The company should provide further evidence to support its view that this is reasonable for the financeability of the company given the proposed investment and the funding requirement of the company.	1 April 2019
	<b>PRT.RR.A3</b>	Required	The company should provide further evidence and Board assurance to support the financeability of both the notional and actual company structures with particular reference to how the thresholds set out for the key financial ratios are consistent with the target credit ratings.	1 April 2019
	<b>PRT.RR.A4</b>	Required	The company should provide further detail to explain how the RoRE range was determined for Havant Thicket, in particular how it relates to cost data in the bell curve provided in its plan, and provide further detail to explain how it has ensured the data underpinning the range of cost outcomes for Havant Thicket represents a robust assessment.	1 April 2019
	<b>PRT.RR.A5</b>	Required	The company should amend its assessment of revenue variance or provide convincing evidence that its exposure to revenue variation is as wide as its analysis suggests, particularly given the PR19 methodology.	1 April 2019

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Test area	Action reference	Action type	Action	Date required
	<b>PRT.RR.A6</b>	Required	There is inconsistency between the notional cost of equity in business plan table Wr5 and Wn5. The company should ensure its subsequent submission is consistent in this respect.	1 April 2019
	<b>PRT.RR.B1</b>	Advised	The company should provide a clearer link between its internal risk management and mitigation procedures and the RoRE analysis.	1 April 2019
Accounting for past delivery	<b>PRT.PD.A1-8</b>	Required	The company has a number of actions in relation to the detail in some of its PR14 reconciliations. Please see 'Portsmouth Water: Accounting for past delivery detailed actions'.	Please see dates in 'Portsmouth Water: Accounting for past delivery detailed actions'
	<b>PRT.PD.B1-4</b>	Advised	The company should develop and provide further evidence to support the continuous improvement and deliverability of outcomes and incidents handling. Please see 'Portsmouth Water: Accounting for past delivery detailed actions'.	Please see dates in 'Portsmouth Water: Accounting for past delivery detailed actions'
Securing confidence and assurance	<b>PRT.CA.A1- PRT.CA.A3</b>	Required	The company is required to restate a number of forward looking Board assurance statements. Please see 'Portsmouth Water - Securing confidence and assurance detailed actions.'	1 April 2019
	<b>PRT.CA.A4</b>	Required	On dividend policy the company is required to confirm that it is committed to adopt the expectations on dividends for 2020-25 as set out in 'Putting the sector in balance' to include: <ul style="list-style-type: none"> <li>• clear board commitment to signal changes to stakeholders; and</li> <li>• commitment to transparency about how the dividend policy in 2020-25 takes account of obligations and commitments to customers for the dividend policy that is applied in 2020-25 and when determining dividends.</li> </ul> Please provide an update on the steps you are taking to fully meet the expectations as set out in our putting the sector in balance position statement.	1 April 2019
	<b>PRT.CA.A5</b>	Required	On executive pay the company is required to confirm that it is committed to adopt the expectations on performance related pay for 2020-25 as set out in 'Putting the sector in balance' to include: <ul style="list-style-type: none"> <li>• providing full details and commitment to publish, including all performance metrics, the executive pay policy for 2020-25;</li> <li>• visibility and evidence of substantial linkage of executive remuneration to delivery to customers;</li> <li>• clear explanation of stretching targets and how they will be applied;</li> </ul>	1 April 2019

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Test area	Action reference	Action type	Action	Date required
			<ul style="list-style-type: none"> <li>• clear explanation of how the policy will be rigorously applied and monitored;</li> <li>• clear commitment to transparency of reporting; and</li> <li>• commitment to report how changes, including the underlying reasons, are signalled to customers.</li> </ul> <p>Please provide an update on the steps you are taking to fully meet the expectations as set out in our putting the sector in balance position statement.</p>	
	<b>PRT.CA.A6- PRT.CA.A9</b>	Required	The company is required to provide a revised financial model and data tables on 1 April 2019 and complete actions regarding its outcomes, risk and return and cross cutting themes (water resources) data. Please see 'Portsmouth Water - Securing confidence and assurance detailed actions.'	1 April 2019
	Advised actions	Advised	No advised actions.	N/A

## Securing cost efficiency

The tables below set out your performance on cost at different services and for different cost types. Costs are in £m of 2017-18. We index wholesale controls with consumer price inflation (CPIH). We do not index retail controls.

### Costs by control

Costs	Water resources	Network + (water)	Residential retail	Company level
Business plan totex (£m)	91.2	132.9	23.5	247.6
Our view of totex (£m)	85.9	146.1	21.8	253.8
Efficiency challenge (£m)	5.3	-13.1	1.6	-6.2
Efficiency challenge (%)	5.8%	-9.9%	7.0%	-2.5%

### Costs by residential retail and water

Costs	Residential retail	Wholesale Water	Company level
Business plan totex (£m)	23.5	224.1	247.6
Our view of totex (£m)	21.8	232.0	253.8
Efficiency challenge (£m)	1.6	-7.8	-6.2
Efficiency challenge (%)	7.0%	-3.5%	-2.5%

### Costs by base, enhancement and residential retail

Costs	Wholesale base costs	Enhancement costs	Residential retail	Company level
Business plan base/enhancement costs (£m)	136.0	88.1	23.5	247.6
Our view of base/enhancement costs (£m)	151.3	80.7	21.8	253.8
Efficiency challenge (£m)	-15.3	7.5	1.6	-6.2
Efficiency challenge (%)	-11.3%	8.5%	7.0%	-2.5%

Efficiency challenge (%) = efficiency challenge (£m) divided by business plan totex.

Note, the costs in the tables do not include pension deficit repair costs (for which we make an allowance in accordance with our policy set out in Information Notice 13/17) and third party costs. The costs are gross of grants and contributions.

Area where we disallow enhancement costs.

- **Wholesale water:** Supply-demand balance Havant Thicket reservoir -£7m.