

Portsmouth Water: 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 proposes no PCs relating to Havant Thicket.	If the company demonstrates that the Havant Thicket reservoir should be added to its regulatory capital value (RCV) then it should propose at least one PC and outcome delivery incentive (ODI) to protect customers if the scheme is not delivered, or delivered and not needed.	PRT.OC.A1	1 April 2019
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 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 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	The company undertakes no triangulation of customer valuations having obtained its marginal benefit values from a	The company should provide further evidence for the calculation of its ODI rates, including any input values (with particular reference to the triangulation of customer	PRT.OC.A2	1 April 2019

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Area	Concern	Required action	Action reference	Date required
	<p>single source. The company provides no transparency as to how it has used customer valuations or marginal costs in calculating its ODI rates. A number of the company's ODI rates are significantly lower than industry comparators. The company does not provide any marginal cost data within App1. 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>valuations and marginal cost estimates), and adjustments made. For bespoke PCs, the company should provide further customer evidence, either from its own customer base or wider industry studies, to demonstrate that its marginal benefit estimates are representative of the underlying preferences of its customer base and that the resulting ODI rates provide adequate incentives for the company to deliver. The company should consider revising its ODI rates to reflect this wider range of evidence, and justify the levels proposed. 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, if applicable.</p>		
ODI deadbands, caps and collars	<p>There was insufficient justification regarding the company's approach to setting deadbands, caps and collars within its business plan, at either a general or PC-specific level.</p>	<p>The company should provide general and PC-specific justification for its usage of deadbands, caps and collars. The company should provide ODI-specific evidence to support its use of caps and/or collars on individual ODIs, whilst also considering how its use of these features</p>	PRT.OC.A3	1 April 2019

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Area	Concern	Required action	Action reference	Date required
	<p>The company proposes a widespread application of outperformance caps and underperformance collars across its ODI package. There was insufficient justification for the company's almost universal application of underperformance collars.</p>	<p>aligns with its broader approach to customer protection. The company should reconsider its widespread application of collars to financial PCs and it should consider applying these features more selectively. The company should provide justification for the levels at which all of its caps and collars are set, with the company explaining why these levels are appropriate and in customers' interests.</p>		
Enhanced ODIs	<p>For all its enhanced ODIs, the company proposes outperformance payments equal to four times the standard ODI rate. This implies enhanced ODI rates that exceed the willingness to pay of the company's customers.</p>	<p>The company should provide further evidence to justify the level of the enhanced ODI outperformance and underperformance incentive rates proposed, or consider revising the enhanced rates to be based on a lower multiple applied to the standard incentive rates.</p>	PRT.OC.A4	1 April 2019
Overall ODI package	<p>The company has not responded to customer preferences for a more asymmetric set of incentives in its ODI package, with evidence provided suggesting customer preference for underperformance payments rather than outperformance payments. The company provides insufficient explanation of how its ODI package incentivises it,</p>	<p>The company should provide clarification of which ODI payments it has uplifted and by how much and clarify why these adjustments are in the best interests of customers, management and stakeholders. 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.</p>	PRT.OC.A5	1 April 2019

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	<p>through better aligning the interests of management and shareholders with customers, to deliver on its PCs to customers. The company provides insufficient evidence that its ODI package is supported by robust customer engagement and valuations. Particularly, there is concern that there is no clear line of sight between customer willingness to pay and overall ODI rates, due to uplifts to certain ODIs that are not appropriately evidenced.</p>			
ODI timing	<p>The company does not provide sufficient evidence to justify the timing of its ODIs.</p>	<p>The company should provide ODI-specific evidence to justify the timing of ODIs that have been selected as end of period.</p>	PRT.OC.A6	1 April 2019
Asset health ODI package	<p>The company's asset health ODI package is not appropriate as we consider it does not offer sufficient customer protection. The company does not demonstrate that it understands and has addressed its asset health past performance challenges, as it does not have appropriate PCs and ODIs on water quality contacts. The company proposes a PC - Customer contacts relating to</p>	<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 and the assets. The company should propose a further PC Customer contacts about water quality (taste and odour) from the asset long list with an appropriate ODI. It should change the PC on appearance as set out in Table 2 below. The company should provide sufficient evidence that its customers support its</p>	PRT.OC.A7	1 April 2019

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Area	Concern	Required action	Action reference	Date required
	<p>the colour of the water (black, brown, orange) PC which is a subset of its 2015 - 2020 PC, which covered both appearance and taste/odour water quality customer contacts. In each years of the 2015-2020 period the company has not met this PC. However, the company performs well relative to the industry for the subset it proposes to measure.</p> <p>The company does not demonstrate customer support for its outperformance payments.</p>	<p>proposed asset health outperformance payments. If it cannot do this, the 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.</p>		
Customer protection	<p>The company does not put forward sufficient customer protections. There are some areas where there is a lack of clarity on the specifics of the protection offered and there is therefore some uncertainty with regards to the level of protection offered. In particular the mechanism for bill smoothing and what would happen if there was a continual rollover of outperformance payments.</p>	<p>The company should provide further clarity regarding its bill smoothing mechanism and what would happen in the event of continual rollover of outperformance above its 3% per annum RORE cap.</p> <p>The company should apply additional protections through an appropriate outperformance payment sharing mechanism. The payment sharing mechanism should be applied in accordance with guidance provided in Technical appendix 1: Delivering outcomes for customers.</p>	PRT.OC.A8	1 April 2019

Table 2: PC-specific actions (for each PC)

PC	Area	Concern	Required action	Action reference	Date required
PR19PRT_PRT-Network Plus-01 Water Quality Compliance	Definition	No concern	None	N/A	N/A
	Stretch	Water Quality Compliance PC: The company forecasts its performance level at 1.	Water Quality Compliance PC: The company is required to set the performance level to zero, in line with statutory requirements.	PRT.OC.A9	1 April 2019
	ODI type	No concern	None	N/A	N/A
	ODI rate	Water Quality Compliance PC: 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. The company provides insufficient evidence that its proposed ODI rates for 2020 to 2025 are appropriate. The proposed level is too low in absolute terms to provide a sufficient incentive and is not well supported by customer evidence.	Water Quality Compliance PC: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average that we 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 water quality. 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 Water Quality Compliance and assess the	PRT.OC.A10	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			appropriateness of the company's customer valuation evidence supporting its ODI. The company should explain and evidence how its proposed ODI rate for CRI is coherent with the rates proposed for other asset health PCs.		
	Caps, collars, deadbands	Water Quality Compliance PC: The company proposes to apply an underperformance collar to this PC. We note that the proposed collar is set very close to its PC target, which severely restricts the performance range over which underperformance payments apply, and weakens the company's incentive to maintain good performance.	Water Quality Compliance PC: 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. The company should set a deadband at 1.50 and collar at 9.5 for 2020-25.	PRT.OC.A11	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19PRT_PRT-Network Plus-02 Interruptions to Supply	Definition	No concern	None	N/A	N/A
	Stretch	Interruptions to Supply PC: Our PR19 methodology expectation for the Water supply interruptions PC is for all companies to set performance at the	Interruptions to Supply PC: We expect the company's service levels to reflect the values we have	PRT.OC.A12	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		<p>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 proposed performance that was beyond these values by 2024-25, so there is no concern, but there is a required action so that all companies have consistent service levels.</p>	calculated for each year of the 2020 to 2025 period.		
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p>Interruptions to Supply PC: 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. The company provides insufficient evidence to justify the use of customer</p>	<p>Interruptions to Supply PC: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average that we 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>	PRT.OC.A13	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		valuations for mains bursts as a proxy for supply interruptions.	<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 interruptions and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p> <p>The company should provide a clear line of sight from its customer valuation evidence to its ODI rates and provide further evidence to demonstrate and justify any adjustments.</p>		
	Enhanced ODI rate	<p>Interruptions to Supply PC: The company does not clearly state what the thresholds are before enhanced outperformance payments and underperformance payments would apply.</p> <p>The company proposes enhanced outperformance payments equal to four times the standard ODI rate. This implies enhanced ODI rates that exceed the willingness to pay of the company's own customers.</p>	<p>Interruptions to Supply PC: The company should set out the annual thresholds for enhanced outperformance payments and underperformance payments, and provide evidence demonstrating that these are consistent with shifting the frontier and protecting its own customers.</p> <p>The company should provide further evidence to justify the level of the enhanced ODI outperformance and underperformance incentive rates proposed, or consider revising the enhanced rates to be based on a</p>	PRT.OC.A14	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			lower multiple applied to the standard incentive rates. The company should clarify the level at which it proposed to set its enhanced outperformance payment cap and enhanced underperformance collar.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19PRT_PRT-Network Plus-07 Leakage	Definition	Leakage PC: 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 does not provide sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019/20.	Leakage PC: Where there is a sub-component 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.	PRT.OC.A15	1 April 2019
	Stretch	Leakage PC: The company provides insufficient evidence that its proposed service levels for 2020 to 2025 are stretching. It has a high forecast when normalised both in terms of 'per property' and 'km of mains' which we do not consider stretching.	Leakage PC: 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	PRT.OC.A16	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			submission the upper quartile values are 75 litres/property/day and 5.42 m ³ /km of mains/day. The company should clearly set out the evidence and rationale for the revised targets.		
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p>Leakage PC: The company states that it has revisited its business plan dataset and uplifted the ODI payments. However, the company provides insufficient evidence that its proposed ODI rates for 2020 to 2025 are appropriate. The proposed underperformance ODI rate is too low to provide a sufficient incentive in relation to the PC stretch.</p> <p>The company amends the ODI rates to adjust for overlap with severe drought by allocating to leakage and PCC in proportion to customer valuations, however the company does not provide sufficient evidence to demonstrate how it did this, or justify its resulting higher outperformance rates (which are higher than its underperformance rates).</p> <p>There is also substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer</p>	<p>Leakage PC: The company should provide evidence to justify the larger outperformance rates relative to underperformance rates, or amend these to ensure that the outperformance rate is no higher than the underperformance rate. In either case the company should set out the evidence and rationale.</p> <p>The company should provide further evidence on how it has calculated its ODI rates (including marginal benefits and marginal costs) and the adjustments applied to account for any overlap with severe drought.</p> <p>The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average that we set out in Technical appendix 1: Delivering outcomes for customers and demonstrate that this variation is consistent with customers' underlying</p>	PRT.OC.A17	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		<p>preferences that cannot plausibly be explained by companies' comparative and historical performance, or exogenous factors such as household income or water stress.</p>	<p>preferences and priorities for service improvements in leakage. 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>		
	<p>Enhanced ODI rate</p>	<p>Leakage PC: The company has not clearly stated what the thresholds are before enhanced outperformance payments and underperformance payments would apply. The company proposed outperformance payments equal to four times the standard ODI rate. This implies enhanced ODI rates that exceed the willingness to pay of the company's own customers.</p>	<p>Leakage PC: The company should set out the annual thresholds for enhanced outperformance payments and underperformance payments, and provide evidence demonstrating that these are consistent with shifting the frontier and protecting their own customers.</p> <p>The company should provide further evidence to justify the level of the enhanced ODI outperformance and underperformance incentive rates proposed, or consider revising the enhanced rates to be based on a lower multiple applied to the standard incentive rates.</p> <p>The company should clarify the level at which it proposes to set its</p>	<p>PRT.OC.A18</p>	<p>1 April 2019</p>

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PC	Area	Concern	Required action	Action reference	Date required
			enhanced outperformance payment cap and enhanced underperformance payment collar.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19PRT_PRT-Water Resources 03 Helping Customers to Use Less Water at Home	Definition	Per Capita Consumption (PCC) PC: 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 does not provide sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019/20.	Per Capita Consumption (PCC) PC: Where there is a sub-component 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.	PRT.OC.A19	1 April 2019
	Stretch	Per Capita Consumption (PCC) PC: The company provides insufficient evidence that its proposed service levels for 2020 to 2025 are stretching. It has a relatively high proposed service levels of 135 litres/head/day in 2024-25. We raised concerns in our representation for dWRMP19 on PCC reductions being below the national average for other companies, and below our expectations for water efficiency across the sector.	Per Capita Consumption (PCC) PC: 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.	PRT.OC.A20	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p>Per Capita Consumption (PCC) PC: 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>The company proposed to amend its ODI rates to adjust for overlap with severe drought by allocating to leakage and PCC in proportion to customer valuations, however the company does not provide sufficient evidence to demonstrate how it did this.</p> <p>The company has provided insufficient evidence that its proposed ODI rates for 2020 to 2025 are appropriate. The proposed level is too low to provide a sufficient incentive in relation to the PC stretch.</p>	<p>Per Capita Consumption (PCC) PC: The company should provide an explanation of why its proposed ODI rates differ from other companies' and why this variation is consistent with its customers' underlying preferences. The company should provide further evidence on how it has calculated its ODI rates (including marginal benefits and marginal costs) and the adjustments applied to account for any overlap with severe drought.</p> <p>The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average that we 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</p>	PRT.OC.A21	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			<p>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 customer valuation evidence supporting its ODI.</p>		
	Enhanced ODI rate	<p>Per Capita Consumption (PCC) PC: The company does not clearly state what the thresholds are before enhanced outperformance payments and underperformance payments would apply.</p> <p>The company proposes outperformance payments equal to four times the standard ODI rate. This implies enhanced ODI rates that exceed the willingness to pay of the company's own customers.</p>	<p>Per Capita Consumption (PCC) PC: The company should set out the annual thresholds for enhanced outperformance payments and underperformance payments, and provide evidence demonstrating that these are consistent with shifting the frontier and protecting their own customers.</p> <p>The company should provide further evidence to justify the level of the enhanced ODI outperformance and underperformance incentive rates proposed, or consider revising the enhanced rates to be based on a lower multiple applied to the standard incentive rates.</p> <p>The company should clarify the level at which it proposes to set its enhanced outperformance payment cap and enhanced underperformance</p>	PRT.OC.A22	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			collar, and provide evidence to support them.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	Per Capita Consumption (PCC) PC: The company chooses this PC as end-of-period. There is no justification as to why this is the case.	Per Capita Consumption (PCC) PC: The company should revert the design of this ODI to an in-period, or alternatively provide convincing and well-justified evidence of why an end-of period ODI is appropriate.	PRT.OC.A23	1 April 2019
PR19PRT_PRT-Water Resources-04 Risk of Severe Restrictions in Drought	Definition	Risk of Severe Restrictions in Drought PC: We are concerned that the company provides insufficient evidence in order to determine if it has incorporated guidance with reference to WRMP forecasts. The presented risk may not be reflective of the WRMP position as the trading scenario has a drought deficit.	Risk of Severe Restrictions in 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. The company should provide further evidence to demonstrate that the risk presented is reflective of the WRMP position particularly with reference to the trading scenario.	PRT.OC.A24	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A

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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
PR19PRT_PRT-Network Plus-03 Mains repairs per 1,000km	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Mains repairs per 1,000km PC: The company does not provide sufficient evidence that customers support the outperformance payment.	Mains repairs per 1,000km PC: The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.	PRT.OC.A25	1 April 2019
	ODI rate	Mains repairs per 1,000km PC: 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.	Mains repairs per 1,000km PC: The company should explain and evidence how its proposed ODI rates for mains repairs 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	PRT.OC.A26	1 April 2019

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PC	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 repairs and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>		
	Enhanced ODI rate	<p>Mains repairs per 1,000km PC: The company does not clearly state what the thresholds are before enhanced outperformance payments and underperformance payments would apply.</p> <p>The company proposes outperformance payments equal to four times the standard ODI rate. This implies enhanced ODI rates that exceed the willingness to pay of the company's own customers.</p>	<p>Mains repairs per 1,000km PC: The company should set out the annual thresholds for enhanced outperformance payments and underperformance payments, and provide evidence demonstrating that these are consistent with shifting the frontier and protecting their own customers.</p> <p>The company should provide further evidence to justify the level of the enhanced ODI outperformance and underperformance incentive rates proposed, or consider revising the enhanced rates to be based on a lower multiple applied to the standard incentive rates.</p>	PRT.OC.A27	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			The company should clarify the level at which it proposes to set its enhanced outperformance payment cap and enhanced underperformance payment collar, and provide evidence supporting them.		
	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
PR19PRT_PRT-Network Plus-04 Asset Health – Unplanned Outage	Stretch	Unplanned outage PC: We have some concerns that the company’s forecast performance level is not determined using data consistent with the common definition.	Unplanned outage PC: 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 its 2019-20 to 2024-25 forecast data in the May submission. The company should also report its current and forecast company level	PRT.OC.A28	15 May 2019

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PC	Area	Concern	Required action	Action reference	Date required
			PWPC (MI/d), the unplanned outage (MI/d) and planned outage (MI/d) in its commentary for the May submission.		
	ODI type	Unplanned outage PC: The company proposes a non-financial incentive without providing sufficient justification. The company states that the PC is at a relatively early stage of development and lacks historical and comparative data.	Unplanned outage PC: The company should propose a financial underperformance incentive for this PC supported by evidence to justify the customer valuations and forecast efficient marginal cost inputs that it proposes.	PRT.OC.A29	1 April 2019
	ODI rate	Unplanned outage PC: 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.	Unplanned outage PC: The company should propose a financial underperformance incentive for this PC and evidence how its proposed rate 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. 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 appropriateness of the company's	PRT.OC.A30	1 April 2019

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PC	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
PR19PRT_PRT-Network Plus-05 Asset Health – Properties at Risk of 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
PR19PRT_PRT-Network Plus-06 Asset Health – Customer Contacts relating to the	Definition	Customer contacts relating to the colour of the water (black, brown, orange) PC: The proposed PC is not in line with either of the PCs from the asset health long list as it represents a narrow	Customer contacts relating to the colour of the water (black, brown, orange) PC: The company should choose the more comprehensive measure Customer contacts about	PRT.OC.A31	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
colour of the water (black, brown, orange)		component of the DWI 'appearance' measure. Notably, the company chooses the component it currently performs best at. The company excludes other appearance attributes (blue/green, white air, particles, etc). The company has failed its overall water quality contacts measure every year this period. The third party report provided also notes that the company has had performance issues with 'air' this period; a component not included in the definition of this PC as it stands. Whilst the company currently performs comparatively well, we are concerned that by adopting this narrow definition, the company may not focus on other attributes of appearance that are valued by customers and represent the company's individual challenges.	water quality (appearance) from the asset health long list in our final methodology.		
	Stretch	Customer contacts relating to the colour of the water (black, brown, orange) PC: There is insufficient evidence provided in order to assess starting and forecast levels of stretch since no numeric information has been provided.	Customer contacts relating to the colour of the water (black, brown, orange) PC: The company should provide numeric target information, including levels of stretch, so that stakeholders can understand the levels of performance they can expect for the revised PC definition.	PRT.OC.A32	1 April 2019
	ODI type	Customer contacts relating to the colour of the water (black, brown, orange) PC: The company proposes an outperformance and underperformance	Customer contacts relating to the colour of the water (black, brown, orange) PC: The company should provide further evidence to justify the	PRT.OC.A33	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		payment incentive for this PC. Evidence from the company's customer research suggests that customers prefer an underperformance payment-only incentive.	use of an outperformance payment for the revised PC, including evidence of customer support. If it cannot do this, the company should remove the outperformance payment.		
	ODI rate	Customer contacts relating to the colour of the water (black, brown, orange) PC: The company does not provide sufficient evidence to justify the trigger mechanism for a lump sum performance payment.	Customer contacts relating to the colour of the water (black, brown, orange) PC: The company should provide further evidence to justify the trigger mechanism applied to this ODI for the revised definition, or propose an alternative payment mechanism that is contingent on performance increments. In either case the company should provide its evidence and rationale.	PRT.OC.A34	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19PRT_PRT-Retail-02 Affordability	Definition	No concern	None	N/A	N/A
	Stretch	Affordability PC: The target for the PC is not stretching in terms of growth rates when compared to the rest of the sector.	Affordability PC: The company should consider a target of reaching 10,000 customers by 2024/25 as customers have indicated that they may be prepared to support social tariffs up to this level. The company	PRT.OC.A35	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			should confirm the target by undertaking customer engagement on the social tariff cross-subsidy across a representative customer base and demonstrate customer support for the social tariff cross-subsidy.		
	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
PR19PRT_PRT-Retail-03 Void and Gap sites	Definition	No concern	None	N/A	N/A
	Stretch	Void and gap sites PC: The company provided insufficient evidence that its proposed target number for each year of the control period is stretching.	Void and gap sites PC: The company should reconsider its target and clearly set out the evidence and rationale for the revised targets.	PRT.OC.A36	1 April 2019
	ODI type	No concern	None	N/A	N/A
	ODI rate	Void and gap sites PC: The company has not provided sufficient information on the basis on which its underperformance incentive has been derived.	Void and gap sites PC: the company should outline the calculation of its ODI underperformance rate and demonstrate that it is reflective of the	PRT.OC.A37	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			foregone reduction in bills that customers would experience from the identification of occupied void sites.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19PRT_PRT-Network Plus-08 Catchment Management	Definition	Catchment Management PC: This PC was not tested with customers and the company provides insufficient evidence concerning the level of customer support for this measure. We are also concerned that the company provides insufficient evidence regarding what constitutes meaningful engagement. The PC is outputs-focused and measures the act of engagement rather than the beneficial outcome to customers.	Catchment Management PC: The company should provide further evidence that its customers support the PC. The company should consider if an outcomes focused definition is more appropriate and would provide greater sustained benefit to the environment and stakeholders.	PRT.OC.A38	1 April 2019
	Stretch	Catchment Management PC: The targets and levels of stretch for this PC were not directly tested with customers. The company provides insufficient evidence in relation to levels of customer support for the proposed measure, its targets and levels of stretch.	Catchment Management PC: The company should provide further evidence that its customers support the proposed targets and levels of stretch for this PC or the alternative as referred to above.	PRT.OC.A39	1 April 2019
	ODI type	Catchment Management PC: The company selects an outperformance-only incentive for this PC. The company has not provided sufficient evidence that it	Catchment Management PC: The company should provide further evidence to justify the use of an outperformance-only payment for this	PRT.OC.A40	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		has engaged with customers or conducted acceptability testing for this ODI.	PC, or the alternative referred to above, including evidence of customer support. The company should demonstrate how this ODI will benefit customers.		
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	Catchment Management PC: The company proposes to apply an outperformance cap to limit the outperformance payments it can claim for engagement with farmers. However, it is not clear whether the company proposes to earn outperformance payments based on each individual instance of engagement with farmers. We have concerns that the proposed outperformance cap will allow the company to receive a payment multiple times for the same farmer engagement activity, which we do not consider to be justified.	Catchment Management PC: The company should clarify whether its proposed ODI allows multiple outperformance payments to be claimed for the same farmer engagement activity. If this is the case, the company should remove this element of its ODI, thereby ensuring that each instance of farmer engagement contributes to any outperformance payment once.	PRT.OC.A41	1 April 2019
	Timing	Catchment Management PC: The company has not provided sufficient evidence to justify the selection of an end-of-period ODI.	Catchment Management PC: The company should provide further evidence to justify the proposed application of this ODI at the end of the 2020-25 period. Alternatively, the company should propose to apply this ODI in-period. In either case the	PRT.OC.A42	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			company should provide its evidence and rationale.		
PR19PRT_PRT-Water Resources-01 a Biodiversity (reward)	Definition	Biodiversity (reward) PC: This PC is outputs-focused and does not measure the ultimate outcomes for wider stakeholders and the environment. We are also concerned that the company provides insufficient evidence of customer support for the inclusion and definition of this measure.	Biodiversity (reward) PC: The company should consider revising the definition of the measure to include elements of value delivered or project outcomes achieved rather than being reliant on the awarding of grants. The company should provide further evidence that its customers support the inclusion of this measure.	PRT.OC.A43	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	Biodiversity (reward) PC: The company proposes to apply this ODI at the end of the 2020-25 period to revenue. However, the company also specifies a target in grant funding for each year of the 2020-2025 period.	Biodiversity (reward) PC: Given the performance targets proposed, the company should propose an in-period ODI, or provide further evidence to justify why this is not appropriate.	PRT.OC.A44	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
PR19PRT_PRT-Network Plus-09 Carbon	Definition	Carbon PC: The company specifies a target of 'UQ' for this bespoke PC. We are concerned that this will make calculating and reporting the metric difficult since there will be a restricted data set. Other companies with 'carbon' bespoke PCs may not have the same reporting definition as Portsmouth Water.	Carbon PC: The company should provide numeric target information, including levels of stretch, so that stakeholders can understand the levels of performance they can expect and to ensure effective measurement and reporting.	PRT.OC.A45	1 April 2019
	Stretch	Carbon PC: The company specifies a target of 'UQ' and we are therefore unable to judge stretch as this is a bespoke PC.	Carbon PC: The company should provide numeric targets, including levels of stretch, and provide sufficient evidence to support them.	PRT.OC.A46	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
PR19PRT_PRT-Water Resources-02 The Abstraction Incentive Mechanism	Definition	No concern	None	N/A	N/A
	Stretch	The Abstraction Incentive Mechanism (AIM) PC: The company proposes one AIM site. We consider this target to not be stretching.	The Abstraction Incentive Mechanism (AIM) PC: The company should reconsider its proposed commitment and provide compelling evidence that it has considered	PRT.OC.A47	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			additional sites and justify why the inclusion of additional sites is not proposed.		
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	<p>The Abstraction Incentive Mechanism (AIM) PC: The company proposes to apply an outperformance cap and underperformance collar to this PC. We have concerns about the levels at which this cap and collar have been set, since they are close to the PC target and will therefore restrict the company's financial exposure to AIM performance. We consider that this could dampen incentives for the company to achieve good performance.</p>	<p>The Abstraction Incentive Mechanism (AIM) PC: 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. 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 changing the level of the cap and collar, thereby extending the performance range over which incentive payments apply.</p>	PRT.OC.A48	1 April 2019
	Timing	No concern	None	N/A	N/A

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PC	Area	Concern	Required action	Action reference	Date required
PR19PRT_PRT-Retail-04 Addressing Vulnerability	Definition	The company provides insufficient evidence about the survey methodology for the PC 'addressing vulnerability'. In particular, there is no evidence of the sample size, and there is no evidence that it adheres to social research best practice.	The company should provide evidence of the sample size used in the annual survey to determine the PC target for 'addressing vulnerability'. In addition, The Company should confirm that survey will be externally assured and conducted in line with social research best practice.	PRT.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
PR19PRT_PRT-Network Plus-10 RoSPA	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

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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
PR19PRT_PRT-Water Resources-05 Requirement to Introduce Temporary Usage Bans as per our approved Water Resources Management Plan	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
PR19PRT_PRT-Network Plus-12 Resilience schemes to ensure peak demands can be met	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A

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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
PR19PRT_PRT-Water Resources-01 b Biodiversity (penalty)	Definition	Biodiversity (penalty) PC: We are concerned that this PC is outputs-focused and does not measure the ultimate outcomes for wider stakeholders and the environment. Rather than measuring the value of grants allocated, a more appropriate measure might encompass the success of the programme or projects.	Biodiversity (penalty) PC: The company should consider revising the definition of the measure to include elements of value delivered or project outcomes achieved rather than being reliant on the awarding of grants.	PRT.OC.A50	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

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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