

## SES Water: Delivering outcomes for customers detailed actions

**Table 1: Company-wide actions**

Area	Concern	Required action	Action reference	Date required
Performance commitment (PC) definition	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
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	The company does not address increasing the reputational impact of its PC and Outcome Delivery Incentives (ODIs). It only intends to update customers once a year. The concern is increased because the company proposes over 50% of its ODIs have non-financial incentives.	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.	SES.OC.A1	1 April 2019
ODI type	The company proposes that the majority of its bespoke PCs have non-financial incentives. The company argues that four non-financial PCs (managing bad debt, perception of value for money, restrictions in a drought, delivery of	The company should provide further justification for setting the following PCs as non-financial: managing bad debt, perception of value for money, risk of severe restrictions in a drought, greenhouse gas emissions, pollution	SES.OC.A2	1 April 2019

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	<p>WINEP) are reasoned to be outside of company's control and therefore have non-financial incentives. However, this is not sufficient justification for choosing non-financial ODIs. The explanation for three non-financial incentives (greenhouse gas emissions, pollution incidents, and AIM) does not provide sufficient reasoning for why these cannot be financial.</p>	<p>incidents, AIM, unplanned outages at treatment works, risk of severe restrictions in a drought, and delivery of WINEP.</p>		
<p>ODI rates</p>	<p>The company derives its marginal benefits value for its ODI rates from a single source with no evidence of triangulation against other inputs. A number of the company's proposed ODI rates are outliers relative to the rest of the industry.</p> <p>Our initial assessment of companies' enhancement expenditure and cost adjustment claims (including for scheme delivery) in the Cost Efficiency test results in the revision or rejection of some cost claims proposed by the company. In these instances only, there may be implications for the associated PC and ODI rate proposed.</p> <p>The company has provided insufficient evidence to demonstrate the formation of its marginal cost inputs in relation to the enhancement expenditure and cost adjustment claims that it proposes.</p>	<p>The company should consider the ODI rates proposed and provide further evidence, either from its own customer base or wider industry studies, to demonstrate that the marginal benefit estimates used are reflective of its customers' preferences and valuations, or conduct further engagement to develop triangulated ODI rates that are based on a broader range of customer evidence.</p> <p>In cases of rejection or revisions to enhancement expenditure or a cost adjustment claim, the company should consider the implications, if any, for the associated level of the PC and ODI incentive rates proposed, and provide evidence to justify any changes to its business plan submission.</p> <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>SES.OC.A3</p>	<p>1 April 2019</p>

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		The company should provide further evidence to detail the estimation of forecast efficient marginal costs within its ODI rate calculations, in line with our 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.		
ODI deadbands, caps and collars	See Customer protections section below.	See Customer protections section below.	SES.OC.A4	1 April 2019
Enhanced ODIs	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.	SES.OC.A5	1 April 2019
Overall ODI package	<p>The company provides insufficient explanation of how its ODI package incentivises it, through better aligning the interests of management and shareholders with customers, to deliver on its PCs to customers. Particularly, it is not clear how the proposed package will incentivise the company to exceed or meet its PCs.</p> <p>The company provides insufficient evidence that its ODI package is supported by robust customer engagement and valuations. For example, it appears the company has not specifically tested with customers any potential ODI impacts on bills.</p>	<p>The company should provide further explanation of how its ODI package provides incentives through better aligning the interests of management and shareholders with customers, to deliver on its PCs to customers.</p> <p>The company should provide further evidence that the ODI package is supported by robust customer engagement and valuations. In particular, it needs to fully demonstrate how customer outcomes have been implemented and address concerns raised by the Customer Security Panel.</p>	SES.OC.A6	1 April 2019

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	Additionally, there are concerns that the company has not tested the acceptability of the ODI package with customers.	The company should clarify how it has tested the acceptability of the ODI package with customers.		
ODI timing	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.	SES.OC.A7	1 April 2019
Asset health ODI package	The company does not demonstrate customer support for its asset health outperformance payments. The company's asset health ODI package is not appropriate as we consider it does not offer sufficient customer protection.	The company should provide sufficient evidence that its customers support its proposed asset health outperformance payments. 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 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.	SES.OC.A8	1 April 2019
Customer protection	The company does not put forward sufficient customer protections. In particular, we have concerns about the potential for large outperformance payments, which could arise if the company significantly outperforms its PC targets. This could leave customers exposed to large increases in bills.	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	SES.OC.A9	1 April 2019

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	<p>The company provides insufficient supporting evidence to set out its approach to bill smoothing and have not set out the maximum payments that customers could be exposed to and what, if any, mitigations are proposed to protect against this outcome.</p>	<p>applied in accordance with guidance provided in <b>Technical appendix 1: Delivering outcomes for customers.</b> The company should provide further supporting evidence to set out its approach to bill smoothing so that it is clear how it will work in practice. The company should provide further evidence that explains the maximum payments that customers could be exposed to and what, if any, mitigations are proposed to protect against this outcome.</p>		
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**Table 2: PC-specific actions (for each PC)**

PC	Area	Concern	Required action	Action reference	Date required
PR19SES_A.1 Supply interruptions	Definition	No concern	None	N/A	N/A
	Stretch	<p><b>Supply interruptions PC:</b> Our PR19 methodology expectation for the Water supply interruptions PC was upper quartile performance in each year of 2020-25 period. Based on the forecast data provided by companies in the September 2018 business plan submission the upper quartile 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>	<p><b>Supply interruptions PC:</b> We expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.</p>	SES.OC.A10	1 April 2019
	ODI type	No concern	None	N/A	N/A

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PC	Area	Concern	Required action	Action reference	Date required
	ODI rate	<p><b>Supply interruptions 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 such as household income or water stress.</p>	<p><b>Supply interruptions PC:</b> 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 <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> <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 supply interruptions and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>	SES.OC.A11	1 April 2019
	Enhanced ODI	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
PR19SES_C.1 Risk of severe restrictions in a drought	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
PR19SES_C.4 Leakage	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	<b>Leakage PC:</b> The company provides insufficient evidence that it	<b>Leakage PC:</b> The company should provide further evidence to justify	SES.OC.A12	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		<p>has tested the final ODI proposal with customers. The company provides insufficient evidence of customer support for outperformance payments for this ODI.</p>	<p>the use of an outperformance payment for this PC, including evidence of customer support.</p>		
	<p>ODI rate</p>	<p><b>Leakage 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 such as household income or water stress.</p> <p>The company proposes standard ODI rates for leakage that are larger than those proposed by the rest of the industry. The company does not provide sufficient evidence to justify the magnitude of these ODI rates relative to the stretch levels associated with these PCs.</p>	<p><b>Leakage PC:</b> 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 <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.</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 leakage and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>	<p>SES.OC.A13</p>	<p>1 April 2019</p>

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PC	Area	Concern	Required action	Action reference	Date required
	Enhanced ODI	<b>Leakage PC:</b> The company does not clearly state what the thresholds are before enhanced underperformance and outperformance incentives would apply, and instead refers to a 75% deviation from the standard threshold.	<b>Leakage PC:</b> The company should set out the performance thresholds for enhanced outperformance and underperformance incentives, and provide evidence demonstrating that these are consistent with both shifting the frontier and protecting its own customers.	SES.OC.A14	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19SES_E.1 Usage (per capita consumption)	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	<b>Usage (per capita consumption) PC:</b> The company provides insufficient evidence that its final ODI package has been tested with its customers. The company provides no evidence that its outperformance payments are supported by its customers.	<b>Usage (per capita consumption) PC:</b> The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.	SES.OC.A15	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
	ODI rate	<p><b>Usage (per capita consumption)</b>  <b>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 such as household income or water stress.</p> <p>The company proposes standard ODI rates for PCC that are larger than those proposed by the rest of the industry. The company does not provide sufficient evidence to justify the magnitude of these ODI rates relative to the stretch levels associated with these PCs.</p>	<p><b>Usage (per capita consumption)</b>  <b>PC:</b> 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 <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 per capita consumption.</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 per capita consumption and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>	SES.OC.A16	1 April 2019
	Enhanced ODI	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
PR19SES_A.2 Mains bursts	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	<b>Mains bursts PC:</b> The company does not provide sufficient evidence that its customers support an outperformance payment for this PC.	<b>Mains bursts PC:</b> The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.	SES.OC.A17	1 April 2019
	ODI rate	<b>Mains bursts 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 such as household income or water stress.	<b>Mains bursts 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 and supply interruptions) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises	SES.OC.A18	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 <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.</p>		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19SES_A.4 Water quality 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>Water quality compliance PC:</b> There is substantial variation in	<b>Water quality compliance PC:</b> The company should provide the	SES.OC.A19	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		<p>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>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 water quality compliance 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 CRI is coherent with the rates proposed for other asset health PCs.</p>		
	Caps, collars, deadbands	<p><b>Water quality compliance PC:</b> The company proposes a deadband and collar which do not sufficiently protect customers from poor delivery service.</p>	<p><b>Water quality compliance PC:</b> We propose to intervene to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. As set out in the methodology we noted a deadband may be appropriate. It is important that the range of underperformance to the collar is adequate to provide clear incentives for companies to deliver statutory requirements.</p>	SES.OC.A20	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			The company should set a deadband at 1.50 and collar at 9.5 for 2020-25.		
	Timing	No concern	None	N/A	N/A
PR19SES_C.3 Unplanned outages at treatment works	Definition	No concern	None	N/A	N/A
	Stretch	<p><b>Unplanned outages at treatment works PC:</b> We have some concerns that the company’s forecast performance level is not determined using data consistent with the common definition.</p>	<p><b>Unplanned outages at treatment works 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 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 15 May 2019 submission. The company should also report their current and forecast company level peak week production capacity (MI/d), the unplanned outage (MI/d) and</p>	SES.OC.A21	15 May 2019

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PC	Area	Concern	Required action	Action reference	Date required
			planned outage (MI/d) in their commentary for the May submission.		
	ODI type	<b>Unplanned outages at treatment works PC:</b> The company does not provide sufficient justification for its proposal to apply a non-financial incentive to this PC.	<b>Unplanned outages at treatment works 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. If it cannot do this, the company should propose a financial ODI.	SES.OC.A22	1 April 2019
	ODI rate	<b>Unplanned outages at treatment works PC:</b> See concern above.	<p><b>Unplanned outages at treatment works PC:</b> The company should propose a financial underperformance incentive and explain and evidence how its proposed ODI 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.</p> <p>The company should also provide the additional information set out in</p>	SES.OC.A23	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			<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 customer valuation evidence supporting its ODI.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19SES_A.3 Customer concerns about their water (taste, odour and discolouration contacts)	Definition	No concern	None	N/A	N/A
	Stretch	<b>Customer concerns about their water PC:</b> We are concerned that the proposed performance level is insufficiently stretching given that the company's historical performance is 20% better than it is forecasting, and it is projecting performance to flat-line.	<b>Customer concerns about their water PC:</b> The company should revise its performance levels to be more stretching, at least beyond current performance levels, and provide sufficient evidence for its revised level. If the company does not think that a more stretching performance level is suitable, it should clearly set out the rationale for its position and provide sufficient evidence to underpin its decision.	SES.OC.A24	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	<b>Customer concerns about their water PC:</b> The company does not provide sufficient evidence to justify the use of PR14 rates for this ODI.	<b>Customer concerns about their water PC:</b> The company should provide further evidence to justify the use of PR14 rates or update these rates based upon more recent customer engagement evidence and forecast efficient marginal costs. In either case the company should provide its evidence and rationale.	SES.OC.A25	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19SES_A.5 Customer confidence	Definition	<b>Customer confidence PC:</b> It is unclear what outcome the company aims to achieve beyond those covered by other PCs. The definition overlaps with C-MeX. This could cause confusion for customers and stakeholder for example if contradictory results are found.	<b>Customer confidence PC:</b> The company should provide further justification of why this PC is required in addition to C-MeX.	SES.OC.A26	1 April 2019
	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
PR19SES_B.1 Supporting customers in financial hardship	Definition	No concern	None	N/A	N/A
	Stretch	<b>Supporting customers in financial hardship PC:</b> The company initially proposed a target of 25,000 customers being supported, but later lowered this to 19,000 as a result of other customer engagement. The company has, however, noted that it will provide any funding to bridge the gap between these two levels. We are concerned that the revised target is not sufficiently stretching.	<b>Supporting customers in financial hardship PC:</b> The company should revise the target for this PC to make it more stretching as the original proposed target was higher (25,000) If the company does not think that a more stretching performance level is suitable, it should clearly set out the rationale for its position and provide sufficient evidence to underpin its decision.	SES.OC.A27	1 April 2019
	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
PR19SES_B.2 Vulnerable support scheme awareness	Definition	<b>Vulnerable support scheme awareness PC:</b> The company provides some evidence on its survey methodology for sample size but it is not comprehensive.	<b>Vulnerable support scheme awareness PC:</b> The company should provide evidence of the sample size used in the annual survey to determine the PC target.	SES.OC.A28	1 April 2019
	Stretch	<b>Vulnerable support scheme awareness PC:</b> We are concerned that the company proposed a performance level that is insufficiently stretching, particularly in comparison to targets proposed by other companies for similar PCs.	<b>Vulnerable support scheme awareness PC:</b> The company should revise its proposed performance levels to make them more ambitious or provide compelling evidence why it is in the interests of customers not to do so.	SES.OC.A29	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

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PC	Area	Concern	Required action	Action reference	Date required
	Timing	No concern	None	N/A	N/A
PR19SES_B.3 Vulnerable support scheme helpfulness	Definition	<b>Vulnerable support scheme helpfulness PC:</b> The company provides some evidence on its survey methodology but it is not comprehensive.	<b>Vulnerable support scheme helpfulness PC:</b> The company should revise its approach to assessing helpfulness of support schemes to better understand what the issues actually are and what improvements can be made to improve services. The company should provide evidence on survey methodology for this PC. Specifically this should cover the question asked to customers and the sample size.	SES.OC.A30	1 April 2019
	Stretch	<b>Vulnerable support scheme helpfulness PC:</b> We have some concerns with the proposed methodology in relation to how customers are surveyed, which could impact the target that should be set for this PC.	<b>Vulnerable support scheme helpfulness PC:</b> The PC should only include surveying customers who accessed the services in relation to the survey.	SES.OC.A31	1 April 2019
	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
PR19SES_B.4 Managing bad debt	Definition	<b>Managing bad debt PC:</b> There is insufficient evidence to explain the company is proposing this PC as it has poor customer support.	<b>Managing bad debt PC:</b> The company should provide further justification for having this PC and why it is appropriate despite low customer support.	SES.OC.A32	1 April 2019
	Stretch	<b>Managing bad debt PC:</b> The company targets a 0.2% decline in performance.	<b>Managing bad debt PC:</b> The company should provide further justification for targeting deteriorating performance. If it cannot do this, it should set a stretching target to improve performance, and provide sufficient evidence for its target.	SES.OC.A33	1 April 2019
	ODI type	<b>Managing bad debt PC:</b> The justification that this PC is non-financial because of factors outside of the company's control is not sufficient.	<b>Managing bad debt 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. The company should demonstrate how a non-financial incentive will benefit customers.	SES.OC.A34	1 April 2019

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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
PR19SES_B.5 Perception of value for money	Definition	No concern	None	N/A	N/A
	Stretch	<b>Perception of value for money</b> <b>PC:</b> We are concerned that the company's proposed performance level is insufficiently stretching given recent performance is already at the committed performance level for the 2020-2025 period.	<b>Perception of value for money</b> <b>PC:</b> The company should review the targets for this PC in the 2020-2025 period, taking into account recent performance. The company should increase the stretch of the target to improve on current performance, as it is currently already meeting the target of <10% of customers feeling that the company does not provide value for money. The company should provide sufficient justification for its revised targets.	SES.OC.A35	1 April 2019
	ODI type	<b>Perception of value for money</b> <b>PC:</b> The justification that this PC is non-financial because of factors outside of the company's control is not sufficient.	<b>Perception of value for money</b> <b>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	SES.OC.A36	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			for this approach. The company should demonstrate how a non-financial incentive will benefit customers. If it cannot do this, the company should propose a financial ODI.		
	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
PR19SES_B.6 Void properties	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	<b>Void properties PC:</b> The company proposes to apply financial incentives to this PC, as its customers could benefit from service improvements in this area and should therefore be protected if the company does not deliver on its commitments. However, the company does not provide sufficient	<b>Void properties 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. The company should remove	SES.OC.A37	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		evidence to demonstrate that the outperformance incentive would benefit customers.	the outperformance payment if it cannot provide this evidence.		
	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
PR19SES_C.2 Risk of supply failures	Definition	No concern	None	N/A	N/A
	Stretch	<b>Risk of supply failures PC:</b> the company has not provided sufficient evidence of how its PC target is stretching.	<b>Risk of supply failures PC:</b> the company should provide sufficient evidence that its PC target is stretching. If it cannot do this then it should increase the stretch of its target.	SES.OC.A38	1 April 2019
	ODI type	No concern	None	N/A	N/A
	ODI rate	<b>Risk of supply failures PC:</b> The company does not provide sufficient evidence to demonstrate the use of the standard ODI formula in its ODI rate calculation.	<b>Risk of supply failures PC:</b> The company should provide further evidence to demonstrate the methodology used to calculate the ODI rates proposed.	SES.OC.A39	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		The company does not provide sufficient evidence to justify the use of an outperformance payment in addition to the enhancement expenditure proposed to minimise the risk of supply failures.	The company should provide further evidence to justify the use of ODI outperformance payments, in particular how this relates to the enhancement expenditure proposed in this area.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19SES_D.1 First contact resolution	Definition	No concern	None	N/A	N/A
	Stretch	<b>First contact resolution PC:</b> The company has not justified its committed performance level.	<b>First contact resolution PC:</b> The company should provide justification for its committed performance level.	SES.OC.A40	1 April 2019
	ODI type	<b>First contact resolution PC:</b> The company provides insufficient evidence of customer support for outperformance payments, how it relates to stretching performance, and how it benefits customers. The CCG notes that first contact resolution does not include digital channels - this does not seem appropriate in the context of how	<b>First contact resolution 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 provide justification for not including digital channels. If it cannot do this, it should include digital channels.	SES.OC.A41	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		consumers interact with water companies.			
	ODI rate	<b>First contact resolution PC:</b> In formulating its ODI rate, the company does not provide sufficient evidence to justify the use or estimation of average earnings lost by customers having to make repeat contacts as a proxy for marginal benefit, instead of direct customer valuations.	<b>First contact resolution PC:</b> The company should either provide further evidence to justify the existing methodology or refine ODI rates in line with direct customer willingness to pay evidence. In either case the company should provide its evidence and rationale.	SES.OC.A42	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19SES_E.2 Greenhouse gas emissions	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	<b>Greenhouse gas emissions PC:</b> The company does not provide sufficient justification for its proposal to apply a non-financial incentive to this PC.	<b>Greenhouse gas emissions 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. The company should	SES.OC.A43	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			demonstrate how a non-financial incentive will benefit customers.		
	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
PR19SES_E.3 Pollution incidents	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
PR19SES_E.4	Definition	No concern	None	N/A	N/A

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PC	Area	Concern	Required action	Action reference	Date required
Abstraction incentive mechanism	Stretch	<b>Abstraction incentive mechanism PC:</b> The company provides insufficient evidence of how it has adapted the AIM methodology to be suitable for sources that do not meet the standard criteria. It also provides insufficient evidence of how it calculated the committed performance level.	<b>Abstraction incentive mechanism PC:</b> The company should provide further evidence on how the target performance level was calculated within the adapted AIM methodology.	SES.OC.A44	1 April 2019
	ODI type	<b>Abstraction incentive mechanism PC:</b> The company does not provide sufficient justification for its proposal to apply a non-financial incentive to this PC.	<b>Abstraction incentive mechanism 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.	SES.OC.A45	1 April 2019
	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
PR19SES_E.5 Land based improvement - biodiversity	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
PR19SES_E.6 River based improvement - delivery of WINEP	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	<b>River based improvement – delivery of WINEP PC:</b> The justification that this PC is non-financial because of factors outside of the company’s control is not sufficient.	<b>River based improvement – delivery of WINEP 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. The company should demonstrate how a non-financial incentive will benefit customers.	SES.OC.A46	1 April 2019
	ODI rate	No concern	None	N/A	N/A

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<b>PC</b>	<b>Area</b>	<b>Concern</b>	<b>Required action</b>	<b>Action reference</b>	<b>Date required</b>
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A