

## South West Water: Actions summary table

### *Actions guidance*

#### Company actions

We categorise actions that fast-track companies need to do as the following:

- **agreed actions** that fast-track companies committed to implement to ensure that their plans meet the threshold for fast-track status; and
- **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).

Each action has a unique reference. The prefix 'SWB' denotes the company South West 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.

#### Timings and required response

- **Agreed and required actions:** Fast-track companies should address all **required** and **agreed actions** by the date shown in the 'date required' column in the table below (the majority of these are by 10am on 11 February 2019). Companies must submit information including updated business plan tables and evidence of completed actions. We will review this evidence in setting draft determinations.
- **Actions tracker:** Fast-track companies are not required to submit a completed template action tracker to us. However, they may use this as a way to demonstrate completing the actions if desired.
- **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.
  - 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](#).

South West Water: Actions summary table

Test area	Action reference	Action type	Action	Date required
Engaging customers	N/A	N/A	None.	N/A
Addressing affordability and vulnerability	<b>SWB.AV.A1</b>	Agreed	<p>The company has strong Performance Commitments on PSR growth and on PSR data checking, proposing to increase its PSR reach from 2.2% in 2019/20 to 6.8% in 2024/25 and to check 100% of PSR data every two years going forward.</p> <p>Common Performance Commitment on the Priority Services Register (PSR): The company should increase its proposal for PSR growth to at least 7% of its customer base (measured by households) by 2024/25 and combine its Performance Commitment on PSR growth and PSR data checking. The company should also commit to checking at least 90% of PSR data every 2 years via its performance commitment. This affects PR19SWB_PC E7 and PR19SWB_PC E8.</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>	10am, 11 February 2019
	<b>SWB.AV.A2</b>	Agreed	The company should propose a Performance Commitment on achieving the BSI standard for fair, flexible and inclusive services for all and maintaining it throughout AMP7. The company has stated that it will achieve the BSI standard for inclusive services in its plan but has not provided a Performance Commitment or plan on how it will do so.	10am, 11 February 2019
	Advised actions	Advised	No advised actions.	N/A
Delivering outcomes for customers	<b>SWB.OC.A1</b>	Agreed	<p><b>Performance Commitment definitions.</b> The company has not provided sufficient detail in the business plan on the performance commitment definitions.</p> <p>The company must provide full definitions for all performance commitments that take account of the feedback we provided in July, being clear if customers for the Isles of Scilly are included or not, should a variation to the company's appointment be granted.</p>	Company to provide revised version of its May 2018 performance commitment submission by 10am, 11 February 2019
	<b>SWB.OC.A2</b>	Agreed	<p><b>EPA rating.</b> The company has performed poorly on its Environmental Performance Assessment ("EPA") rating over the past five years. The metrics contributing to the EPA rating are not fully captured by its performance commitments. We consider that the proposed set of performance commitments is insufficient to drive the company's focus on improving its EPA rating.</p> <p>The company must accept an additional performance commitment defined with reference to its EPA rating, with a target level of 3 stars in the first three years and 4 stars from the fourth year onward, a financial in-period outcome delivery incentive and an underperformance outcome delivery incentive penalty rate of £1m/star below target level for each year.</p>	10am, 11 February 2019
	<b>SWB.OC.A3</b>	Agreed	<b>Isles of Scilly.</b> The company has proposed to undertake an improvement programme on the Isles of Scilly, should the company's application to have its Instrument of Appointment varied to include the Isles of Scilly be accepted. This improvement programme has been factored into the company's cost allowance, but the investment is contingent upon Government extending the legislation to cover the Isles of Scilly and our decision in relation to the company's application. We consider there is a risk that, the variation to the company's appointment may not be granted by 1 April 2020 and, consequently, part of its cost allowance may relate to a period when it does not operate on the Isles of Scilly.	Company to provide letter containing requested information by 10am,

Test area	Action reference	Action type	Action	Date required
			<p>The company must accept an additional performance commitment defined with reference to its potential appointment to operate on the Isles of Scilly and an outcome delivery incentive underperformance payment rate defined with reference to its annual cost allowance for each year related to its proposed Isles of Scilly operations, so that the change in costs can be returned to customers if the company is not appointed to operate on the Isles of Scilly or the variation is not granted until after 1 April 2020.</p> <p>If the company is appointed for the Isles of Scilly, the following South West Water performance commitments will not apply to the Isles of Scilly until 2025:</p> <ul style="list-style-type: none"> <li>• Pollution incidents category 1-3 (wastewater)</li> <li>• Pollution incidents category 1-3 (water)</li> <li>• Security of Supply Index</li> <li>• Sludge compliance</li> <li>• CRI</li> <li>• ERI</li> <li>• Taste, odour and colour contacts</li> </ul>	11 February 2019
	<b>SWB.OC.A4</b>	Agreed	<p><b>Protection to customers against high outperformance payments.</b></p> <p>The company should apply additional protections through an appropriate outperformance payment sharing mechanism and implementing caps on performance commitments which could result in material outperformance. The payment sharing mechanism requires companies to share 50% of any outperformance payments above your annual 3% RoRE with customers through bill reductions. For the caps and collars on material performance commitments, we have provided details on which performance commitments these are in the performance commitment-specific actions below.</p>	N/A (to be reflected in Draft Determination)
	<b>SWB.OC.A5</b>	Agreed	<p><b>PR19SWB_PC A1. Compliance with water quality standard.</b> The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive.</p> <p>We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range. The company should increase its ODI underperformance rate from £0.285m/index point to £0.370m/index point.</p>	10am, 11 February 2019
	<b>SWB.OC.A6</b>	Agreed	<p><b>PR19SWB_PC A1. Compliance with water quality standard.</b> The company has not provided sufficient evidence that its proposed levels of deadband and collar are sufficiently challenging and protect customers from poor service delivery.</p> <p>We are intervening 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 revise the deadband level to 1.5 and the collar level to at least 9.5 for 2020-25.</p>	10am, 11 February 2019
	<b>SWB.OC.A7</b>	Agreed	<p><b>PR19SWB_PC A2. Duration of interruptions in supply.</b> We identified in the APR18 submission evidence (shadow reporting table 3S) that there are sub-components of some common performance commitments assessed as 'Amber' or 'Red'. The company has not provided sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019/20.</p> <p>The company should provide a clear statement that it has all the necessary plans in place to comply with the standard definition for 2019-20.</p>	Company to provide letter containing statement by 10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
	SWB.OC.A8	Agreed	<p><b>PR19SWB_PC A2. Duration of interruptions in supply.</b> Our PR19 methodology expectation for the Water supply interruptions performance commitment 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</p> <p>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.</p> <p>For this common performance commitment we expect all companies' service levels to reflect these values.</p>	10am, 11 February 2019
	SWB.OC.A9	Agreed	<p><b>PR19SWB_PC C2 Leakage levels.</b> We identified in the APR18 submission evidence (shadow reporting table 3S) that there are sub-components of some common performance commitments assessed as 'Amber' or 'Red'. The company has not provided sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019/20.</p> <p>The company should provide a clear statement that it has all the necessary plans in place to comply with the standard definition for 2019-20.</p>	Company to provide letter containing statement by 10am, 11 February 2019
	SWB.OC.A10	Agreed	<p><b>PR19SWB_PC C2 Leakage levels.</b> The company has not provided sufficient evidence to justify why the standard reward rate outweighs the penalty rate for this performance commitment, or the implementation of its triangulation approach in justifying the magnitude of the marginal benefits selected. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range. The company should reduce its outcome delivery incentive outperformance rate from £0.727m/Mld to £0.370m/Mld.</p>	Company to provide letter containing statement by 10am, 11 February 2019
	SWB.OC.A11	Agreed	<p><b>PR19SWB_PC C2 Leakage levels.</b> The company has not provided convincing evidence that the enhanced outcome delivery incentives entails a target level that require a level of performance by the company that would place it at the frontier.</p> <p>The company should set thresholds for the enhanced outcome delivery incentive rewards that are more challenging. The target in 2020-21 should be no higher than either (rather than both) 79.19 litres/property/day or 4.56 m3/km of mains/day. This target should get progressively more challenging over the subsequent years, such that by 2024-25 it should not exceed either (rather than both) 61.76 litres/property/day or 3.72 m3/km of mains/day. The company should also revise its enhanced outcome delivery incentive rate so that it remains two times its standard outcome delivery incentive rate.</p>	10am, 11 February 2019
	SWB.OC.A12	Agreed	<p><b>PR19SWB_PC C3 Per capita consumption.</b> We identified in the APR18 submission evidence (shadow reporting table 3S) that there are sub-components of some common performance commitments assessed as 'Amber' or 'Red'. The company has not provided sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019-20.</p> <p>The company should provide a clear statement that it has all the necessary plans in place to comply with the standard definition for 2019-20.</p>	Company to provide letter containing statement by 10am, 11 February 2019
	SWB.OC.A13	Agreed	<p><b>PR19SWB_PC C3 Per capita consumption.</b> We have concerns about the potential for very large outperformance payments, which could arise if the company significantly outperforms its performance commitment targets. This could leave customers exposed to large bill impacts.</p> <p>The company should apply an outperformance cap and underperformance collar for each year of the 2020-25 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.</p>	10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
	SWB.OC.A14	Agreed	<p><b>PR19SWB_PC B1. Internal sewer flooding.</b> We identified in the APR18 submission evidence (shadow reporting table 3S) that there are sub-components of some common performance commitments assessed as 'Amber' or 'Red'. The company has not provided sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019/20.</p> <p>The company should provide a clear statement that it has all the necessary plans in place to comply with the standard definition for 2019-20.</p>	Company to provide letter containing statement by 10am, 11 February 2019
	SWB.OC.A15	Agreed	<p><b>PR19SWB_PC B1. Internal sewer flooding.</b> Our PR19 methodology expectation for the Internal sewer flooding performance commitment was upper quartile performance in each year of the 2020-25 period. Based on the forecast data provided by companies in the September 2018 business plan submission the upper quartile values are:</p> <p>2020/21 = 1.68</p> <p>2021/22 = 1.63</p> <p>2022/23 = 1.58</p> <p>2023/24 = 1.44</p> <p>2024/25 = 1.34</p> <p>For this common performance commitment we expect all companies' service levels to reflect these values.</p>	10am, 11 February 2019
	SWB.OC.A16	Agreed	<p><b>PR19SWB_PC B1. Internal sewer flooding.</b> The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed outperformance rate is considered too high.</p> <p>We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range. The company should reduce its outcome delivery incentive outperformance rate from £6.236m/incident per 10,000 connections to £3.520m/incident per 10,000 connections.</p>	10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
	SWB.OC.A17	Agreed	<p><b>PR19SWB_PC B1. Internal sewer flooding.</b> The company has not provided convincing evidence that the proposed threshold levels for enhanced penalty payments are adequate to protect customers.</p> <p>The thresholds that the company should satisfy, in all years, to avoid enhanced outcome delivery incentive penalties for its sewer flooding performance commitment should be no higher than with the industry lower quartile performance in 2017-18 of 2.85 incidents per 10,000 customers.</p>	10am, 11 February 2019
	SWB.OC.A18	Agreed	<p><b>PR19SWB_PC D1. Drought risk.</b> The company provided insufficient evidence that it has followed appropriate guidance.</p> <p>The company should submit the intermediate calculation outputs as shown in the common definition guidance published on our website for the <a href="#">drought resilience metric</a>.</p>	Company to provide letter containing requested information by 10am, 11 February 2019
	SWB.OC.A19	Agreed	<p><b>PR19SWB_PC D2. Flooding risk.</b> The company provided insufficient evidence that it has followed appropriate guidance.</p> <p>The company should submit further details of how it has followed the guidance including all the information set out in section 3.6 of Developing and Trialling Wastewater Resilience Metrics, Atkins.</p>	Company to provide letter containing requested information by 10am, 11 February 2019
	SWB.OC.A20	Agreed	<p><b>PR19SWB_PC F1. Number of pollution incidents cat 1 – 3 (waste only).</b> Our PR19 methodology expectation for the Pollution Incidents performance commitment was upper quartile performance in each year of the 2020-25 period. Based on the forecast data provided by companies in the September 2018 business plan submission, the upper quartile values are</p> <p>2020/21 = 24.51</p> <p>2021/22 = 23.74</p> <p>2022/23 = 23.00</p> <p>2023/24 = 22.40</p> <p>2024/25 = 19.50</p>	10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
			For this common performance commitment we expect all companies' service levels to reflect these values.	
	<b>SWB.OC.A21</b>	Agreed	<p><b>PR19SWB_PC F1. Number of pollution incidents cat 1 – 3 (waste only).</b> The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive.</p> <p>We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range. The company should increase its outcome delivery incentive underperformance rate from £0.091m/incident per 10,000 km sewerage network to £0.115m/incident per 10,000 km sewerage network.</p>	10am, 11 February 2019
	<b>SWB.OC.A22</b>	Agreed	<p><b>PR19SWB_PC A3. Number of mains bursts.</b> The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive.</p> <p>We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range. The company should increase its outcome delivery incentive underperformance rate from £0.031m/burst per 1,000km of mains to £0.095m/burst per 1,000km of mains.</p>	10am, 11 February 2019
	<b>SWB.OC.A23</b>	Agreed	<p><b>PR19SWB_PC A4. Unplanned outage at water treatment works.</b> We identified in the APR18 submission evidence (shadow reporting table 3S) that there are sub-components of some common performance commitments assessed as 'Amber' or 'Red'. The company has not provided sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019/20.</p> <p>The company should provide a clear statement that it has all the necessary plans in place to comply with the standard definition for 2019-20</p>	Company to provide letter containing statement by 10am, 11 February 2019
	<b>SWB.OC.A24</b>	Agreed	<p><b>PR19SWB_PC A4. Unplanned outage at water treatment works.</b> We have some concerns that the company's forecast performance level is not determined using data consistent with the common definition.</p> <p>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 May</p>	15 May 2019

Test area	Action reference	Action type	Action	Date required
			submission. The company should also report their current and forecast company level peak week production capacity (MI/d), the unplanned outage (MI/d) and planned outage (MI/d) in its commentary for the May submission	
	<b>SWB.OC.A25</b>	Agreed	<p><b>PR19SWB_PC A4. Unplanned outage at water treatment works.</b> The company has not provided sufficient evidence that its customers support an outperformance payment for this particular performance commitment.</p> <p>The company should remove the outperformance payment as it has not provided sufficient evidence of customer support for it.</p>	10am, 11 February 2019
	<b>SWB.OC.A26</b>	Agreed	<p><b>PR19SWB_PC B3. Sewer collapses.</b> The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive. We have also found substantial variation in proposed outcome delivery incentive rates across companies for common and comparable performance commitments. 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>We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range. The company should increase its outcome delivery incentive underperformance rate from £0.058m/collapse per 1,000km of sewer to £0.195m/collapse per 1,000km of sewer.</p>	10am, 11 February 2019
	<b>SWB.OC.A27</b>	Agreed	<p><b>PR19SWB_PC B6. Numeric compliance.</b> The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive.</p> <p>We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range. The company should increase its outcome delivery incentive underperformance rate from £0.187m/% to £0.365m/% compliance.</p>	10am, 11 February 2019
	<b>SWB.OC.A28</b>	Agreed	<p><b>PR19SWB_PC B2. External sewer flooding incidents.</b> We have concerns about the potential for very large outperformance payments, which could arise if the company significantly outperforms its performance commitment targets. This could leave customers exposed to large bill increases.</p> <p>The company should apply an outperformance cap and underperformance collar for each year of the 2020-25 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.</p>	10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
	SWB.OC.A29	Agreed	<p><b>PR19SWB_PC B4. Sewer blockages.</b> We have concerns about the potential for very large outperformance payments, which could arise if the company significantly outperforms its performance commitment targets. This could leave customers exposed to large bill increases.</p> <p>The company should apply an outperformance cap and underperformance collar for each year of the 2020-25 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.</p>	10am, 11 February 2019
	SWB.OC.A30	Agreed	<p><b>PR19SWB_PC B8. Total wastewater treatment works compliance.</b> The company does not set out how it will combine the scores of the treatment works to produce the score for this measure or how it will collect the initial data on which it will base its assessment.</p> <p>The company should provide further detail on what information it will collect and how the performance will be calculated from this.</p>	Company to provide letter containing requested information by 10am, 11 February 2019
	SWB.OC.A31	Agreed	<p><b>PR19SWB_PC B9. Compliance with sludge standard.</b> The company reports that it has made the changes to performance commitment definition based on our subsequent comments. However, it is not clear what changes the company has made.</p> <p>The company must provide a full definition that takes account of the feedback we provided in July, being clear if customers/area for the Isles of Scilly are included or not.</p>	Company to provide revised version of its May 2018 performance commitment submission by 10am, 11 February 2019
	SWB.OC.A32	Agreed	<p><b>PR19SWB_PC B9. Compliance with sludge standard.</b> The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive.</p> <p>The company has applied the 50% totex sharing rate despite the absence of totex sharing within the Bioresources price control.</p>	10am, 11 February 2019
	SWB.OC.A33	Agreed	<p><b>PR19SWB_PC C1. Water restrictions placed on customers.</b> The company has proposed an outperformance and underperformance outcome delivery incentive. The company claims that customers are supportive of outperformance payments for this measure, and that customers "support two way incentives for asset health" more generally. However, the company has not implemented any restrictions over the past seven years, and the likelihood of any restrictions over the 2020-25 period is, by the company's own acknowledgement, low. The company proposes to earn outperformance payments simply for meeting its performance commitment target rather than exceeding it.</p> <p>The company should remove the outperformance payment from this performance commitment and reduce the underperformance rate to £0.176m per annum.</p>	10am, 11 February 2019
	SWB.OC.A34	Agreed	<p><b>PR19SWB_PC E5. Customer overall satisfaction.</b> The definition overlaps with C-MeX. This could cause confusion for customers and stakeholder for example if contradictory results are found.</p> <p>The company should remove the performance commitment as there is a significant overlap with C-MeX.</p>	10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
	<b>SWB.OC.A35</b>	Agreed	<b>PR19SWB_PC F5. Biodiversity enhancement.</b> We have concerns about the potential for very large outperformance payments, which could arise if the company significantly outperforms its performance commitment targets. This could leave customers exposed to large bill increases.  The company should apply an outperformance cap and underperformance collar for each year of the 2020-25 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.	10am, 11 February 2019
	<b>SWB.OC.A36</b>	Agreed	<b>PR19SWB_PC H1. Bathing water quality.</b> We are concerned that this performance commitment may include an element of early delivery. The CCG raised the issue in its report that for bathing water quality, the performance commitment would reward the company for delivering improvements faster than planned across the 2020 to 2025 period.  The company should reduce the outperformance rate to £0.276m per annum, equivalent to the PR14 rate, uprated for CPIH.	10am, 11 February 2019
	<b>SWB.OC.A37</b>	Agreed	<b>PR19SWB_PC H1. Bathing water quality.</b> We have concerns about the potential for very large outperformance payments, which could arise if the company significantly outperforms its performance commitment targets. This could leave customers exposed to large bill increases.  The company should apply an outperformance cap and underperformance collar for each year of the 2020-25 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.	10am, 11 February 2019
	<b>SWB.OC.A38</b>	Agreed	<b>PR19SWB_PC G1. Replacement of dumb meters with AMR.</b> The company has provided insufficient evidence of how it will calculate and record this measure.  The company should clarify how it intends to calculate this measure and if it will exclude replacement of Automatic Meter Read (“AMR”) meters within the 2020-25 period.	Company to provide revised version of its May 2018 performance commitment submission by 10am, 11 February 2019
	Advised actions	Advised	No advised actions.	N/A
Securing long-term resilience	<b>SWB.LR.A1</b>	Agreed	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 in the outcomes areas ensuring a line of sight between risks to resilience and package of outcomes.	See relevant outcomes deadlines.
	<b>SWB.LR.A2</b>	Agreed	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.	10 am 11 February 2019 for the commitment

South West Water: Actions summary table

Test area	Action reference	Action type	Action	Date required
	<b>SWB.LR.A3</b>	Required	The company's assessment of financial stress scenarios extends only to 2025. The company should commit to demonstrating that its assessment of financial resilience extends beyond 2025 in its next Long Term Viability Statement.	10am, 11 February 2019
	Advised actions	Advised	No advised actions.	N/A
Targeted controls, markets and innovation	<b>SWB.CMI.A1</b>	Required	The company should provide a commitment to provide a detailed work programme by end August 2019 to assure us that the company will deliver appropriate drainage and wastewater management plans. The programme should ensure that the company can prepare and consult on its first drainage and wastewater management plan no later than the summer of 2022 to enable revised plans to be prepared in early 2023 to inform PR24 business plans.	10am, 11 February for the commitment
	<b>SWB.CMI.A2</b>	Required	The proposed split of fixed and variable revenues for the bio-resources revenue control has not been sufficiently evidenced. We are intervening to ensure that the bioresources revenue adjustment is set on a broadly comparable basis across companies based on information set out in the business plan tables.	24 May 2019
	Advised actions	Advised	No advised actions.	N/A
Securing cost efficiency	<b>SWB.CE.A1</b>	Agreed	For actions on cost efficiency thresholds, see data table below.	N/A
	<b>SWB.CE.A2</b>	Agreed	South West Water should propose a performance commitment related to Knapp Mill new water treatment works. The company proposes significant investment to deliver Knapp Mill new water treatment works, which requires customer protection for efficient delivery via an underperformance payment.	10am, 11 February 2019
	<b>SWB.CE.A3</b>	Agreed	South West Water should propose a performance commitment related to Alderney new water treatment works. The company proposes significant investment to deliver Alderney new water treatment works, which requires customer protection for efficient delivery via an underperformance payment.	10am, 11 February 2019
	<b>SWB.CE.A4</b>	Required	WaterShare as applied to unconfirmed environmental investments: The company states (in response to query SWB-IAP-CE-002) that environmental investments are "one element of uncertainty that will be included within the WaterShare mechanism. WaterShare has been in place since PR14 and will continue to track and report expenditure against the WINEP items included in the business plan. Any differences will be transparently reported and shared with customers." So that we may take an independent view of these differences, please provide breakdowns of the c.£41m of expenditure included for the 110 Amber schemes in your company's WINEP3 i) by scheme and ii) between lines in tables WS2 and WWS2.	10am, 11 February 2019
	Advised actions	Advised	No advised actions	N/A

Test area	Action reference	Action type	Action	Date required
Aligning risk and return	<b>SWB.RR.A1</b>	Required	No required actions.	N/A
	Advised actions	Advised	No advised actions.	N/A
Accounting for past delivery	<b>SWB.PD.A1</b>	Required	<b>PR14 Land sales:</b> The company should provide additional evidence to support the forecast trajectory reported in table App9.	15 July 2019
	<b>SWB.PD.A2</b>	Required	<p><b>PR14 Outcome delivery incentives:</b> The company is required to exclude the service incentive mechanism from App27 (Bournemouth area) and allocate each performance commitment's outcome delivery incentive payments and penalties to a single PR19 price control as per methodology (South West area).</p> <p>The company should report the service level and resulting outcome delivery incentive for performance commitment 'W-B1 Water restrictions placed on customers (numbers)' in line with the definition published in the company specific appendix at PR14. The company should not exclude any restrictions placed on customers for this performance commitment. Tables App27 should be updated accordingly.</p> <p>The company should provide further evidence to support the exclusions it makes for W-A5: Duration of interruptions in supply (hours/property).</p> <ul style="list-style-type: none"> <li>• South West Water is required to update its forecast for 2019-20 performance to take account of the actual 2018-19 performance for all its performance commitments. We expect the company to pay particular focus where we found the evidence provided in its business plan for the 2018-20 forecasts to be insufficient which was for:W-A3: Asset reliability (pipes)W-A3: Asset reliability (pipes)</li> <li>• W-E5: Pollution incidents (category 3 and 4)</li> <li>• W-F1: Customers paying a metered bill</li> <li>• W-A5: Duration of interruptions in supply (hours/property)</li> <li>• S-C1: Wastewater treatment numeric compliance (%)</li> <li>• S-B1: Operational customer contacts resolved first time (%)</li> <li>• C1: Repair visible leaks</li> </ul>	15 July 2019
	<b>SWB.PD.A3</b>	Required	<b>PR14 Residential retail:</b> The company should clarify what the correct values are in table R9 (Bournemouth area) for the forecast number of metered water-only customers in 2018-2019 and 2019-2020, actual number of metered water-only customers in 2019-2020, the actual number of unmetered water-only customers in 2019-2020; and clarify what the correct values are in table R9 (South West area) for the reforecast number of unmetered water-only customers in 2015-2016 and the actual number of metered water and wastewater customers in 2019-2020. It should clarify why it has taken its particular approach (both areas) in relation to pre-occupied properties given that other companies that have also experienced the non-household retail market opening have not submitted different values for business plan table R9 and the 2017-2018 annual performance report.	15 July 2019

Test area	Action reference	Action type	Action	Date required
	<b>SWB.PD.A4</b>	Required	<b>PR14 Totex:</b> The company should use the updated actual values for the transitional expenditure; ensure all values are consistent in its models and business plan tables WS15/WWS15; and provide a detailed explanation to support its forecasted performance for years 2018-19 and 2019-20 in tables WS15/WWS15 given the high underspend.	15 July 2019
	<b>SWB.PD.A5</b>	Required	<b>PR14 reconciliations:</b> Further to the actions we have set out to address our concerns over the evidence provided in its business plan for the individual reconciliations, we will require the company to refresh all of its PR14 reconciliations to replace its 2018-19 forecast performance with 2018-19 actual performance and update the evidence for its forecast 2019-20 performance taking into account of the actual 2018-19 performance. The company should submit the updated past delivery tables and populated models by 15 July 2019.	15 July 2019
	<b>SWB.PD.A6</b>	Required	The company should produce and provide to Ofwat, as part of its response to its draft determination, additional evidence that it has identified: <ul style="list-style-type: none"> <li>the drivers of incidents performance and customer communication and support performance during and after major incidents, pollution incidents and where statutory and licence obligations enforced by the EA/NRW, DWI and Ofwat have not been met;</li> <li>lessons learnt from good and poor past and current performance;</li> <li>the performance gap between current performance and proposed performance in the 2020-25 business plan; and</li> <li>the measures planned or already in place to ensure deliverability of the 2020-25 business plan.</li> </ul>	24 May 2019
	<b>SWB.PD.A7</b>	Required	The company should produce and provide to Ofwat, as part of its response to its draft determination, an action plan that sets out: <ul style="list-style-type: none"> <li>how the company will continuously monitor incidents performance and customer communication and support during and after major incidents and deliver targets set by the EA/NRW in the Environmental Performance Assessment (EPA), by DWI and by Ofwat's regulations, including what evidence it will look for beyond itself and the sector;</li> <li>how the company will identify drivers of performance and lessons learnt from both good and poor performance;</li> <li>how the company will identify measures to improve performance and integrate these into its business; and</li> <li>how the company will ensure that this is a continuous rather than one-off process.</li> </ul>	24 May 2019
	Advised actions	Advised	No advised actions.	N/A

Test area	Action reference	Action type	Action	Date required
Securing confidence and assurance	<b>SWB.CA.A1</b>	Agreed	South West Water has not included the gearing outperformance benefit sharing mechanism in its plan. Although the company does not forecast gearing to exceed 70%, the company should confirm it will apply the default sharing mechanism from 'Putting the sector in balance: position statement on PR19 business plans' into its published business plan, so that customers will receive bill reductions if gearing in any year is above the 70% threshold.	10am, 11 February 2019
	<b>SWB.CA.A2</b>	Agreed	On dividend policy the company should 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 publish detail on dividend policies in the APR and to signal changes to stakeholders.</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> <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>	10am, 11 February 2019
	<b>SWB.CA.A3</b>	Agreed	On executive pay, the company should 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> <li>• Clear explanation of how the policy will be rigorously applied and monitored.</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>	10am, 11 February 2019
	<b>SWB.CA.A4</b>	Required	The company should explain the assurance process it has taken to develop its tax forecasts to demonstrate that amounts proposed for tax take account of customer interests, in particular to clarify the scope of the assurance work that was undertaken and the outcome of that work.	10am, 11 February 2019
	<b>SWB.CA.A5</b>	Required	<b>WaterShare.</b> The company should publish information that explains the following elements of WaterShare: <ul style="list-style-type: none"> <li>• its governance and decision-making arrangements; and</li> <li>• how it will calculate any amount to be shared (including the stated £20 million outperformance sharing on the cost of embedded debt) and report its annual decisions.</li> </ul>	10am, 11 February 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)	Bioresources	Network + (wastewater)	Residential retail	Company level
Business plan totex (£m)	79.9	826.2	101.1	882.1	159.8	2,049.1
Our view of totex (£m)	78.7	823.6	91.2	848.2	140.4	1,982.1
Efficiency challenge (£m)	1.2	2.6	9.9	33.9	19.3	67.0
Efficiency challenge (%)	1.6%	0.3%	9.8%	3.8%	12.1%	3.3%

### Costs by residential retail, water and wastewater

Costs	Residential retail	Wholesale water	Wholesale wastewater	Company level
Business plan totex (£m)	159.8	906.1	983.3	2,049.1
Our view of totex (£m)	140.4	902.2	939.4	1,982.1
Efficiency challenge (£m)	19.3	3.8	43.8	67.0
Efficiency challenge (%)	12.1%	0.4%	4.5%	3.3%

### Costs by base, enhancement and residential retail

Costs	Wholesale base costs			Enhancement costs			Residential retail	Company level
	Water	Wastewater	Total	Water	Wastewater	Total		
Business plan base/enhancement costs (£m)	676.3	713.4	1,389.7	229.8	269.8	499.6	159.8	2,049.1
Our view of base/enhancement costs (£m)	721.5	687.2	1,408.8	180.7	252.2	432.9	140.4	1,982.1
Efficiency challenge (£m)	-45.2	26.2	-19.0	49.1	17.6	66.7	19.3	67.0
Efficiency challenge (%)	-6.7%	3.7%	-1.4%	21.4%	6.5%	13.4%	12.1%	3.3%

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.

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

Key areas where we disallowed enhancement costs.

- **Wholesale water:** New development and connection costs -£17m; Investment related to Knapp and Alderney water treatment works -67m (c. -£55m base costs and -£12m enhancement); Leakage -11m.
- **Wholesale wastewater:** Sludge growth -£5m; disallowances related to free form lines -£8m.
- **Isles of Scilly:** -£7m of the cost adjustment claims (some of which is base costs).