

Southern 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 is proposing to discontinue its PR14 Value for Money PC (7: Value-for-money). The company has justified dropping it on the basis that C-MeX was being introduced. However, we do consider this a valid reason to discontinue the PR14 PC on Value for Money. Individual PC concerns are set out in table 2.	The company should provide further justification for discontinuing its PR14 Value for Money PC (7: Value-for-money). If sufficient justification for dropping the PC cannot be provided, the company should continue its PR14 Value for Money PC. Individual PC actions are set out in table 2.	SRN.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	There is limited evidence and detail in the company's business plan on enhanced performance reporting, for example how it intends to report performance to customers apart from the APR.	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 Outcome Delivery Incentives (ODIs) on its reputation.	SRN.OC.A2	1 April 2019

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Area	Concern	Required action	Action reference	Date required
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	<p>The company does not provide sufficient evidence of its approach to the triangulation of customer valuations, with evidence sourced from a single stated preference research exercise.</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>Individual PC concerns are set out in table 2.</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>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</p>	SRN.OC.A3	1 April 2019

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Area	Concern	Required action	Action reference	Date required
		<p>demonstrate how these marginal cost estimates relate to the cost adjustment claims or enhancement expenditure proposed by the company. Individual PC actions are set out in table 2.</p>		
ODI deadbands, caps and collars	<p>The company proposes to apply outperformance payment caps and underperformance payment collars to a large number of PCs, but it does not provide sufficient, ODI-specific justification for its proposals.</p>	<p>The company should provide further ODI-specific evidence to support its individual use of both caps and collars, whilst also considering how its use of these features 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's evidence for its individual caps and collars should include justification for the levels at which the cap and/or collar are set, and the company should explain why these levels are appropriate and in its customers' interests.</p>	SRN.OC.A4	1 April 2019
Enhanced ODIs	No concern	None	N/A	N/A

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Area	Concern	Required action	Action reference	Date required
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. There are concerns regarding the balance of the package and how customer priorities are reflected in the size of ODI outperformance payments for several PCs. Some of the largest financial ODIs on the upside are only of medium importance to customers. There are also concerns regarding potential double counting across some asset health ODIs that target similar outcomes.</p>	<p>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. With regards to a balanced package and incentivising the company to meet its own challenges and customer priorities; the company should provide further explanation why some ODIs of medium importance to customers carry significantly higher ODI outperformance payments than those of high customer priority. The company should provide further explanation regarding how it has considered potential double counting across its asset health ODIs.</p>	SRN.OC.A5	1 April 2019
ODI timing	No concern	None	N/A	N/A
Asset health ODI package	<p>The company does not demonstrate customer support for its asset health outperformance payments.</p>	<p>The company should provide sufficient evidence that its customers support its proposed asset health outperformance payments. If it cannot do this, the company should remove the outperformance payments. 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</p>	SRN.OC.A6	1 April 2019

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Area	Concern	Required action	Action reference	Date required
		payments for each of its asset health ODIs in £m and as a percentage of RoRE.		
Customer protection	Overall, the company provides sufficient protections to customers. However, we do have some concerns. In particular, while the company proposes caps on its outperformance ODIs, it does not explain the maximum possible outperformance payments its customers could be exposed to within its business plan.	The company should provide further evidence that explains the maximum outperformance payments that customers could be exposed to and what mitigations are proposed to protect against this outcome. The company should refer to the customer protection measures outlined in Technical appendix 1: Delivering outcomes for customers.	SRN.OC.A7	1 April 2019

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

PC	Area	Concern	Required action	Action reference	Date required
PR19SRN_WN0 2 Water quality compliance (CRI)	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	Water quality compliance (CRI) 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.	Water quality compliance (CRI) PC: The company should explain and evidence how its proposed ODI rate for CRI is coherent with the rates proposed for other asset health PCs and any 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 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 (CRI) and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	SRN.OC.A8	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
	Caps, collars, deadbands	Water quality compliance (CRI) PC: The company proposes to apply an underperformance deadband and an underperformance payment collar to this PC. While the company provides an explanation of this proposal, the difference between the proposed collar and deadband is very small. This restricts the performance range over which underperformance payments apply, leaving customers insufficiently protected from poor performance.	Water quality compliance (CRI) 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.	SRN.OC.A9	1 April 2019
PR19SRN_WN0 4 Leakage	Timing	No concern	None	N/A	N/A
	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Leakage PC: We have concerns about the quality of the customer engagement supporting this PC. This raises concerns on customer support for outperformance payments for this PC.	Leakage PC: The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.	SRN.OC.A10	1 April 2019
	ODI rate	Leakage PC: The company provides insufficient evidence to justify the use of manual adjustment (10%) to the proposed ODI rate.	Leakage PC: The company should provide further evidence to justify the appropriateness of the proposed	SRN.OC.A11	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		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>adjustment to the ODI rate or remove the adjustment.</p> <p>The company should explain why its proposed rate differs 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 leakage.</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 leakage 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
PR19SRN_WR01 Per capita consumption (PCC)	Timing	No concern	None	N/A	N/A
	Definition	No concern	None	N/A	N/A

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PC	Area	Concern	Required action	Action reference	Date required
	Stretch	No concern	None	N/A	N/A
	ODI type	Per capita consumption PC: The company provides insufficient evidence to support its approach to customer engagement. We have concerns about customer support for outperformance payments for this PC.	Per capita consumption PC: The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.	SRN.OC.A12	1 April 2019
	ODI rate	Per capita consumption PC: The company provides insufficient evidence to justify the use of a manual adjustment (10%) to the proposed ODI rate.	Per capita consumption PC: The company should provide further evidence to justify the appropriateness of the proposed adjustment to the ODI rate or remove the adjustment. 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 per capita consumption and assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should also reflect any amendments to its standard incentives rates within its enhanced ODI incentive rates, consistent with its existing multiplier of 2 applied to its standard rate, or provide evidence to justify why this is not appropriate.	SRN.OC.A13	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
	Caps, collars, deadbands	No concern	None	N/A	N/A
PR19SRN_WN0 3 Water supply interruptions	Timing	No concern	None	N/A	N/A
	Definition	No concern	None	N/A	N/A
	Stretch	Water supply interruptions PC: Our PR19 methodology expectation for the water supply PC is for all companies to set performance at the upper quartile in each year of the 2020-2025 period. Based on the forecast data provided by companies in the September 2018 business plan submission, the values are: 2020/21 = 00:04:17; 2021/22 = 00:03:58; 2022/23 = 00:03:40; 2023/24 = 00:03:22; 2024/25 = 00:03:00. The company proposes service levels which are less stretching than these.	Water supply interruptions PC: For this common PC we expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	SRN.OC.A14	1 April 2019
	ODI type	No concern	None	N/A	N/A
	ODI rate	Water supply interruptions 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	Water supply interruptions PC: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average as set out in Technical appendix 1: Delivering outcomes for customers and	SRN.OC.A15	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		<p>exogenous factors such as household income or water stress.</p> <p>The company provides insufficient evidence that its proposed ODI rates for 2020 to 2025 are appropriate. The proposed level is too low to provide a sufficient incentive and was not well supported by customer evidence.</p>	<p>demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in water supply interruptions.</p> <p>The company should 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 supply interruptions and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>		
	Caps, collars, deadbands	<p>Water supply interruptions PC: The company proposes outperformance payment caps and underperformance collars which could restrict its incentives to improve service performance. The company does not provide sufficient ODI-specific justification for its proposals.</p>	<p>Water supply interruptions 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, and the company should explain why these levels are appropriate and in customers' interests.</p>	SRN.OC.A16	1 April 2019
	Timing	No concern	None	N/A	N/A

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PC	Area	Concern	Required action	Action reference	Date required
PR19SRN_WW N01 Internal sewer flooding	Definition	No concern	None	N/A	N/A
	Stretch	Internal sewer flooding PC: Our PR19 methodology expectation for the internal sewer flooding PC is for all companies to set performance at the upper quartile in each year of the 2020-2025 period. Based on the forecast data provided by companies in the September 2018 business plan submission, the values are: 2020/21 = 1.68; 2021/22 = 1.63; 2022/23 = 1.58; 2023/24 = 1.44; 2024/25 = 1.34. The company proposes service levels which are less stretching than these.	Internal sewer flooding PC: For this common PC we expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	SRN.OC.A17	1 April 2019
	ODI type	No concern	None	N/A	N/A
	ODI rate	Internal sewer flooding 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.	Internal sewer flooding PC: The company should 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 internal sewer flooding and assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for all other sewerage PCs	SRN.OC.A18	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			(including Sewer collapses, Pollution incidents, External sewer flooding) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.		
	Caps, collars, deadbands	Internal sewer flooding PC: The company proposes outperformance caps and underperformance collars which could restrict its incentives to improve service performance. The company does not provide sufficient ODI-specific justification for its proposals.	Internal sewer flooding 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, and the company should explain why these levels are appropriate and in customers' interests.	SRN.OC.A19	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19SRN_WW N02 Pollution incidents (categories 1, 2 and 3) per 10,000km sewers	Definition	No concern	None	N/A	N/A
	Stretch	Pollution incidents PC: Our PR19 methodology expectation for the pollution incidents PC is for all companies to set performance at the upper quartile in each year of the 2020-2025 period. Based on the forecast data provided by companies in the September 2018 business plan submission, the values are:	Pollution incidents PC: For this common PC we expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	SRN.OC.A20	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		2020/21 = 24.51; 2021/22 = 23.74; 2022/23 = 23.00; 2023/24 = 22.40; 2024/25 = 19.50. The company proposes service levels which are less stretching than these.			
	ODI type	Pollution incidents PC: The company provides insufficient evidence that customers support outperformance payments for this PC.	Pollution incidents PC: The company should provide a rationale that sufficiently justifies the inclusion of an outperformance payment for this PC and provide evidence of customer support.	SRN.OC.A21	1 April 2019
	ODI rate	Pollution incidents 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.	Pollution incidents PC: The company should 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 pollution incidents and assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for all other sewerage PCs (including Internal sewer flooding, Sewer collapses, External sewer flooding) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.	SRN.OC.A22	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
	Caps, collars, deadbands	Pollution incidents PC: We have concerns that the central performance range is too narrow when compared to other companies' proposals. The underperformance collar in particular is not significantly higher than the company's PC targets. Given the extent of performance improvement required by the company's PC targets, we have concerns that the proposed cap and collar will dampen the company's incentives to improve its performance.	Pollution incidents 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, and the company should explain why these levels are appropriate and in customers' interests. The company should consider extending the performance range over which incentive payments apply, by reducing the level of the cap and increasing the level of the collar.	SRN.OC.A23	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19SRN_WR02 Risk of severe restrictions in a drought	Definition	Risk of severe restrictions in a drought PC: The company does not apply guidance correctly as its presented risk is inconsistent with what we would expect, based on its WRMP.	Risk of severe restrictions in a 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.	SRN.OC.A24	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
PR19SRN_WW N03 Risk of sewer flooding in a storm	Definition	Risk of sewer flooding in a storm PC: The company does not fully adopt the standard definition. There is insufficient detail on inclusions, exclusions and methodology. There is a lack of clarity on whether Option 1a or 1b will be used, if external flooding is included, and how flooding due to other causes is treated.	Risk of sewer flooding in a storm PC: The company should adopt the standard definition in full, providing full details of any assumptions in its measurement and reporting methodology, including all the information set out in section 3.6 of Developing and Trialling Wastewater Resilience Metrics, Atkins.	SRN.OC.A25	1 April 2019
	Stretch	Risk of sewer flooding in a storm PC: The company provides insufficient evidence that it has followed the appropriate guidance.	Risk of sewer flooding in a storm PC: The company should provide more evidence that it has followed the guidance and calculated the risk accurately.	SRN.OC.A26	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
PR19SRN_WN0 5 Asset health: mains bursts	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Asset health: mains bursts PC: The company provides insufficient evidence that customers support outperformance payments for this ODI.	Asset health: mains bursts PC: The company should provide a rationale that sufficiently justifies the inclusion of an outperformance payment for this ODI and evidence of customer support. The company should demonstrate how this ODI will benefit its customers. If the company cannot do this, it should remove the outperformance payment.	SRN.OC.A27	1 April 2019
	ODI rate	Asset health: mains bursts 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.	Asset health: mains bursts PC: The company should explain and evidence how its proposed ODI rates for mains bursts are coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (including leakage, supply interruptions and low pressure) and demonstrate how the package of ODIs across the relevant group of PCs	SRN.OC.A28	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			<p>appropriately incentivises 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 ODIs rate for mains bursts and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>		
	Caps, collars, deadbands	<p>Asset health: mains bursts PC: The company proposes to apply an underperformance collar and an underperformance deadband, which are set quite close together. Given the significant improvement required for the company to achieve its PC target, we consider that the small underperformance payment range created by the collar and deadband may weaken the company's incentive to reach its PC target. We additionally note that the collar level proposed for 2022-23 onwards is significantly lower than recent historical performance.</p> <p>The company states that a deadband is required to manage the natural volatility in this PC, but we consider that the company should manage the financial impacts of routine performance volatility which affects service levels.</p>	<p>Asset health: mains bursts PC: The company should either remove the proposed underperformance deadband from this PC or provide convincing evidence to explain why this deadband is appropriate and in customers' interests. The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing, ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with an explanation of how this compensates customers adequately for poor service performance. The company should consider increasing the level of its collar to a level more consistent with recent historical</p>	SRN.OC.A29	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			performance, thereby extending the performance range over which underperformance payments apply. As part of this process, the company should reconsider the level of its P10 performance estimates. Regardless of the decisions taken with regards to the underperformance collar, we expect the company to either revise its P10 estimates upwards or otherwise provide compelling evidence for the level at which they are currently set.		
	Timing	No concern	None	N/A	N/A
PR19SRN_WN06 Asset health: unplanned outage	Definition	Asset health: unplanned outage PC: We identified in the Annual Performance Report 2018 (APR18) submission evidence (shadow reporting table 3S) that there are sub-components assessed as 'Amber' or 'Red'. The company has not provided sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019-20.	Asset health: unplanned outage PC: The company should provide details on the actions needed to comply with the standard definition of this common performance metric and its timetable for completing them (where there is a sub-component rated Amber or Red in table 3S of the 2018 APR submission).	SRN.OC.A30	1 April 2019
	Stretch	Asset health: unplanned outage PC: We have some concerns that the company's forecast performance level is not determined using data consistent with the common definition.	Asset health: 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 outage. Board assured data can be provided with the main APR in	SRN.OC.A31	15 May 2019

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PC	Area	Concern	Required action	Action reference	Date required
			<p>July 2019, and 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 peak week production capacity (PWPC) (MI/d), unplanned outage (MI/d) and planned outage (MI/d) in its commentary for the May 2019 submission.</p>		
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p>Asset health: 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.</p>	<p>Asset health: unplanned outage: The company should explain and evidence how its proposed ODI rate for unplanned outages is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term. 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 ODIs rate for unplanned outages and</p>	SRN.OC.A32	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			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
PR19SRN_WW N04 Asset health: sewer collapses per 1,000km sewers	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	Asset health: sewer collapses per 1,000km sewers: 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.	Asset health: sewer collapses per 1,000km sewers: The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for all other sewerage PCs (including Internal sewer flooding, Pollution incidents, External sewer flooding) 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	SRN.OC.A33	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			Technical appendix 1: Delivering outcomes for customers to allow us to better understand the causes of variation in ODIs rate for sewer collapses and assess the appropriateness of the company's customer valuation evidence supporting its ODI.		
	Caps, collars, deadbands	Asset health: sewer collapses per 1,000km sewers: The company does not provide sufficient justification for its proposed underperformance deadband and underperformance collar. We have particular concerns about the underperformance deadband, which is set above the current performance level and therefore materially weakens the company's incentive to improve its performance.	Asset health: sewer collapses per 1,000km sewers: The company should either remove the proposed underperformance deadband from this PC or provide convincing evidence to explain why this deadband is appropriate and in customers' interests. The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, and an explanation of how this sufficiently protects customers from poor service performance.	SRN.OC.A34	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19SRN_WW N05	Definition	No concern	None	N/A	N/A

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PC	Area	Concern	Required action	Action reference	Date required
Asset health: treatment works compliance	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	Asset health: treatment works compliance PC: The company provides insufficient evidence to justify its deadband and underperformance collar. We consider the gap between the deadband and the collar too small and have concerns that it restricts the performance range over which underperformance payments apply. We therefore have concerns that the proposed collar will weaken the company's incentive to achieve full compliance.	Asset health: treatment works compliance PC: The company should consider changing its underperformance collar to 97% in each year which is roughly in line with its worst recent performance. It should also change its deadband to 99%, consistent with other companies.	SRN.OC.A35	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19SRN_WN1 1 Properties at risk of receiving low pressure	Definition	No concern	None	N/A	N/A
	Stretch	Properties at risk of receiving low pressure PC: The company provides insufficient evidence that its proposed service levels for 2020 to 2025 are stretching. The company plans to maintain the same number of 254	Properties at risk of receiving low pressure PC: The company should provide sufficient evidence that its proposed targets are stretching. The company should clearly set out the evidence and rationale for its proposed	SRN.OC.A36	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		properties from 2020 to 2025 with no further improvement.	targets. If it does not do this then the company should change its targets to make them stretching.		
	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
PR19SRN_WW N13 Improve the bathing waters at 'Excellent' quality (cost adjustment claim).	Definition	Improve the bathing waters at 'Excellent' quality (cost adjustment claim) PC: The company states that performance will be measured in line with the official samples taken as part of the revised Bathing Water Directive, rather than a commitment to use official samples taken by the Environment Agency.	Improve the bathing waters at 'Excellent' quality (cost adjustment claim) PC: The company should revise the definition of the PC to include a commitment to the use of official samples taken by the Environment Agency. It should also revise its definition in line with our July 2018 feedback.	SRN.OC.A37	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	Improve the bathing waters at 'Excellent' quality (cost adjustment claim) PC: The company provides insufficient evidence that customers support an outperformance payment for this PC.	Improve the bathing waters at 'Excellent' quality (cost adjustment claim) PC: The company should provide evidence to demonstrate customer	SRN.OC.A38	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			support for outperformance payments on this ODI.		
	ODI rate	Improve the bathing waters at ‘Excellent’ quality (cost adjustment claim) PC: The company provides insufficient evidence to justify a higher outperformance payment incentive rate relative to the underperformance incentive rate for this PC.	Improve the bathing waters at ‘Excellent’ quality (cost adjustment claim) PC: The company should provide further evidence to justify the higher outperformance incentive rate relative to the underperformance standard incentive rate, or revise its outperformance payment such that this is no higher than the level of underperformance standard incentive rate proposed.	SRN.OC.A39	1 April 2019
	Caps, collars, deadbands	Improve the bathing waters at ‘Excellent’ quality (cost adjustment claim) PC: The company proposes to apply an outperformance cap to this PC, but does not provide sufficient ODI-specific justification for its proposals.	Improve the bathing waters at ‘Excellent’ quality (cost adjustment claim) PC: The company should provide further ODI-specific evidence to support its use of a cap, whilst also considering how its use of this feature aligns with its broader approach to customer protection. The company’s evidence should include justification for the level at which the cap is set, and the company should explain why its level is appropriate and in customers’ interests.	SRN.OC.A40	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19SRN_WN07	Definition	No concern	None	N/A	N/A

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PC	Area	Concern	Required action	Action reference	Date required
Drinking water appearance	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
PR19SRN_WN08 Drinking water taste and odour	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	Drinking water taste and odour PC: The company provides insufficient evidence to justify symmetric ODI rates for outperformance and underperformance, since its incremental cost estimate exceeds its incremental benefit estimate. The company does not provide sufficient justification to demonstrate why	Drinking water taste and odour PC: The company should explain why it has set its underperformance payment symmetrically and justify why investment in this PC is in customers' interests. The company should also provide evidence to justify magnitude of its proposed	SRN.OC.A41	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		investment in this PC is worthwhile if marginal costs exceed marginal benefits. We additionally have concerns that the company's chosen rates are of large magnitude, which partially reflects the 10% uplift that the company has applied to base ODI rates in generating its final ODI rate proposals.	outperformance payment rates including the 10% uplift applied to generate them.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19SRN_WW N07 Effluent re-use	Definition	No concern	None	N/A	N/A
	Stretch	Effluent re-use PC: The company does not set any targets for this PC.	Effluent re-use PC: The company should set targets for each year between 2020-21 and 2024-25 and ensure that they are stretching. The company should clearly set out the evidence and rationale for its proposed targets.	SRN.OC.A42	1 April 2019
	ODI type	Effluent re-use PC: The company chooses an outperformance-only ODI as a way of recovering the costs of this PC. We consider that using outperformance-only ODIs as a funding mechanism is not appropriate, particularly in areas where the company is already undertaking activities.	Effluent re-use PC: The company should provide evidence to justify the use of an outperformance-only payment for this ODI and evidence of customer support for this approach. The company should demonstrate how this outperformance-only ODI will benefit customers.	SRN.OC.A43	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
PR19SRN_BIO01 Renewable Generation	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
PR19SRN_BIO02 Satisfactory bioresources recycling	Definition	Satisfactory bioresources recycling PC: The company has updated the PC definition since May 2018 but does not address all of our July 2018 feedback.	Satisfactory bioresources recycling PC: The company should revise the PC definition. Where it has not addressed our July 2018 feedback, it should clearly set out the rationale for not doing this.	SRN.OC.A44	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
	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
PR19SRN_WW N09 River water quality	Definition	River water quality PC: The company has updated the PC definition since May 2018 but does not address all of our July 2018 feedback.	River water quality PC: The company should revise the PC definition. Where it has not addressed our July 2018 feedback, it should clearly set out the rationale for not doing so.	SRN.OC.A45	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	River water quality PC: The company sets this PC as an outperformance and underperformance end-of- period revenue adjustment with a high P90. Outperformance payments will be awarded for early scheme delivery, but there is no evidence that this initiative is supported by customers.	River water quality PC: The company should provide sufficient evidence that its customers support an outperformance payment.	SRN.OC.A46	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
	ODI rate	River water quality PC: The company provides insufficient evidence to justify the large magnitude of the outperformance payment potential applied to this PC relative to its own package and sector comparators.	River water quality PC: Should the company propose to keep outperformance payments on this PC, the company should consider the proposed outperformance payment potential and either revise the ODI outperformance payment in line with customer evidence or provide compelling evidence why the ODI rates are considered appropriate. In either case the company should set out its evidence and rationale.	SRN.OC.A47	1 April 2019
	Caps, collars, deadbands	River water quality PC: The company proposes outperformance caps and underperformance collars which could restrict its incentives to improve service performance. The company does not provide sufficient ODI-specific justification for its proposals.	River water quality 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, and the company should explain why these levels are appropriate and in customers' interests.	SRN.OC.A48	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19SRN_WR05 Abstraction Incentive Mechanism	Definition	Abstraction Incentive Mechanism PC: the company proposes to discontinue one site that was included in AIM for the 2015-20 period and has only one site remaining that will only be triggered in exceptional circumstances.	Abstraction Incentive Mechanism PC: The company should provide sufficient evidence to justify why it proposes to discontinue a site and why there are not	SRN.OC.A49	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		We consider that the company has provided insufficient evidence to discontinue the site or that there are not further sites in its area to include in the AIM PC. The company provides insufficient evidence to justify why one site has been discontinued at PR19.	further sites in its area that should be included in the AIM PC.		
	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
PR19SRN_WW N11 Maintain bathing waters at 'Excellent'	Definition	Maintain bathing waters at 'Excellent' PC: The company states that performance will be measured, "in line with the official samples taken as part of the revised Bathing Water Directive which is published by Defra." However, a more direct commitment to the use of official samples taken by the Environment Agency would provide greater clarity.	Maintain bathing waters at 'Excellent' PC: The company should revise the definition of the PC to include a more direct commitment to use official samples taken by the Environment Agency.	SRN.OC.A50	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	Maintain bathing waters at 'Excellent' PC: The company does not provide sufficient evidence to justify the use of a top-down methodology to allocate ODI rates for this PC	Maintain bathing waters at 'Excellent' PC: The company should either provide further evidence to justify the methodology employed and why its ODI rates are reasonable or revise ODI rates based upon robust customer valuations and forecast efficient marginal costs to provide customers with sufficient protection from under delivery against the PC target	SRN.OC.A51	1 April 2019
	Caps, collars, deadbands	Maintain bathing waters at 'Excellent' PC: The company proposes to apply an underperformance collar to this PC, but does not provide sufficient ODI-specific justification for its proposals.	Maintain bathing waters at 'Excellent' PC: The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing, ODI-specific justification for this decision. This should include justification for the level at which the collar is set, and an explanation of how this protects customers adequately for poor service performance.	SRN.OC.A52	1 April 2019
	Timing	No concern	None	N/A	N/A

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PC	Area	Concern	Required action	Action reference	Date required
PR19SRN_WW N12 Improve the number of bathing waters to at least 'Good' (cost adjustment claim).	Definition	Improve the number of bathing waters to at least 'Good' (cost adjustment claim) PC: The company states that performance will be measured, "in line with the official samples taken as part of the revised Bathing Water Directive which is published by Defra." However, a more direct commitment to the use of official samples taken by the Environment Agency would provide greater clarity.	Improve the number of bathing waters to at least 'Good' (Cost Adjustment Claim) PC: The company should revise the definition of the PC to include a more direct commitment to use official samples taken by the Environment Agency.	SRN.OC.A53	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	Improve the number of bathing waters to at least 'Good' (cost adjustment claim) PC: This is an outperformance and underperformance end-of-period revenue adjustment which is linked to the cost adjustment claim. The company provides insufficient evidence that customers support an outperformance payment for this PC.	Improve the number of bathing waters to at least 'Good' (cost adjustment claim) PC: The company should provide further evidence to justify the use of an outperformance payment for this ODI, in particular evidence of customer support for this approach.	SRN.OC.A54	1 April 2019
	ODI rate	Improve the number of bathing waters to at least 'Good' (cost adjustment claim) PC: The company does not provide sufficient evidence to justify the higher magnitude of the outperformance ODI rate estimated for this PC, both relative to the underperformance incentive rate or the level of customer valuations.	Improve the number of bathing waters to at least 'Good' (cost adjustment claim) PC: Should the company propose to keep outperformance payments on this PC, the company should either provide further evidence to justify how the proposed ODI rates are reasonable both in relation to its customer valuations and the underperformance payment proposed, or revise its ODI outperformance payment such that this	SRN.OC.A55	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			does not exceed the magnitude of the underperformance payment. In either case the company should set out its evidence and rationale.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19SRN_WR03 Target 100	Definition	Target 100 PC: The company updates the PC definition since May 2018 but does not address all of our July 2018 feedback. We questioned how it will determine occupancy rate and how often this will be updated.	Target 100 PC: The company should revise the PC definition in line with our feedback from July 2018. Where it has not addressed our July 2018 feedback, it should clearly set out the rationale for this.	SRN.OC.A56	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

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PC	Area	Concern	Required action	Action reference	Date required
PR19SRN_WR0 4 Water saved from water efficiency visits	Definition	Water saved from water efficiency visits PC: The company does not address our July 2018 feedback.	Water saved from water efficiency visits PC: The company should revise the PC definition in line with our feedback from July 2018. Where it has not addressed our July 2018 feedback, it should clearly set out the rationale for this.	SRN.OC.A57	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	Water saved from water efficiency visits PC: The company chooses an outperformance and underperformance in-period revenue adjustment for this ODI. It does not sufficiently justify its outperformance payment.	Water saved from water efficiency visits PC: The company should provide further evidence to justify the use of an outperformance payment for this ODI and evidence of customer support for this approach.	SRN.OC.A58	1 April 2019
	ODI rate	Water saved from water efficiency visits PC: We have a concern that the performance level for this PC is also reflected in the common PC per capita consumption and that leads to double-counting of ODI payments.	Water saved from water efficiency visits PC: The company should provide further evidence and explanations to demonstrate that there is no double-counting of ODI payments between this PC and the common PC per capita consumption.	SRN.OC.A59	1 April 2019
	Caps, collars, deadbands	Water saved from water efficiency visits PC: The company proposes outperformance caps and underperformance collars which could restrict its incentives to improve service performance. The company does not provide sufficient ODI-specific justification for its proposals.	Water saved from water efficiency visits 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	SRN.OC.A60	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			the levels at which the cap and collar are set, and the company should explain why these levels are appropriate and in customers' interests.		
	Timing	No concern	None	N/A	N/A
PR19SRN_RR03 Void properties	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Void properties PC: The company proposes to apply financial incentives to this PC. However, the company does provide sufficient evidence to demonstrate that the outperformance incentive would benefit customers.	Void properties PC: 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.	SRN.OC.A61	1 April 2019
	ODI rate	Void properties PC: The company has not provided sufficient information on the basis on which its incentive rates have been derived.	Void properties PC: The company should outline the basis on which its ODI rates have been calculated and demonstrate that they do not exceed the reduction in bills that customers would experience from a reduction in void sites.	SRN.OC.A62	1 April 2019
	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
PR19SRN_RR04 Effectiveness of financial assistance	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
PR19SRN_RR05 Customer satisfaction with vulnerability support	Definition	Customer satisfaction with vulnerability support PC: The company has provided insufficient evidence on the survey sample size to support this PC. In addition, there is no evidence the survey will adhere to social research best practice.	Customer satisfaction with vulnerability support PC: The company should provide additional evidence on the survey sample size used to determine the target for this PC. In addition, the company should confirm that the survey will be externally assured and conducted in line with social research best practice.	SRN.OC.A63	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
	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
PR19SRN_WN09 Replace lead customer pipes	Definition	Replace lead customer pipes PC: The company does not address our July 2018 feedback.	Replace lead customer pipes PC: The company should revise the PC definition in line with our feedback from July 2018. Where it has not addressed our July 2018 feedback, it should clearly set out the rationale for this.	SRN.OC.A64	1 April 2019
	Stretch	Replace lead customer pipes PC: The company does not set any targets for this PC. Other companies replace customer supply pipes and so we consider it inappropriate that the service levels are zero.	Replace lead customer pipes PC: The company should set targets for each year between 2020-21 and 2024-25 and ensure that they are stretching. The company should clearly set out the evidence and rationale for its proposed targets.	SRN.OC.A65	1 April 2019
	ODI type	Replace lead customer pipes PC: The company chooses an outperformance payment-only ODI as a way of recovering the costs of	Replace lead customer pipes PC: The company should provide a rationale that sufficiently justifies the use of an	SRN.OC.A66	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		this PC (which the company states are not included in its plan because the level of customer demand is uncertain). There are concerns that using outperformance payment-only ODIs as a funding mechanism is not appropriate, particularly in areas where the company is already undertaking activities.	outperformance-only payment for this ODI and evidence of customer support for this approach. The company should demonstrate how this outperformance-only ODI 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
PR19SRN_WW N06 Surface water management	Definition	No concern	None	N/A	N/A
	Stretch	Surface water management PC: The company does not set any targets for this PC. Other companies undertake surface water management activities and so we consider it inappropriate that the service levels are zero.	Surface water management PC: The company should set targets for each year between 2020-21 and 2024-25 and 2024-25 and ensure that they are stretching. The company should clearly set out the evidence and rationale for its proposed targets.	SRN.OC.A67	1 April 2019
	ODI type	Surface water management PC: The company chooses an outperformance payment-only as a way of recovering the costs of this PC (which the company states are not included in its plan because the level of customer demand is	Surface water management PC: The company should provide further evidence to justify the use of outperformance-only payments for this ODI and evidence of customer support for this approach.	SRN.OC.A68	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
		uncertain). We have concerns that using outperformance-only ODIs as a funding mechanism is not appropriate, particularly in areas where the company is already undertaking activities.			
	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
PR19SRN_N01 Community engagement	Definition	No concern	None	N/A	N/A
	Stretch	Community engagement PC: The company does not set a numerical target for the September 2018 submission. The company states that its target is to achieve upper quartile position and that its baseline ranking will be set in the 2019-20 financial year.	Community engagement PC: The company should provide its fully assured baseline and targets with its annual performance reporting submission in 2019-20.	SRN.OC.A69	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
PR19SRN_N02 Schools visited and engagement with children	Definition	Schools visited and engagement with children PC: The measure is the total number of schools that have been visited in the year. Whilst there are some stated aims attached to the visits, the measure is output-based, rather than targeting actual outcomes for customers. The company has provided insufficient detail on how it would assess whether a visit has met its aims or not, and how it would verify this.	Schools visited and engagement with children PC: The company should revise the definition of the PC to ensure that it measures actual outcomes for customers, not outputs.	SRN.OC.A70	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
PR19SRN_WN10	Definition	No concern	None	N/A	N/A

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PC	Area	Concern	Required action	Action reference	Date required
Water supply resilience	Stretch	Water supply resilience PC: The company states that its ambition is to improve the 2015-20 level of performance, but we are not able to identify clearly presented baseline data in the company's submission. We are therefore not able to assess the stretch of the proposed targets.	Water supply resilience PC: The company should clearly set out the evidence for its proposed targets in relation to the initial position.	SRN.OC.A71	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
PR19SRN_RR02 Access to daily water consumption data	Definition	Access to daily water consumption data PC: The company does not address all of our July 2018 feedback.	Access to daily water consumption data PC: The company should revise the PC definition in line with our feedback from July 2018. Where it has not addressed our July 2018 feedback, it should clearly set out the rationale for this.	SRN.OC.A72	1 April 2019
	Stretch	Access to daily water consumption data PC: The company does not set any targets for this PC.	Access to daily water consumption data PC: The company should set targets for each year between 2020-21 and 2024-25 and ensure that they are stretching. The company	SRN.OC.A73	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			should clearly set out the evidence and rationale for its proposed targets.		
	ODI type	Access to daily water consumption data PC: The company chooses an outperformance payment-only ODI as a way of recovering the costs of this PC. The company has not provided sufficient justification, or demonstrated sufficient customer support, for the outperformance payment.	Access to daily water consumption data PC: The company should provide a rationale that sufficiently justifies the use of an outperformance-only payment for this ODI and evidence of customer support for this approach. The company should demonstrate how this outperformance-only ODI will benefit customers, over and above what would be delivered without this PC.	SRN.OC.A74	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
PR19SRN_WW N08 External sewer flooding	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	<p>External sewer flooding 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.</p>	<p>External sewer flooding PC: The company should 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 external sewer flooding and assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for all other sewerage PCs (including Internal sewer flooding, Sewer collapses, Pollution incidents) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.</p>	SRN.OC.A75	1 April 2019
	Caps, collars, deadbands	<p>External sewer flooding PC: The company does not provide sufficient evidence to justify its proposed outperformance cap and underperformance collar. We have particular concerns about the level of the proposed collar, which appears very low relative to recent performance.</p>	<p>External sewer flooding 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, and the company should explain why these levels are appropriate and in customers'</p>	SRN.OC.A76	1 April 2019

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PC	Area	Concern	Required action	Action reference	Date required
			interests. The company should either increase the level of the collar, to bring it above recent performance, or provide further evidence to justify the existing level.		
	Timing	No concern	None	N/A	N/A
PR19SRN_WW N10 Combined sewer overflow (CSO) monitoring	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
PR19SRN_WW N14 Growth (cost adjustment claim)	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
PR19SRN_WW N15 Natural capital	Definition	No concern	None	N/A	N/A
	Stretch	Natural capital PC: The company includes 3 out of 10 river catchments in its 2025 target. The company plans to revisit its targets after 2021-22 to ensure that they remain stretching. We are concerned that the company may not revisit its targets, or that they may no longer be stretching after 2021-22.	Natural capital PC: The company should provide evidence of the review of its targets in its annual performance reporting submission in 2021-22.	SRN.OC.A77	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
PR19SRN_RR0 6 Gap sites	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Gap sites PC: The company does not provided sufficient evidence to justify the use of a non-financial incentive for this ODI.	Gap sites PC: The company should provide further evidence to justify the use of a non-financial incentive by demonstrating why a financial incentive would not be in the interests of customers. Alternatively, the company should formulate a financial ODI reflecting the reduction in customer bills that would result from improvements in the identification of gap sites.	SRN.OC.A78	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
PR19SRN_WW N16	Definition	No concern	None	N/A	N/A

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PC	Area	Concern	Required action	Action reference	Date required
Thanet sewers	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
PR19SRN_WN1 2 Distribution input	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

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PC	Area	Concern	Required action	Action reference	Date required
	Timing	No concern	None	N/A	N/A