

Thames Water: Delivering outcomes for customers detailed actions

Table 1: Company-wide actions

Area	Concern	Required action	Action reference	Date required
PC definition	<p>We are concerned that the proposed PCs and ODIs for the company in the Thames Tideway Tunnel (TTT) price control appear to be neither stretching nor appropriately targeted to drive the right behaviours and outcomes for the project. Specifically, the PCs do not take account of the impact of the company's decisions on Tideway's activities and costs, and hence overall customer bills. We also note that the potential size of the incentives for the TTT price control is significantly below the indicative RoRE range.</p> <p>We also consider that the company has not made adequate reference to Tideway in its Wastewater Network plus PCs to demonstrate that it is sufficiently incentivised to deliver the critical assets that will allow the Tideway Tunnel to operate.</p>	No company-wide actions. Individual PC actions are set out in table 2.	N/A	1 April 2019
PC stretch	No concern at a company-wide level. See concerns below on an individual PC basis.	None at a company-wide level. See actions below on an individual PC basis.	N/A	N/A
Performance reporting	No concern	None	N/A	N/A

Area	Concern	Required action	Action reference	Date required
Outcome Delivery Incentive (ODI) type	<p>In some cases, the company proposes an inappropriate type of ODI. Customers preferences are for underperformance payment only ODIs for low pressure, surface water management and acceptability of water to customers PCs, but the company has chosen outperformance and under performance payment ODIs for these PCs.</p>	<p>The company should provide sufficient justification for proposing outperformance payments for PCs, when customers expressed a preference for underperformance only payments. This should include a clear rationale and evidence of how this decision will benefit customers.</p>	TMS.OC.A1	1 April 2019
ODI rates	<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.</p> <p>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>In a number of cases the Ofwat formula has not been followed, with insufficient evidence provided, particularly for scheme specific PCs, to justify and make clear the alternative methodologies employed where willingness to pay (WTP) was not used.</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 Final Methodology. In particular, the company should provide evidence to demonstrate how these marginal cost estimates relate to the cost adjustment</p>	TMS.OC.A2	1 April 2019

Area	Concern	Required action	Action reference	Date required
		<p>claims or enhancement expenditure proposed by the company.</p> <p>Where the company has not followed the Ofwat formula, it should provide further evidence to justify how the methodology it used to calculate ODI rates is appropriate and how this reflects of customer valuations.</p>		
ODI deadbands, caps and collars	See Customer protections section below.	See Customer protections section below.	N/A	N/A
Enhanced ODIs	N/a	None	N/A	N/A
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.</p> <p>In regard to the overall size and balance of the package, the company provides insufficient evidence that the package appropriately incentivises it to address its challenges and customers' priorities. We also have concerns bespoke PCs with the largest financial incentives don't always appear to be customer priorities.</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.</p> <p>The company should provide further explanation why some bespoke PCs that are not of high importance to customers have relatively large ODI rates and why others PCs that are of high importance have lower ODI rates.</p>	TMS.OC.A3	1 April 2019
ODI timing	No concern	No actions required	N/A	N/A
Asset health ODI package	The company does not demonstrate that it understands and has addressed its asset	The company should propose an appropriate service level and ODI for	TMS.OC.A4	1 April 2019

Area	Concern	Required action	Action reference	Date required
	<p>health past performance challenges, as it does not propose an appropriate service level and ODI for its wastewater treatment works compliance PC.</p> <p>The company does not demonstrate sufficient customer support for its asset health outperformance payments.</p>	<p>wastewater treatment works compliance PC as set out in table 2.</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.</p> <p>The company should provide a clear list of what it considers to be its asset health PCs, and state its P10 underperformance payments and P90 outperformance payments for each of its asset health ODIs in £m and as a percentage of RoRE.</p>		
Customer protection	<p>The company has not put forward sufficient customer protections.</p> <p>In particular, we have concerns about the potential for large outperformance payments, which could arise if the company significantly outperforms its PC targets. This could leave customers exposed to large increases in bills.</p> <p>The company proposes minimal protections through the use of caps on individual PCs and does not outline any bill smoothing mechanisms to ensure bill stability for its customers. Put together, these expose</p>	<p>The company should apply additional protections through an appropriate outperformance payment sharing mechanism and by implementing caps on individual PCs which could result in material outperformance payments. The payment sharing mechanism and caps to material ODIs should be applied in accordance with guidance provided in the ‘Technical appendix 1: Delivering outcomes for customers’.</p>	TMS.OC.A5	1 April 2019

Area	Concern	Required action	Action reference	Date required
	customers to an inappropriate level of financial risk that comes despite the company having a comparatively low RoRE package.			

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

PC	Area	Concern	Required action	Action reference	Date required
PR19TMS_BW0 1 Asset Health Mains Bursts (no.) per 1000km	Definition	No concern	None	N/A	N/A
	Stretch	Asset Health Mains Bursts (no.) per 1000km PC: The company is the worst performer in the industry and is forecasting a slight decrease in performance from the average of the last three years which it will maintain through 2020-25. The company attributes the increases in burst mains to its plans to reduce leakage but provides insufficient evidence to demonstrate the relationship between leakage levels and the total number of repairs.	Asset Health Mains Bursts (no.) per 1000km PC: The company should reconsider its proposed service levels and ensure that these are stretching. If the company continues to propose performance that is worse than its historical levels, it should provide compelling evidence that increased active leakage control (ALC) activity impacts the total number of mains repairs using its own data, including the relationship between proactive and reactive mains repairs. As a minimum the evidence should show the historical correlation between active leakage control, proactive and reactive mains repairs. It should also show the impact of this relationship on forecast repair rates from the output of asset performance modelling. The company should also demonstrate that reduced (worse) performance levels are in the interests of customers and the assets.	TMS.OC.A6	1 April 2019
	ODI type	Asset Health Mains Bursts (no.) per 1000km PC: The company provides insufficient evidence to justify the use of an outperformance payment on this PC.	Asset Health Mains Bursts (no.) per 1000km PC: The company should provide further evidence to justify the use of an outperformance payment on this PC, including evidence of customer support. If it	TMS.OC.A7	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
			cannot do this, the company should remove the outperformance incentive.		
	ODI rate	<p>Asset Health Mains Bursts (no.) per 1000km 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 Mains Bursts (no.) per 1000km 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 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 ODI rates for mains bursts and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>	TMS.OC.A8	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A

PC	Area	Concern	Required action	Action reference	Date required
PR19TMS_BW02 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 does not provide 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).	TMS.OC.A9	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 Outages. Board assured data can be provided with the main APR in July 2019, any changes will be taken into account for the Final Determination. Based on the latest performance and updated methodologies, the company should resubmit 2019-20 to 2024-25 forecast data in the 15 May 2019 submission. The company should also report its current and forecast company level peak week production capacity (PWPC) (M/d), the unplanned outage (M/d) and planned outage	TMS.OC.A10	15 May

PC	Area	Concern	Required action	Action reference	Date required
			(M/d) in its commentary for the May submission.		
	ODI type	Asset Health Unplanned Outage PC: The company provides insufficient evidence to justify the use of an outperformance payment on this PC.	Asset Health Unplanned Outage PC: The company should provide further evidence to justify the use of an outperformance payment on this PC, including evidence of customer support for this approach. Alternatively, the company should remove the outperformance payment.	TMS.OC.A11	1 April 2019
	ODI rate	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.	Asset Health Unplanned Outage PC: The company should explain and evidence how its proposed ODI rates for unplanned outages are coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term. The company should also provide the additional information set out in ' Technical appendix 1: Delivering outcomes for customers ' to allow us to better understand the causes of variation in ODI rates for unplanned outages and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	TMS.OC.A12	1 April 2019

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
PR19TMS_BW03 Interruptions to supply	Definition	No concern	None	N/A	N/A
	Stretch	<p>Interruptions to supply PC: Our PR19 methodology expectation for the Water supply interruptions 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 upper quartile values are 2020/21 = 00:04:17; 2021/22 = 00:03:58; 2022/23 = 00:03:40; 2023/24 = 00:03:22; 2024/25 = 00:03:00.</p> <p>The company proposes service levels which are less stretching than these.</p>	<p>Interruptions to supply 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.</p>	TMS.OC.A13	1 April 2019
	ODI type	No concern	None	N/A	N/A

PC	Area	Concern	Required action	Action reference	Date required
	ODI rate	<p>Interruptions to supply PC There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies' comparative and historical performance, or exogenous factors such as household income or water stress.</p>	<p>Interruptions to supply PC: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in supply interruptions.</p> <p>The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for supply interruptions and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>	TMS.OC.A14	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A

PC	Area	Concern	Required action	Action reference	Date required
	Definition	No concern	None	N/A	N/A
	Stretch	Leakage PC: The company has the worst forecast performance in the industry and while it has proposed service levels that reflect a 15% reduction in leakage from 2019-20 to 2020-25 the company's position relative to the rest of the industry will not change. The company provides insufficient evidence that it should not go further to meeting forecast upper quartile performance.	Leakage PC: The company should reconsider its proposed service levels and ensure that they are stretching and meeting the upper quartile values or provide compelling evidence to demonstrate why this level cannot be achieved. Based on the forecast data provided by companies in the September 2018 business plan submission the upper quartile values are 75 litres/property/day and 5.42 m3/km of mains/day. The company should clearly set out the evidence and rationale for the revised targets. The company should clearly set out both the service levels for this PC based on 3 year average and the annual average values it proposes.	TMS.OC.A15	1 April 2019
PR19TMS_BW04 Leakage	ODI type	No concern	None	N/A	N/A
	ODI rate	Leakage PC: The company provides insufficient evidence that its proposed ODI rates for 2020 to 2025 are appropriate. The proposed incentive rate is not well supported by sufficient evidence to justify	Leakage PC: The company should provide further justification of its approach to triangulation of the marginal benefit value for leakage and provide further detail on the adjustments made for overlap across PCs.	TMS.OC.A16	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
		<p>the marginal benefit and marginal cost estimates used.</p> <p>In particular the company does not demonstrate that it has applied an objective and well-reasoned approach to triangulation of the marginal benefit value for leakage.</p> <p>The company also makes scaling adjustments to account for overlap in the use of the underlying valuations with the PCC, SOSI and mains burst PCs. Insufficient detail is provided to justify the scaling adjustment made to avoid a double count of benefits with the SOSI PC in the event of underperformance.</p>	<p>The company should demonstrate that these adjustments and its triangulation approach result in ODI rates which remain representative of customers' underlying preferences for leakage reduction.</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
	Timing	No concern	None	N/A	N/A
	Definition	No concern	None	N/A	N/A

PC	Area	Concern	Required action	Action reference	Date required
PR19TMS_BW05 Per Capita Consumption	Stretch	Per Capita Consumption PC: The company provides insufficient evidence that its proposed service levels for 2020 to 2025 are stretching. It proposed a change of 4% between 2019-20 and 2024-25 in service levels which is below the average industry reduction. As a result the company will remain a relatively poor performer despite customer support for reductions in per capita consumption and significant challenges for the company's water resources position.	Per Capita Consumption PC: The company should reconsider its proposed service levels and justify that these are stretching or revise them. The company should clearly set out the evidence and rationale for the revised targets.	TMS.OC.A17	1 April 2019
	ODI type	No concern	None	N/A	N/A
	ODI rate	Per Capita Consumption PC: The company provides insufficient evidence to justify the ODI rate applied to this PC, which is of high magnitude relative to industry comparators (on a per household basis). The company has makes a number of scaling adjustments to the triangulated valuation to address overlaps arising from the use of the same underlying benefit values in other PCs (leakage, SOSI and proactively engaging customers).	Per Capita Consumption 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 demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in per capita consumption. The company should also provide the additional information set out in ' Technical	TMS.OC.A18	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
		Insufficient detail has been provided to demonstrate that these adjustments are appropriate.	<p>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.</p> <p>The company also should provide further detail on the adjustments made to the marginal benefit values for overlap across PCs and demonstrate that these are appropriate.</p>		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19TMS_BW06 Water Quality Compliance: CRI	Definition	None	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Water Quality Compliance: CRI PC: On 19 December 2018 the Environment Secretary announced that a ban is being	Water Quality Compliance: CRI PC: The company should add a financial underperformance incentive to this PC and	TMS.OC.A19	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
		<p>put in place on the outdoor use of metaldehyde. Consequently, there is now insufficient justification to have the financial incentive attached to its CRI sub-measures instead of the CRI common PC.</p>	<p>provide evidence to justify the rate that it proposes.</p>		
	<p>ODI rate</p>	<p>Water Quality Compliance: CRI PC: See concern above.</p>	<p>Water Quality Compliance: CRI PC: The company should propose an underperformance ODI rate consistent with our assessment of the reasonable range around the industry average (as set out in ‘Technical appendix 1: Delivering outcomes for customers’) or demonstrate that a rate outside this range is consistent with customers’ underlying preferences and priorities for service improvements in CRI.</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 CRI and assess the appropriateness of the company’s customer valuation evidence supporting its ODI.</p> <p>The company should explain and evidence how any proposed ODI rate for CRI is</p>	<p>TMS.OC.A20</p>	<p>1 April 2019</p>

PC	Area	Concern	Required action	Action reference	Date required
			coherent with the rates proposed for other asset health PCs.		
	Caps, collars, deadbands	Water Quality Compliance: CRI PC: See concern above.	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.	TMS.OC.A21	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19TMS_CS0 1 Asset Health: Treatment works compliance	Definition	No concern	None	N/A	N/A
	Stretch	Asset Health: Treatment works compliance PC: There is inconsistency between the company's App1 business plan table, which shows 100% compliance throughout the period 2020-25, and the	Asset Health: Treatment works compliance PC: The company should set the performance target at 100% for the 2020-25 period. A deadband at 99% may be applied.	TMS.OC.A22	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
		PR19 – Wastewater Network Plus Price Control document, p18, which shows a 99.2% target. The company’s forecast for 2024-25 therefore might not meet the expected compliance level of 100%.			
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p>Asset Health: Treatment works compliance PC: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies’ comparative and historical performance, or exogenous factors such as household income or water stress.</p>	<p>Asset Health: Treatment works compliance PC: The company should explain and evidence how its proposed ODI rate for treatment works compliance is coherent with the rates proposed for PCs relating to the associated customer facing impacts of the asset failure (including river water quality) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.</p> <p>The company should also provide the additional information set out in ‘Technical appendix 1: Delivering outcomes for customers’ to allow us to better understand the causes of variation in ODI rates for treatment works compliance and assess the appropriateness of the company’s customer valuation evidence supporting its ODI.</p>	TMS.OC.A23	1 April 2019

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
PR19TMS_CS0 2	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	<p>Asset Health: Sewer collapses 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: Sewer collapses PC: The company should propose an underperformance ODI rate consistent with our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') or demonstrate that a rate outside this range is consistent with customers' underlying preferences and priorities for service improvements in CRI</p> <p>The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for</p>	TMS.OC.A24	1 April 2019
Asset Health: Sewer collapses (no.) per 1000km of sewers					

PC	Area	Concern	Required action	Action reference	Date required
			<p>customers' to allow us to better understand the causes of variation in ODI rates for sewer collapses and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p> <p>The company should explain and evidence how its proposed ODI rate for Sewer collapses is coherent with the rates proposed for all other sewerage performance commitments (including internal sewer flooding and pollution incidents) and demonstrate how the package of ODIs across the relevant group of performance commitments appropriately incentivises performance in the long and short-term.</p>		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19TMS_CS03 Internal sewer flooding	Definition	None	None	N/A	N/A
	Stretch	<p>Internal sewer flooding incidents PC: Our PR19 methodology expectation for the Internal sewer flooding PC is for all</p>	<p>Internal sewer flooding incidents PC: For this common PC we expect all companies' service levels to reflect the values we have</p>	TMS.OC.A25	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
incidents (including severe weather)		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 upper quartile 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.	calculated for each year of the 2020 to 2025 period.		
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p>Internal sewer flooding 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.</p>	<p>Internal sewer flooding incidents 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 demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in internal sewer flooding.</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</p>	TMS.OC.A26	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
			<p>internal sewer flooding and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p> <p>The company should explain and evidence how its proposed ODI rate for internal sewer flooding is coherent with the rates proposed for all other sewerage performance commitments (including sewer collapses and pollution incidents) and demonstrate how the package of ODIs across the relevant group of performance commitments appropriately incentivises performance in the long and short-term.</p>		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
<p>PR19TMS_DS01</p> <p>Risk of sewer flooding in a</p>	Definition	<p>Risk of sewer flooding in a severe storm PC: The company appears to have adopted the standard definition. However, there is insufficient detail on how it has implemented the guidance.</p>	<p>Risk of sewer flooding in a severe 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</p>	TMS.OC.A27	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
storm: 1 in 50 year storm			Developing and Trialling Wastewater Resilience Metrics, Atkins		
	Stretch	No concern	No concern	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
PR19TMS_DW01 Risk of severe restrictions in a drought: 1:200 drought resilience	Definition	No concern	None	N/A	N/A
	Stretch	Risk of severe restrictions in a drought PC: There are concerns that the company has projected insufficient improvement within the period 2020-25 for this PC.	Risk of severe restrictions in a drought PC: The company should review its proposed service levels for 2020-25 and ensure that they are stretching. 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.	TMS.OC.A28	1 April 2019

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
PR19TMS_ESO 1 Wastewater pollution incidents: Total cat 1-3 incidents from sewage related premises per 10,000km	Definition	No concern	None	N/A	N/A
	Stretch	<p>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 upper quartile values are 2020/21 = 24.5; 2021/22 = 23.7; 2022/23 = 23.0; 2023/24 = 22.4; 2024/25 = 19.5. The company proposes service levels which are less stretching than these.</p>	<p>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.</p>	TMS.OC.A29	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
	ODI type	<p>Pollution incidents PC: The company is proposing an outperformance and underperformance ODI. In its ODI-specific commentary, the company highlights that customers views are that an outperformance incentive is not required, with reputational incentives being sufficient for improvement. The company emphasises that its performance targets are stretching in justifying its proposed outperformance payments, with significant performance improvement required. However, the company's proposals are not stretching compared to other companies, and the proposed 2024-25 level falls significantly short of the forecast industry upper quartile.</p>	<p>Pollution incidents PC: The company should provide further evidence to justify the use of outperformance payments for this ODI. The company should demonstrate how going against customer preferences will benefit customers.</p>	TMS.OC.A30	1 April 2019
	ODI rate	<p>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.</p>	<p>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.</p>	TMS.OC.A31	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
			The company should explain and evidence how its proposed ODI rate for pollution incidents is coherent with the rates proposed for all other sewerage performance commitments (including internal sewer flooding and sewer collapses) and demonstrate how the package of ODIs across the relevant group of performance commitments appropriately incentivises performance in the long and short-term.		
	Caps, collars, deadbands	Pollution incidents PC: The company proposes to apply an outperformance cap and underperformance collar to this PC, although it acknowledges that its customers are divided about the need for these features. The company should provide further evidence in support of these features.	Pollution incidents PC: The company should provide further evidence to support its use of a cap and a collar for this specific PC, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests.	TMS.OC.A32	1 April 2019
	Timing	No concern	None	N/A	N/A
	Definition	Water Quality Compliance: CRI Other PC: The company has developed its own measures rather than using measures	Water Quality Compliance: CRI Other PC : The company should consider if it is still appropriate to have sub measures of CRI,	TMS.OC.A33	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
PR19TMS_TMS Extra1 Water Quality Compliance: CRI Other		from the asset health long list consistent with those published by the DWI. We note that on 19 December 2018 the Environment Secretary announced that a ban is being put in place on the outdoor use of metaldehyde.	taking into account the announced ban on the outdoor use of metaldehyde. If it continues to propose sub measures it should select appropriate CRI sub-measure from the asset health long list.		
	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
PR19TMS_TMS Extra2 Water Quality Compliance:	Definition	Water Quality Compliance: CRI Metaldehyde PC: The company has developed its own measures rather than using measures from the asset health long list consistent with those published by the DWI. We note that on 19 December 2018 the Environment Secretary announced that a ban is being	Water Quality Compliance: CRI Metaldehyde PC: The company should consider if it is still appropriate to have sub measures of CRI, taking into account the announced ban on the outdoor use of metaldehyde. If it continues to propose sub measures it should select	TMS.OC.A34	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
CRI Metaldehyde		put in place on the outdoor use of metaldehyde.	appropriate CRI sub-measure from the asset health long list.		
	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
PR19TMS_AR0 2 Households on a payment plan	Definition	Households on a payment plan PC: The company provides insufficient evidence on the degree of customer support for this PC.	Households on a payment plan PC: The company should provide further information on whether its customers support this PC.	TMS.OC.A35	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A

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
PR19TMS_AR03 Household accounts on our new billing system	Definition	Household accounts on our new billing system PC: The PC does not provide a definition of an "active account" as flagged in our feedback provided in July 2018.	Household accounts on our new billing system PC: The company should reflect the feedback that we provided in July 2018 and provide a definition of an "active account".	TMS.OC.A36	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	Household accounts on our new billing system PC: The company does not provide sufficient evidence to justify the level of the underperformance payment rate applied to this ODI and how this provides adequate incentives for the company to deliver.	Household accounts on our new billing system PC: The company should consider the proposed ODI rates and either increase the rates (absolute terms) in line with customer evidence so that the ODI rates provide sufficient incentive or provide compelling evidence why the ODI rates are considered appropriate. In either case the	TMS.OC.A37	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
			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
PR19TMS_AR04 Number of customers on the priority services register	Definition	Refer to entry TMS.AV.A2 in the Thames Water: Actions Summary Table for actions related to this PC.	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Refer to entry TMS.AV.A2 in the Thames Water: Actions summary table for actions related to this PC.	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A

PC	Area	Concern	Required action	Action reference	Date required
	Timing	No concern	None	N/A	N/A
PR19TMS_AR05 Customers recommending Priority Services	Definition	Customers recommending Priority Services PC: The company provides insufficient evidence on the sample size to support the PC. In addition, there is no evidence the survey will adhere to social research best practice.	Customers recommending Priority Services PC: The company should provide additional evidence on the sample size and provide external assurance that the survey will be conducted in line with social research best practice.	TMS.OC.A38	1 April 2019
	Stretch	No concern	No concern	TMS.OC.A39	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
PR19TMS_AWS02	Definition	Proactive customer engagement PC:	Proactive customer engagement PC: The company should review the price control	TMS.OC.A40	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
Proactive customer engagement		The PC covers engagement activities which contribute to both clean and wastewater outcomes (such as internal sewer flooding) but is 100% allocated to the Water Resources price control. The PC is defined as the total of performance with a number of sub-measures.	allocation and reconsider its approach to aggregating sub-measures into the PC. It should clearly set out the evidence and rationale for the revisions.		
	Stretch	Proactive customer engagement PC: The company uses a limited number of approaches to demonstrate that the PC target is stretching. Additionally, it is not clear that customers find this PC target to be stretching.	Proactive customer engagement PC: The company should clarify why the target is stretching and additionally provide further evidence of customer views. If the company cannot do this it should set more stretching targets.	TMS.OC.A41	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

PC	Area	Concern	Required action	Action reference	Date required
PR19TMS_AWS 03 Business retailer measure of experience	Definition	Business retailer measure of experience PC: There is ambiguity in the performance measure, which does not define what it means to have "adopted" an R-mex measure by the start of the 2020-25 period.	Business retailer measure of experience PC : The company should clarify if it will be in a position to implement the measure and report on performance by the start of the 2020-25 period.	TMS.OC.A42	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
PR19TMS_AW0 1 Improving customer	Definition	Improving customer engagement concerning leaks on customers' pipes PC: There is insufficient clarity on what level of performance the company is committing to. For example, it has not defined what constitutes successful	Improving customer engagement concerning leaks on customers' pipes PC: The company should clarify both the definition and the level of performance. It should also change the measure to be based on customer outcomes.	TMS.OC.A43	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
engagement concerning leaks on customers' pipes		delivery of the trial. Further, the PC is expressed in terms of outputs, rather than specific customer outcomes.			
	Stretch	Improving customer engagement concerning leaks on customers' pipes PC: We have not found evidence that the company has tested the levels of stretch with customers.	Improving customer engagement concerning leaks on customers' pipes PC: The company should provide evidence that levels of stretch for this PC were tested with its customers.	TMS.OC.A44	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
PR19TMS_BW07 Properties at risk of receiving low pressure	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Properties at risk of receiving low pressure PC: The company has not	Properties at risk of receiving low pressure PC: The company should provide	TMS.OC.A45	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
		provided sufficient evidence to justify the use of an outperformance payment for this PC. Evidence from the company's own customer base suggested that an underperformance only ODI is preferred for this PC.	further evidence to justify the use of outperformance payments for this ODI.		
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19TMS_BW08 Acceptability of water to consumers	Definition	Acceptability of water to consumers PC: The company has not chosen a PC from the asset health long list which align to those reported on Discover Water. The company's PC covers a wider scope as it includes contacts related to illness, that are not in the metrics reported on Discover Water. We could not find any specific evidence of why it has included illness in the PC. Without specific evidence for including illness contacts we consider it will be clearer for customers if	Acceptability of water to consumers PC: The company should revise its definition so that it covers the scope of appearance, taste and odour in line with the PCs set out in the asset health long list and the information published on Discover Water and remove the inclusion of incidents related to illness	TMS.OC.A46	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
		companies PCs can be reconciled to Discover Water and are therefore more comparable across the industry.			
	Stretch	No concern	None	N/A	N/A
	ODI type	Acceptability of water to consumers PC: The company has not provided sufficient evidence to justify the use of an outperformance payment for this PC. Evidence from the company's own customer base suggested that an underperformance only ODI is preferred for this PC.	Acceptability of water to consumers PC: The company should provide further evidence to justify the use of outperformance payments for this ODI.	TMS.OC.A47	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
PR19TMS_BW09	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A

PC	Area	Concern	Required action	Action reference	Date required
Water quality events	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
PR19TMS_BW10 Reducing risk of lead	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

PC	Area	Concern	Required action	Action reference	Date required
	Timing	No concern	None	N/A	N/A
	Definition	No concern	None	N/A	N/A
PR19TMS_BW1 1 Responding to major trunk mains bursts	Stretch	<p>Responding to major trunk mains bursts PC: The company proposes a reduction of 6 seconds within the period 2020-25 (or 5.6%) with similar values stated for long term targets. The company does not provide enough evidence to demonstrate why this is a stretching service level.</p> <p>Additionally, the company does not make clear why it is unable, by the end of the 2020-25 period, to replicate the performance achieved in 2010/11, 2013/14 and 2014/15.</p>	<p>Responding to major trunk mains bursts PC: The company should provide more stretching targets that improve upon recent past performance before the end of the period 2020-25. If the company cannot do this it should provide compelling evidence setting out why not.</p>	TMS.OC.A48	1 April 2019
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A

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
PR19TMS_BW1 2 Improving system resilience of North East London water supply	Definition	<p>Improving system resilience of North East London water supply PC: Our concerns regarding the definition of the PC are:</p> <ol style="list-style-type: none"> 1. We understand that detailed feasibility of the scheme options is still underway, however no timeframe has been given for its completion, nor when the company expects to finalise the definition. 2. We note that the CCG expressed concerns that the information in the balance research for this PC did not match with that presented to the customers. 3. The measure for the PC is the percentage of resilience schemes delivered by the end of the 2020-2025 period. Given that the target 	<p>Improving system resilience of North East London water supply PC: The company should take the actions listed below;</p> <ol style="list-style-type: none"> 1. It should provide a timeframe for the completion of the detailed feasibility studies of the proposed schemes, and how the definition of the PC will be agreed. 2. The company should confirm that its customers and the CCG have been presented with the updated information on the schemes, and that their views have been incorporated into the design of the PC and its related outcome delivery incentive. 3. The company should clarify the timeframe for the high lift pumping 	<p>TMS.OC.A49</p> <p>TMS.OC.A50</p> <p>TMS.OC.A51</p>	<p>1 April 2019</p> <p>1 April 2019</p> <p>1 April 2019</p>

PC	Area	Concern	Required action	Action reference	Date required
		is 100% completion, but the current schedule shows one of the larger schemes for the high lift pumping station spanning both the 2020-2025 and 2025-2030 periods.	station scheme and how this scheme will be reflected in the PC.		
	Stretch	Improving system resilience of North East London water supply PC: It is unclear how this measure is stretching for the company and customer views on stretch are unclear. In addition to this the measure has yet to be finalised and the total number of schemes is unknown.	Improving system resilience of North East London water supply PC: The company should finalise the number of schemes for the PC and provide evidence supported by its customer engagement that this PC is stretching.	TMS.OC.A52	1 April 2019
	ODI type	Improving system resilience of North East London water supply PC: The company has not provided sufficient evidence to justify the use of an outperformance payment for this PC.	Improving system resilience of North East London water supply PC: The company should provide further evidence to justify the use of outperformance payments for this ODI and evidence of customer support for this approach.	TMS.OC.A53	1 April 2019
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A

PC	Area	Concern	Required action	Action reference	Date required
	Timing	No concern	None	N/A	N/A
PR19TMS_CS0 4 Clearance of blockages	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
	PR19TMS_CS0 5	Definition	Sewage pumping station availability PC: The company does not sufficiently define either failure or availability in terms of what the pumping station can do or the timescale over which this counts towards the measure.	Sewage pumping station availability PC: The company should provide further clarity on how the annual availability of the sewage pumping station will be measured and reported.	TMS.OC.A54

PC	Area	Concern	Required action	Action reference	Date required
Sewage pumping station availability	Stretch	No concern	None	N/A	N/A
	ODI type	Sewage pumping station availability PC: The company has not provided sufficient evidence to justify the use of an outperformance payment for this PC. Evidence from the company's own customer base suggested that an underperformance only ODI is preferred for this PC.	Sewage pumping station availability PC: The company should provide further evidence to justify the use of outperformance payments for this ODI. Alternatively, the company should remove the outperformance payments.	TMS.OC.A55	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
PR19TMS_DS02 Surface water management	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Surface water management PC: The company does not provide sufficient	Surface water management PC: The company should provide further evidence to	TMS.OC.A56	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
		evidence to justify the use of an outperformance payment for this PC.	justify the use of outperformance payments for this ODI and evidence of customer support for this approach.		
	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
PR19TMS_DW0 2 Security of supply index SoSI	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	Security of supply index SoSI PC: The rate for this PC is notably lower than the rate applied to the same PC during the 2015-2020 period.	Security of supply index SoSI PC: The company should provide further information on why the rate is notably smaller than the comparable PR14 measure and why the rate is in the best interest of its customers.	TMS.OC.A57	1 April 2019

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
PR19TMS_DW S01	Definition	Power resilience PC: There is insufficient clarity regarding the selection of the definition of key sites for selection, the basis of the three hour resilience threshold and how the resilience of the sites is assessed.	Power resilience PC: The company should revise the definition so that its headline measure is clear to customers, (would a measure based on the percentage of total sites be more readily understandable?) and, in any case, provide clarity on the basis of the three hour resilience threshold and how the resilience of the sites is assessed.	TMS.OC.A58	1 April 2019
Power resilience	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

PC	Area	Concern	Required action	Action reference	Date required
	Timing	Power resilience PC: The company proposes an end of period revenue adjustment without providing sufficient justification.	Power resilience PC: The company should provide further evidence to justify the end-of-period incentive proposed for this PC, or propose to apply incentives in-period.	TMS.OC.A59	1 April 2019
PR19TMS_DW S02 SEMD - Securing our sites	Definition	SEMD - Securing our sites PC: We understand that the definition is still in development and that the scope is yet to be finalised with DEFRA.	SEMD - Securing our sites PC: The company should provide a finalised definition of the PC. It should also provide details of when the scope will be agreed with DEFRA and how it will deal with any further uncertainty in the SEMD programme going forward.	TMS.OC.A60	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	SEMD - Securing our sites PC: The company provides insufficient evidence that its proposed ODI rates for 2020 to 2025 are appropriate. The proposed underperformance rate level is too low to provide a sufficient incentive and was not well supported by customer evidence.	SEMD - Securing our sites PC: The company should consider the proposed ODI rates and either increase the underperformance rates in line with customer evidence so that the ODI rates provide sufficient incentive or provide further evidence in support of the existing rate. In either case the company should set out the evidence and rationale.	TMS.OC.A61	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
	Caps, collars, deadbands	SEMD - Securing our sites PC: The company refers to usage of an underperformance collar within its PC-specific commentary, but has not specified a collar within its App1 data table.	SEMD - Securing our sites PC: The company should clarify whether it proposes to apply an underperformance collar to this PC. If it does propose to apply a collar, the company should provide a convincing justification for why a collar is necessary. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance.	TMS.OC.A62	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19TMS_ER01 Unregistered Household Properties	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Unregistered Household Properties PC: The company does not provide sufficient evidence to justify the use of a non-financial incentive for this ODI.	Unregistered Household Properties 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	TMS.OC.A63	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
			customer bills that would result from an improvement in the identification of gap sites.		
	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
PR19TMS_ER02 Empty household properties	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Empty household properties PC: The company does not provide sufficient evidence to justify the use of a non-financial incentive for this ODI.	Empty household properties 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 a	TMS.OC.A64	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
			reduction in the proportion of occupied properties classified as voids.		
	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
PR19TMS_ER03 Households on the Thames Water social tariff	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

PC	Area	Concern	Required action	Action reference	Date required
	Timing	No concern	None	N/A	N/A
PR19TMS_ES0 2 Environmental measures delivered (wastewater)	Definition	Environmental measures delivered (wastewater) PC: The primary purpose of the PC proposed by the company replicates the cost adjustment mechanism. It does not provide appropriate incentives for the company to deliver the statutory programme of schemes.	Environmental measures delivered (wastewater) PC: The company should revise the definition of the PC to provide appropriate incentives for the company to deliver the statutory programme of schemes. Changes in cost allowances will be considered through the cost adjustment mechanism.	TMS.OC.A65	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	Environmental measures delivered (wastewater) PC: The company has not provided sufficient evidence to justify the use of an outperformance payment for this PC.	Environmental measures delivered (wastewater) PC: The company should provide further evidence to justify the use of outperformance payments for this ODI including the additional benefit to customers resulting from outperformance and evidence of customer support for this approach.	TMS.OC.A66	1 April 2019
	ODI rate	Environmental measures delivered (wastewater) PC: The company should make consequential changes to the ODI rates from changing the definition.	Environmental measures delivered (wastewater) PC: The company should provide evidence to justify how its ODI rates are reflective of customer valuations once inputs are obtained.	TMS.OC.A67	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
			The company should provide evidence to justify and clearly demonstrate the calculations for the ODI rates.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19TMS_ES03 Sludge treated before disposal	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

PC	Area	Concern	Required action	Action reference	Date required
PR19TMS_ES0 4 Compliance with bioresource environmental permits	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Compliance with bioresource environmental permits PC: The company has not provided sufficient evidence to justify the use of an outperformance payment for this PC.	Compliance with bioresource environmental permits PC: The company should provide a further evidence to justify the use of outperformance payments for this ODI and evidence of customer support for this approach.	TMS.OC.A68	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
PR19TMS_ET0 1	Definition	No concern	None	N/A	N/A
	Stretch	Readiness to receive tunnel flow at Beckton STW PC: The PC is not	Readiness to receive tunnel flow at Beckton STW PC: The company should	TMS.OC.A69	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
Readiness to receive tunnel flow at Beckton STW		designed for stretch in terms of delivery date. The company states that "Delivery at a significantly earlier date, will not add any benefits to the project and may divert resources from other requirements". There is also no specific evidence of support for the level of stretch for this PC from customers or key stakeholders, such as Tideway.	clarify the benefits of the level of stretch presented in the plan and that this level of stretch is in the interests of its customers and key stakeholders, such as Tideway.		
	ODI type	No concern	None	N/A	N/A
	ODI rate	Readiness to receive tunnel flow at Beckton STW PC: The company does not provide sufficient evidence to justify and demonstrate the method used in calculating this ODI, or how this is reflective of customer valuations.	Readiness to receive tunnel flow at Beckton STW PC: The company should provide further evidence to demonstrate and justify the calculation of this ODI rate.	TMS.OC.A70	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
	Definition	No concern	None	N/A	N/A

PC	Area	Concern	Required action	Action reference	Date required
PR19TMS_ET0 2 Effective stakeholder engagement	Stretch	Effective stakeholder engagement PC: It is not clear that the proposed performance will be stretching. Proposed performance for 2019/20 is lower than current levels and the service level between 2020-25 similarly represents a decline in performance on current levels. In addition to this there is insufficient evidence of customer support for the proposed service level.	Effective stakeholder engagement PC: The company should provide clear evidence of how the proposed levels are stretching and include evidence of customer support for these levels from its customer engagement . If the company cannot do this it should improve the proposed service levels..	TMS.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
PR19TMS_ET0 3 Timely return to customers from land sales	Definition	Timely return to customers from land sales PC: The company appears to have addressed some of the feedback we provided in July 2018. However, we still have a few concerns regarding the definition of the PC. There is insufficient clarity on :	Timely return to customers from land sales PC: The company should revise the definition of the PC to ensure that it addresses the concerns we provided in July 2018.	TMS.OC.A72 TMS.OC.A73	1 April 2019 1 April 2019 1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
		<ol style="list-style-type: none"> 1. The programme, as well as the interlinkages with the other Tideway Tunnel measures. 2. The dependencies on the Tideway system commissioning date. 3. Additionally, we are concerned that there are still a number of exemptions and that land can be sold at below acquisition prices 4. Further, the company has not made clear what would happen in the event that no land is released in any year, and therefore none is sold. 	<p>The company should also provide further evidence to clarify the following:</p> <ol style="list-style-type: none"> 1. The programme, as well as the interlinkages with the other Tideway Tunnel measures. 2. The dependencies on the Tideway system commissioning date. 3. The evidence around customers not supporting speculation with the value of the land 4. What happens if no land is released and therefore none is sold, in any year 	<p>TMS.OC.A74</p> <p>TMS.OC.A75</p> <p>TMS.OC.A76</p>	<p>1 April 2019</p> <p>1 April 2019</p>
	Stretch	<p>Timely return to customers from land sales PC:</p> <ol style="list-style-type: none"> 1. As the PC is not well-defined we have not been able to assess its stretch. 2. Stakeholder support for the proposed method of assessing stretch as well as the levels of stretch for the PC targets is lacking. 	<p>Timely return to customers from land sales PC:</p> <ol style="list-style-type: none"> 1. The company should revise the PC, ensuring that it clearly explains why it is stretching. 2. The company should demonstrate customer and key stakeholder, such as Tideway, support for the proposed method of assessing stretch for this PC as well as the levels of stretch for the PC targets. 	<p>TMS.OC.A77</p> <p>TMS.OC.A78</p>	<p>1 April 2019</p> <p>1 April 2019</p>

PC	Area	Concern	Required action	Action reference	Date required
		<p>3. The company has provided insufficient detail on how release of some of the land for sale is dependent on the system commissioning readiness on a site by site basis, and not on the project completion as described in the PC definition.</p> <p>4. There is no incentive to promote early hand back of sites from Tideway to Thames and subsequent disposal of land. We have concern that any delay in acceptance of sites by the company may ultimately affect customers.</p>	<p>3. The company should provide sufficient clarity on the interdependencies with the other Thames Tideway PCs. In particular the timing of any land releases with respect to the system commissioning readiness on a site by site basis, should be made clear. Additionally, the company should consider revising the PC to ensure outperformance payments are contingent on 100% of all the land being sold within a specified time.</p> <p>4. There company should include an incentive to promote early hand back of sites from Tideway to Thames and subsequent disposal of land.</p>	<p>TMS.OC.A79</p> <p>TMS.OC.A80</p>	<p>1 April 2019</p> <p>1 April 2019</p>
	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

PC	Area	Concern	Required action	Action reference	Date required
			<p>2. Demonstrate that critical assets are ready to operate in compliance to the London Tideway Tunnels Operating Techniques and support timely system commissioning.</p> <p>3. Report readiness in line with the Tideway Tunnel Interface Agreement.</p>	<p>TMS.OC.A83</p> <p>TMS.OC.A84</p>	<p>1 April 2019</p> <p>1 April 2019</p>
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p>Establish an effective system operator for the London Tideway Tunnels (LTT) PC: The company provides insufficient evidence to justify and demonstrate the method used in calculating the ODI underperformance rate, and how this reflects the impact upon Tideway's costs, which ultimately would pass through to customers.</p> <p>We are concerned that the ODI rate is too small and may not provide sufficient</p>	<p>Establish an effective system operator for the London Tideway Tunnels (LTT) PC: The company should revise the rates to reflect the impact upon Tideway's costs, which would ultimately be passed through to customers, as well as the need to incentivise the company appropriately to ensure completion of critical work and activities.</p> <p>The company should provide further evidence to justify the ODI underperformance rate proposed and demonstrate the</p>	<p>TMS.OC.A85</p> <p>TMS.OC.A86</p>	<p>1 April 2019</p> <p>1 April 2019</p>

PC	Area	Concern	Required action	Action reference	Date required
		incentive to appropriately prioritise completion of critical work and activities.	calculations used to formulate these rates. Including explanation of how this would impact Tideway's costs and therefore subsequently customers.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19TMS_EW0 1 Abstraction Incentive Mechanism (AIM)	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
	In period?	No concern	None	N/A	N/A

PC	Area	Concern	Required action	Action reference	Date required
PR19TMS_EW0 2 Environmental measures delivered (Water)	Definition	Environmental measures delivered (Water) PC: The primary purpose of the PC proposed by the company replicates the cost adjustment mechanism. It does not provide appropriate incentives for the company to deliver the statutory programme of schemes.	Environmental measures delivered (Water) PC: The company should revise the definition of the PC to provide appropriate incentives for the company to deliver the statutory programme of schemes. Changes in cost allowances will be considered through the cost adjustment mechanism.	TMS.OC.A87	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	Environmental measures delivered (Water) PC: The company has not provided sufficient evidence to justify the use of an outperformance payment for this PC.	Environmental measures delivered (Water) PC: The company should provide further evidence to justify the use of outperformance payments for this ODI including the additional benefit to customers resulting from outperformance and evidence of customer support for this approach.	TMS.OC.A88	1 April 2019
	ODI rate	Environmental measures delivered (Water) PC: The company should make consequential changes to the ODI rates from changing the definition.	Environmental measures delivered (Water) PC: The company should provide evidence to justify how its ODI rates are reflective of customer valuations once inputs are obtained. The company should provide evidence to justify and clearly demonstrate the calculations for the ODI rates.	TMS.OC.A89	1 April 2019

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
	Definition	No concern	None	N/A	N/A
PR19TMS_EWS 01 Enhancing biodiversity	Stretch	<p>Enhancing biodiversity PC: The company provides insufficient evidence that customers view this PC as stretching. In addition it does not provide sufficient clarity in the measurement units for the measure. The company also does not adequately explain why it has not followed the approaches for challenging stretch in the PR19 methodology. Our view is that this PC is not at the level of maturity to apply the stretch challenges the company has proposes. We are therefore unable to form a view on whether the 5% improvement in the 2020-2025 period is stretching or not. In the long term the improvement appears to be set at 1% which does not appear to be sufficiently stretching.</p>	<p>Enhancing biodiversity PC: The company should provide evidence of why the proposed PC levels are sufficiently stretching and further evidence of customer support for the proposed levels of stretch. The company should also provide explanation on why it did not evaluate the proposed stretch against all the approaches for challenging stretch as required by the PR19 methodology.</p>	TMS.OC.A90	1 April 2019

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
PR19TMS_EWS 02 Smarter Water Catchment Initiatives	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Smarter Water Catchment Initiatives PC: The company has not provided sufficient evidence to justify the use of an outperformance payment for this PC.	Smarter Water Catchment Initiatives PC: The company should provide a further evidence to justify the use of outperformance payments for this ODI and evidence of customer support for this approach.	TMS.OC.A91	1 April 2019
	ODI rate	No concern	None	N/A	N/A

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
PR19TMS_EWS 03 Renewable energy produced	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
	In period?	No concern	None	N/A	N/A
	Definition	No concern	None	N/A	N/A

PC	Area	Concern	Required action	Action reference	Date required
PR19TMS_EWS 04 Natural Capital Accounting	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
PR19TMS_EWS 05 Financial Transparency	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

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
PR19TMS_EWS 06 Driving cultural change through employee engagement: Customer Net Promoter System (NPS)	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
	Definition	No concern	None	N/A	N/A

PC	Area	Concern	Required action	Action reference	Date required
PR19TMS_EWS 07 Financial Resilience	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
PR19TMS_EWS 08 Empty business properties	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Empty business properties PC: The company does not provide sufficient evidence to justify the use of a non-financial incentive for this ODI.	Empty business properties 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 a	TMS.OC.A92	1 April 2019

PC	Area	Concern	Required action	Action reference	Date required
			reduction in the proportion of occupied properties classified as voids.		
	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