

United Utilities: Actions summary table

Actions guidance

Company actions

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

- **agreed actions** that fast-track companies committed to implement to ensure that their plans meet the threshold for fast-track status; and
- **required actions** for companies which in general are required so that we can make draft determinations (or final determinations for some aspects of past delivery).

Each action has a unique reference. The prefix 'UUW' denotes the company United Utilities. The central acronym references the test area where the action has been identified, please see the 'PR19 initial assessment of plans: Glossary' for a key of these acronyms.

Timings and required response

- **Agreed and required actions:** Fast-track companies should address all **required** and **agreed actions** by the date shown in the 'date required' column in the table below (the majority of these are by 10am on 11 February 2019). Companies must submit information including updated business plan tables and evidence of completed actions. We will review this evidence in setting draft determinations.
- **Actions tracker:** Fast-track companies are not required to submit a completed template action tracker to us. However, they may use this as a way to demonstrate completing the actions if desired.
- **Assurance:**
 - Assurance must be provided where requested as part of an action.
 - Companies must indicate the assurance that they have undertaken for all changes to data tables.
 - If additional assurance is not required, companies may still provide it if they deem it appropriate.

For all the detailed actions documents referenced in the table below, the template action tracker and glossary, please see the [initial assessment of plans webpage](#).

Test area	Action reference	Action type	Action	Date required
Engaging customers	N/A	N/A	None.	N/A
Addressing affordability and vulnerability	UUW.AV.A1	Agreed	<p>The company has proposed a performance commitment on increasing PSR membership (PR19UUW_D03-HH). However, this includes insufficiently high PSR reach for 2024/25 (1.6%) relative to other companies in the sector (15% being the highest). In addition, the proposed Performance Commitment includes an outperformance payment and the company has stated that it has checked only 27.2% of its PSR data in the past 2 years.</p> <p>Common Performance Commitment on the Priority Services Register (PSR): The company should increase its PSR reach to at least 7% of its customer base (measured by households) by 2024/25. It should also commit to checking at least 90% of PSR data every 2 years via its performance commitment. This performance commitment should be reputational only.</p> <p>For further information on the performance commitment definition, and reporting guidelines, please refer to 'Common performance commitment outline for the Priority Service Register ("PSR")', published on the initial assessment of plans webpage.</p>	10am, 11 February 2019
	UUW.AV.A2	Agreed	<p>The company's existing Performance Commitment on increasing PSR membership (PR19UUW_D03-HH) has a gate for outperformance payments, which would be contingent on it obtaining the BSI standard for inclusive services. However, given our proposal to adopt the Common Performance on the Priority Services Register (PSR), we require the company to adopt a separate Performance Commitment on achieving the BSI standard.</p> <p>BSI Performance Commitment requirement: The company should propose a separate Performance Commitment on achieving the BSI standard for fair, flexible and inclusive services for all and maintaining it throughout AMP7.</p>	10am, 11 February 2019
	Advised actions	Advised	No advised actions.	N/A
Delivering outcomes for customers	UUW.OC.A1	Agreed	<p>The company is proposing to discontinue its Value for Money Performance Commitment from PR14 (B1: Customers saying we offer value for money) without providing sufficient justification for doing so.</p> <p>The company should continue its PR14 Value for Money Performance Commitment (B1: Customers saying we offer value for money)</p>	10am, 11 February 2019
	UUW.OC.A2	Agreed	<p>The company has not provided sufficient protections to customers. The company is only proposing to consult customers once its outcome delivery incentive payments have reached 3% RoRE to determine whether the company should continue to improve performance.</p> <p>We consider the company should apply additional protections through an outperformance payment sharing mechanism and implementing caps on performance commitments which could result in material outperformance. The payment sharing mechanism will require companies to share 50% of any outperformance payments above the 3% annual RoRE with customers through bill reductions. For the caps and collars on material</p>	N/A (to be reflected in Draft Determination)

Test area	Action reference	Action type	Action	Date required
			performance commitments, we have provided details on which performance commitments these are in the performance commitment-specific actions below.	
	UUW.OC.A3	Agreed	<p>PR19UUW_A01-CF Water quality compliance (CRI): The company has provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed rate is considered too low to provide a sufficient incentive. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.294m/index point to £1.125m/index point.</p>	10am, 11 February 2019
	UUW.OC.A4	Agreed	<p>PR19UUW_A01-CF Water quality compliance (CRI): The company has not provided sufficient evidence that its proposed levels of deadband and collar are sufficiently challenging and protect customers from poor service delivery.</p> <p>We are intervening to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. As set out in the methodology we noted a deadband may be appropriate. It is important that the range of underperformance to the collar is adequate to provide clear incentives for companies to deliver statutory requirements.</p> <p>The company should set a deadband at 1.50 and collar at 9.5 for 2020-25.</p>	10am, 11 February 2019
	UUW.OC.A5	Agreed	<p>PR19UUW_B01-WN Leakage: We identified in the Annual Performance Report 2018 (APR 18) submission evidence (shadow reporting table 3S) that there are sub-components of some common performance commitments assessed as 'Amber' or 'Red'. The company has not provided sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019-20.</p> <p>The company should provide a clear statement that it has all the necessary plans in place to comply with the standard definition for 2019-20.</p>	Company to provide letter containing statement by 10am, 11 February 2019
	UUW.OC.A6	Agreed	<p>PR19UUW_B01-WN Leakage: The company has provided insufficient evidence that its proposed service levels for 2020 to 2025 are stretching. It has a high forecast when normalised both in terms of 'per property' and 'km of mains' which we do not consider stretching and lags much of the rest of the sector. It proposed no reduction in leakage in 2020-21.</p> <p>The company should bring forward the proposed annual reduction in leakage by a year but deliver a 30MI/d reduction in 2023-24 and 2024-25. This leads to an 20% reduction in annual leakage over the five years and 3 year average service levels as follows:</p> <p>2020-21: 445.2 MI/d</p> <p>2021-22: 439.3 MI/d</p> <p>2022-23: 428.8 MI/d</p> <p>2023-24: 411.4 MI/d</p>	10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
			2024-25: 386.9 MI/d	
	UUW.OC.A7	Agreed	<p>PR19UUW_B01-WN Leakage: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate are too low to provide a sufficient incentive. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.129m/Mld to £0.175m/Mld</p>	10am, 11 February 2019
	UUW.OC.A8	Agreed	<p>PR19UUW_B02-WN Mains repairs: The company is forecasting a deterioration in performance during 2020-25 due to increased leak detection activity. The company has provided insufficient evidence to demonstrate the relationship between leakage levels and the total number of repairs.</p> <p>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, we will expect compelling evidence that increased active leakage control impacts the total number of mains repairs using the company's own data, including the relationship between pro-active and reactive mains repairs. For example, do reactive repairs reduce if more pro-active repairs are conducted? As a minimum the evidence should show the historical correlation between active leakage control, pro-active 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 the reduced (worse) performance levels are in the interests of customers and the assets.</p>	10am, 11 February 2019
	UUW.OC.A9	Agreed	<p>PR19UUW_B02-WN Mains repairs: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive. The company has not provided sufficient evidence to justify the use of the marginal benefits formula in estimating marginal cost. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.008m/burst per 1,000km of mains to £0.285m/burst per 1,000km of mains.</p>	10am, 11 February 2019
	UUW.OC.A10	Agreed	<p>PR19UUW_B03-WN Reducing interruptions to water supply: Our PR19 methodology expectation for the Water supply interruptions performance commitment was upper quartile performance in each year of 2020-2025. 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>For this common performance commitment we expect all companies' service levels to reflect these values.</p> <p>The company should apply an underperformance collar at 00:14:40 in each year of the 2020-2025 period.</p>	10am, 11 February 2019
	UUW.OC.A11	Agreed	<p>PR19UUW_B03-WN Reducing interruptions to water supply: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is too low to provide a sufficient incentive relative to sector comparators and the level of performance commitment stretch. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.215m/minute per property to £0.710m/minute per property.</p>	10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
	UUW.OC.A12	Agreed	<p>PR19UUW_B04-CF Unplanned outage: We have some concerns that the company's method of calculation and reporting is not in line, or at risk of not being line, with the common definition by 2019-20.</p> <p>The company should set out its final methodology for calculating PWPC (Peak Week Production Capacity) and Outage Duration in its commentary for the May submission.</p>	15 May 2019
	UUW.OC.A13	Agreed	<p>PR19UUW_B04-CF Unplanned outage: We have concerns that the company's forecast performance level is not determined using data consistent with the common definition.</p> <p>The company is required to provide fully audited 2018-19 performance data by 15 May 2019. This should take the form of an early APR submission, but only for Unplanned Outages. Board assured data can be provided with the main APR in July 2019, any changes will be taken into account for the Final Determination. Based on the latest performance and updated methodologies, the company should re-submit 2019/20 – 2024/25 forecast data in the May submission. The company should also report its current and forecast company level PWPC (MI/d), the unplanned outage (MI/d) and planned outage (MI/d) in its commentary for the May submission.</p>	15 May 2019
	UUW.OC.A14	Agreed	<p>PR19UUW_B04-CF Unplanned outage: The company has not provided sufficient evidence that its customers support an outperformance payment for this particular performance commitment.</p> <p>The company should remove the outperformance payment from this performance commitment.</p>	10am, 11 February 2019
	UUW.OC.A15	Agreed	<p>PR19UUW_B05-WN Per capita consumption: The company provided insufficient evidence that its proposed service levels for 2020 to 2025 are stretching. It has a relatively high forecast of 137 litres/head/day in 2024-25 and is forecasting an average change of 3% between 2019-20 and 2024-25 which is below the average industry reduction. Furthermore 2019-20 per capita consumption is greater than 2017-18 per capita consumption.</p> <p>The company should revise its service levels so that there is a 6% reduction by 2020-25 from its 2019-20 baseline. The reduction should be the same each year. This percentage reduction is the upper quartile of proposed reductions. This leads to the following values:</p> <p>2020-21 139.2 litres per capita per day;</p> <p>2021-22 138.1 litres per capita per day;</p> <p>2022-23 137.1 litres per capita per day;</p> <p>2023-24 136.2 litres per capita per day; and</p> <p>2024-25 135.4 litres per capita per day.</p>	10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
	UUW.OC.A16	Agreed	<p>PR19UUW_B05-WN Per capita consumption: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.193m/litres per head per day to £0.310m/litres per head per day.</p>	10am, 11 February 2019
	UUW.OC.A17	Agreed	<p>PR19UUW_B06-CF Drought risk resilience: The company provided insufficient evidence of the underlying calculation.</p> <p>The company should submit the intermediate calculation outputs as shown in the common definition guidance published on our website for the drought resilience metric.</p>	Company to provide letter containing requested information by 10am, 11 February 2019
	UUW.OC.A18	Agreed	<p>PR19UUW_C01-WWN Pollution incidents: Our PR19 methodology expectation for the Pollution Incidents performance commitment was upper quartile performance in each year of 2020-2025. 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.</p> <p>For this common performance commitment we expect all companies service levels to reflect these values.</p>	10am, 11 February 2019
	UUW.OC.A19	Agreed	<p>PR19UUW_C01-WWN Pollution incidents: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed outperformance rate is considered too high relative to other companies. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should reduce its outcome delivery incentive outperformance rate from £1.353m/incident per 10,000km sewerage network to £0.760m/incident per 10,000km sewerage network.</p>	10am, 11 February 2019
	UUW.OC.A20	Agreed	<p>PR19UUW_C01-WWN Pollution incidents: The company has not provided convincing evidence that the enhanced outcome delivery incentive is set at an appropriate level of performance. The company has not clearly stated what the thresholds are before enhanced underperformance penalties would apply. Although we have no concerns on the company's approach to multiplying its outcome delivery incentive rate by 2 to obtain its enhanced outcome delivery incentive rate, the issue with its outcome delivery incentive rate, will result in a change on its enhanced outcome delivery incentive rate.</p> <p>The company should set thresholds for enhanced outcome delivery incentive outperformance payments that are more challenging. The target in 2020-21 should be no higher than 17.0 incidents per 10,000km of sewers. This target should become progressively more challenging over the subsequent years, such that by 2024-25 it should not exceed 15.0 incidents per 10,000km of sewers.</p> <p>The thresholds that the company should satisfy to avoid enhanced outcome delivery incentive penalties should be clarified. Based on 2017-18 industry data, to ensure it does not fall below current lower quartile performance the enhanced outcome delivery incentive penalties should apply if there are more than 30.8 incidents per 10,000km of sewers.</p>	10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
			<p>Although we agree with the company's approach to setting its outcome delivery incentive rate as a multiple of 2 of its standard outcome delivery incentive rate, the enhanced outperformance rate needs to be adjusted down to £1.520 m/incident per 10,000km sewerage network. This reflects 2x the new outcome delivery incentive rate, which is in line with the company's approach to setting enhanced outcome delivery incentive rates.</p> <p>The enhanced payments that can be earned by the company will be limited by the natural cap of 0 pollution incidents.</p>	
	UUW.OC.A21	Agreed	<p>PR19UUW_C02-CF Treatment works compliance: The company provided insufficient evidence that its proposed service levels for 2020 to 2025 are stretching. It has a forecast of 99% for 2024-25 which does not meet the expected compliance level of 100%.</p> <p>The company should set performance level at 100%, which is line with its statutory requirements, and apply an underperformance deadband at 99%.</p>	10am, 11 February 2019
	UUW.OC.A22	Agreed	<p>PR19UUW_C02-CF Treatment works compliance: This is a compliance performance commitment which should have a target of 100% and therefore we consider that outperformance payments are not appropriate.</p> <p>The company should remove the outperformance payment from this performance commitment.</p>	10am, 11 February 2019
	UUW.OC.A23	Agreed	<p>PR19UUW_C02-CF Treatment works compliance: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.701m/% to £1.525m/%.</p>	10am, 11 February 2019
	UUW.OC.A24	Agreed	<p>PR19UUW_F01-WWN Sewer collapses: This is an out and under in-period revenue outcome delivery incentive with insufficient justification for the outperformance payment.</p> <p>The company should remove the outperformance payment from this outcome delivery incentive.</p>	10am, 11 February 2019
	UUW.OC.A25	Agreed	<p>PR19UUW_F01-WWN Sewer collapses: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.308m/collapse per 1,000km of sewer to £0.820m/collapse per 1,000km of sewer.</p>	10am, 11 February 2019
	UUW.OC.A26	Agreed	<p>PR19UUW_G02-WWN Internal flooding Incidents: Our PR19 methodology expectation for the Internal sewer flooding performance commitment was upper quartile performance in each year of 2020-2025. 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.</p> <p>For this common performance commitment we expect all companies service levels to reflect these values.</p> <p>The company should adjust its underperformance collar to 2020/21 = 3.0; 2021/22 = 3.5; 2022/23 = 4.0; 2023/22 = 4.5; 2024/25 = 5.0</p>	10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required										
	UUW.OC.A27	Agreed	<p>PR19UUW_G02-WWN Internal flooding Incidents: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £2.202m/incident per 10,000 connections to £8.275m/incident per 10,000 connections.</p>	10am, 11 February 2019										
	UUW.OC.A28	Agreed	<p>PR19UUW_A02-WN Reducing the need for customers to contact us about taste and smell of their drinking water: The company is only including one element of water quality contacts while the majority of companies also include discolouration contacts as well. This is of particular concern as there is potential for expenditure to reduce discolouration but no performance commitment that measures the outcome that the number of discolouration contacts has reduced.</p> <p>The company should extend the performance commitment to cover discolouration contacts.</p>	10am, 11 February 2019										
	UUW.OC.A29	Agreed	<p>PR19UUW_A02-WN Reducing the need for customers to contact us about taste and smell of their drinking water: The levels will need to be amended in line with the above concern in action UUW.OC.A29.</p> <p>The company should assume levels that reduce by 5% each year from the 2017-18 reported level. This is the mean average percentage reduction of all companies in the 2020-25 period and is roughly also the reduction observed for the industry for the past five years. This leads to the following values expressed as (Contacts per 10,000 population):</p> <table border="1"> <tbody> <tr> <td>2020-21</td> <td>17.6</td> </tr> <tr> <td>2021-22</td> <td>16.7</td> </tr> <tr> <td>2022-23</td> <td>15.9</td> </tr> <tr> <td>2023-24</td> <td>15.1</td> </tr> <tr> <td>2024-25</td> <td>14.3</td> </tr> </tbody> </table> <p>The company may wish to present the absolute numbers of contacts in the performance commitment presented to customers.</p>	2020-21	17.6	2021-22	16.7	2022-23	15.9	2023-24	15.1	2024-25	14.3	10am, 11 February 2019
2020-21	17.6													
2021-22	16.7													
2022-23	15.9													
2023-24	15.1													
2024-25	14.3													
	UUW.OC.A30	Agreed	<p>PR19UUW_A02-WN Reducing the need for customers to contact us about taste and smell of their drinking water: We have concerns that this performance commitment could lead to large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers being exposed to large bill increases.</p> <p>The company should apply an outperformance cap and underperformance collar for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.</p>	10am, 11 February 2019										

Test area	Action reference	Action type	Action	Date required
	UUW.OC.A31	Agreed	<p>PR19UUW_A03-WN Number of properties with lead risk reduced: We have concerns that this performance commitment could lead to large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers being exposed to large bill increases.</p> <p>The company should apply an outperformance cap and underperformance collar for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.</p>	10am, 11 February 2019
	UUW.OC.A32	Agreed	<p>PR19UUW_A05-WN Reducing discolouration from the Vyrnwy treated water aqueduct: We have concerns that this performance commitment could lead to large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers being exposed to large bill increases.</p> <p>The company should apply an outperformance cap for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level.</p>	10am, 11 February 2019
	UUW.OC.A33	Agreed	<p>PR19UUW_B08-WN Water service resilience: The company has not provided sufficient evidence to justify the definition of this performance commitment. In particular:</p> <ul style="list-style-type: none"> • It is unclear if the metric measures properties or population served • Insufficient evidence has been provided to demonstrate whether the baseline position used to set future commitment levels has been audited prior to submission • The description provided does not clearly identify how the properties at risk position for WTW and for water mains will be treated • The company has provided insufficient evidence on what constitutes 'water supply service days'. It is therefore unclear clear how the supply of unwholesome water would be treated in this measure. <p>The company should provide further evidence on the definition and structure of the performance commitment. In particular, the company should specify:</p> <ol style="list-style-type: none"> how it has defined 'water supply service days'; if the measure encompasses properties or population at risk; the independent assurance it plans to carry out on the baseline position; and how the outputs for treatments works and trunk mains will be combined to ensure appropriate aggregation and assessment. 	Company to provide letter containing requested information by 10am, 11 February 2019
	UUW.OC.A34	Agreed	<p>PR19UUW_B08-WN Water service resilience: We have concerns that this performance commitment could lead to large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers being exposed to large bill increases.</p> <p>The company should apply an outperformance cap and underperformance collar for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.</p>	10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
	UUW.OC.A35	Agreed	<p>PR19UUW_B09-DP Manchester and Pennine resilience: The company has not provided sufficient evidence to demonstrate the potential to reset project milestones or the likelihood of new survey analysis. The impact of these on the tender documents, and hence the entire project programme, remains unclear.</p> <p>The company should agree to provide further evidence to set out the process that would allow for the resetting of project milestones with regards to this measure, together with the mechanism by which the company proposes to avoid penalties for delays beyond the company's control. You should also take into account any changes required as a consequence of your revised proposal for this scheme and any comments we make on this.</p>	1 April 2019
	UUW.OC.A36	Agreed	<p>PR19UUW_B10-WR Keeping reservoirs resilient: The company has not provided sufficient evidence that financial incentives are justified and supported by customers.</p> <p>The company should remove the underperformance and outperformance payments.</p>	10am, 11 February 2019
	UUW.OC.A37	Agreed	<p>PR19UUW_C04-WR Improving the water environment: The company has chosen an outperformance and underperformance payment outcome delivery incentive. The company has not sufficiently justified the use of financial incentives. In particular, the company has estimated a cost-based outperformance incentive rather than a rate based on customer benefit. It is not clear that there will be customer benefits from delivering schemes early unless it is in increments of a year and not just the result of normal profiling of work. We also identified that it provided large payments through early delivery, rather than necessarily delivering more for customers.</p> <p>The company should remove the underperformance and outperformance payments.</p>	10am, 11 February 2019
	UUW.OC.A38	Agreed	<p>PR19UUW_C05-WWN Improving river water quality: The company has chosen an out and under performance outcome delivery incentive. The company has not sufficiently justified the use of financial incentives. We are concerned that this outcome delivery incentive will provide significant payments through early delivery, rather than necessarily delivering more for customers.</p> <p>The company should remove the underperformance and outperformance payments from this performance commitment.</p>	10am, 11 February 2019
	UUW.OC.A39	Agreed	<p>PR19UUW_C08-CF Enhancing natural capital value for customers: The definition of this measure requires interpretation of concepts such as 'conventional solution' which are not clearly defined and not sufficiently evidenced. We are also concerned that this measure could incentivise the company to select a 'non-conventional' solution in a situation where a 'conventional' solution offers the best value for customers and is the most effective option for managing risk to the environment.</p> <p>The company should provide further evidence to clearly define key terms and concepts such as "conventional solution".</p>	Company to provide letter containing requested information by 10am, 11 February 2019
	UUW.OC.A40	Agreed	<p>PR19UUW_C08-CF Enhancing natural capital value for customers: This is a new measure that is being used to incentivise further delivery of benefits through natural capital. While there is some evidence that this measure is important to customers, insufficient evidence has been provided to demonstrate and justify the use of outperformance payments or set out how these will be calculated.</p> <p>The company should provide convincing evidence to justify the use of financial incentives or remove the financial incentives from this performance commitment.</p>	Company to provide letter containing requested information by 10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
	UUW.OC.A41	Agreed	<p>PR19UUW_D04-CF Street works performance: The company states that 'timeliness' of streetworks is important to their customers (as well as quality), however this performance commitment only loosely assesses quality via 'compliance with building codes'. It is doubtful that compliance with building codes is synonymous with how customers define 'quality'. We do not consider that this performance commitment is focused on what customers value most, but the company has chosen an outperformance and under performance outcome delivery incentive</p> <p>The company should remove all financial incentives (both outperformance and underperformance payments) from this performance commitment.</p>	10am, 11 February 2019
	UUW.OC.A42	Agreed	<p>PR19UUW_E01-HH Number of customers lifted out of water poverty: The company has not sufficiently justified the scale of financial incentives for this performance commitment and is using a cost-based incentive rate rather than using customer benefits.</p> <p>The company should apply an underperformance collar at 80% of its target level of performance and an outperformance cap at 120% of its target level of performance in each year</p>	10am, 11 February 2019
	UUW.OC.A43	Agreed	<p>PR19UUW_E03-CF Non-household vacancy incentive scheme: There exists potential for very large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers being exposed to large bill increases.</p> <p>The company should apply an outperformance cap for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level.</p>	10am, 11 February 2019
	UUW.OC.A44	Agreed	<p>PR19UUW_E06-CF Systems thinking capability: The company is currently assessed as maturity level '1' (out of 5) and target no progress (i.e. maintaining maturity level '1') by 2025 which we do not consider stretching.</p> <p>The company should reconsider its proposed service levels and ensure that these are stretching. The company should clearly set out the evidence and rationale for the revised targets.</p>	Company to provide letter containing requested information by 10am, 11 February 2019
	UUW.OC.A45	Agreed	<p>PR19UUW_E06-CF Systems thinking capability: The company has proposed an out and under performance outcome delivery incentive. The company has not sufficiently justified the outperformance outcome delivery incentive. It is not clear that this type of performance commitment will deliver benefits to customers from going beyond its performance commitment level that are not already captured by other performance commitments.</p> <p>The company should provide convincing evidence to justify the use of financial incentives or remove the financial incentives from this performance commitment (both underperformance and outperformance payments).</p>	Company to provide letter containing requested information by 10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
	UUW.OC.A46	Agreed	<p>PR19UUW_E07-DP Successful delivery of direct procurement of Manchester and Pennine resilience: There exists potential for overlap with the performance commitment 'Manchester and Pennine resilience' (PR19UUW_B09-DP); the company provided insufficient evidence that potentially overlapping elements and milestones (e.g. CAP tender documents, award CAP contract and commissioning complete) are not material. We also have concerns that no dates have been provided and that the measurement system is devoid of actual units. It is also not clear what percentage of the items listed under the measurement section need to be completed in each year to achieve 'successful delivery' of the procurement system. We consider that the measurement for this performance commitment is tantamount to an aggregation of many sub-measures, which are in themselves unclear. The CCG raised similar challenges about the overlap and discrete differences between the two performance commitments.</p> <p>The company should provide further evidence regarding the measurement of the performance commitment focusing on the aggregation of components and how successful delivery will be assessed. You should also take into account any changes required as a consequence of your revised proposal for this scheme and any comments we make on this.</p>	1 April 2019
	UUW.OC.A47	Agreed	<p>PR19UUW_E07-DP Successful delivery of direct procurement of Manchester and Pennine resilience: Successful delivery of direct procurement of Manchester and Pennine resilience performance commitment: The company is proposing an outcome delivery incentive for successfully procuring through DPC. This is measuring the company's process and management rather than going beyond business as usual. Company costs in relation to its procurement is already being funded.</p> <p>The company should provide convincing evidence to justify the use of financial incentives or remove the financial incentives from this performance commitment (both underperformance and outperformance payments).</p>	1 April 2019
	UUW.OC.A48	Agreed	<p>PR19UUW_F02-DP Sewer Blockages: There exists potential for very large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers being exposed to large bill increases.</p> <p>The company should apply an outperformance cap for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level.</p>	10am, 11 February 2019
	UUW.OC.A49	Agreed	<p>PR19UUW_G03-WWN External flooding Incidents: The company forecasts a reduction in performance in 2019-20 from 2017-18 and has a low level of stretch relative to its historic performance.</p> <p>The company should improve service levels and assume it will deliver service that equals its best historical level in 2019-20 and achieve a 5% reduction each year. This leads to service levels as follows:</p> <p>2020-21 6845 2021-22 6599 2022-23 6352 2023-24 6106 2024-25 5859</p>	10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
	UUW.OC.A50	Agreed	<p>PR19UUW_G03-WWN External flooding Incidents: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is too low to provide a sufficient incentive relative to other companies in the industry. The company has not provided sufficient evidence to justify why the Ofwat formula for underperformance could not be applied in this instance, in particular regarding the use of marginal cost. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.001m/incident to £0.005m/incident.</p>	10am, 11 February 2019
	UUW.OC.A51	Agreed	<p>PR19UUW_G05-WWN Hydraulic internal flood risk resilience: There exists potential for the company to be rewarded multiple times for the same performance improvements, given potential overlap with other elements of its sewer flooding strategy.</p> <p>The company should either demonstrate that the outperformance payments for this performance commitment would not double count with outperformance on other sewer flooding measures, or revise its outcome delivery incentive rates downwards to reflect overlap with other sewer flooding performance commitments.</p>	Company to provide letter containing requested information by 10am, 11 February 2019
	UUW.OC.A52	Agreed	<p>PR19UUW_G05-WWN Hydraulic internal flood risk resilience: There exists potential for very large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers exposed to large bill increases.</p> <p>The company should apply an outperformance cap and underperformance collar for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level. The company should increase its p10 and p90 estimates of performance (by 50% relative to target) to reflect its revised performance target for the common Internal Sewer Flooding performance commitment.</p>	10am, 11 February 2019
	UUW.OC.A53	Agreed	<p>PR19UUW_G06-WWN Hydraulic external flood risk resilience: There exists potential for the company to be rewarded multiple times for the same performance improvements, given potential overlap with other elements of its sewer strategy.</p> <p>The company should either demonstrate that the outperformance payments for this performance commitment would not double count with outperformance on other sewer flooding measures, or revise its outcome delivery incentive rates downwards to reflect overlap with other sewer flooding performance commitments.</p>	Company to provide letter containing requested information by 10am, 11 February 2019
	UUW.OC.A54	Agreed	<p>PR19UUW_G06-WWN Hydraulic external flood risk resilience: There exists potential for very large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers exposed to large bill increases.</p> <p>The company should apply an outperformance cap and underperformance collar for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level. The company should increase its p10 and p90 estimates of performance (by 50% relative to target) to reflect its revised performance target for the External Sewer Flooding performance commitment.</p>	10am, 11 February 2019

Test area	Action reference	Action type	Action	Date required
	Advised actions	Advised	No advised actions.	N/A
Securing long-term resilience	UUW.LR.A1	Required	The company should ensure that its common and bespoke performance commitments associated with operational resilience are clearly defined, sufficiently demanding for AMP7 and the long term, and supported by the right incentives. We expect the company to satisfy the relevant actions in the outcomes areas ensuring a line of sight between risks to resilience and package of outcomes.	See relevant outcomes action.
	UUW.LR.A2	Required	The company's assessment of financial stress scenarios extends only to 2025. The company should commit to demonstrating that its assessment of financial resilience extends beyond 2025 in its next Long Term Viability Statement.	10am, 11 February 2019
	Advised actions	Advised	No advised actions.	N/A
Targeted controls, markets and innovation	UUW.CMI.A1	Required	The company should provide a commitment to provide a detailed work programme by end August 2019 to assure us that the company will deliver appropriate drainage and wastewater management plans. The programme should ensure that the company can prepare and consult on its first drainage and wastewater management plan no later than the summer of 2022 to enable revised plans to be prepared in early 2023 to inform PR24 business plans.	10am, 11 February 2019
	UUW.CMI.A2	Required	The company business plan sets out that economic valuation approach could derive an allocation to the water resources control of 26% in certain circumstances yet the company has proposed an RCV allocation of only 14%. The company should make a change to allocate a higher proportion of the RCV to water resources or provide a clearly explain why the proposed allocation is more appropriate. In doing so the company should provide information on how it could mitigate the bill disruption to larger water users.	10am, 11 February 2019
	UUW.CMI.A3	Required	The proposed split of fixed and variable revenues for the bio-resources revenue control has not been sufficiently evidenced and the business plan suggests that judgment has been exercised to determine the proposed split. We are intervening to ensure that the bioresources revenue adjustment is set on a broadly comparable basis across companies based on information set out in the business plan tables.	24 May 2019
	Advised actions	Advised	No advised actions.	N/A

United Utilities: Actions summary table

Test area	Action reference	Action type	Action	Date required
Securing cost efficiency	UUW.CE.A1	Agreed	For actions on cost efficiency thresholds, see data tables below.	N/A
	UUW.CE.A2	Agreed	The company should retain its performance commitment in relation to Thirlmere scheme delivery - Based on the requested carryover spend to complete this project it is suggested that the current performance commitment with a financial outcome delivery incentive for scheme delivery is continued until the scheme is 100% complete.	10am, 11 February 2019
	UUW.CE.A3	Agreed	Strategic regional solution development - We have identified from the plans that at least one strategic supply solution is required over the next 5-15 years to secure drought resilience in the south-east. The strategic regional solution development allocation is to allow the delivery of consistent and transparent investigations, planning and development of strategic options with the overall aim of optimum solutions being construction ready by 2025. The company's allocation is made on the basis of having clear deliverables and customer protection for the gated delivery of the development of the River Severn-River Thames transfer scheme. The following actions are required to ensure the efficient delivery of this programme: <ul style="list-style-type: none"> • In conjunction with the other companies involved, jointly propose methods for collaborative working including setting up the joint working group for individual schemes, and how consistent assumptions and decisions will be made within these groups and between them. • Provide more detail on the gated process, the deliverables, timings and expenditure allocations at each gate • Propose ODI-type mechanisms to allow allocated funding to be recovered by customers in the event of the scheme not progressing through each gate and for the non-delivery or late delivery of outputs. 	N/A
	UUW.CE.A4	Required	In principle, we consider United Utilities Water's proposals for cost adjustment mechanisms for unconfirmed environmental requirements to be appropriate. However, for P removal schemes we note its proposed use of different p.e. figures from those set out in WINEP3. We require the company to provide the p.e. data it has used for each of the 53 Amber WFD schemes listed in WINEP3 as requiring P removal and to explain why these differ to the dataset used to populate WINEP3.	10am, 11 February 2019
	Advised actions	Advised	No advised actions	N/A
Aligning risk and return	UUW.RR.A1	Agreed	For the assessment of notional financeability, the proposed dividend yield for the notional company exceeds the real cost of equity on a blended CPIH:RPI basis. The company should revise the dividend yield (and associated dividend growth) for the notional company to reflect the real CPIH:RPI blended cost of equity of 4.52%. The company should reconsider the level of the PAYG adjustment and provide more evidence to justify its choice of RCV run-off rates.	10am, 11 February 2019
	UUW.RR.A2	Required	No required actions	N/A
	Advised actions	Advised	No advised actions	N/A
Accounting for past delivery	UUW.PD.A1	Required	PR14 Land sales: The company should provide additional evidence to support the forecast trajectory reported in table App9.	15 July 2019

Test area	Action reference	Action type	Action	Date required
	UUW.PD.A2	Required	<p>PR14 Outcome delivery incentives: The company should provide evidence of how the proposed change to the R-A2 customer experience programme outcome delivery incentive is in customers' interests and how it has calculated the Thirlmere outcome delivery incentive in tables App5/App6 for table App27. The company should, in its 15 July 2019 submission, update its forecast for 2019-20 performance to take account of the actual 2018-19 performance for all its performance commitments. We expect the company to pay particular focus where we found the evidence provided in its business plan for the 2018-20 forecasts to be insufficient which was for:</p> <p>A2: Water quality events DWI category 3 or above</p> <p>A3: Water Quality Service Index</p> <p>S-D4a: Wastewater serious (category 1 and 2) pollution incidents</p> <p>S-D2: Maintaining our wastewater treatment works (includes Oldham and Royton WwTWs special cost factor claims)</p> <p>B5: Resilience of impounding reservoirs</p> <p>B2: Reliable water service index</p> <p>B1: Average minutes supply lost per property (a year)</p> <p>S-A1: Private sewers service index</p> <p>S-B2: Sewer flooding index</p> <p>S-A2: Wastewater network performance index</p> <p>C1: Contribution to rivers improved - water programme (NEP schemes and abstraction changes at 4 AIM sites)</p> <p>S-C1: Contribution to bathing waters improved (includes NEP phase 3&4 bathing water intermittent discharge projects)</p>	15 July 2019
	UUW.PD.A3	Required	<p>PR14 Residential retail: The company should provide further clarity on the reasons for the difference between reforecast customer numbers and actual customer numbers in 2018-2019 in table R9.</p>	15 July 2019
	UUW.PD.A4	Required	<p>PR14 Totex: The company should provide a more detailed and numerically sound explanation of its forecasted performance in tables WS15/WWS15.</p>	15 July 2019
	UUW.PD.A5	Required	<p>PR14 reconciliations: Further to the actions we have set out to address our concerns over the evidence provided in its business plan for the individual reconciliations, we will require the company to refresh all of its PR14 reconciliations to replace its 2018-19 forecast performance with 2018-19 actual performance and update the evidence for its forecast 2019-20 performance taking into account of the actual 2018-19 performance. The company should submit the updated past delivery tables and populated models by 15 July 2019.</p>	15 July 2019

United Utilities: Actions summary table

Test area	Action reference	Action type	Action	Date required
	Advised actions	Advised	No advised actions.	N/A
Securing confidence and assurance	UUW.CA.A1	Agreed	The company has not included the gearing outperformance benefit sharing mechanism in its plan. Although the company does not forecast gearing to exceed 70%, the company should confirm it will apply the default sharing mechanism from 'Putting the sector in balance' into its published business plan, so that customers will receive bill reductions if gearing in any year is above the 70% threshold.	10am, 11 February 2019
	UUW.CA.A2	Agreed	On dividend policy the company should confirm that it is committed to adopt the expectations on dividends for 2020-25 as set out in 'Putting the sector in balance' to include clear Board commitment to signal changes to stakeholders. Please provide an update on the steps you are taking to fully meet the expectations as set out in our 'Putting the sector in balance' position statement.	10am, 11 February 2019
	UUW.CA.A3	Agreed	On executive pay the company should confirm it is committed to adopt the expectations on performance related pay for 2020-25 as set out in 'Putting the sector in balance' to include: <ul style="list-style-type: none"> • Commitment to report how changes, including the underlying reasons, are signalled to customers. • Commitment to publish the executive pay policy for 2020-25 once it has been finalised. Please provide an update on the steps you are taking to fully meet the expectations as set out in our 'Putting the sector in balance' position statement.	10am, 11 February 2019
	Advised actions	Advised	No advised actions	N/A

Securing cost efficiency

The tables below set out your performance on cost at different services and for different cost types. Costs are in £m of 2017-18. We index wholesale controls with consumer price inflation (CPIH). We do not index retail controls.

Costs by control

Costs	Water resources	Network + (water)	Bioresources	Network + (wastewater)	Residential retail	Company level
Business plan totex (£m)	374.4	2,081.8	372.5	2,661.9	507.8	5,998.4
Our view of totex (£m)	380.3	2,070.4	368.8	2,466.1	513.4	5,799.0
Efficiency challenge (£m)	-5.9	11.4	3.6	195.8	-5.6	199.3
Efficiency challenge (%)	-1.6%	0.5%	1.0%	7.4%	-1.1%	3.3%

Costs by residential retail, water and wastewater

Costs	Residential retail	Wholesale water	Wholesale wastewater	Company level
Business plan totex (£m)	507.8	2,456.2	3,034.4	5,998.4
Our view of totex (£m)	513.4	2,450.7	2,834.9	5,799.0
Efficiency challenge (£m)	-5.6	5.5	199.5	199.3
Efficiency challenge (%)	-1.1%	0.2%	6.6%	3.3%

Costs by base, enhancement and retail

Costs	Wholesale base costs			Enhancement costs			Residential retail	Company level
	Water	Wastewater	Total	Water	Wastewater	Total		
Business plan base/enhancement costs (£m)	2,078.6	2,205.5	4,284.1	377.6	828.9	1,206.5	507.8	5,998.4
Our view of base/enhancement costs (£m)	2,143.0	2,002.0	4,145.1	307.7	832.9	1,140.6	513.4	5,799.0
Efficiency challenge (£m)	-64.4	203.5	139.1	69.9	-4.0	65.9	-5.6	199.3
Efficiency challenge (%)	-3.1%	9.2%	3.2%	18.5%	-0.5%	5.5%	-1.1%	3.3%

Note, figures do not include pension deficit repair costs (for which we make an allowance in accordance with our policy set out in Information Notice 13/17) and third party costs. Costs are gross of grants and contributions.

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

Key areas where we disallowed enhancement costs.

- Supply-demand balance (leakage) -40m.
- Resilience (Manchester resilience scheme) -£15m.
- Resilience (water mains resilience investment) -£13m.

We have made an additional allowance of £25.7m for development of North-South strategic water supply solutions.