

## Wessex Water: Actions summary table

### Actions guidance

#### Company actions

We categorise actions that slow-track and significant scrutiny companies need to do as the following:

- **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); and
- **advised actions** for companies to do by a specific date but that are not required for our draft determinations.

Each action has a unique reference. The prefix 'WSX' denotes the company Wessex Water. The central acronym references the test area where the action has been identified, please see the 'PR19 initial assessment of plans: Glossary' for a key of these acronyms. Actions whose numbers are preceded with an 'A' denote required actions and actions whose numbers are preceded with a 'B' denote advised actions.

#### Timings and required response

- **Required actions:** Slow-track and significant scrutiny companies should address all **required actions** by the date shown in the 'date required' column in the table below (the majority of these are by 10am on 1 April 2019). The response to actions should be set out by companies in their resubmitted business plans and data tables. The template action tracker should be completed with a short description of the response and relevant business plan and/or data table references and should be submitted by 10 am on 1 April 2019. We will review the response to these actions in our assessment of company submissions ahead of determinations.
- **Advised actions:** Slow-track and significant scrutiny companies should set out their response to their **advised actions** by the date shown in the 'date required' column in the table below. For advised actions due on 1 April 2019 companies should include details of their response in their actions tracker.
- **Actions tracker:** Each company must complete and submit the template action tracker by 10 am on 1 April 2019 for review. For additional guidance, please see the cover page of the template action tracker.
- **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.
  - Where Customer Challenge Groups (CCGs) have provided assurance this should be indicated. In some instances, we have stated where we expect companies to work with CCGs as part of their re-submission of (parts of) their business plans. Please use our PR19 methodology as the guide for where their assurance of the quality of engagement with customers may be required.
  - 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](#).

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Test area	Action reference	Action type	Action	Date required
Engaging customers	N/A	N/A	None.	N/A
Addressing affordability and vulnerability	<b>WSX.AV.A1</b>	Required	<p>Wessex Water has not provided sufficient evidence to demonstrate that it has engaged with customers on bills beyond 2025, particularly for the 2025-30 period.</p> <p>Wessex Water should undertake customer engagement on long-term bill profiles for the 2025-30 period and provide sufficient evidence to outline customer support for each of the profiles tested. Wessex Water should confirm that testing has been assured by its CCG and conducted in line with social research best practice.</p>	1 April 2019
	<b>WSX.AV.A2</b>	Required	<p>Wessex Water has proposed a financial performance commitment on Priority Services Register (PSR) growth 'Number of customers added to the Priority Services Register' (PR19WSX_C1). It is proposing an out and under outcome delivery incentive and is aiming to increase its PSR reach from 2% in 2019/20 to 5.9% of customers in 2024/25. In addition, the company has checked no PSR data over the past two years.</p> <p>We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): Wessex Water should adapt its performance commitment on 'Number of customers added to the Priority Services Register' (PR19WSX_C1). This would involve making the performance commitment reputational and targeting a PSR reach of at least 7% of households by 2024/25. It should also commit to checking at least 90% of PSR data every 2 years via its performance commitment.</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>	1 April 2019
	Advised actions	Advised	No Affordability and Vulnerability actions are advised.	N/A
Delivering outcomes for customers	<b>WSX.OC.A1-57</b>	Required	The company has a number of actions in relation to its performance commitments, outcome delivery incentives and outcome delivery incentive risk/return package. Please see 'Wessex Water: Delivering outcomes for customers detailed actions'.	Please see dates in 'Wessex Water: Delivering outcomes for customers detailed actions'
	Advised actions	Advised	All actions are required.	N/A
Securing long-term resilience	<b>WSX.LR.A1</b>	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 set out in relation in the outcomes areas ensuring a line of sight between risks to resilience and package of outcomes.	1 April 2019

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Test area	Action reference	Action type	Action	Date required
	<b>WSX.LR.A2</b>	Required	The company should provide a commitment that it will, by 22 August 2019, prepare and provide to us an action plan to develop and implement a systems based approach to resilience in the round and ensure that the company can demonstrate in the future an integrated resilience framework that underpins the company's operations and future plans showing a line of sight between risks to resilience, planned mitigations, package of outcomes and corporate governance framework.	1 April 2019
	<b>WSX.LR.A3</b>	Required	The company should also provide a commitment to work with the sector to develop robust forward looking asset health metrics and provide greater transparency of how its asset health indicators influence its operational decision making.	1 April 2019
	<b>WSX.LR.A4</b>	Required	Please explain the steps the company is taking to demonstrate it will maintain long term financial resilience in the event that its requested adjustment to the cost of capital is not allowed (either at PR19 or at a future price control), set out how this has been taken into account in the assessment of financial resilience and set out the risk management/mitigation approaches that have been identified.	1 April 2019
	Advised actions	Advised	No advised actions.	N/A
Targeted controls, markets and innovation	<b>WSX.CMI.A1</b>	Required	The proposed split of fixed and variable revenues for the bio-resources revenue control has not been sufficiently evidenced, particularly where cost lines are partly incremental and partly fixed. We are also intervening to ensure that the bioresources revenue adjustment is set on a broadly comparable basis to avoid setting revenue controls that may distort the development of trades. We will set out our view in the draft determinations based on the updated tables bio 1,Bio3 and Bio4. We will treat the funding of the 2020 RCV (run-off, returns and tax) as fixed for these purposes, along with revenues to recover local authority rates; some fees; and a proportion of direct and indirect costs of bioresources treatment and transport.	1 April 2019
	<b>WSX.CMI.A2</b>	Required	The company should provide a commitment to provide a detailed work programme by end August 2019 to assure us that the company will deliver appropriate drainage and wastewater management plans. The programme should ensure that the company can prepare and consult on its first drainage and wastewater management plan no later than the summer of 2022 to enable revised plans to be prepared in early 2023 to inform PR24 business plans.	1 April 2019
	<b>WSX.CMI.A3</b>	Required	The company should explain the boundaries between the appointed and non-appointed activities within its bioresources strategy and clarify how the risks and benefits are shared with customers.	1 April 2019
	<b>WSX.CMI.A4</b>	Required	The company should revise the bid assessment framework to reflect our feedback and ensure that bidders have sufficient clarity on the information they are required to provide.	15 July 2019
	Advised actions	Advised	No advised actions.	N/A
Securing cost efficiency	<b>WSX.CE.A1</b>	Required	We have provided our view of efficient costs for the company along with our reasoning. We expect it to address areas of inefficiency, or lack of evidence, in the revised business plan. Where appropriate, we expect it to withdraw investment proposals if either: <ul style="list-style-type: none"> <li>the need for investment is not compelling; or</li> </ul>	1 April 2019

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Test area	Action reference	Action type	Action	Date required
			<ul style="list-style-type: none"> <li>there is no need for a cost adjustment claim beyond our existing cost baseline.</li> </ul>	
	<b>WSX.CE.A2</b>	Required	There may be significant impacts in terms of investment or type of investment as a result of the metaldehyde ban. The company should investigate and agree with the DWI the scale and timing of any potential changes compared to its submitted plans. Significant changes and uncertainty may require an outcome delivery incentive to protect customers in the instance of expenditure not being required. Should the company propose a performance commitment and outcome delivery incentive, the company should provide evidence to justify the level of the performance commitment and the outcome delivery incentive rates proposed, in line with our Final Methodology. We expect to receive evidence of customer support for outperformance payments, where proposed, and that the incentive rates proposed are reflective of customer valuations.	1 April 2019
	Advised actions	Advised	No advised actions	N/A
Aligning risk and return	<b>WSX.RR.A1</b>	Required	The company should revise its business plan and associated financial modelling to be based on our 'early view' of cost of capital, or provide compelling evidence why this is not appropriate.	1 April 2019
	<b>WSX.RR.A2</b>	Required	The company should provide further evidence of the assumptions used to derive the notional company when calculating the financial ratios provided in the business plan tables or provide further ratios consistent with the PR19 financial model for the notional company as set out in the methodology.	1 April 2019
	<b>WSX.RR.A3</b>	Required	The company should reassess financeability on its actual structure and provide a board statement based on a business plan underpinned by an appropriate cost of capital. The company should set out the steps taken and the assurance obtained by the board in order to provide the statement, including, with supporting evidence, the threshold levels for key financial ratios.	1 April 2019
	<b>WSX.RR.A4</b>	Required	The company should provide further evidence of how a "robust investment grade" credit rating is appropriate for the notional and its actual company structure in relation to its investment needs, the approach of credit rating agencies, its current credit rating or the licence requirement to maintain a minimum investment grade credit rating.	1 April 2019
	<b>WSX.RR.A5</b>	Required	The company should ensure consistency of the information on RoRE analysis submitted in App26 and elsewhere in its plan, or reconcile the differences between the third party report and the data submitted in business plan table App26.	1 April 2019
	<b>WSX.RR.B1</b>	Advised	The company should provide a clearer link between its internal risk management and mitigation procedures and the RoRE analysis.	1 April 2019
Accounting for past delivery	<b>WSX.PD.A1-5</b>	Required	The company has a number of actions in relation to the detail in some of its PR14 reconciliations. Please see 'Wessex Water: Accounting for past delivery detailed actions'.	Please see dates in Wessex Water: Accounting for past

Test area	Action reference	Action type	Action	Date required
				delivery detailed actions'
	Advised actions	Advised	No advised actions.	N/A
Securing confidence and assurance	<b>WSX.CA.A1-WSX.CA.A4</b>	Required	The company is required to restate a number of forward looking Board assurance statements. Please see 'Wessex Water: Securing confidence and assurance detailed actions.'	1 April 2019
	<b>WSX.CA.A5</b>	Required	On dividend policy the company is required to confirm that it is committed to adopt the expectations on dividends for 2020-25 as set out in 'Putting the sector in balance' to include: <ul style="list-style-type: none"> <li>commitment to transparency about how the dividend policy in 2020-25 takes account of obligations and commitments to customers for the dividend policy that is applied in 2020-25 and when determining dividends.</li> </ul> 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.	1 April 2019
	<b>WSX.CA.A6</b>	Required	On executive pay the company is required to confirm that it is committed to adopt the expectations on performance related pay for 2020-25 as set out in 'Putting the sector in balance' to include: <ul style="list-style-type: none"> <li>visibility and evidence of substantial linkage of executive remuneration to delivery to customers;</li> <li>clear explanation of stretching targets and how they will be applied;</li> <li>clearer explanation of how the policy will be rigorously applied and monitored;</li> <li>commitment to report how changes, including the underlying reasons, are signalled to customers; and</li> <li>commitment to publish the executive pay policy for 2020-25 once it has been finalised.</li> </ul> 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.	1 April 2019
	<b>WSX.CA.A7-WSX.CA.A8</b>	Required	The company is required to provide a revised financial model and data tables on 1 April 2019 and complete actions regarding its risk and return data. Please see 'Wessex Water: Securing confidence and assurance detailed actions.'	1 April 2019
	<b>WSX.CA.B1-WSXCA.B2</b>	Advised	The company has advisory actions regarding its financial model and associated data tables and risk and return data tables. Please see 'Wessex Water: Securing confidence and assurance detailed actions.'	1 April 2019

## 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)	84.0	575.8	124.2	1,460.1	164.1	2,408.3
Our view of totex (£m)	80.7	521.5	137.2	1,236.6	145.2	2,121.2
Efficiency challenge (£m)	3.4	54.3	-13.0	223.4	18.9	287.0
Efficiency challenge (%)	4.0%	9.4%	-10.4%	15.3%	11.5%	11.9%

### Costs by residential retail, water and wastewater

Costs	Residential retail	Wholesale water	Wholesale wastewater	Company level
Business plan totex (£m)	164.1	659.8	1,584.3	2,408.3
Our view of totex (£m)	145.2	602.2	1,373.8	2,121.2
Efficiency challenge (£m)	18.9	57.6	210.5	287.0
Efficiency challenge (%)	11.5%	8.7%	13.3%	11.9%

### Costs by base, enhancement and residential retail

Costs	Wholesale base costs			Enhancement costs			Residential retail	Company level
	Water	Wastewater	Total	Water	Wastewater	Total		
Business plan base/enhancement costs (£m)	549.9	876.7	1,426.6	109.9	707.6	817.5	164.1	2,408.3
Our view of base/enhancement costs (£m)	521.8	885.8	1,407.7	80.4	488.0	568.3	145.2	2,121.2
Efficiency challenge (£m)	28.1	-9.1	19.0	29.5	219.6	249.2	18.9	287.0
Efficiency challenge (%)	5.1%	-1.0%	1.3%	26.9%	31.0%	30.5%	11.5%	11.9%

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

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

Key areas where we disallow enhancement costs.

- **Wholesale water:** Supply-demand balance (leakage) -£25m.
- **Wholesale wastewater:** growth -£57m; WINEP increasing flow to full treatment -£31m; and WINEP P removal -£23m.