

## Wessex Water: Delivering outcomes for customers detailed actions

**Table 1: Company-wide actions**

| Area                                   | Concern   | Required Action  | Action reference | Date required |
|--|---|--|------------------|---------------|
| Performance Commitment (PC) definition | The company is proposing to discontinue its PR14 Value for Money PC (A3: Percentage rating good value for money). The company proposes to discontinue this PC on the basis that the company should report metrics and not PCs on affordability. However, these do not constitute valid reasons to discontinue the PR14 PC on Value for Money. | The company should provide further evidence to justify discontinuing its PR14 Value for Money PC (A3: Percentage rating good value for money). If sufficient evidence to justify dropping the PC cannot be provided, the company should continue its PR14 Value for Money PC.  | WSX.OC.01        | 1 April 2019  |
| PC stretch                             | No material company-wide concerns. Individual PC concerns are set out in table 2  | No company-wide actions. Individual PC actions are set out in table 2  | N/A              | N/A           |
| Performance reporting                  | No material company-wide concerns. Individual PC concerns are set out in table 2  | No company-wide actions. Individual PC actions are set out in table 2  | N/A              | N/A           |
| Outcome Delivery Incentive (ODI) type  | No material company-wide concerns. Individual PC concerns are set out in table 2  | No company-wide actions. Individual PC actions are set out in table 2  | N/A              | N/A           |
| ODI rates                              | Our initial assessment of companies' enhancement expenditure and cost adjustment claims (including for scheme delivery) in the Cost Efficiency test results in the revision or rejection of some cost claims proposed by the company. In these instances only, there may be implications for the associated PC and ODI rate proposed.         | 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 performance commitment and ODI incentive rates proposed, and provide evidence to justify any changes to its business plan submission.<br>In cases where a scheme will no longer be undertaken, the company should consider the | WSX.OC.02        | 1 April 2019  |

| Area                            | Concern  | Required Action   | Action reference | Date required |
|---------------------------------|--|---|------------------|---------------|
|                                 | 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.  | removal of the associated scheme-specific performance commitment.<br><br>The company should provide further evidence to detail the estimation of forecast efficient marginal costs within its ODI rate calculations, in line with our PR19 Final Methodology. In particular, the company should provide evidence to demonstrate how these marginal cost estimates relate to the cost adjustment claims or enhancement expenditure proposed by the company.        |                  |               |
| ODI deadbands, caps and collars | See Customer protections section below.  | See Customer protections section below.   | N/A              | N/A           |
| Enhanced ODIs                   | The company proposes enhanced outperformance payments that are more than four times the standard ODI rate. This results in enhanced ODI rates that exceed the willingness to pay of the company's own customers.   | The company should provide further evidence to justify the level of the enhanced ODI outperformance and underperformance incentive rates proposed, or consider revising the enhanced rates to be based on a lower multiple applied to the standard incentive rates.   | WSX.OC.03        | 1 April 2019  |
| Overall ODI package             | The company provides insufficient evidence that its ODI package is supported by robust customer engagement and valuations. In particular, the company has provided insufficient evidence that it has tested the overall acceptability and affordability of its ODI package with customers.<br><br>The company provides insufficient evidence to justify that customer priorities have been reflected in the size of ODI outperformance payments for several PCs. Customer priorities such as water quality and leakage are reflected only modestly in the overall package structure, while others of | The company should provide further evidence that it has tested the acceptability and affordability of the overall size of its ODI package with customers.<br><br>The company should provide further evidence to clarify the methods used to derive the overall size of the ODI Return on Regulated Equity (RoRE).<br><br>The company should also provide further explanation regarding why there appears to be a lack of balance of incentives in the ODI package | WSX.OC.04        | 1 April 2019  |

| Area                     | Concern   | Required Action  | Action reference | Date required |
|--------------------------|---|--|------------------|---------------|
|                          | potentially lower customer priority have a larger impact on the overall package.  | between PCs that are customer priorities and those of management and /or shareholders.   |                  |               |
| ODI timing               | No material company-wide concerns. Individual PC concerns are set out in table 2  | No company-wide actions. Individual PC actions are set out in table 2  | N/A              | N/A           |
| Asset health ODI package | <p>The company does not provide sufficient evidence to demonstrate that it understands its asset health past performance challenges and that these challenges have been addressed.</p> <p>The company proposes the Water quality customer contacts (appearance) PC based on a subset of its 2015 - 2020 PC, which covered both appearance and taste/odour water quality customer contacts. In each years of the 2015-2020 period the company has not met this PC.</p> <p>For the period of 2020-2025 the company proposes a subset PC from the asset health long list in our Final Methodology. However, the company performs well relative to the industry for this subset PC. The company did not choose Customer contacts about water quality (taste and odour) from the long list which is the subset it performed poorly on relative to the industry.</p> <p>The company provides insufficient evidence to demonstrate customer support for its outperformance payments on its asset health PCs.</p> | <p>The company should propose a further PC Customer contacts about water quality (taste and odour) from the asset long list with an appropriate ODI.</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 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> | WSX.OC.05        | 1 April 2019  |
| Customer protection      | <p>The company does 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</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</p>  | WSX.OC.06        | 1 April 2019  |

| Area | Concern   | Required Action  | Action reference | Date required |
|------|---|--|------------------|---------------|
|      | <p>PC targets. This could leave customers exposed to large increases in bills.</p> <p>Additionally, the company states that in the event of outperformance above 2% RoRE the CCG will be consulted to confirm whether or not outperformance was driven by events rather than management action. The company is not clear on how this consultation will affect their decision and whether the decision of the CCG will be binding.</p> <p>Additionally there are concerns with regards to the long-term customer protection offered by a bill smoothing mechanism that transfers outperformance above 2% to RCV.</p> | <p>mechanism and caps to material ODIs should be applied in accordance with guidance provided in the '<b>Technical appendix 1: Delivering outcomes for customers</b>'.</p> <p>The company should provide further details of its proposed protections (20% reinvestment mechanism and customer consultation).</p> <p>With regards to consulting the CCG in the event of outperformance payments above 2% RORE, the company should clarify how this consultation will affect its decision and whether the decision of the CCG would be binding.</p> <p>The company should apply ODI payments above 2% RoRE in-period and to revenue. In line with this approach, the company should propose an appropriate bill smoothing mechanism to mitigate the impact of large outperformance payments in any given year.</p> |                  |               |

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

| PC         | Area       | Concern    | Required Action | Action reference | Date required |
|------------|------------|------------|-----------------|------------------|---------------|
| PR19WSX_W1 | 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           |

| PC                     | Area              | Concern   | Required Action   | Action reference | Date required |
|------------------------|-------------------|---|---|------------------|---------------|
| Volume of water leaked | ODI rate          | <p><b>Volume of water leaked PC:</b> 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><b>Volume of water leaked PC:</b> The company should provide the additional information set out in '<b>Technical appendix 1: Delivering outcomes for customers</b>' 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> <p>The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average that we set out in '<b>Technical appendix 1: Delivering outcomes for customers</b>' and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in leakage.</p> | WSX.OC.07        | 1 April 2019  |
|                        | Enhanced ODI rate | <p><b>Volume of water leaked PC:</b> The company does not state what the thresholds are before enhanced outperformance payments would apply.</p> <p>The company proposes outperformance payments that are more than four times the standard ODI rate. This results in enhanced ODI rates that exceed the willingness to pay of the company's own customers</p> <p>The company does not propose a cap on the enhanced payments that it can</p> | <p><b>Volume of water leaked PC:</b> The company should set out the thresholds for enhanced outperformance payments, and provide sufficient evidence to demonstrate that these are consistent with shifting the frontier and protecting its own customers.</p> <p>The company should provide further evidence to justify the level of the enhanced ODI outperformance and underperformance incentive rates proposed, or consider revising the enhanced rates to be based on a lower multiple applied to the standard incentive rates.</p>   | WSX.OC.08        | 1 April 2019  |

| PC  | Area                     | Concern  | Required Action   | Action reference | Date required |
|---|--------------------------|--|---|------------------|---------------|
|   |                          | receive in any given year within the 2020-25 period.   | The company should propose a cap on its enhanced outperformance payments in each year of the 2020-25 period. The company should provide its evidence and rationale for the level of the cap imposed.  |                  |               |
|   | 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           |
|   | Stretch                  | No concern   | None  | N/A              | N/A           |
|   | ODI type                 | No concern   | None  | N/A              | N/A           |
| PR19WSX_W2<br>Volume of water used per person | ODI rate                 | <b>Volume of water used per person PC:</b><br>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. | <b>Volume of water used per person PC:</b> The company should provide the additional information set out in ' <b>Technical appendix 1: Delivering outcomes for customers</b> ' 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. | WSX.OC.09        | 1 April 2019  |
|   | Enhanced ODI             | <b>Volume of water used per person PC:</b><br>The company proposes an enhanced ODI based upon a multiple of its standard rate which results in an enhanced ODI rate that exceeds the willingness to pay of its own customers.<br><br>The company does not propose a cap on the enhanced payments that it can   | <b>Volume of water used per person PC:</b> The company should provide further evidence to justify the level of the enhanced ODI outperformance and underperformance incentive rates proposed, or consider revising the enhanced rates to be based on a lower multiple applied to the standard incentive rates.  | WSX.OC.10        | 1 April 2019  |

| PC                | Area                     | Concern  | Required Action  | Action reference | Date required |
|-------------------|--------------------------|--|--|------------------|---------------|
|                   |                          | receive in any given year within the 2020-25 period.   | The company should propose a cap on its enhanced outperformance payments in each year of the 2020-25 period. The company should provide evidence and rationale for the level of the proposed cap.  |                  |               |
|                   | Caps, collars, deadbands | <p><b>Volume of water used per person PC:</b><br/>The company proposes to apply an outperformance and underperformance deadband for this PC, on the grounds that per capita consumption depends on weather and other factors beyond the company's control. This does not represent sufficient evidence to apply these features to this ODI. The PC is measured as a 3 year average to address this concern. We are concerned that a deadband will unnecessarily reduce the incentive of the company to deliver service for customers.</p> <p>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 sudden large increases in bill payments.</p> | <p><b>Volume of water used per person PC:</b> The company should either remove the proposed deadbands from this PC or provide convincing evidence to explain why these features are appropriate and in customers' interests.</p> <p>The company should propose a cap on its outperformance payments in each year of the 2020-25 period. The company should provide evidence and a rationale for the level at which the cap is set.</p> | WSX.OC.11        | 1 April 2019  |
|                   | Timing                   | No concern   | None   | N/A              | N/A           |
| PR19WSX_W4 Volume | 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 |
|---|--------------------------|---|--|------------------|---------------|
| of water saved by water efficiency engagement | ODI type                 | <b>Volume of water saved by water efficiency engagement PC:</b> The company does not provide sufficient evidence to justify the use of outperformance payments in relation to this PC. We have concerns that the outperformance payment is double counting outcomes that will be delivered through the PC PR19WSX_W2 Volume of water used per person.                                   | <b>Volume of water saved by water efficiency engagement PC:</b> The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.   | WSX.OC.12        | 1 April 2019  |
|   | ODI rate                 | <b>Volume of water saved by water efficiency engagement PC:</b> We have a concern that the performance level for this PC is also reflected in the common PC per capita consumption and that leads to double-counting of ODI payments.   | <b>Volume of water saved by water efficiency engagement PC:</b> The company should provide further evidence and explanations to demonstrate that there is no double-counting of ODI payments between this PC and the common PC per capita consumption.   | WSX.OC.13        | 1 April 2019  |
|   | Caps, collars, deadbands | No concern  | None   | N/A              | N/A           |
|   | Timing                   | No concern  | None   | N/A              | N/A           |
| PR19WSX_Q1 Compliance risk index (CRI)        | Definition               | No concern  | None   | N/A              | N/A           |
|   | Stretch                  | No concern  | None   | N/A              | N/A           |
|   | ODI type                 | No concern  | None   | N/A              | N/A           |
|   | ODI rate                 | <b>Compliance risk index (CRI) PC:</b> 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. | <b>Compliance risk index (CRI) PC:</b> 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 rate for CRI and assess the appropriateness of the company's customer valuation evidence supporting its ODI. | WSX.OC.14        | 1 April 2019  |
|   |                          |   |  |                  |               |



| PC  | Area                     | Concern   | Required Action   | Action reference | Date required |
|---|--------------------------|---|---|------------------|---------------|
|   |                          |   | The company should explain and evidence how its proposed ODI rate for CRI is coherent with the rates proposed for other asset health PCs.   |                  |               |
|   | Caps, collars, deadbands | <b>Compliance risk index (CRI) PC:</b> The company does not provide sufficient evidence that its proposed levels of deadband and collar are sufficiently challenging and protect customers from poor service delivery.  | <b>Compliance risk index (CRI) PC:</b> 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.<br><br>The company should set a deadband at 1.50 and collar at 9.5 for 2020-25. | WSX.OC.15        | 1 April 2019  |
|   | Timing                   | No concern  | None  | N/A              | N/A           |
|   | Definition               | No concern  | None  | N/A              | N/A           |
| PR19WSX_F<br>1<br>Customer property sewer flooding (internal) | Stretch                  | <b>Customer property sewer flooding (internal) PC:</b> Our PR19 methodology expectation for the Internal sewer flooding PC is the upper quartile performance in each year of the 2020 – 2025 period. Based on the forecast data provided by companies in the September 2018 business plan submission, the values are: 2020/21 = 1.68; 2021/22 = 1.63; 2022/23 =1.58; 2023/24 = 1.44; 2024/25 =1.34. The company proposed performance that was beyond these values by 2024-25, so there is no concern, but there is a required action so that all companies have | <b>Customer property sewer flooding (internal) PC:</b> We expect the company's service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.  | WSX.OC.16        | 1 April 2019  |

| PC | Area     | Concern  | Required Action   | Action reference | Date required |
|----|----------|--|---|------------------|---------------|
|    |          | consistent service levels” assuming the levels they proposed are better or at UQ.  |   |                  |               |
|    | ODI type | No concern   | None  | N/A              | N/A           |
|    | ODI rate | <p><b>Customer property sewer flooding (internal) PC:</b> 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><b>Customer property sewer flooding (internal) PC:</b> The company should explain why its proposed rate differs from our assessment of the reasonable range around the industry average that we set out in ‘<b>Technical appendix 1: Delivering outcomes for customers</b>’ and provide sufficient evidence to 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 ‘<b>Technical appendix 1: Delivering outcomes for customers</b>’ to allow us to better understand the causes of variation in ODI rate for 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 this PC is coherent with the rates proposed for all other sewerage performance commitments (including Customer property sewer flooding (external), Sewer flooding risk, 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> | WSX.OC.17        | 1 April 2019  |

| PC   | Area                     | Concern   | Required Action   | Action reference | Date required |
|--|--------------------------|---|---|------------------|---------------|
|  | Enhanced ODI rate        | <p><b>Customer property sewer flooding (internal) PC:</b> The company does not provide convincing evidence that the enhanced ODI threshold it proposes is commensurate with a level of performance that would place it at the frontier.</p> <p>The company proposes enhanced ODI rates that are a large multiple of the standard ODI rates, and may exceed the willingness to pay of its own customers.</p> <p>The company does not propose a cap on the enhanced payments that it can receive in any given year within the 2020-25 period.</p> | <p><b>Customer property sewer flooding (internal) PC:</b> The company should consider the thresholds for enhanced outperformance and underperformance payments, and either make them more challenging or provide evidence to demonstrate that they are appropriate.</p> <p>The company should provide further evidence to justify the level of the enhanced ODI outperformance and underperformance incentive rates proposed, or consider revising the enhanced rates to be based on a lower multiple applied to the standard incentive rates.</p> <p>The company should propose a cap on its enhanced outperformance payments in each year of the 2020-25 period. The company should provide evidence and a rationale for the level at which the cap is set.</p> | WSX.OC.18        | 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           |
| PR19WSX_R<br>1<br>Water supply interruptions | Stretch                  | <p><b>Water supply interruptions PC:</b> 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 values are: 2020/21 = 00:04:17; 2021/22</p>  | <p><b>Water supply interruptions PC:</b> 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>  | WSX.OC.19        |               |

| PC | Area         | Concern   | Required Action  | Action reference | Date required |
|----|--------------|---|--|------------------|---------------|
|    |              | = 00:03:58; 2022/23 = 00:03:40; 2023/24 = 00:03:22; 2024/25 = 00:03:00.<br>The company proposes service levels which are less stretching than these.  |  |                  |               |
|    | ODI type     | No concern  | None   | N/A              | N/A           |
|    | ODI rate     | <p><b>Water supply interruptions PC:</b> The company proposes outperformance payment rates which exceed its underperformance payment rates.</p> <p>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><b>Water supply interruptions PC:</b> The company should explain why its proposed rate differs from our assessment of the reasonable range around the industry average that we set out in '<b>Technical appendix 1: Delivering outcomes for customers</b>' and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in Water supply interruptions.</p> <p>The company should provide evidence to justify the larger outperformance payment rates relative to underperformance payment rates, or amend these to ensure that the outperformance payment is no higher than the underperformance payment. In either case the company should set out the evidence and rationale.</p> <p>The company should also provide the additional information set out in '<b>Technical appendix 1: Delivering outcomes for customers</b>' to allow us to better understand the causes of variation in ODI rate for Water supply interruptions and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p> | WSX.OC.20        | 1 April 2019  |
|    | Enhanced ODI | <b>Water supply interruptions PC:</b> The company proposes outperformance   | <b>Water supply interruptions PC:</b> The company should provide further evidence to justify the   | WSX.OC.21        | 1 April 2019  |

| PC   | Area                     | Concern  | Required Action  | Action reference | Date required |
|--|--------------------------|--|--|------------------|---------------|
|  |                          | payments that are more than four times the standard ODI rate. This results in enhanced ODI rates that exceed the willingness to pay of the company's own customers.  | level of the enhanced ODI outperformance and underperformance incentive rates proposed, or consider revising the enhanced rates to be based on a lower multiple applied to the standard incentive rates.   |                  |               |
|  | Caps, collars, deadbands | No concern   | None   | N/A              | N/A           |
|  | Timing                   | No concern   | None   | N/A              | N/A           |
| PR19WSX_R<br>2<br>Risk of severe restrictions in a drought | 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           |
| PR19WSX_R<br>3<br>Risk of sewer flooding in a storm        | 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           |
| PR19WSX_R<br>4<br>Water mains bursts                       | Definition               | No concern   | None   | N/A              | N/A           |
|  | Stretch                  | <b>Water mains bursts PC:</b> The company states that the target will be difficult to achieve due to its active leakage control activity. The company does not provide sufficient evidence to justify this statement. This is relevant as the company's performance is relatively poor | <b>Water mains bursts PC:</b> The company should reconsider its proposed service levels and ensure that they are stretching. If the company continues to propose performance that is worse than its historical levels, it will need to provide compelling evidence that increased active leakage control impacts the total number of mains repairs using the company's own data, | WSX.OC.22        | 1 April 2019  |

| PC | Area     | Concern   | Required Action   | Action reference | Date required |
|----|----------|---|---|------------------|---------------|
|    |          | <p>compared to median performance in the industry.</p>  | <p>including the relationship between pro-active and reactive mains repairs. 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.</p> <p>The company should also provide sufficient evidence to demonstrate that reduced (worse) performance levels are in the interests of customers and the assets.</p>   |                  |               |
|    | ODI type | No concern  | None  | N/A              | N/A           |
|    | ODI rate | <p><b>Water mains bursts PC:</b> 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><b>Water mains bursts PC:</b> The company should explain and evidence how its proposed ODI rate for mains bursts is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (such as leakage, supply interruptions and low pressure) and provide sufficient evidence to 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 '<b>Technical appendix 1: Delivering outcomes for customers</b>') 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> | WSX.OC.23        | 1 April 2019  |

| PC                                 | Area                     | Concern  | Required Action   | Action reference | Date required |
|------------------------------------|--------------------------|--|---|------------------|---------------|
|                                    | Caps, collars, deadbands | <b>Water mains bursts PC:</b> The company proposes an underperformance collar which could restrict its incentives to improve service performance. The company does not provide sufficient ODI-specific justification for this collar.  | <b>Water mains bursts PC:</b> The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for the level at which the collar is set, and the company should explain how this compensates customers adequately for poor service performance.  | WSX.OC.24        | 1 April 2019  |
|                                    | Timing                   | No concern   | None  | N/A              | N/A           |
| PR19WSX_R<br>5<br>Unplanned outage | 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                 | <b>Unplanned outage PC:</b> 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. | <b>Unplanned outage PC:</b> The company should explain why its proposed rate differs from our assessment of the reasonable range around the industry average that we set out in ' <b>Technical appendix 1: Delivering outcomes for customers</b> ' and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in unplanned outages.<br><br>The company should also explain and evidence how its proposed ODI rate for unplanned outage is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure and demonstrate how the package of ODIs across the relevant group of | WSX.OC.25        | 1 April 2019  |
|                                    |                          |  |   |                  |               |

| PC                                | Area                     | Concern   | Required Action  | Action reference | Date required |
|-----------------------------------|--------------------------|---|--|------------------|---------------|
|                                   |                          |   | PCs appropriately incentivises performance in the long and short-term.<br><br>The company should also provide the additional information set out in ' <b>Technical appendix 1: Delivering outcomes for customers</b> ' to allow us to better understand the causes of variation in ODI rate for unplanned outage and assess the appropriateness of the company's customer valuation evidence supporting its ODI.               |                  |               |
|                                   | Caps, collars, deadbands | No concern  | None   | N/A              | N/A           |
|                                   | Timing                   | No concern  | None   | N/A              | N/A           |
| PR19WSX_R<br>6<br>Sewer collapses | Definition               | No concern  | None   | N/A              | N/A           |
|                                   | Stretch                  | <b>Sewer collapses PC:</b> The company uses a simple average of the last 6 years to determine PC service levels. Performance has been improving over time. The proposed service levels would be the second worst in the industry by 2024-25. The company provides insufficient evidence to justify this service level.                                      | <b>Sewer collapses PC:</b> The company should provide convincing evidence that the proposed service levels are in the interests of customers and the assets in the context of a long term plan. Otherwise it should propose improving service levels at least in line with recent improving performance.   | WSX.OC.26        | 1 April 2019  |
|                                   | ODI type                 | No concern  | None   | N/A              | N/A           |
|                                   | ODI rate                 | <b>Sewer collapses PC:</b> 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. | <b>Sewer collapses PC:</b> The company should explain and evidence why its proposed rate differs from our assessment of the reasonable range that we set out in ' <b>Technical appendix 1: Delivering outcomes for customers</b> '. It should also provide sufficient evidence to demonstrate that this variation is consistent with customers' underlying preferences and priorities for avoiding this type of asset failure. | WSX.OC.27        | 1 April 2019  |



| PC | Area                     | Concern   | Required Action   | Action reference | Date required |
|----|--------------------------|---|---|------------------|---------------|
|    |                          |   | <p>The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for all other sewerage performance commitments (including Customer property sewer flooding (internal), Customer property sewer flooding (external), Sewer flooding risk 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> <p>The company should also provide the additional information set out in '<b>Technical appendix 1: Delivering outcomes for customers</b>' 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> |                  |               |
|    | Caps, collars, deadbands | <p><b>Sewer collapses PC:</b> The company proposes an underperformance collar which could restrict its incentives to improve service performance. The company does not provide sufficient ODI-specific justification for this collar.</p> | <p><b>Sewer collapses PC:</b> The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, and the company should explain how this compensates customers adequately for poor service performance.</p>   | WSX.OC.28        | 1 April 2019  |
|    | Timing                   | No concern  | None  | N/A              | N/A           |

| PC   | Area       | Concern   | Required Action  | Action reference | Date required |
|--|------------|---|--|------------------|---------------|
| PR19WSX_E<br>1<br>Treatment works compliance | 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><b>Treatment works compliance</b><br/> <b>PC:</b> 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><b>Treatment works compliance</b><br/> <b>PC:</b> The company should explain and evidence why its proposed rate differs from our assessment of the reasonable range around the industry average that we set out in '<b>Technical appendix 1: Delivering outcomes for customers</b>' and provide sufficient evidence to demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in treatment works compliance.</p> <p>The company should also 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 (such as those relating to 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 '<b>Technical appendix 1: Delivering outcomes for customers</b>' to allow us to better understand the causes of variation in ODI rate for treatment works compliance and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p> | WSX.OC.29        | 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           |
| PR19WSX_E<br>2<br>Wastewater pollution incidents - category 1-3 | Stretch                  | <p><b>Wastewater pollution incidents - category 1-3 PC:</b> Our PR19 methodology expectation for the Pollution Incidents PC is for all companies to set performance at the upper quartile in each year of the 2020-2025 period. Based on the forecast data provided by companies in the September 2018 business plan submission, the values are: 2020/21 = 24.51; 2021/22 = 23.74; 2022/23 = 23.00; 2023/24 = 22.40; 2024/25 = 19.50</p> <p>The company proposed performance that was beyond these values by 2024-25, so there is no concern, but there is a required action so that all companies have consistent service levels.</p> | <p><b>Wastewater pollution incidents - category 1-3 PC:</b> We expect the company's service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.</p>  | WSX.OC.30        | April 1       |
|   | ODI type                 | No concern   | None   | N/A              | N/A           |
|   | ODI rate                 | <p><b>Wastewater pollution incidents - category 1-3 PC:</b> 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><b>Wastewater pollution incidents - category 1-3 PC:</b> The company should explain why its proposed rate differs from our assessment of the reasonable range around the industry average (as set out in '<b>Technical appendix 1: Delivering outcomes for customers</b>') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in wastewater pollution incidents - category 1-3.</p> | WSX.OC.31        | 1 April 2019  |

| PC | Area         | Concern   | Required Action   | Action reference | Date required |
|----|--------------|---|---|------------------|---------------|
|    |              |   | <p>The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for all other sewerage performance commitments (including Customer property sewer flooding (internal), Customer property sewer flooding (external), Sewer flooding risk 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.</p> <p>The company should also provide the additional information set out in ‘<b>Technical appendix 1: Delivering outcomes for customers</b>’) to allow us to better understand the causes of variation in ODI rate for Wastewater pollution incidents - category 1-3 and assess the appropriateness of the company’s customer valuation evidence supporting its ODI.</p> |                  |               |
|    | Enhanced ODI | <p><b>Wastewater pollution incidents - category 1-3 PC:</b> The company does not provide convincing evidence that the proposed performance threshold for enhanced ODI payments is commensurate with a level of performance that would place it at the frontier. The company also does not provide convincing evidence that the proposed threshold levels for enhanced underperformance payments provide adequate customer protection.</p> | <p><b>Wastewater pollution incidents - category 1-3 PC:</b> The company should reconsider the thresholds for enhanced outperformance and underperformance payments, and either provide further evidence to demonstrate that they are appropriate or amend them to a more challenging level of performance. In either case the company should set out its evidence and rationale.</p> <p>The company should provide further evidence to justify the level of the enhanced ODI</p>  | WSX.OC.32        | 1 April 2019  |

| PC   | Area                     | Concern  | Required Action  | Action reference | Date required |
|--|--------------------------|--|--|------------------|---------------|
|  |                          | <p>The company formulates ODI incentive rates which are a high multiple of its standard rates and may outweigh customer willingness to pay.</p> <p>The company does not propose a cap on the enhanced payments that it can receive in any given year within the 2020-25 period.</p>  | <p>outperformance and underperformance incentive rates proposed, or consider revising the enhanced rates to be based on a lower multiple applied to the standard incentive rates.</p> <p>The company should propose a cap on its enhanced outperformance payments in each year of the 2020-25 period. The company should provide evidence and rationale for the level of the cap proposed.</p> |                  |               |
|  | Caps, collars, deadbands | No concern   | None   | N/A              | N/A           |
|  | Timing                   | No concern   | None   | N/A              | N/A           |
| PR19WSX_Q2<br>Water quality customer contacts (appearance) | 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           |
| PR19WSX_Q5<br>Event risk index (Wessex Water) (ERI WW)     | Definition               | No concern   | None   | N/A              | N/A           |
|  | Stretch                  | <p><b>Event risk index (Wessex Water) (ERI WW) PC:</b> The company proposes flat forecast performance at 17/18 levels on the basis that it is industry leading. However, it is not clear what outcome the company is delivering with this PC if the company does not intend to improve performance or push the frontier. Insufficient evidence is provided as to how customers have been involved in setting</p> | <p><b>Event risk index (Wessex Water) (ERI WW) PC:</b> The company should provide sufficient evidence to justify why maintaining performance at levels already attained is a sufficiently stretching target. In addition to this the company should provide further evidence to justify that the stretch is supported by its customers.</p>  | WSX.OC.33        | 1 April 2019  |

| PC | Area     | Concern   | Required Action  | Action reference | Date required |
|----|----------|---|--|------------------|---------------|
|    |          | <p>the specific stretch despite this being the PC which the company expects it may receive the greatest outperformance payment.</p>   |  |                  |               |
|    | ODI type | <p><b>Event risk index (Wessex Water) (ERI WW) PC:</b> The company does not provide sufficient evidence to justify the use of outperformance payments. It is noted that the CCG states that the company did not obtain evidence of direct support for its proposed outperformance payments. In addition this is a relatively new measure which reduces the confidence we can have that outperformance would represent additional benefits to customers.</p>   | <p><b>Event risk index (Wessex Water) (ERI WW) PC:</b> The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support. Alternatively, the company should remove the outperformance payment.</p>   | WSX.OC.34        | 1 April 2019  |
|    | ODI rate | <p><b>Event risk index (Wessex Water) (ERI WW) PC:</b> The company does not provide sufficient evidence to justify the top-down methodology applied to this PC or the magnitude of outperformance payment potential relative to its own package.</p> <p>It is noted that the methodology that the company has put forward assigns a P90 value to this ODI in order to equalise the materiality of ODIs meeting the objective of “Protecting the Environment” and “Excellent drinking water quality”. We consider this is insufficient evidence to justify assigning an outperformance payment of this magnitude to this</p> | <p><b>Event risk index (Wessex Water) (ERI WW) PC:</b> Should the company propose to keep the outperformance payments, the company should either provide compelling evidence as to the appropriateness of this ODI rate relative to the other ODIs it has proposed or significantly revise the ODI outperformance payments downward in line with evidence of customer support.</p> <p>The company should develop an underperformance payment incentive rate based upon forecast efficient marginal cost estimates. In each case the company should provide its evidence and rationale.</p> | WSX.OC.35        | 1 April 2019  |

| PC | Area                     | Concern  | Required Action  | Action reference | Date required |
|----|--------------------------|--|--|------------------|---------------|
|    |                          | <p>particular ODI. The amount assigned to ERI is therefore predominantly driven by performance on pollution incidents, which is an enhanced ODI. This is not consistent with our PR19 methodology.</p> <p>As a general principle, ODI incentive rates should be formed from direct customer valuations and marginal cost estimates as set out within our PR19 methodology.</p>   |  |                  |               |
|    | Caps, collars, deadbands | <p><b>Event risk index (Wessex Water) (ERI WW) PC:</b> The company proposes to apply an underperformance and outperformance deadband to this PC. It is noted that the underperformance deadband is set far higher than the PC target level, which means that the company will only incur underperformance payments if its performance worsens to levels not seen in recent years. By contrast, the proposed outperformance deadband is set close to the PC target level, which gives the company considerable opportunity to earn outperformance payments. These observations are consistent with the company's P10 and P90 estimates, which suggest that very high outperformance payments are possible but significant underperformance payments are almost impossible. The company does not sufficiently justify this</p> | <p><b>Event risk index (Wessex Water) (ERI WW) PC:</b> The company should either remove the proposed deadbands from this PC or provide convincing evidence to explain why these features are appropriate and in customers' interests.</p> <p>If the company wishes to retain the deadbands, it should consider whether to reset its underperformance deadband to bring this much closer to projected performance in the 2020 – 2025 period. The company should provide explicit justification for the revised level at which it proposes to set underperformance deadband.</p> <p>The company should propose a cap on its outperformance payments in each year of the 2020-25 period. The company should provide evidence and rationale for the level of the cap proposed.</p> | WSX.OC.36        | 1 April 2019  |

| PC   | Area                        | Concern  | Required Action  | Action reference | Date required |
|--|-----------------------------|--|--|------------------|---------------|
|  |                             | asymmetry in the design of its deadbands. We therefore have concerns about the potential for very large outperformance payments, which could arise if the company significantly outperforms its PC targets. This could leave customers exposed to sudden large increases in bill payments. |  |                  |               |
|  | Timing                      | No concern   | None   | N/A              | N/A           |
| PR19WSX_E<br>8<br>Satisfactory<br>sludge<br>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,<br>deadbands | No concern   | None   | N/A              | N/A           |
|  | Timing                      | No concern   | None   | N/A              | N/A           |
|  | Definition                  | No concern   | None   | N/A              | N/A           |
| PR19WSX_A<br>1<br>Total bill<br>reduction to<br>customers on<br>social tariffs<br>per 10,000<br>households | Stretch                     | No concern   | None   | N/A              | N/A           |
|  | ODI type                    | <b>Total bill reduction to customers on social tariffs per 10,000 households PC:</b> The company does not provide sufficient evidence to justify the use of outperformance payments for this PC.   | <b>Total bill reduction to customers on social tariffs per 10,000 households PC:</b> The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support for this proposal. The company should provide sufficient evidence to demonstrate how this ODI will benefit customers. | WSX.OC.37        | 1 April 2019  |
|  | ODI rate                    | No concern   | None   | N/A              | N/A           |
|  | Caps, collars,<br>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 |
|--|--|--|--|------------------|---------------|
| PR19WSX_A<br>2<br>Successful applications for assistance received by the independent advice sector/third parties | Stretch  | No concern   | None   | N/A              | N/A           |
|  | ODI type   | <p><b>Successful applications for assistance received by the independent advice sector/third parties PC:</b> The company does not provide sufficient evidence to justify the use of outperformance payments for this PC and does not provide evidence that customers support the outperformance payment.</p> <p>It is recognised that this PC represents an innovative way for the company to increase the number of customers on its schemes.</p> | <p><b>Successful applications for assistance received by the independent advice sector/third parties PC:</b> The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support for this proposal. The company should provide sufficient evidence to demonstrate how this ODI will benefit customers.</p> | WSX.OC.38        | 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           |
| PR19WSX_A<br>3<br>Void sites   | Definition   | No concern   | None   | N/A              | N/A           |
|  | Stretch  | <b>Void sites PC:</b> The company does not provide evidence for its target number for each year of the control period.   | <b>Void sites PC:</b> The company should propose a target and clearly set out the evidence and rationale for the revised targets.  | WSX.OC.39        | 1 April 2019  |
|  | ODI type   | <b>Void sites PC:</b> The company does not provide sufficient evidence to justify the use of outperformance payments for this PC.  | <b>Void sites PC:</b> The company should provide evidence to demonstrate that an outperformance payment would benefit customers and that it is designed in such a way that does not create perverse incentives with respect to the timely and accurate registration of void sites.   | WSX.OC.40        | 1 April 2019  |
| ODI rate   | <b>Void sites PC:</b> The company does not provide sufficient evidence to demonstrate its ODI rates are appropriate. | <b>Void sites PC:</b> The company demonstrate that its propose ODI rates do not exceed the reduction in bills that customers would   | WSX.OC.41  | 1 April 2019     |               |

| PC                          | Area  | Concern   | Required Action  | Action reference | Date required |
|-----------------------------|---|---|--|------------------|---------------|
|                             |   |   | experience from a reduction in the proportion of void sites.   |                  |               |
|                             | Caps, collars, deadbands  | No concern  | None   | N/A              | N/A           |
|                             | Timing  | No concern  | None   | N/A              | N/A           |
| PR19WSX_A<br>4<br>Gap sites | Definition  | No concern  | None   | N/A              | N/A           |
|                             | Stretch   | No concern  | None   | N/A              | N/A           |
|                             | ODI type  | <b>Gap sites PC:</b> The company does not provide sufficient evidence to justify the use of a non-financial incentive for this ODI. | <b>Gap sites PC:</b> 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.<br><br>Alternatively, the company should formulate a financial ODI reflecting the reduction in customer bills that would result from an increase in the identification of gap sites. | WSX.OC.42        | 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           |
|                             | PR19WSX_C<br>1<br>Number of customers added to the Priority Services Register | Definition  | Refer to entry <b>WSX.AV.A2</b> in the <b>Wessex Water: Actions summary table</b> for actions related to this PC   | None             | N/A           |
| Stretch                     |   | Refer to entry <b>WSX.AV.A2</b> in the <b>Wessex Water: Actions summary table</b> for actions related to this PC                    | None   | N/A              | N/A           |
| ODI type                    |   | Refer to entry <b>WSX.AV.A2</b> in the <b>Wessex Water: Actions summary table</b> for actions related to this PC                    | 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           |
| PR19WSX_C 2<br>Delivering for customers in vulnerable circumstances | 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           |
|   | PR19WSX_C 3<br>Number of children/students engaged | Definition  | No concern  | None             | N/A           |
| Stretch   |  | No concern  | None  | N/A              | N/A           |
| ODI type  |  | <b>Number of children/students engaged PC:</b> The company does not provide sufficient evidence to justify the use of outperformance payments on this PC. | <b>Number of children/students engaged PC:</b> The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support. The company should also provide sufficient evidence to demonstrate how this ODI will benefit customers. | WSX.OC.43        | 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           |
| PR19WSX_W3<br>Customer reported leaks fixed within a day            |  | Definition  | No concern  | None             | 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           |

| PC   | Area                     | Concern  | Required Action  | Action reference | Date required |
|--|--------------------------|--|--|------------------|---------------|
| PR19WSX_W4<br>Volume of water saved by water efficiency engagement | 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           |
| PR19WSX_Q3<br>Tackling water quality at home and in the work place | Definition               | <b>Tackling water quality at home and in the work place PC:</b> The company does not provide sufficient evidence to clearly set out how this PC is defined.  | <b>Tackling water quality at home and in the work place PC:</b> The company should provide additional detail to clarify the definition of this PC and how it will report against the measure   | WSX.OC.44        | 1 April 2019  |
|  | Stretch                  | No concern   | None   | N/A              |               |
|  | ODI type                 | <b>Tackling water quality at home and in the work place PC:</b> The company does not provide sufficient evidence to justify the use of outperformance payments on this PC. The company's customers have expressed a preference for this PC to be reputational. | <b>Tackling water quality at home and in the work place PC:</b> The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support for this proposal. The company should also provide sufficient evidence to demonstrate how this ODI will benefit customers. | WSX.OC.45        | 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           |
| PR19WSX_Q4<br>Lead communication on service pipes                  | 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 |
|---|------------|---|--|------------------|---------------|
| replaced (Wessex Water assets)                                | Timing     | <b>Lead communication service pipes replaced (Wessex Water assets) PC:</b> The company selects a revenue-based ODI, which will be paid partly in-period and partly at the end of the 2020 – 2025 period. The company explains that it has supplemented in-period incentives with end-of-period incentives because the customer willingness to pay for in-period payments is not sufficient to incentivise the required investment. However, this proposal represents a transfer of financial exposure from current to future customers. The company does not provide an explanation on how the future customers will benefit from the performance achieved during the 2020 – 2025 period. | <b>Lead communication service pipes replaced (Wessex Water assets) PC:</b> The company should justify its use of end-of-period incentives, explaining why future customers will benefit from performance improvements achieved during the 2020 – 2025 period. The company should consider removing this PC if it cannot demonstrate that performance improvements are cost beneficial to achieve.<br><br>In either case the company should provide its evidence and rationale. | WSX.OC.46        | 1 April 2019  |
| PR19WSX_F<br>2<br>Customer property sewer flooding (external) | 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   | <b>Customer property sewer flooding (external) PC:</b> 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.   | <b>Customer property sewer flooding (external) PC:</b> The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average that we set out in ' <b>Technical appendix 1: Delivering outcomes for customers</b> ' and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in external sewer flooding.                                     | WSX.OC.47        | 1 April 2019  |

| PC                                | Area                     | Concern  | Required Action   | Action reference | Date required |
|-----------------------------------|--------------------------|--|---|------------------|---------------|
|                                   |                          |  | The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for all other sewerage performance commitments (including Customer property sewer flooding (internal), Sewer flooding risk, Pollution incidents 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. The company should also provide the additional information set out in ' <b>Technical appendix 1: Delivering outcomes for customers</b> ' to allow us to better understand the causes of variation in ODI rates for external sewer flooding and assess the appropriateness of the company's customer valuation evidence supporting its ODI. |                  |               |
|                                   | 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           |
|                                   | Stretch                  | No concern   | None  | N/A              | N/A           |
|                                   | ODI type                 | No concern   | None  | N/A              | N/A           |
| PR19WSX_F3<br>Sewer flooding risk | ODI rate                 | <b>Sewer flooding risk PC:</b><br>The company provided insufficient evidence | <b>Sewer flooding risk PC:</b> The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for all other sewerage performance commitments (including Customer property sewer flooding (internal), Customer property sewer flooding (external), Pollution incidents and Sewer collapses) and demonstrate how the package of ODIs across the relevant group of performance  | WSX.OC.48        | 1 April 2019  |

| PC  | Area                     | Concern  | Required Action   | Action reference | Date required |
|---|--------------------------|--|---|------------------|---------------|
|   |                          |  | commitments appropriately incentivises performance in the long and short-term.  |                  |               |
|   | Caps, collars, deadbands | No concern   | None  | N/A              | N/A           |
|   | Timing                   | No concern   | None  | N/A              | N/A           |
| PR19WSX_F<br>4<br>North Bristol Sewer Scheme - Trym catchment | 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           |
| PR19WSX_R<br>7<br>Restrictions on water use (hosepipe bans)   | 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           |
| PR19WSX_E<br>3<br>Abstraction Incentive Mechanism (Mere)      | 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           |
| PR19WSX_E<br>4<br>Natural capital: improve Sites              | Definition               | No concern   | None  | N/A              | N/A           |
|   | Stretch                  | No concern   | None  | N/A              | N/A           |
|   | ODI type                 | <b>Natural capital: improve Sites of Special Scientific Interest (SSSI sites)</b><br><b>PC:</b> The company does not provide | <b>Natural capital: improve Sites of Special Scientific Interest (SSSI sites)</b><br><b>PC:</b> The company should provide further sufficient | WSX.OC.49        | 1 April 2019  |

| PC   | Area                     | Concern  | Required Action   | Action reference | Date required |
|--|--------------------------|--|---|------------------|---------------|
| of Special Scientific Interest (SSSI sites)                |                          | <p>sufficient evidence to justify the use of outperformance payments for this ODI, in particular the delivery programme for this PC is yet to be agreed with Natural England.</p> <p>The outperformance payment is based on the completion time of the scheme rather than delivering additional outcomes for customers. The evidence is insufficient that this will deliver additional benefits to the environment that customers' value compared to what would otherwise occur.</p> | evidence to justify the use of outperformance payments for this ODI and also provide evidence of customer support for its proposed approach. The company should provide compelling evidence that customers are willing to pay for expedited scheme delivery and that this delivers clear additional benefits that customers' value. The company should also set out evidence that outperformance will not occur due to normal re-profiling of the investment programme. |                  |               |
|  | 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           |
| PR19WSX_E 5<br>Greenhouse gas emissions                    | 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           |
| PR19WSX_E 6<br>Working with communities to improve bathing | Timing                   | No concern   | None  | N/A              | N/A           |
|  | Definition               | No concern   | None  | N/A              | N/A           |
|  | Stretch                  | No concern   | None  | N/A              | N/A           |
|  | ODI type                 | <b>Working with communities to improve bathing PC:</b> The company proposes outperformance payments that are dependent on the timing of delivering the schemes, rather than on the number of   | <b>Working with communities to improve bathing PC:</b> The company should provide further sufficient evidence to justify the use of outperformance payments for this ODI and sufficient evidence to demonstrate that  | WSX.OC.50        | 1 April 2019  |



| PC  | Area                     | Concern   | Required Action   | Action reference | Date required |
|---|--------------------------|---|---|------------------|---------------|
|   |                          | schemes delivered. Our concern is that the company will be rewarded for delivering the same number of schemes proposed at the PC level, but faster. The evidence is insufficient that this will deliver additional benefits to the environment that customers' value compared to what would otherwise occur.  | customers support an accelerated delivery of schemes and that this delivers clear additional benefits that customers' value. The company should also set out evidence that outperformance will not occur due to normal re-profiling of the investment programme.                                      |                  |               |
|   | ODI rate                 | <b>Working with communities to improve bathing PC:</b> The company does not provide sufficient evidence to justify the use of the multiplier (1.2) applied to the incentive rates or the rationale for the lack of marginal benefit estimate calculated. The outperformance incentive rate has been set as equivalent to the underperformance payment, and as such this multiplier uplifts the outperformance incentive rates proposed. | <b>Working with communities to improve bathing PC:</b> The company should provide further evidence to justify the application of the 1.2 multiplier to the outperformance payment (including evidence of customer support for the magnitude of outperformance incentive applied to this specific PC). | WSX.OC.50        | 1 April 2019  |
|   | Caps, collars, deadbands | No concern  | None  | N/A              | N/A           |
|   | Timing                   | No concern  | None  | N/A              | N/A           |
| R19WSX_E7<br>Working with catchment partners to improve natural capital | Definition               | <b>Working with catchment partners to improve natural capital PC:</b> The definition of this PC is complex and comprises of numerous different parts including aggregation of parts which appear to affect other PCs and include the effects of statutory Water Industry National Environment Programme (WINEP) that are already funded.  | <b>Working with catchment partners to improve natural capital PC:</b> The company should clarify the definition of this PC particularly with reference to how it provides additional value beyond that already funded through other related PCs and WINEP.  | WSX.OC.52        | 1 April 2019  |

| PC              | Area                     | Concern   | Required Action   | Action reference | Date required |
|-----------------|--------------------------|---|---|------------------|---------------|
|                 | Stretch                  | <b>Working with catchment partners to improve natural capital PC:</b> The PC level at the start of the 2020 – 2025 period is below recorded historic performance (starting at 29 in 2020-21 when forecast to finish at 35 in 2019-20).  | <b>Working with catchment partners to improve natural capital PC:</b> The company should explain and justify this proposed fall in performance between 2019 and 2021 or it should correct this if it is an error.   | WSX.OC.53        | 1 April 2019  |
|                 | ODI type                 | <b>Working with catchment partners to improve natural capital PC:</b> The company does not provide sufficient evidence to justify the use of outperformance payments in relation to this PC.  | <b>Working with catchment partners to improve natural capital PC:</b> The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support for its proposal. The company should provide sufficient evidence to demonstrate how this ODI will deliver benefits that customers' value. | WSX.OC.54        | 1 April 2019  |
|                 | ODI rate                 | <b>Working with catchment partners to improve natural capital PC:</b> The company does not provide sufficient evidence to justify the use of the multiplier (1.2) applied to the incentive rates or the rationale for the lack of marginal benefit estimate conducted. The outperformance incentive rate has been set as equivalent to the underperformance rat, and as such this multiplier uplifts the outperformance incentive rates proposed. | <b>Working with catchment partners to improve natural capital PC:</b> The company should provide further evidence to justify that the 1.2 multiplier should affect the outperformance payment that the company proposes, or remove this multiplier from the outperformance incentive rate only.   | WSX.OC.55        | 1 April 2019  |
|                 | Caps, collars, deadbands | No concern  | None  | N/A              | N/A           |
|                 | Timing                   | No concern  | None  | N/A              | N/A           |
| PR19WSX_E 9     | Definition               | No concern  | None  | N/A              | N/A           |
| Reduce frequent | Stretch                  | No concern  | None  | N/A              | N/A           |
|                 | ODI type                 | <b>Reduce frequent spilling overflows (non-WINEP) PC:</b> The company does not  | <b>Reduce frequent spilling overflows (non-WINEP) PC:</b> The company should provide  | WSX.OC.56        | 1 April 2019  |

| PC   | Area                     | Concern  | Required Action  | Action reference | Date required |
|--|--------------------------|--|--|------------------|---------------|
| spilling overflows (non-WINEP)   |                          | <p>provide sufficient evidence to justify the use of outperformance only payments for this ODI. This is particularly pertinent given the CCG challenge regarding business as usual activities and rewards for meeting statutory obligations.</p> <p>The company suggests that customer willingness to pay values are not sufficient in-period to cover the costs of delivering such work. The company does not provide sufficient evidence that it is beneficial to customers in the long-run.</p> | <p>sufficient further evidence to justify the use of outperformance only payments for this ODI and evidence of customer support for this approach. The company should also provide sufficient evidence to demonstrate how this outperformance only ODI will benefit customers. Failing that, the company should consider a different ODI type.</p> |                  |               |
|  | 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           |
| PR19WSX_E 10<br>Length of river with improved water quality through WINEP delivery | 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           |
| PR19WSX_E 11<br>Km of river improved (non-WINEP)                                   | Definition               | No concern   | None   | N/A              | N/A           |
|  | Stretch                  | No concern   | None   | N/A              | N/A           |
|  | ODI type                 | <p><b>Km of river improved (non-WINEP) PC:</b> This ODI is outperformance payment only. The company argues that incurring a penalty in addition to the investment into</p>   | <p><b>Km of river improved (non-WINEP) PC:</b> The company should provide further evidence to justify the use of an outperformance only payment for this PC, including evidence of</p>   | WSX.OC.57        | 1 April 2019  |

| PC            | Area                     | Concern   | Required Action   | Action reference | Date required |
|---------------|--------------------------|---|---|------------------|---------------|
|               |                          | river improvement beyond WINEP requirements would amount to double counting, as the company will already incur a cost of investing, and if their performance in delivering this PC is not sufficient, they will also incur an underperformance payment. Although customers support outperformance payments for this PC, the company provides insufficient evidence to justify outperformance only payment, as this is a bespoke PC and investment is not mandatory. | customer support for its proposal. The company should also provide sufficient evidence to demonstrate how this ODI will benefit customers. Alternatively, the company should change the type of PC. |                  |               |
|               | 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           |
| PR19WSX_E 12  | Definition               | No concern  | None  | N/A              | N/A           |
| Abstraction   | Stretch                  | No concern  | None  | N/A              | N/A           |
| Incentive     | ODI type                 | No concern  | None  | N/A              | N/A           |
| Mechanism     | ODI rate                 | No concern  | None  | N/A              | N/A           |
| (Stubhampton) | Caps, collars, deadbands | No concern  | None  | N/A              | N/A           |
|               | Timing                   | No concern  | None  | N/A              | N/A           |