

April 2019

Trust in water

**PR19 draft determinations:
Severn Trent Water – Delivering
outcomes for customers actions
and interventions**

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PR19 draft determinations: Severn Trent Water - Delivering outcomes for customers actions and interventions

Following our initial assessment of plans, we categorised two types of actions for fast-track companies:

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

Table 1 below sets out the agreed and required actions, a summary of the company's response to the action, our assessment of the company's response, and any further interventions we are making as part of the draft determination.

Each action has a unique reference. The prefix 'SVE' denotes the company Severn Trent Water. The central acronym references the test area where the action has been identified, please see the 'PR19 draft determinations: Glossary' for a key of these acronyms. Actions whose numbers are preceded with an 'A' denote agreed or required actions.

Table 2 below sets out any further interventions that are not resulting from an action, which we are making as part of the draft determination.

Each further intervention that is not resulting from an action has a unique reference. The prefix 'SVE' denotes the company Severn Trent Water. The central acronym references the test area where the action has been identified, please see the 'PR19 draft determinations: Glossary' for a key of these acronyms. Intervention numbers are preceded with a 'C'.

For all other documents related to the Severn Trent Water draft determination, please see the [draft determinations webpage](#).

Table 1: Severn Trent Water's response to required actions and interventions for draft determinations

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
Delivering outcomes for customers	SVE.OC.A1	Agreed	The company has proposed discontinuing a Performance Commitment on value for money and cited the introduction of C-MeX and a financial vulnerability Performance Commitment as justification for this. The financial vulnerability Performance Commitment measures the percentage of struggling to pay customers supported through tailored schemes, so it does not cover the same issue as C Mex. Equally, the purpose of C-MeX is to test customer satisfaction, not value for money. The Performance Commitments that have been dropped are W-C1 & S-B1: Customers rating our services as good value for money. The company was meeting its targets for both commitments. The company should continue its PR14 Value for Money Performance Commitments as a reputational performance commitment, as the	10am, 11 February 2019	The company is proposing to add a performance commitment (PR19SVE_A04 Value for money) to continue its existing PR14 Value for Money performance commitment into the 2021-2025 period.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
			introduction of C-MeX and a new financial vulnerability Performance Commitment is not sufficient justification for dropping.				
	SVE.OC.A2	Agreed	<p>The company has not put forward sufficient customer protections for high outperformance payments. In particular, the company's' upper RoRE estimate is one of the highest in the sector, yet it has proposed almost no protections to customers, including outperformance sharing mechanisms, re-investment schemes or through caps.</p> <p>With regard to Individual performance commitments, there is concern that the company has adopted an approach that affords limited customer protection in the event that outcome delivery incentive payments turn out to be much higher than expected. This is particularly evident in the lack of caps and collars across its performance commitments and comes despite the relatively large size of some outcome delivery incentives. As a result of this there is large potential for outperformance exhibited across individual performance commitments, which exposes customers to significant financial risk in the event of higher than expected outperformance.</p> <p>The company has proposed enhanced outperformance rates for internal sewer flooding and pollution, where we hold significant concerns regarding the appropriateness of the outcome delivery incentive rates. The company has not placed caps on these outcome delivery incentive, which exposes customers to significant financial risk. Additionally, the company has not provided details on how bill smoothing will be undertaken going forward.</p> <p>The company should apply additional protections through an appropriate outperformance payment sharing mechanism and implementing caps on performance commitments which could result in material outperformance. The payment sharing mechanism requires companies to share 50% of any outperformance payments above the 3% annual RoRE with customers through bill reductions. For the caps and collars on material performance commitments, we have provided details on which performance commitments these are in the performance commitment-specific actions below.</p>	N/A (to be reflected in Final Determination)	N/A	N/A	N/A
	SVE.OC.A3	Agreed	<p>PR19SVE_C01 – Treatment works compliance: The company has proposed an underperformance rate that does not provide a sufficient incentive against service underdelivery. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range. The company should</p>	10am, 11 February 2019	The company is proposing to amend its outcome delivery incentive underperformance rate to £1.945m/%.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
			increase its outcome delivery incentive underperformance rate from £1.573m/% to £1.945m/% compliance.				
	SVE.OC.A4	Agreed	<p>PR19SVE_F01 – Internal sewer flooding: Our PR19 methodology expectation for the Internal sewer flooding performance commitment was upper quartile performance in each year of the 2020-25 period. Based on the forecast data provided by companies in the September 2018 business plan submission the upper quartile values are:</p> <ul style="list-style-type: none"> • 2020/21 = 1.68; • 2021/22 = 1.63; • 2022/23 = 1.58; • 2023/24 = 1.44; • 2024/25 = 1.34. <p>For this common performance commitment we expect all companies' service levels to reflect these values each year.</p>	10am, 11 February 2019	The company is proposing to amend its performance commitment levels to industry upper quartile.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A5	Agreed	<p>PR19SVE_F01 – Internal sewer flooding: The company has not provided sufficient evidence to justify the scope for outperformance payments assigned to this performance commitment. In particular, the company has not provided sufficient evidence to justify its triangulation approach in forming marginal benefit estimates. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range. The company should reduce its outcome delivery incentive outperformance rate from £22.602m/incident per 10,000 connections to £18.720m/incident per 10,000 connections.</p>	10am, 11 February 2019	The company is proposing to amend its outcome delivery incentive outperformance rate to £18.720m/incident per 10,000 connections.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A6	Agreed	<p>PR19SVE_F01 – Internal sewer flooding: The company has not provided convincing evidence that the enhanced outcome delivery incentives entail a target level that require a level of performance by the company that would place it at the frontier. The company should set a more challenging threshold before it can earn enhanced outcome delivery incentive outperformance rewards. The target in 2020-21 should be 1.24 incidents per 10,000 customers. This target should get progressively more challenging over the subsequent years, such that by 2024-25 it should not exceed 1.11 incidents per 10,000 customers. The company should ensure that its enhanced outcome delivery incentive rate remains at a multiple of 1.5 times the revised standard outcome delivery incentive rate. The company's enhanced outcome delivery incentive payments will be naturally capped at 0 internal sewer flooding incidents.</p>	10am, 11 February 2019	<p>The company is proposing thresholds that start at 1.24 incidents per 10,000 customers and become progressively more challenging up to 2024-25, and end at 1.11 incidents per 10,000 customers.</p> <p>The company is proposing that the</p>	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
					enhanced ODI rates are 1.5 times the revised standard outcome delivery incentive rate. The company is proposing an enhanced cap of 0 internal sewer flooding incidents to reflect the natural cap.		
	SVE.OC.A7	Agreed	<p>PR19SVE_F01 – Internal sewer flooding: The company proposes to apply an underperformance collar to this performance commitment. We note that the proposed collar is significantly lower than company performance in 2016-17. This suggests that the proposed collar could have a significant impact on the extent to which customers are compensated for poor performance.</p> <p>The company should increase the level of its proposed collar to at least 2.35 incidents per 10,000 sewer connections or higher for all years of the 2020-25 period.</p>	10am, 11 February 2019	<p>The company is proposing 1.89 as the standard collar, which acts as the threshold for enhanced underperformance payments.</p> <p>The company is proposing an enhanced payment collar of 2.35.</p>	<p>No intervention required.</p> <p>The company has complied with the action.</p>	N/A
	SVE.OC.A8	Agreed	<p>PR19SVE_F02 – Pollution incidents (Cat 1-3): Our PR19 methodology expectation for the Pollution Incidents performance commitment was upper quartile performance in each year of the 2020-25 period. Based on the forecast data provided by companies in the September 2018 business plan submission the upper quartile values are:</p> <ul style="list-style-type: none"> • 2020/21 = 24.51; • 2021/22 = 23.74; • 2022/23 = 23.00; • 2023/24 = 22.40; • 2024/25 = 19.50. <p>For this common performance commitment we expect all companies' service levels to reflect these values for each year.</p>	10am, 11 February 2019	The company is proposing to amend its performance commitment levels to industry upper quartile.	<p>No intervention required.</p> <p>The company has complied with the action.</p>	N/A
	SVE.OC.A9	Agreed	<p>PR19SVE_F02 – Pollution incidents (Cat 1-3): We have found substantial variation in proposed outcome delivery incentive rates across companies for common and comparable performance commitments. 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. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an</p>	10am, 11 February 2019	The company is proposing to amend its outcome delivery incentive underperformance rate to £0.610m/incident per 10,000 km sewerage network.	<p>No intervention required.</p> <p>The company has complied with the action.</p>	N/A

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
			aligned range. The company should increase its outcome delivery incentive underperformance rate from £0.597m/incident per 10,000 km sewerage network to 0.610m/incident per 10,000 km sewerage network.				
	SVE.OC.A10	Agreed	PR19SVE_F02 – Pollution incidents (Cat 1-3): The company has not provided convincing evidence that the enhanced outcome delivery incentives entail a target level that require a level of performance by the company that would place it at the frontier. The company has also not provided convincing evidence that the proposed threshold levels for enhanced penalty payments are adequate to protect customers. The company proposed an enhanced outcome delivery incentive for this performance commitment, without sufficient evidence that its customers are willing to pay for the significant improvements in this measure. The company should remove its enhanced outcome delivery incentive from this performance commitment.	10am, 11 February 2019	The company is proposing to remove the enhanced outcome delivery incentives from this performance commitment.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A11	Agreed	PR19SVE_F02 – Pollution incidents (Cat 1-3): We have concerns about the potential for very large outperformance payments, which could arise if the company significantly outperforms its performance commitment targets. This could leave customers exposed to large bill increases. The company should apply an outperformance cap and underperformance collar for each year of the AMP7 period (2020-2025). The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.	10am, 11 February 2019	The company is proposing to set its outperformance cap at its estimated P90 performance level, and its underperformance collar at its estimated P10 performance level.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A12	Agreed	PR19SVE_F03 – Sewer collapses: The company has proposed an outcome delivery incentive underperformance rate that does not provide a sufficient incentive against service underdelivery. We have found substantial variation in proposed outcome delivery incentive rates across companies for common and comparable performance commitments. 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. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range. The company should increase its outcome delivery incentive underperformance rate from £0.983m/collapse per 1,000km of sewer to £1.045m/collapse per 1,000km of sewer. The company should decrease its outcome delivery incentive outperformance rate from £0.983m/collapse per 1,000km of sewer to £0.345m/collapse per 1,000km of sewer.	10am, 11 February 2019	The company is proposing to amend its outcome delivery incentive underperformance rate to £1.045m/collapse per 1,000km of sewer and to amend its outcome delivery incentive outperformance rate to £0.345m/collapse per 1,000km of sewer.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A13	Agreed	PR19SVE_G01 – Water supply interruptions: Our PR19 methodology expectation for the Water supply interruptions performance commitment was upper quartile performance in each year of the 2020-25 period. Based on the forecast data provided by companies in the September 2018 business plan submission the upper quartile values are: <ul style="list-style-type: none"> 2020/21 = 00:04:17; 	10am, 11 February 2019	The company is proposing to amend its performance commitment levels to industry upper quartile.	No intervention required. The company has complied with the action..	N/A

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
			<ul style="list-style-type: none"> • 2021/22 = 00:03:58; • 2022/23 = 00:03:40; • 2023/24 = 00:03:22; • 2024/25 = 00:03:00. <p>For this common performance commitment we expect all companies' service levels to reflect these values for each year.</p>				
	SVE.OC.A14	Agreed	PR19SVE_G01 – Water supply interruptions: We have concerns about the potential for large outperformance payments, which could arise if the company significantly outperforms its performance commitment targets. This could leave customers exposed to large increases in bills. The company should apply an outperformance cap and underperformance collar for each year of the 2020-25 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at the industry average level (which we currently calculate as 00:14:40) in each year of the 2020-2025 period.	10am, 11 February 2019	The company is proposing to apply an underperformance collar at 00:14:40. The company is proposing to set its outperformance cap at its estimated P90 performance level.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A15	Agreed	PR19SVE_G02 – Leakage: We identified in the APR18 submission evidence (shadow reporting table 3S) that there are sub-components of some common performance commitments assessed as 'Amber' or 'Red'. The company has not provided sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019/20. The company should provide a clear statement that it has all the necessary plans in place to comply with the standard definition for 2019-20.	N/A (company has already met this action)	The company has provided a clear statement in a letter to Ofwat dated 28 January 2019 that it has all the necessary plans in place to comply with the standard definition for 2019-20.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A16	Agreed	PR19SVE_G03 – Per capita consumption (PCC): The company provided insufficient evidence that justifies setting of this performance commitment as non-financial and has not provided sufficient evidence of how it plans to maximise reputational incentives. The company should apply an underperformance payment. The company should set its outcome delivery incentive underperformance rate of £0.350 m/litres per head per day. This is aligned within the range of companies' outcome delivery incentive rates for common and comparable performance commitments.	10am, 11 February 2019	The company is proposing to apply an outcome delivery incentive underperformance payment at the rate of £0.350m/litres per head per day.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A17	Agreed	PR19SVE_G04 – Mains bursts: The company is forecasting a deterioration in performance during AMP7 due to increased leak detection activity. The company provided insufficient evidence to demonstrate the relationship between leakage levels and the total number of repairs. Company to commit to providing further evidence to substantiate the increase in mains repairs due to active leakage control. As a minimum the evidence should show the historical correlation between active leakage control, and 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.	N/A (company has already met this action)	The company has submitted evidence that it considers demonstrates additional mains repairs are required to reduce leakage and is proposing an increase in its mains repairs to account for its leakage targets.	Intervention required. The evidence provided by the company does not sufficiently quantify a clear link between additional mains repairs and a reduction in leakage.	We are intervening to reduce the number of repairs from the level proposed by the company. Mains repairs are an indication of the bursts that occur and increases in mains repairs can indicate poor asset health. Other companies propose to

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
						<p>The company does not present evidence that it has considered alternative methods to reduce leakage that would not require a large increase in mains repairs.</p>	<p>reduce leakage without a deterioration in performance on mains repairs.</p> <p>We will set a performance target based on service levels remaining at the average of recent historical performance between 2015-16 and 2017-18, as follows:</p> <p>2020-21: 112</p> <p>2021-22: 112</p> <p>2022-23: 112</p> <p>2023-24: 112</p> <p>2024-25: 112</p> <p>We will reconsider the company's proposal for the final determinations if sufficient additional evidence is provided. We will also consider evidence provided by other companies to make our decision at that time.</p>
	SVE.OC.A18	Agreed	PR19SVE_G04 – Mains bursts: The company has not provided sufficient evidence to justify the high outperformance standard outcome delivery incentive rate applied to this performance commitment, in particular regarding the formulation of marginal benefits. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range. The company should reduce its outcome delivery incentive outperformance rate from £0.563m/burst per 1,000km of mains to £0.185m/burst per 1,000km of mains.	10am, 11 February 2019	The company is proposing to amend its outcome delivery incentive outperformance rate to £0.185m/burst per 1,000km of mains.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
	SVE.OC.A19	Agreed	PR19SVE_G04 – Mains bursts: We have concerns about the potential for very large outperformance payments, which could arise if the company significantly outperforms its performance commitment targets. This could leave customers exposed to large bill increases. The company should apply an outperformance cap and underperformance collar for each year of the 2020-25 period (2020-2025). The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.	10am, 11 February 2019	The company is proposing to set its outperformance cap at its estimated P90 performance level, and its underperformance collar at its estimated P10 performance level.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A20	Agreed	PR19SVE_G05 – Unplanned outage: We identified in the APR18 submission evidence (shadow reporting table 3S) that there are sub-components of some common performance commitments assessed as 'Amber' or 'Red'. The company has not provided sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019/20. The company should provide a clear statement that it has all the necessary plans in place to comply with the standard definition for 2019-20.	N/A (company has already met this action)	The company has provided a clear statement in a letter to Ofwat dated 28 January 2019 that it has all the necessary plans in place to comply with the standard definition for 2019-20.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A21	Agreed	PR19SVE_G05 – Unplanned outage: We have some concerns that the company's forecast performance level is not determined using data consistent with the common definition. The company is required to provide fully audited 2018-19 performance data by 15 May 2019. This should take the form of an early APR submission, but only for Unplanned Outages. Board assured data can be provided with the main APR in July 2019, and any changes will be taken into account for the Final Determination. Based on the latest performance and updated methodologies, the company should re-submit 2019/20 – 2024/25 forecast data in the May submission. The company should also report their current and forecast company level PWPC (Ml/d), the unplanned outage (Ml/d) and planned outage (Ml/d) in their commentary for the May submission.	15 May 2019	The company is not required to respond until the 15th May 2019.	N/A	N/A
	SVE.OC.A22	Agreed	PR19SVE_G05 – Unplanned outage: The company has proposed a non-financial incentive without providing sufficient justification. The company should add an underperformance payment. This should be set at rate of £3.025m/%, aligned with companies' range of outcome delivery incentive rates for common and comparable performance commitments.	10am, 11 February 2019	The company is proposing to apply an outcome delivery incentive underperformance payment at the rate of £3.025m/%.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A23	Agreed	PR19SVE_G06 – Risk of severe restrictions in a drought: The company provided insufficient evidence that its presented risk is stretching. The company should submit the intermediate calculation outputs as shown in the common definition guidance published on our website for the drought resilience metric.	N/A (company has already met this action)	The company has provided the requested information.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
	SVE.OC.A24	Agreed	PR19SVE_H01 – Water quality compliance (CRI): The company has not provided convincing evidence for its proposal for a non-financial outcome delivery incentive for this measure. The company should add a financial incentive (underperformance) to this performance commitment. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range. The company should add an outcome delivery incentive underperformance rate of £1.260m/index point.	10am, 11 February 2019	The company is proposing to apply an outcome delivery incentive underperformance payment at the rate of £1.260m/index point.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A25	Agreed	PR19SVE_H01 – Water quality compliance (CRI): We are intervening to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. As set out in the methodology we noted a deadband may be appropriate. It is important that the range of underperformance to the collar is adequate to provide clear incentives for companies to deliver statutory requirements. The company should set a deadband at 1.50 and collar at 9.0 for 2020-25.	10am, 11 February 2019	The company is proposing to amend its deadband and collar to 1.50 and 9.5, respectively, for 2020-25.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A26	Agreed	PR19SVE_F05 – External sewer flooding: The company has not provided sufficient evidence to justify the triangulation approach applied in calculating its marginal benefits. The approach applied has demonstrated insufficient consideration of the statistical robustness and cognitive validity of the data inputs, which results in the company overweighting willingness to pay values derived from smaller, less representative samples. The valuation derived is significantly larger than all other PR19 valuations for this area. Willingness to pay is subsequently doubled on the basis of the company's "Choices" research. Insufficient evidence of this research has been provided to justify this adjustment and the resulting outcome delivery incentive rates. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range. The company should reduce its outcome delivery incentive outperformance rate from £0.024m/incident to £0.010m/incident.	10am, 11 February 2019	The company is proposing to amend its outcome delivery incentive outperformance rate to £0.010m/incident.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A27	Agreed	PR19SVE_F05 – External sewer flooding: The company proposes to apply an underperformance collar to this performance commitment but not an outperformance cap. We have several major concerns about this proposal. <ul style="list-style-type: none"> Firstly, we note that the proposed collar is significantly lower than company performance over the entirety of the 2012-13 to 2016-17 period. This suggests that the proposed collar could have a significant impact on the extent to which customers are compensated for poor performance. Secondly, we note that the company proposes not to apply an outperformance cap on the grounds that severe weather is always unfavourable to the company and outperformance is bounded by zero. However, we do not find this justification to be sufficient, because the performance range over which outperformance payments apply is far greater than the performance range over which underperformance payments apply. It appears from the company's P90 estimate that extremely large outperformance payments would be earned in an upside scenario, and we note that the company has a history of strong performance improvement on this metric. Overall, the financial design of this performance commitment appears to be materially tilted in the company's favour, to the detriment of its customers.	10am, 11 February 2019	The company is proposing to amend its underperformance collar to 7661. The company is proposing to set its outperformance cap at its estimated P90 performance level.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
			The company should increase the level of its proposed collar to at least 7661 incidents (the level of 2015/16 performance) for all years of the 2020-25 period. The company should apply an outperformance cap for each year of the AMP7 period (2020-2025) at its estimated P90 performance level.				
	SVE.OC.A28	Agreed	PR19SVE_F06 – Sewer blockages: The company provided insufficient evidence to support its outperformance payment. The company should revise its outperformance incentive rate to £3,722/incident.	10am, 11 February 2019	The company is proposing to amend its outcome delivery incentive outperformance rate to £3,722/incident.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A29	Agreed	PR19SVE_F07 – Public sewer flooding: The company has not provided sufficient evidence to justify the triangulation approach applied in calculating its marginal benefits. The approach applied has demonstrated insufficient consideration of the statistical robustness and cognitive validity of the data inputs, which results in the company overweighting willingness to pay values derived from smaller, less representative samples. The valuation derived is significantly larger than all other PR19 valuations for this area. Willingness to pay is subsequently doubled on the basis of the company's "Choices" research. Insufficient evidence of this research has been provided to justify this adjustment and the resulting outcome delivery incentive rate. The company should reduce its outperformance outcome delivery incentive rate by removing the uplift performed on the basis of its choices research	10am, 11 February 2019	The company is proposing to amend its outperformance outcome delivery incentive rate from 0.024528 in its original tables to 0.012336. This accurately reflects the removal of the 99% uplift from the "Choices" research.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A30	Agreed	PR19SVE_F07 – Public sewer flooding: We have concerns about the potential for very large outperformance payments, which could arise if the company significantly outperforms its performance commitment targets. This could leave customers exposed to large increases in bills. The company should apply an outperformance cap and underperformance collar for each year of the AMP7 period (2020-2025). The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level	10am, 11 February 2019	The company is proposing to set its outperformance cap at its estimated P90 performance level, and its underperformance collar at its estimated P10 performance level.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A31	Agreed	PR19SVE_F08 – Green communities: The company has not provided sufficient evidence that its customers support the proposed outperformance payment only outcome delivery incentive. The company should apply a symmetric underperformance payment on this performance commitment to strengthen incentives on delivering baseline commitment level	10am, 11 February 2019	The company is proposing to apply an outcome delivery incentive underperformance payment rate of the same absolute magnitude as the outperformance incentive rate.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
	SVE.OC.A32	Agreed	PR19SVE_G12 – Increasing water supply capacity: The company has not made clear the methodology it will use to measure this performance commitment. The company should summarise the methodology it will use to measure this performance commitment for all additional resource capacity that will be delivered for the benefit of Severn Trent customers by 31 March 2025.	N/A (company has already met this action)	The company has provided the requested information in a letter dated 28 January 2019.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A33	Agreed	PR19SVE_G12 – Increasing water supply capacity: This performance commitment overlaps with Supply Demand Balance (SDB) enhancement funding with any additional SDB requirements through this outcome delivery incentive not justified. The company should remove all outperformance rates associated with this performance commitment.	10am, 11 February 2019	The company is proposing to remove the outperformance payment from this performance commitment.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A34	Agreed	PR19SVE_G15 – Water trading – interconnector: The company should remove this performance commitment as part of the action set out in CE.A3 to jointly work on a regional solution.	10am, 11 February 2019	The company is proposing to remove this performance commitment.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A35	Agreed	PR19SVE_H02 – Water quality complaints: We have concerns about the potential for large outperformance payments, which could arise if the company significantly outperforms its performance commitment targets. This could leave customers exposed to large increases in bills. The company should apply an outperformance cap and underperformance collar for each year of the AMP7 period (2020-2025). The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.	10am, 11 February 2019	The company is proposing to set its outperformance cap at its estimated P90 performance level, and its underperformance collar at its estimated P10 performance level.	No intervention required. The company has complied with the action.	N/A
	SVE.OC.A36	Agreed	PR19SVE_H04 – Protecting our schools from lead: The company has not provided sufficient evidence to justify its proposed uplift to the rate of this performance commitment. The company should remove the 20% uplift it applies to the standard formula.	10am, 11 February 2019	The company is proposing to amend its outcome delivery incentive rates.	No intervention required. The company has complied with the action.	N/A

Table 2: Further interventions for draft determinations

Intervention reference	Our assessment and rationale	Interventions
No further intervention required for Severn Trent Water.		

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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April 2019

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