

April 2019

Trust in water

**PR19 draft determinations:
South West Water – Delivering
outcomes for customers actions
and interventions**

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PR19 draft determinations: South West 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 'SWB' denotes the company South West 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 'SWB' denotes the company South West 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 South West Water draft determination, please see the [draft determinations webpage](#).

Table 1: South West Water's response to required actions and interventions for draft determinations

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Delivering outcomes for customers	SWB.OC.A1	Agreed	<p>Performance Commitment definitions. The company has not provided sufficient detail in the business plan on the performance commitment definitions.</p> <p>The company must provide full definitions for all performance commitments that take account of the feedback we provided in July, being clear if customers for the Isles of Scilly are</p>	Company to provide revised version of its May 2018 performance commitment submission by 10am, 11 February 2019	The company provides details of its performance commitments definitions.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			included or not, should a variation to the company's appointment be granted.				
	SWB.OC.A2	Agreed	<p>EPA rating. The company has performed poorly on its Environmental Performance Assessment ("EPA") rating over the past five years. The metrics contributing to the EPA rating are not fully captured by its performance commitments. We consider that the proposed set of performance commitments is insufficient to drive the company's focus on improving its EPA rating.</p> <p>The company must accept an additional performance commitment defined with reference to its EPA rating, with a target level of 3 stars in the first three years and 4 stars from the fourth year onward, a financial in-period outcome delivery incentive and an underperformance outcome delivery incentive penalty rate of £1m/star below target level for each year.</p>	10am, 11 February 2019	The company is proposing a new performance commitment as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A3	Agreed	<p>Isles of Scilly. The company has proposed to undertake an improvement programme on the Isles of Scilly, should the company's application to have its Instrument of Appointment varied to include the Isles of Scilly be accepted. This improvement programme has been factored into the company's cost allowance, but the investment is contingent upon Government extending the legislation to cover the Isles of Scilly and our decision in relation to the company's application. We consider there is a risk that, the variation to the</p>	Company to provide letter containing requested information by 10am, 11 February 2019	The company is proposing a new performance commitment and has provided appropriate clarity on the applicability of other performance commitments to the Isles of Scilly.	Intervention required. The proposed ODI underperformance rate is insufficient to fully return the cost allowance if the scheme does not proceed.	We are intervening to increase the ODI underperformance rate to £4.45m per annum.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>company's appointment may not be granted by 1 April 2020 and, consequently, part of its cost allowance may relate to a period when it does not operate on the Isles of Scilly.</p> <p>The company must accept an additional performance commitment defined with reference to its potential appointment to operate on the Isles of Scilly and an outcome delivery incentive underperformance payment rate defined with reference to its annual cost allowance for each year related to its proposed Isles of Scilly operations, so that the change in costs can be returned to customers if the company is not appointed to operate on the Isles of Scilly or the variation is not granted until after 1 April 2020.</p> <p>If the company is appointed for the Isles of Scilly, the following South West Water performance commitments will not apply to the Isles of Scilly until 2025:</p> <ul style="list-style-type: none"> • Pollution incidents category 1-3 (wastewater) • Pollution incidents category 1-3 (water) • Security of Supply Index • Sludge compliance • CRI • ERI <p>Taste, odour and colour contacts</p>				
	SWB.OC.A4	Agreed	Protection to customers against high outperformance payments. The company should apply additional protections through an appropriate	N/A (to be reflected in Draft Determination)	N/A	N/A	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			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 your annual 3% 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.				
	SWB.OC.A5	Agreed	<p>PR19SWB_PC A1. Compliance with water quality standard. The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive.</p> <p>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 ODI underperformance rate from £0.285m/index point to £0.370m/index point.</p>	10am, 11 February 2019	The company is proposing to amend its ODI underperformance rate as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A6	Agreed	<p>PR19SWB_PC A1. Compliance with water quality standard. The company has not provided sufficient evidence that its proposed levels of deadband and collar are sufficiently challenging and</p>	10am, 11 February 2019	The company is proposing to amend the deadband and collar levels as required.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>protect customers from poor service delivery.</p> <p>We are intervening to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. As set out in the methodology, we noted a deadband may be appropriate. It is important that the range of underperformance to the collar is adequate to provide clear incentives for companies to deliver statutory requirements. The company should revise the deadband level to 1.5 and the collar level to at least 9.5 for 2020-25.</p>				
	SWB.OC.A7	Agreed	<p>PR19SWB_PC A2. Duration of interruptions in supply. 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.</p> <p>The company should provide a clear statement that it has all the necessary plans in place to comply with the standard definition for 2019-20.</p>	Company to provide letter containing statement by 10am, 11 February 2019	The company provides a letter containing the statement as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A8	Agreed	<p>PR19SWB_PC A2. Duration of interruptions in supply. Our PR19 methodology expectation for the Water supply interruptions performance commitment was upper quartile performance in each year of 2020-25 period. Based on the forecast data</p>	10am, 11 February 2019	The company is proposing to amend the performance commitment levels as required.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>provided by companies in the September 2018 business plan submission the upper quartile values are</p> <ul style="list-style-type: none"> • 2020/21 = 00:04:17 • 2021/22 = 00:03:58 • 2022/23 = 00:03:40 • 2023/24 = 00:03:22 • 2024/25 = 00:03:00. <p>For this common performance commitment we expect all companies' service levels to reflect these values.</p>				
	SWB.OC.A9	Agreed	<p>PR19SWB_PC C2 Leakage levels. 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.</p> <p>The company should provide a clear statement that it has all the necessary plans in place to comply with the standard definition for 2019-20.</p>	Company to provide letter containing statement by 10am, 11 February 2019	The company provides a letter containing the statement as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A10	Agreed	<p>PR19SWB_PC C2 Leakage levels. The company has not provided sufficient evidence to justify why the standard reward rate outweighs the penalty rate for this performance commitment, or the implementation of its triangulation approach in justifying the magnitude of the marginal benefits selected.</p>	Company to provide letter containing statement by 10am, 11 February 2019	The company is proposing to amend its ODI outperformance rate as required.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			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 £0.727m/Mld to £0.370m/Mld.				
	SWB.OC.A11	Agreed	<p>PR19SWB_PC C2 Leakage levels. The company has not provided convincing evidence that the enhanced outcome delivery incentives entails a target level that require a level of performance by the company that would place it at the frontier.</p> <p>The company should set thresholds for the enhanced outcome delivery incentive rewards that are more challenging. The target in 2020-21 should be no higher than either (rather than both) 79.19 litres/property/day or 4.56 m3/km of mains/day. This target should get progressively more challenging over the subsequent years, such that by 2024-25 it should not exceed either (rather than both) 61.76 litres/property/day or 3.72 m3/km of mains/day. The company should also revise its enhanced outcome delivery incentive rate so that it remains two times its standard outcome delivery incentive rate.</p>	10am, 11 February 2019	The company is proposing to amend its performance commitment levels and enhanced ODI rates as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A12	Agreed	<p>PR19SWB_PC C3 Per capita consumption. 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</p>	Company to provide letter containing statement by 10am, 11 February 2019	The company provides a letter containing the statement as required.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>provided sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019-20.</p> <p>The company should provide a clear statement that it has all the necessary plans in place to comply with the standard definition for 2019-20.</p>				
	SWB.OC.A13	Agreed	<p>PR19SWB_PC C3 Per capita consumption. 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 impacts.</p> <p>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 its estimated P10 performance level.</p>	10am,11 February 2019	The company is proposing to amend its outperformance cap as required. The company is proposing to amend its underperformance collar to a level that is different from the required level.	Intervention required. The company's collar is not set at the required level; instead, the forecast values for 2025-30 are presented as the collar.	We are intervening to set the underperformance collar to the company's estimated P10 performance level.
	SWB.OC.A14	Agreed	<p>PR19SWB_PC B1. Internal sewer flooding. 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.</p>	Company to provide letter containing statement by 10am,11 February 2019	The company provides a letter containing the statement as required.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			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.				
	SWB.OC.A15	Agreed	<p>PR19SWB_PC B1. 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.</p>	10am11 February 2019	The company is proposing to amend the performance commitment levels as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A16	Agreed	<p>PR19SWB_PC B1. Internal sewer flooding. The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed outperformance rate is considered too high.</p> <p>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 £6.236m/incident per 10,000</p>	10am, 11 February 2019	The company is proposing to amend its ODI outperformance rate as required.	Intervention required. The company has complied with the action with respect to the standard ODI outperformance rate. For consistency, the enhanced ODI outperformance rate for this PC (which is set as a multiple of two times the standard ODI rate) needs to be adjusted accordingly.	We are intervening to reduce the enhanced ODI outperformance rate to £7.040m/incident per 10,000 connections.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			connections to £3.520m/incident per 10,000 connections.				
	SWB.OC.A17	Agreed	<p>PR19SWB_PC B1. Internal sewer flooding. The company has not provided convincing evidence that the proposed threshold levels for enhanced penalty payments are adequate to protect customers.</p> <p>The thresholds that the company should satisfy, in all years, to avoid enhanced outcome delivery incentive penalties for its sewer flooding performance commitment should be no higher than with the industry lower quartile performance in 2017-18 of 2.85 incidents per 10,000 customers.</p>	10am, 11 February 2019	The company is proposing to amend the enhanced penalty threshold as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A18	Agreed	<p>PR19SWB_PC D1. Drought risk. The company provided insufficient evidence that it has followed appropriate guidance.</p> <p>The company should submit the intermediate calculation outputs as shown in the common definition guidance published on our website for the drought resilience metric.</p>	Company to provide letter containing requested information by 10am, 11 February 2019	The company provides additional information on the calculation outputs and an assurance report.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A19	Agreed	<p>PR19SWB_PC D2. Flooding risk. The company provided insufficient evidence that it has followed appropriate guidance.</p> <p>The company should submit further details of how it has followed the guidance including all the information set out in section 3.6 of Developing and Trialling Wastewater Resilience Metrics, Atkins.</p>	Company to provide letter containing requested information by 10am, 11 February 2019	The company provides additional evidence to demonstrate that it has followed guidance and also provides an assurance statement.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	SWB.OC.A20	Agreed	<p>PR19SWB_PC F1. Number of pollution incidents cat 1 – 3 (waste only). 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.</p>	10am, 11 February 2019	The company is proposing to amend the performance commitment levels as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A21	Agreed	<p>PR19SWB_PC F1. Number of pollution incidents cat 1 – 3 (waste only). The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive.</p> <p>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 £0.091m/incident per 10,000 km sewerage network to £0.115m/incident per 10,000 km sewerage network.</p>	10am, 11 February 2019	The company is proposing to amend its ODI underperformance rate as required.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	SWB.OC.A22	Agreed	<p>PR19SWB_PC A3. Number of mains bursts. The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive.</p> <p>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 £0.031m/burst per 1,000km of mains to £0.095m/burst per 1,000km of mains.</p>	10am, 11 February 2019	The company is proposing to amend its ODI underperformance rate as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A23	Agreed	<p>PR19SWB_PC A4. Unplanned outage at water treatment works. 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.</p> <p>The company should provide a clear statement that it has all the necessary plans in place to comply with the standard definition for 2019-20.</p>	Company to provide letter containing statement by 10am, 11 February 2019	The company provides a letter containing the statement as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A24	Agreed	<p>PR19SWB_PC A4. Unplanned outage at water treatment works. We have some concerns that the company's forecast performance level is not</p>	15 May 2019	N/A	N/A	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>determined using data consistent with the common definition.</p> <p>The company is required to provide fully audited 2018-19 performance data by 15 May 2019. This should take the form of an early APR submission, but only for Unplanned Outages. Board assured data can be provided with the main APR in July 2019, any changes will be taken into account for the Final Determination. Based on the latest performance and updated methodologies, the company should re-submit 2019/20 – 2024/25 forecast data in the May submission. The company should also report their current and forecast company level peak week production capacity (MI/d), the unplanned outage (MI/d) and planned outage (MI/d) in its commentary for the May submission.</p>				
	SWB.OC.A25	Agreed	<p>PR19SWB_PC A4. Unplanned outage at water treatment works. The company has not provided sufficient evidence that its customers support an outperformance payment for this particular performance commitment.</p> <p>The company should remove the outperformance payment as it has not provided sufficient evidence of customer support for it.</p>	10am, 11 February 2019	The company is proposing to remove the outperformance payment as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A26	Agreed	<p>PR19SWB_PC B3. Sewer collapses. The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too</p>	10am, 11 February 2019	The company is proposing to amend its ODI underperformance rate as required.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>low to provide a sufficient incentive. We have also 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.</p> <p>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 £0.058m/collapse per 1,000km of sewer to £0.195m/collapse per 1,000km of sewer.</p>				
	SWB.OC.A27	Agreed	<p>PR19SWB_PC B6. Numeric compliance. The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive.</p> <p>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 £0.187m/% to £0.365m/% compliance.</p>	10am, 11 February 2019	The company is proposing to amend its ODI underperformance rate as required.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	SWB.OC.A28	Agreed	<p>PR19SWB_PC B2. External sewer flooding incidents. 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.</p> <p>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 its estimated P10 performance level.</p>	10am, 11 February 2019	The company is proposing an outperformance cap and an underperformance collar set at the levels as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A29	Agreed	<p>PR19SWB_PC B4. Sewer blockages. 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.</p> <p>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 its estimated P10 performance level.</p>	10am, 11 February 2019	The company is proposing an outperformance cap and an underperformance collar set at the levels as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A30	Agreed	<p>PR19SWB_PC B8. Total wastewater treatment works compliance. The company does not set out how it will</p>	Company to provide letter containing	The company provides further information on the calculation of performance.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>combine the scores of the treatment works to produce the score for this measure or how it will collect the initial data on which it will base its assessment.</p> <p>The company should provide further detail on what information it will collect and how the performance will be calculated from this.</p>	requested information by 10am, 11 February 2019			
	SWB.OC.A31	Agreed	<p>PR19SWB_PC B9. Compliance with sludge standard. The company reports that it has made the changes to performance commitment definition based on our subsequent comments. However, it is not clear what changes the company has made.</p> <p>The company must provide a full definition that takes account of the feedback we provided in July, being clear if customers/area for the Isles of Scilly are included or not.</p>	Company to provide revised version of its May 2018 performance commitment submission by 10am, 11 February 2019	The company provides a full definition of this performance commitment and confirms that it will not apply to the Isles of Scilly until 2025.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A32	Agreed	<p>PR19SWB_PC B9. Compliance with sludge standard. The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive.</p> <p>The company has applied the 50% totex sharing rate despite the absence of totex sharing within the Bioresources price control.</p>	10am, 11 February 2019	The company is proposing to remove the 50% totex sharing rate from the calculation of the ODI rate as required.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	SWB.OC.A33	Agreed	<p>PR19SWB_PC C1. Water restrictions placed on customers. The company has proposed an outperformance and underperformance outcome delivery incentive. The company claims that customers are supportive of outperformance payments for this measure, and that customers "support two way incentives for asset health" more generally. However, the company has not implemented any restrictions over the past seven years, and the likelihood of any restrictions over the 2020-25 period is, by the company's own acknowledgement, low. The company proposes to earn outperformance payments simply for meeting its performance commitment target rather than exceeding it.</p> <p>The company should remove the outperformance payment from this performance commitment and reduce the underperformance rate to £0.176m per annum.</p>	10am, 11 February 2019	The company is proposing to remove the ODI outperformance payment and amend the ODI underperformance rate as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A34	Agreed	<p>PR19SWB_PC E5. Customer overall satisfaction. The definition overlaps with C-MeX. This could cause confusion for customers and stakeholder for example if contradictory results are found.</p> <p>The company should remove the performance commitment as there is a significant overlap with C-MeX.</p>	10am,11 February 2019	The company is proposing to remove this performance commitment as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A35	Agreed	<p>PR19SWB_PC F5. Biodiversity enhancement. We have concerns about the potential for very large</p>	10am, 11 February 2019	The company is proposing an outperformance cap and an	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>outperformance payments, which could arise if the company significantly outperforms its performance commitment targets. This could leave customers exposed to large bill increases.</p> <p>The company should apply an outperformance cap and underperformance collar for each year of the 2020-25 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.</p>		underperformance collar set at the levels as required.		
	SWB.OC.A36	Agreed	<p>PR19SWB_PC H1. Bathing water quality. We are concerned that this performance commitment may include an element of early delivery. The CCG raised the issue in its report that for bathing water quality, the performance commitment would reward the company for delivering improvements faster than planned across the 2020 to 2025 period.</p> <p>The company should reduce the outperformance rate to £0.276m per annum, equivalent to the PR14 rate, uprated for CPIH.</p>	10am, 11 February 2019	The company is proposing to amend its ODI outperformance rate as required.	No intervention required. The company has complied with the action.	N/A
	SWB.OC.A37	Agreed	<p>PR19SWB_PC H1. Bathing water quality. 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.</p>	10am, 11 February 2019	The company is proposing an outperformance cap and an underperformance collar set at the levels as required.	No intervention required. The company has complied with the action.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			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 its estimated P10 performance level.				
	SWB.OC.A38	Agreed	<p>PR19SWB_PC G1. Replacement of dumb meters with AMR. The company has provided insufficient evidence of how it will calculate and record this measure.</p> <p>The company should clarify how it intends to calculate this measure and if it will exclude replacement of Automatic Meter Read ("AMR") meters within the 2020-25 period.</p>	Company to provide revised version of its May 2018 performance commitment submission by 10am, 11 February 2019	The company provides further information on the calculation of this measure and confirms that the exemption will apply across the whole 2020-25 period.	No intervention required. The company has complied with the action.	N/A
Securing cost efficiency	SWB.CE.A2	Agreed	South West Water should propose a performance commitment related to Knapp Mill new water treatment works. The company proposes significant investment to deliver Knapp Mill new water treatment works, which requires customer protection for efficient delivery via an underperformance payment.	10am, 11 February 2019	The company is proposing a new performance commitment and an enhanced cost sharing mechanism.	Intervention required. The company is not proposing any ODI underperformance rate. The ODI mechanism needs to ensure that an adequate part of the enhancement cost allowance is returned to customers if the Knapp Mill scheme is delayed or does not proceed. The ODI underperformance rate is set at 35% of the average annual enhancement cost allowance; the remaining 65% will be returned to customers through the enhanced cost sharing mechanism proposed by the company.	We are intervening to set the performance commitment level to no delay of the expected completion date in 2020-25 and the ODI underperformance rate to £0.169m per month applicable as one-off payment based on the length of delay of the expected completion date at the end of 2024-25.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	SWB.CE.A3	Agreed	South West Water should propose a performance commitment related to Alderney new water treatment works. The company proposes significant investment to deliver Alderney new water treatment works, which requires customer protection for efficient delivery via an underperformance payment.	10am, 11 February 2019	The company is proposing a new performance commitment and an enhanced cost sharing mechanism.	Intervention required. The company is not proposing any ODI underperformance rate. The ODI mechanism needs to ensure that an adequate part of the enhancement cost allowance is returned to customers if the Alderney scheme is delayed or does not proceed. The ODI underperformance rate is set at 35% of the average annual enhancement cost allowance; the remaining 65% will be returned to customers through the enhanced cost sharing mechanism proposed by the company.	We are intervening to set the performance commitment level to blank in 2020-22 and no delay of the expected completion date in 2022-25 and the ODI underperformance rate to £0.149m per month applicable as one-off payment based on the length of delay of the expected completion date at the end of 2024-25.

Table 2: Further interventions for draft determinations

Intervention reference	Our assessment and rationale	Interventions
There are no further interventions for South West 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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