

April 2019

Trust in water

**PR19 draft determinations:
United Utilities – Delivering outcomes
for customers actions and interventions**

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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 'UUW' denotes the company United Utilities 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 'UUW' denotes the company United Utilities 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 United Utilities Water draft determination, please see the [draft determinations webpage](#).

Table 1: United Utilities' 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	UUW.OC.A1	Agreed	<p>The company is proposing to discontinue its Value for Money Performance Commitment from PR14 (B1: Customers saying we offer value for money) without providing sufficient justification for doing so.</p> <p>The company should continue its PR14 Value for Money Performance Commitment (B1: Customers saying we offer value for money)</p>	10am, 11 February 2019	The company is proposing to add a performance commitment (PR19UUW_E09-HH Customers say that we offer value for money) to continue its existing PR14 Value for Money performance commitment into the 2020-2025 period.	<p>Minor intervention required.</p> <p>The company has complied with the action however we are concerned with the lack of specificity in the company's response as to the sample size the company will use.</p>	We are intervening to require the company to use a sample size to measure this performance commitment that is at least equivalent to the sample size used in the PR14 measure of the same name (1,100 customers).

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
	UUW.OC.A2	Agreed	<p>The company has not provided sufficient protections to customers. The company is only proposing to consult customers once its outcome delivery incentive payments have reached 3% RoRE to determine whether the company should continue to improve performance.</p> <p>We consider the company should apply additional protections through an outperformance payment sharing mechanism and implementing caps on performance commitments which could result in material outperformance. The payment sharing mechanism will require companies to share 50% of any outperformance payments above the 3% annual RoRE with customers through bill reductions. For the caps and collars on material 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
	UUW.OC.A3	Agreed	<p>PR19UUW_A01-CF Water quality compliance (CRI): The company has provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed rate is considered too low to provide a sufficient incentive. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.294m/index point to £1.125m/index point.</p>	10am, 11 February 2019	The company is proposing to amend its outcome delivery incentive underperformance rate to £1.125m/index point.	No intervention required. The company has complied with the action.	N/A
	UUW.OC.A4	Agreed	<p>PR19UUW_A01-CF Water quality compliance (CRI): The company has not provided sufficient evidence that its proposed levels of deadband and collar are sufficiently challenging and protect customers from poor service delivery.</p> <p>We are intervening to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. As set out in the methodology we noted a deadband may be appropriate. It is important that the range of underperformance to the collar is</p>	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

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
			adequate to provide clear incentives for companies to deliver statutory requirements. The company should set a deadband at 1.50 and collar at 9.5 for 2020-25.				
	UUW.OC.A5	Agreed	PR19UUW_B01-WN Leakage: We identified in the Annual Performance Report 2018 (APR 18) submission evidence (shadow reporting table 3S) that there are sub-components of some common performance commitments assessed as 'Amber' or 'Red'. The company has not provided sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019-20. 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.	Company to provide letter containing statement by 10am, 11 February 2019	The company has provided a clear statement 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
	UUW.OC.A6	Agreed	PR19UUW_B01-WN Leakage: The company has provided insufficient evidence that its proposed service levels for 2020 to 2025 are stretching. It has a high forecast when normalised both in terms of 'per property' and 'km of mains' which we do not consider stretching and lags much of the rest of the sector. It proposed no reduction in leakage in 2020-21. The company should bring forward the proposed annual reduction in leakage by a year but deliver a 30MI/d reduction in 2023-24 and 2024-25. This leads to an 20% reduction in annual leakage over the five years and 3 year average service levels as follows: 2020-21: 445.2 MI/d 2021-22: 439.3 MI/d 2022-23: 428.8 MI/d 2023-24: 411.4 MI/d 2024-25: 386.9 MI/d	10am, 11 February 2019	The company is proposing to amend its performance commitment levels when expressed as 3 year average leakage in line with the values set out in the action. However, the company has used an estimate of annual leakage (rather than the correct measure of three year average) as a 2019-20 baseline for calculating its performance commitment levels when expressed as a percentage reduction in leakage.	Intervention required. The company has used an annual leakage (rather than the correct measure of three year average) baseline to calculate the performance commitment levels when expressed in percentage reduction terms. This results in a lower percentage reduction in leakage than required by the action.	We are intervening to correct the performance commitment levels expressed in percentage reduction terms so that they are calculated with reference to a three year average 2019-20 baseline level of leakage.

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
	UUW.OC.A7	Agreed	<p>PR19UUW_B01-WN Leakage: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate are too low to provide a sufficient incentive. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.129m/Mld to £0.175m/Mld</p>	10am, 11 February 2019	The company is proposing to increase both its underperformance and outperformance outcome delivery incentive rates to £0.175m/Mld.	Intervention required. The company is proposing to amend its outcome delivery incentive underperformance rate to £0.175m/Mld as required. However, it has not provided any justification for the proposed increase in its outperformance rate.	We are intervening to remove the company's proposed increase in its outperformance rate.
	UUW.OC.A8	Agreed	<p>PR19UUW_B02-WN Mains repairs: The company is forecasting a deterioration in performance during 2020-25 due to increased leak detection activity. The company has provided insufficient evidence to demonstrate the relationship between leakage levels and the total number of repairs.</p> <p>The company should reconsider its proposed service levels and ensure that these are stretching. If the company continues to propose performance that is worse than its historical levels, we will expect compelling evidence that increased active leakage control impacts the total number of mains repairs using the company's own data, including the relationship between pro-active and reactive mains repairs. For example, do reactive repairs reduce if more pro-active repairs are conducted? As a minimum the evidence should show the historical correlation between active leakage control, pro-active and reactive mains repairs. It should also show the impact of this relationship on forecast repair rates from the output of asset performance modelling. The company should also demonstrate the reduced (worse) performance levels are in the interests of customers and the assets.</p>	10am, 11 February 2019	The company has submitted evidence that it considers demonstrates additional mains repairs are required to reduce leakage and is proposing a further increase in its mains repairs in each year of the AMP to account for its leakage targets.	<p>Intervention required.</p> <p>The evidence provided by the company does not sufficiently quantify a clear link between additional mains repairs and a reduction in leakage taking into account the stability of leakage levels and improving status of assets during the periods to which the evidence relates).</p> <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>While the company considered the performance of other</p>	<p>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 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: 110</p> <p>2021-22: 110</p> <p>2022-23: 110</p> <p>2023-24: 110</p>

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
						companies to reduce leakage and the resulting increase in mains repairs, a number of the same companies are proposing to reduce leakage in the 2020-25 period and maintain mains repairs at the same level.	2024-25: 110 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.
	UUW.OC.A9	Agreed	<p>PR19UUW_B02-WN Mains repairs: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive. The company has not provided sufficient evidence to justify the use of the marginal benefits formula in estimating marginal cost. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.008m/burst per 1,000km of mains to £0.285m/burst per 1,000km of mains.</p>	10am, 11 February 2019	The company is proposing to increase its underperformance outcome delivery incentive rate to £0.285m/burst per 1,000km of mains and its outperformance rate to £0.132m/burst per 1,000km of mains.	Intervention required. The company is proposing to amend its outcome delivery incentive underperformance rate to £0.285m/burst per 1,000km of mains as required. However, it has not provided any justification for the proposed increase in its outperformance rate.	We are intervening to remove the company's proposed increase in its outperformance rate.
	UUW.OC.A10	Agreed	<p>PR19UUW_B03-WN Reducing interruptions to water supply: Our PR19 methodology expectation for the Water supply interruptions performance commitment was upper quartile performance in each year of 2020-2025. Based on the forecast data provided by companies in the September 2018 business plan submission, the upper quartile values are 2020/21 = 00:04:17; 2021/22 = 00:03:58; 2022/23 = 00:03:40; 2023/24 = 00:03:22; 2024/25 = 00:03:00.</p> <p>For this common performance commitment we expect all companies' service levels to reflect these values.</p>	10am, 11 February 2019	The company is proposing to amend its performance commitment levels to industry upper quartile and to apply an underperformance collar at 00:14:40 in each year of the 2020-2025 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
			The company should apply an underperformance collar at 00:14:40 in each year of the 2020-2025 period.				
	UUW.OC.A11	Agreed	<p>PR19UUW_B03-WN Reducing interruptions to water supply: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is too low to provide a sufficient incentive relative to sector comparators and the level of performance commitment stretch. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.215m/minute per property to £0.710m/minute per property.</p>	10am, 11 February 2019	The company is proposing to increase its underperformance outcome delivery incentive rate to £0.710m/minute per property and its outperformance rate to £0.453m/minute per property.	Intervention required. The company is proposing to amend its outcome delivery incentive underperformance rate to £0.710m/minute per property as required. However, it has not provided any justification for the proposed increase in its outperformance rate.	We are intervening to remove the company's proposed increase in its outperformance rate.
	UUW.OC.A12	Agreed	<p>PR19UUW_B04-CF Unplanned outage: We have some concerns that the company's method of calculation and reporting is not in line, or at risk of not being line, with the common definition by 2019-20.</p> <p>The company should set out its final methodology for calculating PWPC (Peak Week Production Capacity) and Outage Duration in its commentary for the May submission.</p>	15 May 2019	The company is committing to providing the requested information by 15 May 2019	No intervention required. The company has committed to providing the requested information which we will review prior to our Final Determination.	N/A
	UUW.OC.A13	Agreed	<p>PR19UUW_B04-CF Unplanned outage: We have concerns that the company's forecast performance level is not determined using data consistent with the common definition.</p> <p>The company is required to provide fully audited 2018-19 performance data by 15 May 2019. This should take the form of an early APR submission, but only for Unplanned Outages. Board assured data can be provided with the main APR in July 2019, any changes will be taken into account for the Final Determination. Based on the latest performance and updated methodologies, the company</p>	15 May 2019	The company is committing to providing the requested information by 15 May 2019	No intervention required. The company has committed to providing the requested information which we will review prior to our Final Determination.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
			should re-submit 2019/20 – 2024/25 forecast data in the May submission. The company should also report its current and forecast company level PWPC (MI/d), the unplanned outage (MI/d) and planned outage (MI/d) in its commentary for the May submission.				
	UUW.OC.A14	Agreed	<p>PR19UUW_B04-CF Unplanned outage: The company has not provided sufficient evidence that its customers support an outperformance payment for this particular performance commitment.</p> <p>The company should remove the outperformance payment from this performance commitment.</p>	10am, 11 February 2019	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
	UUW.OC.A15	Agreed	<p>PR19UUW_B05-WN Per capita consumption: The company provided insufficient evidence that its proposed service levels for 2020 to 2025 are stretching. It has a relatively high forecast of 137 litres/head/day in 2024-25 and is forecasting an average change of 3% between 2019-20 and 2024-25 which is below the average industry reduction. Furthermore 2019-20 per capita consumption is greater than 2017-18 per capita consumption.</p> <p>The company should revise its service levels so that there is a 6% reduction by 2020-25 from its 2019-20 baseline. The reduction should be the same each year. This percentage reduction is the upper quartile of proposed reductions. This leads to the following values:</p> <p>2020-21 139.2 litres per capita per day;</p> <p>2021-22 138.1 litres per capita per day;</p> <p>2022-23 137.1 litres per capita per day;</p> <p>2023-24 136.2 litres per capita per day; and</p> <p>2024-25 135.4 litres per capita per day.</p>	10am, 11 February 2019	The company is proposing to amend its performance commitment levels in line with the annual average values (litres per capita per day) set out in our action.	Intervention required. The company is proposing to amend its performance commitment levels in line with the annual average values set out in our action. However, the values we specified would not deliver the intended reduction from its 2019-20 baseline of 6% by 2024-25.	We are intervening to amend the company's performance commitment levels to deliver the 6% reduction in annual average per capita consumption by 2024-25 from its 2019-20 baseline.

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
	UUW.OC.A16	Agreed	<p>PR19UUW_B05-WN Per capita consumption: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.193m/litres per head per day to £0.310m/litres per head per day.</p>	10am, 11 February 2019	The company is proposing to increase its both its underperformance and outperformance outcome delivery incentive rates to £0.310m/litres per head per day.	Intervention required. The company is proposing to amend its outcome delivery incentive underperformance rate to £0.310m/litres per head per day as required. However, it has not provided any justification for the proposed increase in its outperformance rate.	We are intervening to remove the company's proposed increase in its outperformance rate.
	UUW.OC.A17	Agreed	<p>PR19UUW_B06-CF Drought risk resilience: The company provided insufficient evidence of the underlying calculation.</p> <p>The company should submit the intermediate calculation outputs as shown in the common definition guidance published on our website for the drought resilience metric.</p>	Company to provide letter containing requested information by 10am, 11 February 2019	The company has provided the requested information.	No intervention required. The company has complied with the action.	N/A
	UUW.OC.A18	Agreed	<p>PR19UUW_C01-WWN Pollution incidents: Our PR19 methodology expectation for the Pollution Incidents performance commitment was upper quartile performance in each year of 2020-2025. Based on the forecast data provided by companies in the September 2018 business plan submission, the upper quartile values are 2020/21 = 24.5; 2021/22 = 23.7; 2022/23 = 23.0; 2023/24 = 22.4; 2024/25 = 19.5.</p> <p>For this common performance commitment we expect all companies service levels to reflect these values.</p>	10am, 11 February 2019	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
	UUW.OC.A19	Agreed	<p>PR19UUW_C01-WWN Pollution incidents: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed outperformance rate is considered too high relative to other companies. We are intervening to ensure companies' outcome delivery incentive rates for common</p>	10am, 11 February 2019	The company is proposing to reduce its both its underperformance and outperformance outcome delivery incentive rates to	Intervention required. The company is proposing to amend its outcome delivery incentive outperformance rate to £0.760m/incident per	We are intervening to remove the company's proposed reduction in its underperformance rate.

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
			<p>and comparable performance commitments sit within an aligned range.</p> <p>The company should reduce its outcome delivery incentive outperformance rate from £1.353m/incident per 10,000km sewerage network to £0.760m/incident per 10,000km sewerage network.</p>		£0.760m/incident per 10,000km sewerage network.	10,000km sewerage network as required. However, it has not provided any justification for the proposed reduction in its underperformance rate.	
	UUW.OC.A20	Agreed	<p>PR19UUW_C01-WWN Pollution incidents: The company has not provided convincing evidence that the enhanced outcome delivery incentive is set at an appropriate level of performance. The company has not clearly stated what the thresholds are before enhanced underperformance penalties would apply. Although we have no concerns on the company's approach to multiplying its outcome delivery incentive rate by 2 to obtain its enhanced outcome delivery incentive rate, the issue with its outcome delivery incentive rate, will result in a change on its enhanced outcome delivery incentive rate.</p> <p>The company should set thresholds for enhanced outcome delivery incentive outperformance payments that are more challenging. The target in 2020-21 should be no higher than 17.0 incidents per 10,000km of sewers. This target should become progressively more challenging over the subsequent years, such that by 2024-25 it should not exceed 15.0 incidents per 10,000km of sewers.</p> <p>The thresholds that the company should satisfy to avoid enhanced outcome delivery incentive penalties should be clarified. Based on 2017-18 industry data, to ensure it does not fall below current lower quartile performance the enhanced outcome delivery incentive penalties should apply if there are more than 30.8 incidents per 10,000km of sewers.</p> <p>Although we agree with the company's approach to setting its outcome delivery incentive rate as a multiple of 2 of its standard outcome delivery incentive rate, the enhanced outperformance rate needs to be adjusted down to £1.520 m/incident per 10,000km sewerage network. This reflects 2x the new outcome delivery incentive rate, which is in line with the company's</p>	10am, 11 February 2019	<p>The company is proposing thresholds for enhanced outcome delivery incentive outperformance payments of 17.0 incidents per 10,000km of sewers in 2020-21 and progressively declining to 15.0 incidents per 10,000km of sewers by 2024-25.</p> <p>The company is proposing thresholds for enhanced outcome delivery incentive underperformance payments of 30.8 incidents per 10,000km of sewers in each year of the 2021-2025 period.</p> <p>The company is proposing to reduce both its enhanced outcome delivery incentive outperformance and underperformance rates to £1.520 m/incident per 10,000km sewerage network.</p>	Intervention required. The company is proposing to amend its enhanced outcome delivery incentive thresholds and outperformance rate as required. However, it has not provided any justification for the proposed reduction in enhanced outcome delivery incentive underperformance rate.	We are intervening to remove the company's proposed reduction in its enhanced outcome delivery incentive underperformance rate.

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
			<p>approach to setting enhanced outcome delivery incentive rates.</p> <p>The enhanced payments that can be earned by the company will be limited by the natural cap of 0 pollution incidents.</p>				
	UUW.OC.A21	Agreed	<p>PR19UUW_C02-CF Treatment works compliance: The company provided insufficient evidence that its proposed service levels for 2020 to 2025 are stretching. It has a forecast of 99% for 2024-25 which does not meet the expected compliance level of 100%.</p> <p>The company should set performance level at 100%, which is line with its statutory requirements, and apply an underperformance deadband at 99%.</p>	10am, 11 February 2019	The company is proposing to amend its performance commitment level to 100% in each year of 2020-2025 and to apply an underperformance deadband of 99% in each year of 2020-2025	No intervention required. The company has complied with the action.	N/A
	UUW.OC.A22	Agreed	<p>PR19UUW_C02-CF Treatment works compliance: This is a compliance performance commitment which should have a target of 100% and therefore we consider that outperformance payments are not appropriate.</p> <p>The company should remove the outperformance payment from this performance commitment.</p>	10am, 11 February 2019	The company is proposing the remove the outperformance payment from this performance commitment.	No intervention required. The company has complied with the action..	N/A
	UUW.OC.A23	Agreed	<p>PR19UUW_C02-CF Treatment works compliance: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.701m/% to £1.525m/%.</p>	10am, 11 February 2019	The company is proposing to increase its outcome delivery incentive rate underperformance rate to £1.525m/%.	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
	UUW.OC.A24	Agreed	<p>PR19UUW_F01-WWN Sewer collapses: This is an out and under in-period revenue outcome delivery incentive with insufficient justification for the outperformance payment.</p> <p>The company should remove the outperformance payment from this outcome delivery incentive.</p>	10am, 11 February 2019	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
	UUW.OC.A25	Agreed	<p>PR19UUW_F01-WWN Sewer collapses: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.308m/collapse per 1,000km of sewer to £0.820m/collapse per 1,000km of sewer.</p>	10am, 11 February 2019	The company is proposing to increase its outcome delivery incentive rate underperformance rate to £0.820m/collapse per 1,000km of sewer.	No intervention required. The company has complied with the action.	N/A
	UUW.OC.A26	Agreed	<p>PR19UUW_G02-WWN Internal flooding Incidents: Our PR19 methodology expectation for the Internal sewer flooding performance commitment was upper quartile performance in each year of 2020-2025. Based on the forecast data provided by companies in the September 2018 business plan submission, the upper quartile values are 2020/21 = 1.68; 2021/22 = 1.63; 2022/23 = 1.58; 2023/24 = 1.44; 2024/25 = 1.34.</p> <p>For this common performance commitment we expect all companies service levels to reflect these values.</p> <p>The company should adjust its underperformance collar to 2020/21 = 3.0; 2021/22 = 3.5; 2022/23 = 4.0; 2023/22 = 4.5; 2024/25 = 5.0</p>	10am, 11 February 2019	<p>The company is proposing to amend its performance commitment levels to industry upper quartile.</p> <p>The company is proposing to apply an underperformance collar of 3.0 incidents per 10,000 connections in 2020-21 increasing by increments of 0.5 incidents per 10,000 connections in each year to 2024-25.</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
	UUW.OC.A27	Agreed	<p>PR19UUW_G02-WWN Internal flooding Incidents: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is considered too low to provide a sufficient incentive. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £2.202m/incident per 10,000 connections to £8.275m/incident per 10,000 connections.</p>	10am, 11 February 2019	The company is proposing to increase its both its underperformance and outperformance outcome delivery incentive rates to £8.275m/incident per 10,000 connections.	Intervention required. The company is proposing to amend its outcome delivery incentive underperformance rate £8.275m/incident per 10,000 connections.as required. However, it has not provided any justification for the proposed increase in its outperformance rate.	We are intervening to remove the company's proposed increase in its outperformance rate.
	UUW.OC.A28	Agreed	<p>PR19UUW_A02-WN Reducing the need for customers to contact us about taste and smell of their drinking water: The company is only including one element of water quality contacts while the majority of companies also include discolouration contacts as well. This is of particular concern as there is potential for expenditure to reduce discolouration but no performance commitment that measures the outcome that the number of discolouration contacts has reduced.</p> <p>The company should extend the performance commitment to cover discolouration contacts.</p>	10am, 11 February 2019	The company is proposing to extend the definition of the performance commitment to include discolouration contacts.	No intervention required. The company has complied with the action.	N/A
	UUW.OC.A29	Agreed	<p>PR19UUW_A02-WN Reducing the need for customers to contact us about taste and smell of their drinking water: The levels will need to be amended in line with the above concern in action UUW.OC.A29.</p> <p>The company should assume levels that reduce by 5% each year from the 2017-18 reported level. This is the mean average percentage reduction of all companies in the 2020-25 period and is roughly also the reduction observed for the industry for the past five years. This leads to the following values expressed as (Contacts per 10,000 population):</p>	10am, 11 February 2019	The company is proposing to amend its performance commitment levels to include discoloration contacts and to deliver a 5% reduction each year from 2017-18 reported 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
			<p>2020-21 17.6</p> <p>2021-22 16.7</p> <p>2022-23 15.9</p> <p>2023-24 15.1</p> <p>2024-25 14.3</p> <p>The company may wish to present the absolute numbers of contacts in the performance commitment presented to customers.</p>				
	UUW.OC.A30	Agreed	<p>PR19UUW_A02-WN Reducing the need for customers to contact us about taste and smell of their drinking water: We have concerns that this performance commitment could lead to large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers being exposed to large bill increases.</p> <p>The company should apply an outperformance cap and underperformance collar for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.</p>	10am, 11 February 2019	The company is proposing to apply an outperformance cap and underperformance collar at its estimated p90 and p10 performance levels.	No intervention required. The company has complied with the action..	N/A
	UUW.OC.A31	Agreed	<p>PR19UUW_A03-WN Number of properties with lead risk reduced: We have concerns that this performance commitment could lead to large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers being exposed to large bill increases.</p>	10am, 11 February 2019	The company is proposing to apply an outperformance cap and underperformance collar at its estimated p90 and p10 performance levels.	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 apply an outperformance cap and underperformance collar for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.				
	UUW.OC.A32	Agreed	<p>PR19UUW_A05-WN Reducing discolouration from the Vyrnwy treated water aqueduct: We have concerns that this performance commitment could lead to large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers being exposed to large bill increases.</p> <p>The company should apply an outperformance cap for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level.</p>	10am, 11 February 2019	The company is proposing to apply an outperformance payment cap at its estimated P90 performance level.	No intervention required. The company has complied with the action.	N/A
	UUW.OC.A33	Agreed	<p>PR19UUW_B08-WN Water service resilience: The company has not provided sufficient evidence to justify the definition of this performance commitment. In particular:</p> <ul style="list-style-type: none"> • It is unclear if the metric measures properties or population served • Insufficient evidence has been provided to demonstrate whether the baseline position used to set future commitment levels has been audited prior to submission • The description provided does not clearly identify how the properties at risk position for WTW and for water mains will be treated • The company has provided insufficient evidence on what constitutes 'water supply service days'. It is therefore unclear clear how the supply of unwholesome water would be treated in this measure. <p>The company should provide further evidence on the definition and structure of the performance commitment. In particular, the company should specify:</p>	Company to provide letter containing requested information by 10am, 11 February 2019	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
			<ul style="list-style-type: none"> i. how it has defined 'water supply service days'; ii. if the measure encompasses properties or population at risk; iii. the independent assurance it plans to carry out on the baseline position; and iv. how the outputs for treatments works and trunk mains will be combined to ensure appropriate aggregation and assessment. 				
	UUW.OC.A34	Agreed	<p>PR19UUW_B08-WN Water service resilience: We have concerns that this performance commitment could lead to large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers being exposed to large bill increases.</p> <p>The company should apply an outperformance cap and underperformance collar for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level.</p>	10am, 11 February 2019	The company is proposing to apply an outperformance cap and underperformance collar at its estimated p90 and p10 performance levels.	No intervention required. The company has complied with the action..	N/A
	UUW.OC.A35	Agreed	<p>PR19UUW_B09-DP Manchester and Pennine resilience: The company has not provided sufficient evidence to demonstrate the potential to reset project milestones or the likelihood of new survey analysis. The impact of these on the tender documents, and hence the entire project programme, remains unclear.</p> <p>The company should agree to provide further evidence to set out the process that would allow for the resetting of project milestones with regards to this measure, together with the mechanism by which the company proposes to avoid penalties for delays beyond the company's control. You should also take into account any changes required as a consequence of your revised proposal for this scheme and any comments we make on this.</p>	1 April 2019	N/A We have deferred our assessment of this outcome delivery incentive until the Final Determination.	N/A We have deferred our assessment of this outcome delivery incentive until the Final Determination.	N/A

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
	UUW.OC.A36	Agreed	<p>PR19UUW_B10-WR Keeping reservoirs resilient: The company has not provided sufficient evidence that financial incentives are justified and supported by customers.</p> <p>The company should remove the underperformance and outperformance payments.</p>	10am, 11 February 2019	The company is proposing to remove all financial incentives from this performance commitment.	No intervention required. The company has complied with the action.	N/A
	UUW.OC.A37	Agreed	<p>PR19UUW_C04-WR Improving the water environment: The company has chosen an outperformance and underperformance payment outcome delivery incentive. The company has not sufficiently justified the use of financial incentives. In particular, the company has estimated a cost-based outperformance incentive rather than a rate based on customer benefit. It is not clear that there will be customer benefits from delivering schemes early unless it is in increments of a year and not just the result of normal profiling of work. We also identified that it provided large payments through early delivery, rather than necessarily delivering more for customers.</p> <p>The company should remove the underperformance and outperformance payments.</p>	10am, 11 February 2019	The company is proposing to remove all financial incentives from this performance commitment.	No intervention required. The company has complied with the action..	N/A
	UUW.OC.A38	Agreed	<p>PR19UUW_C05-WWN Improving river water quality: The company has chosen an out and under performance outcome delivery incentive. The company has not sufficiently justified the use of financial incentives. We are concerned that this outcome delivery incentive will provide significant payments through early delivery, rather than necessarily delivering more for customers.</p> <p>The company should remove the underperformance and outperformance payments from this performance commitment.</p>	10am, 11 February 2019	The company is proposing to remove all financial incentives from this performance commitment.	No intervention required. The company has complied with the action.	N/A
	UUW.OC.A39	Agreed	<p>PR19UUW_C08-CF Enhancing natural capital value for customers: The definition of this measure requires interpretation of concepts such as 'conventional solution' which are not clearly defined and not sufficiently evidenced. We are also concerned that this measure</p>	Company to provide letter containing requested information by	The company has provided a definition of key terms used in the definition of the performance commitment and has committed to putting in place a process to	Intervention required. The company has not set out a detailed process for ensuring how best value and conventionality of	We are intervening to require the company to put in place a detailed process for assurance around the assessment of conventionality and

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
			<p>could incentivise the company to select a 'non-conventional' solution in a situation where a 'conventional' solution offers the best value for customers and is the most effective option for managing risk to the environment.</p> <p>The company should provide further evidence to clearly define key terms and concepts such as "conventional solution".</p>	10am, 11 February 2019	ensure that an unconventional solution is only selected for the purposes of this PC where it provides best value for customers and best manages the risk to the environment.	solution will be assessed such that the potential exists for financial incentives to drive adverse outcomes for customers, either by incentivising the company to select solutions which are not best value for customers or for the company to receive outperformance payments for the deployment of solutions which may be conventional.	best value of solutions ahead of Final Determination.
	UUW.OC.A40	Agreed	<p>PR19UUW_C08-CF Enhancing natural capital value for customers: This is a new measure that is being used to incentivise further delivery of benefits through natural capital. While there is some evidence that this measure is important to customers, insufficient evidence has been provided to demonstrate and justify the use of outperformance payments or set out how these will be calculated.</p> <p>The company should provide convincing evidence to justify the use of financial incentives or remove the financial incentives from this performance commitment.</p>	Company to provide letter containing requested information by 10am, 11 February 2019	The company continues to propose to apply financial incentives and has clarified the basis on which it has calculated its incentive rate.	No intervention required. The company has complied with the action.	N/A
	UUW.OC.A41	Agreed	<p>PR19UUW_D04-CF Street works performance: The company states that 'timeliness' of streetworks is important to their customers (as well as quality), however this performance commitment only loosely assesses quality via 'compliance with building codes'. It is doubtful that compliance with building codes is synonymous with how customers define 'quality'. We do not consider that this performance commitment is focused on what customers value most, but the company has chosen an outperformance and under performance outcome delivery incentive</p>	10am, 11 February 2019	The company is proposing to remove all financial incentives from this performance commitment.	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 remove all financial incentives (both outperformance and underperformance payments) from this performance commitment.				
	UUW.OC.A42	Agreed	<p>PR19UUW_E01-HH Number of customers lifted out of water poverty: The company has not sufficiently justified the scale of financial incentives for this performance commitment and is using a cost-based incentive rate rather than using customer benefits.</p> <p>The company should apply an underperformance collar at 80% of its target level of performance and an outperformance cap at 120% of its target level of performance in each year</p>	10am, 11 February 2019	The company is proposing to apply an underperformance collar at 80% of its target level of performance and an outperformance cap at 120% of its target level of performance in each year.	No intervention required. The company has complied with the action..	N/A
	UUW.OC.A43	Agreed	<p>PR19UUW_E03-CF Non-household vacancy incentive scheme: There exists potential for very large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers being exposed to large bill increases.</p> <p>The company should apply an outperformance cap for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level.</p>	10am, 11 February 2019	The company is proposing to apply an outperformance cap at its estimated p90 performance level.	No intervention required. The company has complied with the action.	N/A
	UUW.OC.A44	Agreed	<p>PR19UUW_E06-CF Systems thinking capability: The company is currently assessed as maturity level '1' (out of 5) and target no progress (i.e. maintaining maturity level '1') by 2025 which we do not consider stretching.</p> <p>The company should reconsider its proposed service levels and ensure that these are stretching. The company should clearly set out the evidence and rationale for the revised targets.</p>	Company to provide letter containing requested information by 10am, 11 February 2019	The company is proposing to increase its performance commitment target from a maturity level of 1 in each year or the 2021-2025 period to a maturity level of 2 from 2022-2025. The company is proposing to apply an underperformance deadband at a maturity level of 1 in each year of the 2021-2025 period.	Intervention required. The company does not demonstrate that the capabilities which constitute outperformance are stretching or innovative compared to those already being achieved by other companies in the sector. The company is also proposing to apply a deadband which would result in it only incurring	We are intervening to remove the financial incentives from this performance commitment.

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
					The company has also provided additional detail and on how its performance will be assessed.	financial underperformance payments if it were to regress to pre-AMP6 levels of performance.	
	UUW.OC.A45	Agreed	<p>PR19UUW_E06-CF Systems thinking capability: The company has proposed an out and under performance outcome delivery incentive. The company has not sufficiently justified the outperformance outcome delivery incentive. It is not clear that this type of performance commitment will deliver benefits to customers from going beyond its performance commitment level that are not already captured by other performance commitments.</p> <p>The company should provide convincing evidence to justify the use of financial incentives or remove the financial incentives from this performance commitment (both underperformance and outperformance payments).</p>	Company to provide letter containing requested information by 10am, 11 February 2019	The company continues to propose a financial ODI on its Systems Thinking Capability performance commitment and has clarified the customer research evidence based supporting the application of financial outcome delivery incentives to this performance commitment.	Intervention required. The company does not provide sufficient evidence that customers support an outperformance payment for Systems Thinking maturity nor that they support the scale of outperformance incentive proposed.	We are intervening to remove the financial incentives from this performance commitment.
	UUW.OC.A46	Agreed	<p>PR19UUW_E07-DP Successful delivery of direct procurement of Manchester and Pennine resilience: There exists potential for overlap with the performance commitment 'Manchester and Pennine resilience' (PR19UUW_B09-DP); the company provided insufficient evidence that potentially overlapping elements and milestones (e.g. CAP tender documents, award CAP contract and commissioning complete) are not material. We also have concerns that no dates have been provided and that the measurement system is devoid of actual units. It is also not clear what percentage of the items listed under the measurement section need to be completed in each year to achieve 'successful delivery' of the procurement system. We consider that the measurement for this performance commitment is tantamount to an aggregation of many sub-measures, which are in themselves unclear. The CCG raised similar challenges about the overlap and discrete differences between the two performance commitments.</p> <p>The company should provide further evidence regarding the measurement of the performance commitment focusing on the aggregation of components and how successful delivery will be assessed. You should also</p>	1 April 2019	<p>N/A</p> <p>We have deferred our assessment of this performance commitment until Final Determination.</p>	<p>N/A</p> <p>We have deferred our assessment of this performance commitment until Final Determination.</p>	N/A

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
			take into account any changes required as a consequence of your revised proposal for this scheme and any comments we make on this.				
	UUW.OC.A47	Agreed	<p>PR19UUW_E07-DP Successful delivery of direct procurement of Manchester and Pennine resilience: Successful delivery of direct procurement of Manchester and Pennine resilience performance commitment: The company is proposing an outcome delivery incentive for successfully procuring through DPC. This is measuring the company's process and management rather than going beyond business as usual. Company costs in relation to its procurement is already being funded.</p> <p>The company should provide convincing evidence to justify the use of financial incentives or remove the financial incentives from this performance commitment (both underperformance and outperformance payments).</p>	1 April 2019	N/A	N/A We have deferred our assessment of this outcome delivery incentive until Final Determination.	N/A
	UUW.OC.A48	Agreed	<p>PR19UUW_F02-DP Sewer Blockages: There exists potential for very large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers being exposed to large bill increases.</p> <p>The company should apply an outperformance cap for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level.</p>	10am, 11 February 2019	The company is proposing to apply an outperformance cap at its estimated p90 performance level.	No intervention required. The company has complied with the action.	N/A
	UUW.OC.A49	Agreed	<p>PR19UUW_G03-WWN External flooding Incidents: The company forecasts a reduction in performance in 2019-20 from 2017-18 and has a low level of stretch relative to its historic performance.</p> <p>The company should improve service levels and assume it will deliver service that equals its best historical level in 2019-20 and achieve a 5% reduction each year. This leads to service levels as follows:</p>	10am, 11 February 2019	The company is proposing to amend its performance commitment levels to deliver a 5% reduction each year and equal its best historical level (2019-20).	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
			<p>2020-21 6845</p> <p>2021-22 6599</p> <p>2022-23 6352</p> <p>2023-24 6106</p> <p>2024-25 5859</p>				
	UUW.OC.A50	Agreed	<p>PR19UUW_G03-WWN External flooding Incidents: The company provided insufficient evidence that its proposed outcome delivery incentive rates for 2020 to 2025 are appropriate. The proposed underperformance rate is too low to provide a sufficient incentive relative to other companies in the industry. The company has not provided sufficient evidence to justify why the Ofwat formula for underperformance could not be applied in this instance, in particular regarding the use of marginal cost. We are intervening to ensure companies' outcome delivery incentive rates for common and comparable performance commitments sit within an aligned range.</p> <p>The company should increase its outcome delivery incentive underperformance rate from £0.001m/incident to £0.005m/incident.</p>	10am, 11 February 2019	The company is proposing to increase its underperformance outcome delivery incentive rate to £0.006m/incident and its outperformance rate to £0.005m per incident.	Intervention required. The company is proposing to amend its outcome delivery incentive underperformance rate £0.006m/incident which provides a greater degree of customer protection against underperformance than required. However, it has not provided any justification for the proposed increase in its outperformance rate.	We are intervening to remove the company's proposed increase in its outperformance rate.
	UUW.OC.A51	Agreed	<p>PR19UUW_G05-WWN Hydraulic internal flood risk resilience: There exists potential for the company to be rewarded multiple times for the same performance improvements, given potential overlap with other elements of its sewer flooding strategy.</p> <p>The company should either demonstrate that the outperformance payments for this performance commitment would not double count with outperformance on other sewer flooding measures, or revise its outcome</p>	Company to provide letter containing requested information by 10am, 11 February 2019	The company has submitted further information to show how it has adjusted its outcome delivery incentive rates for this performance commitment to account for overlap with other sewer flooding-related performance commitments.	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
			delivery incentive rates downwards to reflect overlap with other sewer flooding performance commitments.				
	UUW.OC.A52	Agreed	<p>PR19UUW_G05-WWN Hydraulic internal flood risk resilience: There exists potential for very large outperformance payments, should the company significantly outperform its performance commitment targets. This could leave customers exposed to large bill increases.</p> <p>The company should apply an outperformance cap and underperformance collar for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level. The company should increase its p10 and p90 estimates of performance (by 50% relative to target) to reflect its revised performance target for the common Internal Sewer Flooding performance commitment.</p>	10am, 11 February 2019	The company has increased its p10 and p90 estimates of estimates by 50% (relative to the performance commitment level) and is proposing to apply an underperformance collar and outperformance cap these levels of performance.	No intervention required. The company has complied with the action.	N/A
	UUW.OC.A53	Agreed	<p>PR19UUW_G06-WWN Hydraulic external flood risk resilience: There exists potential for the company to be rewarded multiple times for the same performance improvements, given potential overlap with other elements of its sewer strategy.</p> <p>The company should either demonstrate that the outperformance payments for this performance commitment would not double count with outperformance on other sewer flooding measures, or revise its outcome delivery incentive rates downwards to reflect overlap with other sewer flooding performance commitments.</p>	Company to provide letter containing requested information by 10am, 11 February 2019	The company has submitted further information to show how it has adjusted its outcome delivery incentive rates for this performance commitment to account for overlap with other sewer flooding-related performance commitments.	No intervention required. The company has complied with the action.,	N/A
	UUW.OC.A54	Agreed	PR19UUW_G06-WWN Hydraulic external flood risk resilience: There exists potential for very large outperformance payments, should the company significantly outperform its performance commitment	10am, 11 February 2019	The company has increased its p10 and p90 estimates of estimates by 50% (relative to the performance commitment level) and is proposing to apply an underperformance collar and	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
			<p>targets. This could leave customers exposed to large bill increases.</p> <p>The company should apply an outperformance cap and underperformance collar for each year of the 2020-2025 period. The company should set its outperformance cap at its estimated P90 performance level, and it should set its underperformance collar at its estimated P10 performance level. The company should increase its p10 and p90 estimates of performance (by 50% relative to target) to reflect its revised performance target for the External Sewer Flooding performance commitment.</p>		outperformance cap these levels of performance.		
	UUW.CE.A2	Agreed	The company should retain its performance commitment in relation to Thirlmere scheme delivery - Based on the requested carryover spend to complete this project it is suggested that the current performance commitment with a financial outcome delivery incentive for scheme delivery is continued until the scheme is 100% complete.	10am, 11 February 2019	The company is proposing to add a performance commitment (PR19UU_ B11-WN Thirlmere Transfer into West Cumbria (2020-2025)) to continue its existing PR14 performance commitment and financial ODI in relation to delivery of the scheme.	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 United Utilities.		

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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