

July 2019

Trust in water

# PR19 draft determinations

**Southern Water – Addressing affordability and vulnerability actions and interventions**

## PR19 Draft Determinations: Southern Water - Addressing affordability and vulnerability actions and interventions

Following our initial assessment of plans, we categorised two types of actions for slow-track and significant scrutiny companies:

- required actions for companies which in general were required for draft determinations (or final determinations for some aspects of past delivery); and
- advised actions for companies to do by a specific date but that are not required for our draft determinations.

Table 1 below sets out the required and advised 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 'SRN' denotes the company Southern Water. The central acronym references the test area where the action has been identified, please see the 'PR19 draft determinations: Glossary' for a key to these acronyms. Actions whose numbers are preceded with an 'A' denote required actions and actions whose numbers are preceded with a 'B' denote advised actions.

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 'SRN' denotes the company Southern Water. The central acronym references the test area where the action has been identified, please see the 'PR19 draft determinations: Glossary' for a key to these acronyms. Intervention numbers are preceded with a 'C'.

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

**Table 1: Southern Water's response to required actions and interventions for draft determinations**

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
Addressing affordability and vulnerability	SRN.AV.A1	Required	<p>Southern Water has included neutral responses as positive in its results for acceptability and affordability testing which may lead to customer support metrics being overestimated.</p> <p>The company should remove neutral responses from its support metrics or provide sufficient and convincing evidence to justify including them in the results.</p>	1 April 2019	<p>Southern Water provides further information on its customer support metrics for acceptability and affordability. It considers, based on its triangulation of evidence and reviewing 'neutral' responses, the plan is affordable. It states that the customer challenge group agrees with its position.</p> <p>Southern Water considers it appropriate to include neutral responses in the affirmative because:</p> <p>If pushed, neutral respondents would choose "affordable". This is because they found using a 4-point</p>	<p>No intervention required.</p> <p>We do not propose to intervene as this issue does not have a direct bearing on the company's draft determination. However, Southern Water does not address our concern. Including neutral responses as affirmative in affordability testing can overestimate the level of support.</p> <p><b>Affordability:</b> The company does not appear to remove its neutral responses from the App4 data table. It considers affordability lies between 53-76%, this consists of 53% household customers</p>	N/A

					<p>scale (i.e. no neutral category) there was limited difference between respondents that choose “affordable” and those that chose “unaffordable”.</p> <p>Qualitative research suggested that customers expected bills to rise over the period.</p> <p>Stakeholder testing suggested that it was good value for money.</p> <p>Benchmarking carried out by Southern Water against other companies who used a similar questionnaire show that its affordability is much lower compared to other companies.</p>	<p>rating it as affordable (very affordable + affordable) and 23% neutral [App4 outlines an affordability of 72% in 2019/20 rising to 77% in 2024/25].</p> <p><b>Acceptability:</b> App4 outlines an acceptability of 66% based on uninformed customers (very acceptable and acceptable). In its September 2018 business plan it quotes an acceptability of both 81% (include 2% of don’t knows) and 79% which is based on informed customers. Neutral responses do not seem to have been included in this metric.</p>	
SRN.AV.A2	Required	<p>Southern Water has not proposed a performance commitment on Priority Services Register (PSR) growth. It is proposing to increase its PSR reach from 0.4% in 2019/20 to 1.1% of households in 2024/25. We consider this to be an insufficiently ambitious target. In addition, the company has checked no PSR data over the past two years.</p> <p>We propose to introduce a common performance commitment on the Priority Services Register (PSR): Southern Water should include a performance commitment which involves increasing its PSR reach to at least 7% of its customer base (measured by households) by 2024/25 and committing to checking at least 90% of its PSR data every two years.</p> <p>For further information on the performance commitment definition, and reporting guidelines, please refer to 'Common performance commitment outline for the Priority Service Register (“PSR”)', published on the initial assessment of plans webpage.</p>	1 April 2019	See PR19 Draft Determinations: Southern Water - Outcomes actions and interventions	See PR19 Draft Determinations: Southern Water - Outcomes actions and interventions	See PR19 Draft Determinations: Southern Water - Outcomes actions and interventions	
Advised actions	Advised	No advised actions.	N/A				

**Table 2: Further interventions for draft determinations**

Intervention reference	Our assessment and rationale	Interventions
N/A	N/A	N/A

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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July 2019

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