July 2019

Trust in water

PR19 draft determinations

Anglian Water – Delivering outcomes for customers actions and interventions

Ofwat

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PR19 Draft Determinations: Anglian Water - Delivering outcomes for customers 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 company level 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.

Table 2 below sets out the required performance commitment-specific 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 'ANH' denotes the company Anglian 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 3 below sets out any further interventions that are not resulting from an action which we are making as part of the draft determination. Table 4 below sets out any company changes to performance commitments that do not result in an intervention.

Each further intervention that is not resulting from an action, and company changes to performance commitments not resulting in an intervention has a unique reference. The prefix 'ANH' denotes the company Anglian 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'. Company changes to performance commitments not resulting in an intervention are proceeded with a 'D'.

In Table 3 and Table 4, we also specify the performance commitment reference number provided by the company (the prefix 'PR19ANH_' denotes the company Anglian Water), the name of the performance commitment, and the action type (for example, stretch).

For all other documents related to the Anglian Water draft determination, please see the **draft determinations webpage**.

Table 1 – Anglian Water's response to required company level actions and interventions for draft determination

Test area	Action ref	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Delivering outcomes for customers	ANH.OC.A1	Performance Commitment (PC) definition	The company should provide further justification for discontinuing its PR14 Value for Money PCs (W-B1: Value for money perception - variation from baseline against WaSCs (water); S-B1: Value for money perception variation from baseline against WaSCs (wastewater); R-B1: Fairness of bills perception - variation from baseline against WaSCs; and R-B2: Affordability perception - variation from baseline against WaSCs). If sufficient justification for dropping the PCs cannot be provided, the company should propose a Value for Money PC by combining its PR14 Value for Money PCs and removing the outperformance element.	1 April 2019	The company states - "We provide additional justification for removing these performance commitments" and it goes on to reason that the performance commitments removed: do not meet the description of the 5 areas that bespoke performance commitments should cover; are not performance commitments in which the company has performed badly; and do not add strength to the overall financial incentive package and draw management focus away from areas that matter most to customers In addition to this the company goes on to set out a case for why using the Consumer Council for Water survey makes the incentive weaker than the incentive provided through the C-MEX survey.	Intervention required. We do not consider that the evidence the company provides is sufficient to justify the removal of these performance commitments. There should be management focus on value for money, so we disagree with the company that this would draw attention away from areas that matter most to customers. Although the company is not performing badly at the performance commitments, it is important to retain focus on value for money as customers' bills change over time. The C-Mex measures customer satisfaction rather than value for money so we do not agree with the company that C-Mex is a reason to discontinue with a value for money performance commitment.	We are intervening to include a value for money performance commitment. This performance commitment is an average of the water service and sewerage service score, to simplify the performance commitment compared to 2015-20. Based on past performance and Consumer Council for Water data, the performance commitment levels are as follows: 2020-21: 77 2021-22: 79 2022-23: 81 2023-24: 82 2024-25: 83 The performance commitment outcome delivery incentive will be reputational.
	ANH.OC.A2	ODI rates	In cases of rejection or revisions to enhancement expenditure or a cost adjustment claim, the company should consider the implications, if any, for the associated level of the PC and ODI incentive rates proposed, and provide evidence to justify any changes to its business plan submission. In cases where a scheme will no longer be undertaken, the company should consider the removal of the associated scheme-specific. The company should provide further evidence to detail the estimation of forecast efficient marginal costs within its ODI rate calculations, in line with our Final Methodology. In particular, the company should provide evidence to demonstrate how these marginal cost estimates relate to the cost adjustment claims or enhancement expenditure proposed by the company.	1 April 2019	The company states it has not revised any cost adjustment claims that impact its outcome delivery incentives. The company explains the changes made since the Initial Assessment of Plans (IAP) and explains that these have not impacted the marginal cost calculations used for outcome delivery incentive rates (ODI) other than for pollution incidents. The company also provides further information on its overall approach and data sources for calculating marginal costs, including a consultancy report which concludes "We believe that Anglian's approach performs well against Ofwat's guidance". The company also provides information on the investment optimisation and planning tool (C55) and the key assumptions used in calculating costs and prioritising investment using the outputs of this tool.	No intervention required at a company level. Where we are allowing a cost adjustment claim at a level different to that proposed by the company due to us taking a different view of efficient costs, we reflect this in our responses to individual performance commitment actions in Table 2 or additional interventions in Table 3. The company provides sufficient additional information on their approach to efficient marginal costs and cost adjustments, providing a clear description of their approach, cost input selection, modelling tools, key assumptions and third-party assurance. For example, the company explains how input costs (capital and operational expenditure) are converted into 'equivalent annualised costs' in line with standard practice.	NA

Test area	Action ref	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						Where we have particular concerns about ODI rates these are discussed in our response to the relevant performance commitment specific actions in Table 2 or additional interventions in Table 3.	
	ANH.OC.A3	ODI deadbands, caps, and collars	The company should review our PC-specific concerns about the justification for certain deadbands, and in each case the company should decide whether to remove the deadband or provide further justification for why the deadband is appropriate and in customers' interests. Additionally, the company should consider on the overall quantity of deadbands it proposes to apply and it consider whether to reduce the number of deadbands in its ODI package. The company should provide a convincing and well-evidenced justification for its proposal. The company should provide further ODI-specific evidence to support its individual use of both caps and collars, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company should reconsider its widespread application of collars to financial PCs and it should consider applying these features more selectively. The company's evidence for its individual caps and collars should include justification for the levels at which the cap and/or collar are set, and the company should explain why these levels are appropriate and in its customers' interests.	1 April 2019	The company provides evidence to support its use of deadbands, caps and collars. The company provides evidence that a majority of its customers support the use of deadbands in principle, including new survey evidence gathered since IAP. The company provides survey evidence of customer support for the usage of caps and collars, and provides an explanation of how customer priorities and willingness to pay preferences have been used to calculate individual caps and collars. The company also explains how its usage of caps, collars and deadbands limits bill volatility to levels preferred by customers, providing customer protection.	Intervention required The company has not provided sufficient justification for its usage of deadbands. In most cases, the company only provides evidence of customer support for deadbands in principle, not evidence of customer support for deadbands on a specific performance commitment and at a specific level. We consider that deadbands reduce the incentive for companies to improve their performance. We want to ensure companies are incentivised to mitigate the risk of service failure during severe weather. Customers experience the down and upside of the fluctuations in terms of their service, so it seems reasonable that the appropriate adjustments are made to bills. Companies are able to manage the financial consequences of outcome delivery incentives using other mechanisms for example their in-period outcome delivery incentive determinations. The company also does not sufficiently explain how deadbands contribute to customer protection given the other mechanisms in place to support bill stability. The evidence relating to caps and collars is insufficient. Whilst the company's evidence suggests customers support smoother bills, it does not provide evidence that customers support caps and collars being the best way to achieve this outcome. The company's evidence of customers supporting a cap on all performance commitments is not specific to individual performance commitments. This is not	We are intervening to remove several of the deadbands proposed by the company. This is discussed for each individual performance commitment in the relevant action. We are also intervening to remove caps and collars where the company proposes to apply them to financially non-material performance commitments. We are removing caps and collars for all performance commitments, with the following exceptions: We are retaining caps and collars for water supply interruptions, leakage, internal sewer flooding, external flooding, bathing waters attaining excellent status, and the water industry national environment programme. We are adding a cap to the abstraction incentive mechanism. We are retaining collars only for treatment works compliance and the Compliance Risk Index. We are retaining caps only for supporting customers in vulnerable circumstances (qualitative), and for supporting customers in vulnerable circumstances (quantitative). The levels of the caps and collars are set out in Table 2 and Table 3.

Test area	Action ref	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						detailed enough to reflect customer views on specific performance commitments.	
	ANH.OC.A4	Overall ODI package	The company should provide further explanation of how its ODI package incentivises it, through better aligning the interests of management and shareholders with customers, to deliver on its PCs to customers.	1 April 2019	The company explains how the largest financial incentives are placed on the performance commitments which are considered the highest priority by customers. It also explains how it uses caps and collars to avoid excessive incentives, limiting overall returns on regulatory equity to the maximum levels supported by customers.	No intervention required. The company provides sufficient justification and evidence. The overall package, following our interventions, is aligned to customer preferences and places sufficient incentives on the company to meet and exceed its performance targets. The largest incentives are typically placed on the outcome's customers value most highly.	NA
	ANH.OC.A5	Asset health ODI package	The company should provide a clear list of what it considers to be its asset health PCs, and state its P10 underperformance payments and P90 outperformance payments for each of its asset health ODIs in £m and as a percentage of RoRE.	1 April 2019	The company has provided a list of its asset health performance commitments. The company states its asset health incentives equate to approximately -£157.828 million or 0.95% return on its notional regulatory equity during 2020-25.	No intervention required. The company has complied with the action and provided a clear list of its asset health performance commitments and its expected P10 and P90 payments for each proposed asset health performance commitments.	NA
	ANH.OC.A6	Customer protection	The company should amend its £292m 2020-25 period RoRE cap so that it is set to apply as an annual cap. The company should pro-rate the cap across the 2020-25 period and ensure that it states the annual cap in both £m and RoRE percentage points. With regards to bill smoothing and the maximum payments that can be rolled-over between years, the company should clarify the board assurance process in cases where bill movements exceed 5% and specify what strategies the company would consider. Further evidence should be provided to demonstrate that this measure would provide equivalent customer protection as those measures outlined in **'Technical appendix 1: Delivering outcomes for customers'**	1 April 2019	The company provides further evidence and justification on how its overall package protects customer interests. It explains it has capped every outcome delivery incentive for every year, and so the package constitutes an annual cap in £m that it claims is less than the customer protection measures outlined in our 'Technical appendix 1: Delivering outcomes for customers' would deliver. The company explains its process for board assurance and potential courses of action in the event bill movements exceed 5%. It states the board assurance processes are similar to those required by the charges scheme rules issued by us in December 2018. It proposes strategies for managing bill movements of greater than 5% including deferring performance payments and glide paths.	Intervention required. We are making a number of interventions to the company's overall package of protections, including removing many of its proposed caps and collars. As a consequence, we consider that there is a need to appropriately protect customers from higher than expected performance to limit higher than expected bill increases. As such, we are imposing our customer protection measures as set out in our PR19 draft determinations: Delivering outcomes for customers policy appendix to make sure that customers are adequately protected.	We are intervening so that companies share 50:50 any gains above 3% return on regulatory equity (RoRE).

Table 2 – Anglian Water's response to required PC specific actions and interventions for draft determination

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	ANH.OC.A7	Stretch	**Water supply interruptions:** We expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period	1 April 2019	The company is not proposing to apply our proposed levels. The company states that this is because its customer engagement suggests customers support the levels it proposes. It further argues against Ofwat's methodology namely that other companies may have put forward levels they cannot achieve and that the levels proposed are not realistic based on historic performance. Finally Anglian Water argues that it faces different challenges on the length of supply interruptions since they may be influenced by factors outside management control.	Intervention required. Our draft determinations take into account customers' views on performance levels, as well as historical and forecast performance levels across the sector. In some instances this results in our draft decisions on performance commitment levels differing from the level supported by customers. We are satisfied that our decisions provide strong customer protection and appropriately incentivise the company. In calculating forecast upper quartile levels, we have not excluded company forecasts because we recognise the information asymmetry that exists between us and companies and that forecast levels can be unrealistic in either direction (too high or too low). We have assessed the scale of performance and improvement in previous periods. Based on similar performance commitments which apply during the 2015-20 period, companies have generally outperformed levels that they accepted both in the run-up to and during the 2015-20 period. We do not consider the company's rationale for being treated differently to the industry is well evidenced, nor does it sufficiently quantify the impact on the forecast upper quartile level. We have revised our view on performance commitment levels. We consider that 2024-25 levels are achievable but that the forecast upper quartile levels in earlier years do not appear to be achievable for this performance commitment. We are therefore introducing a glide path with a starting point of the upper quartile based on 2019-20 forecast data.	We are intervening to set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels are as follows: 2020-21 - 00:05:24 2021-22 - 00:04:48 2022-23 - 00:04:12 2023-24 - 00:03:36 2024-25 - 00:03:00 Units: minutes per property for year

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						We set out our rationale for setting performance commitment levels for this common performance commitment in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	
	ANH.OC.A8	ODI rate	**Water supply interruptions:** The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in **'Technical appendix 1: Delivering outcomes for customers'**) and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in supply interruptions. The company should also provide the additional information set out in **'Technical appendix 1: Delivering outcomes for customers'** to allow us to better understand the causes of variation in ODI rate for supply interruptions and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	1 April 2019	The company states that it has concerns with our approach to standardising incentive rates across the industry. The company states that it undertook an innovative, robust programme of willingness to pay research and argues that its incentive rates reflect its customer' underlying preferences and priorities for service improvements. The company recognises that its incentive rates for water supply interruptions are larger than our IAP range but maintains that this is acceptable as its proposed rates are specific to its performance commitment level, caps and collars and are reflective of its customers' preferences.	Intervention required. The company has not made any adjustments to its proposed ODI rates which remain above the reasonable range that we set out in PR19 draft determinations: Delivering outcomes for customers policy appendix This is of concern since the company states in its business plan that reducing supply interruptions is a low priority to customers. In addition, the company is forecast to earn a net outperformance payment of £18 million for equivalent ODI for the 2015-2020 period, and the level of stretch implied by the performance commitment level relative to its current performance is below the industry average. We set out our rationale for setting ODI rates for this common performance commitment in the PR19 draft determinations: Delivering outcomes for customer's policy appendix.	We are intervening to ODI rates by re-triangulating across (i) the company's proposed rates and (ii) industry average (on a normalised basis). The results in outperformance and underperformance payment rates of £1.265 million and -£1.884 million per minute per property, respectively.
	ANH.OC.A9	Caps, collars and deadbands	**Water supply interruptions:** The company should provide further ODI-specific evidence to support its use of a cap and a collar, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests.	1 April 2019	The company proposes to continue to include a cap and a collar. It argues that customers are supportive of the levels it proposes, its caps and collars protect customers from bill volatility and the level of collar provides appropriate incentive to protect customers against underperformance.	Intervention required We consider that the proposed caps and collars were not set at levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills. In response to the company evidence: -The range that underperformance payments would apply was too small to provide sufficient incentive. -The customer evidence was insufficient, in particular there are other ways of protecting customers from bill volatility. We consider that the performance commitment is financially material as outperformance could lead to unexpectedly	We are intervening to set collars at the following levels 2020-21 = 00:21:36 2021-22 = 00:21:36 2022-23 = 00:21:36 2023-24 = 00:21:36 2024-25 = 00:21:36 Units: hours:minutes:seconds We are intervening to set caps at the following levels 2020-21 = 00:04:31 2021-22 = 00:03:33 2022-23 = 00:02:32 2023-24 = 00:01:31 2024-25 = 00:00:26

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						high bill impacts without a cap. We consider that caps and collars are appropriate, but at different levels to those the company proposed based on our standard approach. How we assess financially material and our standard approach to setting caps and collars is set out in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	Units: hours:minutes:seconds
	ANH.OC.A10	Stretch	**Leakage:** The company should restate its PC to reflect table Wn2 line 25 "total leakage" derived from the WRMP, this shows a 17% reduction between 2019-20 and 2024-25 on an annual average basis.	1 April 2019	The company updates its 2018-19 leakage level as a result of its recent leakage performance. As performance is expressed as a three-year average, this update increases the 2019-20 initial performance level, from 177 to 184 megalitres per day (Ml/d). The company is revising its performance commitment levels for 2020 to 2025. Combined with the updates to the 2019-20 initial performance level, the revisions increase the percentage reduction over the period. The company is not proposing to align its performance commitment levels with its water resources management plan annual leakage targets, and continues to propose higher performance commitment levels (that is, lower leakage) than its water resources management plan targets. It argues that the water resources management plan targets are annual and not 3 year averages, the latter being harder to achieve. The company states that aligning with the water resources management plan removes flexibility from its water resources management plan to deliver outcomes in the best and most efficient result for customers, for example by installing more smart meters versus bringing forward work on the internal interconnection schemes.	No intervention required. The company provides sufficient evidence. The company proposes service levels better than upper quartile, which although is not aligned with the water resource management plan is considered appropriately stretching. We set out our rationale for setting performance commitment levels for this common performance commitment in PR19 draft determinations: Delivering outcomes for customers policy appendix.	NA
	ANH.OC.A11	ODI rate	**Leakage:** The company should explain why its proposed rate differs from our assessment of the reasonable range	1 April 2019		Intervention required.	To protect customers we are setting an additional underperformance payment rate to return funding to customers. This cost

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			around the industry average (as set out in **'Technical appendix 1: Delivering outcomes for customers'**) and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in Leakage The company should provide the additional information set out in **'Technical appendix 1: Delivering outcomes for customers'** to allow us to better understand the causes of variation in ODI rate for leakage and assess the appropriateness of the company's customer valuation evidence supporting its ODI.		The company states that its incentive rates reflect its customer's preferences and priorities and are based on robust valuations and efficient costs. It notes that its incentive rates are within the IAP range defined by us.	The company's proposed rates are within the reasonable range that we set out in PR19 draft determinations: Delivering outcomes for customers policy appendix. We have also not identified any concerns with the basis on which they have been derived. However, we have given enhancement allowances to deliver leakage reductions beyond industry upper quartile. These allowances are contingent on the company delivering its performance commitment levels. To protect customers we are intervening to ensure the ODI rate will recover the enhancement allowances in the case that the company does not achieve its performance commitment levels. We set out our rationale for setting ODI rates for this common performance commitment in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	recovery rate will operate between the performance commitment level each year and 193.0 Mega litre at a rate of -£0.840. Beyond 193.0 Mega litre, the underperformance payment rate will be the standard rate we have set at -£0.365 million per unit.
	ANH.OC.A12	Enhanced ODI	**Leakage:** The company should provide further evidence to justify the enhanced rates proposed, which are a multiple of 4.29 over its standard rates, or consider downwardly adjusting the enhanced incentive rates proposed.	1 April 2019	The company is not proposing to adjust its enhanced rates. It argues they are appropriate for the following reasons: (i) it has adopted a conservative approach to determining the multiplier; (ii) the rate it has proposed does not exceed the willingness to pay of its own customers when compared to its upper bound unscaled willingness to pay estimate for leakage; and (iii) according to the customer research supporting its September business plan, 78% of customers supported the bill impact associated with its enhanced outcome delivery incentive.	Intervention required. The company's proposed enhanced rates exceed our estimate of the sector-wide benefits to customers of enhanced outperformance for leakage (as set out in PR19 draft determinations: Delivering outcomes for customers policy appendix). We do not consider that the company's proposed enhanced rate is lower than the willingness to pay of its own customer, as the upper bound of the company's unscaled willingness to pay value is unlikely to be an appropriate estimate of its customers' willingness to pay in the scenario where outperformance is delivered across more than one performance commitment.	We are intervening to set enhanced rates based on our estimate of the sector-wide benefits of enhanced outperformance i.e. £0.800 million per megalitre per day for outperformance and -£0.800 million per megalitre per day for underperformance.
	ANH.OC.A13	Caps, collars and deadbands	**Leakage:** The company should either remove the proposed underperformance deadband from this PC or provide convincing evidence to explain why this deadband is appropriate and in customers' interests.	1 April 2019	The company argues that the deadbands it proposes have customer support, presenting evidence that customers support deadbands as part of its overall outcomes package. The company does not present specific evidence of customer support for deadbands at the	Intervention required. We consider the evidence does not sufficiently justify the application of the proposed underperformance deadband because the findings do not robustly confirm that customers support deadbands.	We are intervening to remove the deadbands.

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 further ODI-specific evidence to support its use of a cap and a collar, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests. In accordance with the amendments to the stretch levels for this PC, the company may revise its enhanced outperformance payment cap such that the more stretching targets do not remove the possibility of earning enhanced outperformance payments. The company should provide its evidence and rationale for any amendments proposed.		specific levels proposed for this performance commitment. The company further argues that leakage reduction will see the company continue to deliver reducing leakage levels in the interests of its customers and to move the frontier of performance. Part of the company's proposal is a deadband that ensures the leading company for leakage reduction is not penalised were it to slightly miss its target but still delivering excellent performance, leading the industry. The company also states that one of the key themes from customer research was that its customers prefer a smooth bill profile which could be impacted by extreme weather. It argued deadbands help to smooth bills in this way.	As we consider customers were not given sufficient technical information by the company to make an informed judgement and this is in the context of the company proposing reduced reductions relative to its water resources management plan targets. We consider that deadbands reduce the incentive for companies to improve their performance. We want to ensure companies are incentivised to mitigate the risk of service failure during severe weather. Customers experience the down and upside of the fluctuations in terms of their service, so it seems reasonable that the appropriate adjustments are made to bills. Companies are able to manage the financial consequences of ODIs as part of considering the impact of ODIs in the round in their applications for their in-period outcome delivery incentive determinations. The company also does not sufficiently explain how deadbands contribute to customer protection given the other mechanisms in place to support bill stability. We address the enhanced caps and collars together with the proposed enhanced underperformance and outperformance thresholds in Table 3.	
	ANH.OC.A14	Definition	**Per capita consumption:** For sub-components rated 'Amber' or 'Red' in Table 3S of the 2018 APR submission, the company should provide details on the actions needed to comply with the standard definitions of common performance commitment metrics and its timetable for completing them.	1 April 2019	The company states it records five out of 24 sub-components as being 'Amber' and no components are classified as being 'Red'. For three out of five 'Amber' components the company provides its plan to achieve full compliance by the end of AMP6. For two remaining 'Amber' components the company does not provide a statement that it will be fully compliant. The two sub-components are: 4g) Meters are selected to provide sufficient granularity to detect low continuous flows	Intervention required. We expect the company to achieve full compliance with the standard definition by April 2020.	We are intervening to set a target of full compliance with the standard definition by April 2020. The company is also expected to provide a detailed action plan with its draft determination representation setting out how it will become compliant by April 2020. This should include key activities and timelines.

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					indicative of plumbing losses or leakage short duration flow variations. The value of meter under registration is less than the company's average meter stock - the company states it applies the same MUR to its IHM meters as for domestic meters and currently has no plans to replace these meters with higher spec versions. 4i) Where unmeasured non-household reported volume is less than 2% of total non-household demand, data from a per property consumption study is refreshed every five years - the company states that unmeasured non-household consumption is not part of the household consumption calculation and it does not believe it is relevant for reporting per capita consumption.		
	ANH.OC.A15	ODI rates	**Per capita consumption:** The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in **'Technical appendix 1: Delivering outcomes for customers'**) and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in per capita consumption. The company should also provide the additional information set out in **'Technical appendix 1: Delivering outcomes for customers'** to allow us to better understand the causes of variation in ODI rate for per capita consumption and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	1 April 2019	The company states that it has concerns with our approach to standardising incentive rates across the industry. The company states that it undertook an innovative, robust programme of willingness to pay research and argues that its incentive rates reflect its customer's underlying preferences and priorities for service improvements.	Intervention required. The company is continuing to propose rates that are below the reasonable range that we set out in PR19 draft determinations: Delivering outcomes for customers policy appendix. The underperformance payment rate the company is proposing is also substantially lower than that which applies to its corresponding ODI for the 2015-2020 period. As such the company appears to be proposing a materially lower level of protection against incremental underperformance. This is of concern given the company is forecast to earn a net underperformance payment for its performance over the 2015-20 period. We set out our rationale for setting ODI rates for this common performance commitment in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	We are intervening to set the underperformance payment rate by triangulating across (i) industry average (on a normalised basis); (ii) the underperformance payment rate that applies to its 2015-2020 water consumption outcome delivery incentive; (iii) the rate proposed by the company proposed rate. We are intervening to set the outperformance payment rate at the underperformance payment rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' September business plans (as explained in PR19 draft determinations: Delivering outcomes for customers policy appendix). This results in underperformance and outperformance payment rates of -£0.365 million and £0.304 million per litre per head per day, respectively.
	ANH.OC.A16	Cap, collars and deadbands	**Per capita consumption:** The company should provide further ODI-specific evidence to support its use of a cap and a collar, whilst also considering how its use of these features aligns with its broader	1 April 2019	The company does not provide revised caps and collars levels. It states that they are at an appropriate level to provide incentives to	Intervention required We consider that the proposed caps and collars were not set at levels that would	We are intervening to remove caps and collars for this performance commitment.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests.		avoid degradation of service. The company has not adopted our proposals.	provide appropriate incentives for the company. In response to the company evidence we consider the range that underperformance payments would apply to was too small to provide sufficient incentive. We consider that the performance commitment is not financially material and we do not consider caps and collars are appropriate. How we assess financially material and our standard approach to setting caps and collars is set out in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	
	ANH.OC.A17	Stretch	**Internal sewer flooding:** We expect the company's service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	1 April 2019	The company has not complied with our action, and has proposed levels that are more stretching than our proposed levels. It states that this is because its customer engagement suggests customers support its more stretching levels. It further argues against our methodology namely that other companies may have put forward levels they cannot achieve.	Intervention required. Our draft determinations take into account customers' views on performance levels, as well as historical and forecast performance levels across the sector. In some instances this results in our draft decisions on performance commitment levels differing from the level supported by customers. We are satisfied that our decisions provide strong customer protection and appropriately incentivise the company. In calculating forecast upper quartile levels, we have not excluded company forecasts because we recognise the information asymmetry that exists between us and companies and that forecast levels can be unrealistic in either direction (too high or too low). We have assessed the scale of performance and improvement in previous periods. Based on similar performance commitments which apply during the 2015-20 period, companies have generally outperformed levels that they accepted both in the run-up to and during the 2015-20 period. We have set a single benchmark level based on the upper quartile of company forecasts in business plans of upper quartile performance. We set out our rationale for setting	We are intervening to set performance commitment levels that are consistent with the rest of the industry for internal sewer flooding. These are as follows: 2020-21 - 1.68 2021-22 - 1.63 2022-23 - 1,58 2023-24 - 1.44 2024-25 - 1.34 Units are: internal sewer flooding incidents 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
						performance commitment levels for this common performance commitment in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	
	ANH.OC.A18	ODI rate	**Internal sewer flooding:** The company should provide the additional information set out in **'Technical appendix 1: Delivering outcomes for customers'** to allow us to better understand the causes of variation in ODI rate for internal sewer flooding and assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should explain and evidence how its proposed ODI rate for external sewer flooding is coherent with the rates proposed for all other sewerage performance commitments (including External sewer flooding, Sewer collapses and Pollution incidents) and demonstrate how the package of ODIs across the relevant group of performance commitments appropriately incentivises performance in the long and short-term.	1 April 2019	The company recognises that its proposed underperformance incentive rate is slightly higher than the range we specified in Technical appendix 1 but that its outperformance payment rate is within the range. The company states that it is comfortable with this given its incentive rates reflect its customer's preferences and are specific to its proposed performance commitment level and caps and collars. The company explains that there are separate customer valuations for each sewerage performance commitment which are scaled together as part of its overall package approach.	No intervention required. While the company's proposed underperformance payment rate is slightly above our reasonable range set out in PR19 draft determinations: Delivering outcomes for customers policy appendix, we have not identified any concerns with how the company has derived its rates. The company is not proposing higher incentives on outperformance relative to underperformance and is proposing a similar level of customer protection in the 2015-20 regulatory period. The company has provided a clear explanation of how its sewerage performance commitment rates are coherent and provide appropriate incentives. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in PR19 draft determinations: Delivering outcomes for customers policy appendix.	NA
	ANH.OC.A19	Caps, collars and deadbands	**Internal sewer flooding:** The company should provide further ODI-specific evidence to support its use of a cap and a collar, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests.	1 April 2019	The company proposes to continue to include a cap and a collar. It argues that customers are supportive of the levels it proposes, its caps and collars protect customers from bill volatility and the level of collar provides appropriate incentive to protect customers against underperformance.	Intervention required We consider that the proposed collars were not set at levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills. In response to the company evidence: -The range that underperformance payments would apply was too small to provide sufficient incentive. -The customer evidence was insufficient, in particular there are other ways of protecting customers from bill volatility. We consider that the performance commitment is financially material as	We are intervening to set collars to the following values: 2020-21 = 3.35 2021/-2 = 3.35 2022-23 = 3.35 2023-24 = 3.35 2024-25 = 3.35 Units: Number of properties flooded internally per 10,000 sewer connections

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						outperformance could lead to unexpectedly high bill impacts without a cap. We consider that caps and collars are appropriate, but the collars should be set at different levels to those the company proposed based on our standard approach. How we assess financially material and our standard approach to setting caps and collars is set out in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	
	ANH.OC.A20	Stretch	**Pollution incidents:** For this common PC we expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	1 April 2019	The company has not applied our proposed levels. It states that this is because its customer engagement suggests customers support its more stretching levels. It further argues against our methodology namely that other companies may have put forward levels they cannot achieve.	Intervention required. Our draft determinations take into account customers' views on performance levels, as well as historical and forecast performance levels across the sector. In some instances this results in our draft decisions on performance commitment levels differing from the level supported by customers. We are satisfied that our decisions provide strong customer protection and appropriately incentivise the company. We set out our rationale for setting performance commitment levels for this common performance commitment in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	We are intervening to set performance commitment levels that are consistent with the rest of the industry for pollution incidents. These levels are as follows: 2020-21 - 24.5 2021-22 - 23.7 2022-23 - 23.0 2023-24 - 22.4 2024-25 - 19.5 Units: incidents per 10,000 km of sewer
	ANH.OC.A21	ODI rates	**Pollution incidents:** The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in **'Technical appendix 1: Delivering outcomes for customers'**) and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in pollution incidents. The company should also provide the additional information set out in **'Technical appendix 1: Delivering outcomes for customers'** to allow us to better understand the causes of variation in ODI rate for pollution incidents and	1 April 2019	The company notes that its proposed rates are marginally lower than the IAP range. The company states that it has followed our guidance and applied our ODI rate formulae to derive its rates and that it is confident that its incentive rates reflect its customer's preferences and priorities. The company states that its rates are coherent with its rates for external and internal sewer flooding as well as sewer collapses. The company explains that there are separate customer valuations for each sewerage performance commitment which are scaled together as part of its overall package approach.	No intervention required. The company's outperformance payment rate is slightly below the reasonable range that we set out in PR19 draft determinations: Delivering outcomes for customers policy appendix]. However we have not identified any concerns with the basis on which it has derived its rates. The company's past performance on this performance commitment is good and it is forecast to earn a net outperformance payment on its equivalent outcome delivery incentive for the 2015-20 period. The level of stretch implied by the performance commitment level (compared to	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should explain and evidence how its proposed ODI rate for external sewer flooding is coherent with the rates proposed for all other sewerage performance commitments (including Internal sewer flooding, External sewer flooding, Sewer collapses) and demonstrate how the package of ODIs across the relevant group of performance commitments appropriately incentivises performance in the long and short-term.			current performance) is in line with the industry average. This suggests that the company does not face a strong incentive to understate its ODI rate. The proposed ODI rates are also greater than those that apply for the 2015-20 period such that its proposed rates imply a greater level of customer protection against underperformance. The company has provided a clear explanation of how its sewerage performance commitment rates are coherent and provide appropriate incentives. We set out our rationale for setting ODI rates for this common performance commitment in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	
	ANH.OC.A22	Caps, collars and deadbands	**Pollution incidents:** The company should provide further ODI-specific evidence to support its use of a cap and a collar, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests.	1 April 2019	The company continues to propose including a cap and a collar. It argues that customers are supportive of the levels it proposes, its caps and collars protect customers from bill volatility and provides appropriate incentive to protect customers against underperformance.	Intervention required. We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification. We consider that the customer evidence provided by the company was insufficient, in particular the company did not demonstrate the benefit to customers of the specific cap and collar levels proposed for this specific performance commitment. We consider that the performance commitment is not financially material and we do not consider that caps and collars are appropriate for this performance commitment. How we assess financially material and our standard approach to setting caps and collars is set out in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	We are intervening to remove caps and collars for this performance commitment
	ANH.OC.A23	ODI type	**Compliance Risk Index (CRI):** The company should propose an underperformance payment for this PC	1 April 2019	The company states that it agrees that as a result of the new metaldehyde legislation it is now appropriate to propose an	No intervention required The company has removed the CRI sub-	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			and provide evidence to justify the rate that it selects. This should include evidence to support the marginal cost and marginal benefit inputs used to calculate the ODI rate proposed.		underperformance payment ODI for its total CRI performance commitment, and remove the sub-measure performance commitments it previously proposed.	measure performance commitments and applied a financial underperformance only incentive for the main CRI performance commitment.	
	ANH.OC.A24	ODI rate	**Compliance Risk Index (CRI):** The company should add an ODI underperformance payment to this PC in line with our assessment of the reasonable range of ODI rates around the industry average (as set out in '**Technical appendix 1: Delivering outcomes for customers'**). If the proposed rate does not sit within this range the company should explain why and demonstrate that the difference is consistent with customers' underlying preferences and priorities for service improvements in CRI. The company should also provide the additional information set out in **'Technical appendix 1: Delivering outcomes for customers'** to allow us to better understand the causes of variation CRI and assess the appropriateness of the company's customer valuation evidence supporting its ODI	1 April 2019	The company states that it provides the information requested. It proposes an underperformance payment only ODI and explains how it is calculated. It states there are very few elements of CRI that have direct customer impact, one of those is boil notices. It has used valuations from CRI exceedances that result in boil notices to determine the ODI value. This results in low marginal benefit, so as with other asset health performance commitments, the company uses additional customer views on ODI scaling and relative priorities of performance commitments to determine the maximum underperformance payment and P10 values. The company states that its ODI rate is in line with our range.	No intervention required. The company has explained the formulation of its outcome delivery incentive rate and its customer valuation evidence. The company sufficiently explains how its ODI rate is coherent with rates proposed for other asset health performance commitments. The company's underperformance payment rate is within our reasonable range set out in PR19 draft determinations: Delivering outcomes for customers policy appendix, and the company has good comparative performance. Therefore we are not intervening on the ODI rate.	NA
	ANH.OC.A25	Caps, collars and deadbands	**Compliance Risk Index (CRI):** We propose to intervene to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. As set out in the methodology we noted a deadband may be appropriate. It is important that the range of underperformance to the collar is adequate to provide clear incentives for companies to deliver statutory requirements. The company should set a deadband at 1.50 and collar at 9.5 for 2020-25.	1 April 2019	The company states that it has accepted the proposed collar of 9.50 for this performance commitment. The company has proposed an alternative deadband of 3.56 based on 2017 data due to concerns about the prevalence of metaldehyde risk. It states it is concerned that our deadband could potentially lead to significant penalties on companies which may undermine customers' confidence in the otherwise best quality water in Europe. It also argues that the deadband should account for volatility in performance, and that in the most recent year there was a standard deviation of nearly 3, which is greater than the deadband set out by us in our IAP.	Intervention required. This is not a new obligation – but a different way to express performance against the longstanding statutory obligation to supply drinking water that is 100% compliant 100% of the time. Public perception is a matter of how the performance against targets are communicated and this should incentivise companies to work on this and their performance. The company provides insufficient evidence for its proposed deadband based on average industry performance for 2017 when metaldehyde was still in use. The metaldehyde ban makes compliance easier to achieve and should improve performance for some companies on this measure. We do however recognise that there may be a need to retain some flexibility for new	We are intervening to set a standard deadband which all companies are expected to adopt. The deadband profile for the Compliance Risk Index is: 2020-21 – 2.0 2021-22 – 2.0 2022-23 – 1.5 2023-24 – 1.5 2024-25 – 1.5 Unit = Compliance Risk Index Score

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						metaldehyde legislation to be implemented therefore we have increased the deadband for the first two years of PR19 compared to our IAP proposals. A deadband set at the levels we are proposing allows for some fluctuation in performance, whilst providing a strong incentive to minimise compliance failures.	
	ANH.OC.A26	ODI type	**Total Mains Bursts:** The company should provide further evidence to justify the selection of a non-financial incentive for total mains bursts (including evidence demonstrating the link between leakage control and mains repairs). Alternatively, the company should propose a financial ODI, supported by evidence to justify the customer valuations and forecast efficient marginal cost inputs selected.	1 April 2019	The company retains its non-financial incentive for total mains bursts, and its financial incentive for reactive mains bursts, and provides further evidence for its proposals. In its response the company states that the approach is designed to incentivise it to improve its asset health and reduce leakage by finding and fixing bursts and leaks earlier and before they come to the attention of customers. The company states that where it identifies a burst quickly using remote sensing or other means of leakage detection, and reduces leakage as a result, the burst will not be counted against the bespoke performance commitment.	Intervention required. The company provides insufficient evidence to support a methodology change that would mean that the common performance commitment for mains burst frequency should have a reputational only incentive. More detail on the link between proactive leakage control and additional mains repairs is in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to apply a financial incentive to the common mains burst performance commitment. We are also intervening to remove the financial incentive from the reactive mains bursts bespoke performance commitment to avoid double counting.
	ANH.OC.A27	ODI rate	**Total Mains Bursts:** Should the company propose a financial ODI, the company should explain and evidence how its proposed ODI rates for mains bursts are coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (including leakage and supply interruptions) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term. The company should also provide the additional information set out in **'Technical appendix 1: Delivering outcomes for customers'** to allow us to better understand the causes of variation in ODI rates for mains bursts and assess the appropriateness of the company's	1 April 2019	The company states that it is not proposing a financial ODI for its total mains bursts performance commitment as it has a financial ODI on its reactive mains bursts performance commitment which it explains in its response to action ANH.OC.A26. The company does not propose a financial ODI on this performance commitment and so does not provide any additional information on a financial rate.	Intervention required. The company proposes a financial incentive on its bespoke reactive mains bursts performance commitment, rather than the common total mains bursts performance commitment. As explained in our response to ANH.OC.A26, we are applying a financial incentive to the common mains burst performance commitment. Therefore we are intervening to add an underperformance payment rate to this performance commitment at the industry average, as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix ' We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in PR19 draft	We are intervening to set an underperformance payment rate of -£0.165 million, calculated as the average of the reasonable range for the mains burst common performance commitment.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			customer valuation evidence supporting its ODI.			determinations: Delivering outcomes for customers policy appendix.	
	ANH.OC.A28	Definition	**Unplanned outages:** The company should provide details on the actions needed to comply with the standard definition of this common performance metric and its timetable for completing them (where there is a sub-component rated Amber or Red in table 3S of the 2018 APR submission).	1 April 2019	In its 15 May 2019 submission, the company states that it will be compliant with the reporting requirements by April 2020. In its table 3S RAG status it reports: zero red, six amber and six green components. The amber ratings are due to systems being put in place to enable automated extraction of large volumes of data from the telemetry systems. The company provides an independent audit report that confirms the company's progress towards achieving robust reporting by March 2020.	No intervention required. The company has provided sufficient evidence to demonstrate that it will be fully compliant with the reporting requirements by 2020.	NA
	ANH.OC.A29	Stretch	**Unplanned outages:** 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 resubmit 2019-20 to 2024-25 forecast data in the 15 May 2019 submission. The company should also report its current and forecast company level peak week production capacity (PWPC) (Ml/d), the unplanned outage (Ml/d) and planned outage (Ml/d) in its commentary for the May submission.	15 May 2019	The company provides revised values for Unplanned Outages for the reporting year 2018-19 and explains this is a reduction relative to the forecast value reported previously in its PR19 Business Plan table. The company states that based on the short data history and infancy of the final reporting guidance it proposes to retain its previous forecasts for 2020-25 performance noting this conservatively assumed performance is worse than that reported under current reporting systems for 2018-19. The company also provides an independent audit report.	No intervention required The company provides sufficient evidence. Its forecast performance for 2024-25 is close to the upper quartile level of all forecast service levels provided. Therefore we consider the forecast service level to be adequate. We set out our rationale for setting performance commitment levels for this common performance commitment in PR19 draft determinations: Delivering outcomes for customers policy appendix.	NA
	ANH.OC.A30	ODI rate	**Unplanned outages:** The company should explain and evidence how its proposed ODI rate for unplanned outages is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term. The company should also provide the additional information set out in **'Technical appendix 1: Delivering**	1 April 2019	The company has not used direct societal valuations to determine the ODI rate as it has done with other performance commitment. This is because the measure was still under development during their societal valuation programme. The company has instead determined the proposed ODI rate using a factor of the maximum incentive base on possible performance scenarios. The maximum incentive is based on customer views on ODI scaling and priorities for all the performance	Intervention required. The company provides sufficient evidence to explain the formulation of its ODI rate. The company sufficiently explains how its ODI rate is coherent with rates proposed for other asset health performance commitments. We agree with the company that the data from the September business plans were less complete, therefore we used data from the April business plans to determine the ODI reasonable range for this performance commitment.	We are intervening to increase the company's underperformance payment rate to -£1.378 million, calculated as the average of the reasonable range. Unit = £million per percentage

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			outcomes for customers' to allow us to better understand the causes of variation in ODIs rate for unplanned outages and assess the appropriateness of the company's customer valuation evidence supporting its ODI.		commitments, the company states this avoids incentive overlap. The company states that the September business plans provide a limited number of data points to draw robust conclusions from.	However the company's resulting underperformance payment rate is below the lower bound of the reasonable range as set out in PR19 draft determinations: Delivering outcomes for customers policy appendix, and provides inadequate customer protection on this measure. The company has good comparative performance on this performance commitment.	
	ANH.OC.A31	Caps, collars and deadbands	**Unplanned outages:** The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance. If the company cannot provide this justification it should remove the underperformance collar.	1 April 2019	The company continues to propose including a collar. It argues that customers are supportive of the levels it proposes, its collars protect customers from bill volatility and provides appropriate incentive to protect customers against underperformance.	Intervention required. We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification. We consider that customer evidence provided by the company was insufficient, in particular the company did not demonstrate the benefit to customers of the specific cap and collar levels proposed for this specific performance commitment. How we assess financially material and our standard approach to setting caps and collars is set out in PR19 draft determinations: Delivering outcomes for customers policy appendix.	We are intervening to remove collars for this performance commitment.
	ANH.OC.A32	ODI rate	**Sewer collapses:** The company should explain and evidence how its proposed ODI rate for external sewer flooding is coherent with the rates proposed for all other sewerage performance commitments (including External sewer flooding, Internal sewer flooding and Pollution incidents) and demonstrate how the package of ODIs across the relevant group of performance commitments appropriately incentivises performance in the long and short-term. The company should also provide the additional information set out in **'Technical appendix 1: Delivering outcomes for customers'** to allow us to better understand the causes of variation	1 April 2019	The company provides additional explanation of the calculation of its incentive rate and how it is coherent with its other wastewater incentives rates. The company explains that there are separate customer valuations for each sewerage performance commitment which are scaled together as part of its overall package approach. The company states that it does not directly capture customer willingness to pay for improvements in the number of sewer collapses but calculates it using its societal valuation work. This is based on the valuation of sewer flooding and pollution incidents, overlaid with the number of flooding and pollution incidents	No intervention required. The company sufficiently explains how its outcome delivery incentive rate is coherent with rates proposed for other asset health performance commitments. The company has good past and comparative performance. The company's underperformance payment rate is greater than the upper bound of the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. This provides additional incentives to deliver good asset health performance for customers.	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			in ODIs rate for sewer collapses and assess the appropriateness of the company's customer valuation evidence supporting its ODI.		caused by sewer collapses in 2016-17 and suggests a relatively low marginal benefit and incentive rate.	We are not intervening on the outcome delivery incentive rate. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in PR19 draft determinations: Delivering outcomes for customers policy appendix.	
	ANH.OC.A33	Caps, collars and deadbands	**Sewer collapses:** The company should either remove the proposed underperformance deadband from this PC or provide convincing evidence to explain why this deadband is appropriate and in customers' interests. The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance. If the company cannot provide this it should remove the underperformance collar.	1 April 2019	The company proposes to retain its deadband for this performance commitment. It states that it proposes to retain it due to customer support for the use of deadbands on a small set of performance commitments and to protect customers from bill volatility. The company provides further customer engagement to evidence support for its approach. The company continues to propose including a cap and a collar. It argues that customers are supportive of the levels it proposes, its caps and collars protect customers from bill volatility and provides appropriate incentive to protect customers against underperformance.	Intervention required. The company does not provide sufficient evidence that a deadband is required on this performance commitment. Whilst the current definition is new, performance against this measure or a derivative of the measure has been reported against for many years, therefore we do not expect variations in reporting due to definition. We consider that deadbands reduce the incentive for companies to improve their performance. We want to ensure companies are incentivised to mitigate the risk of service failure during severe weather. Customers experience the down and upside of the fluctuations in terms of their service, so it seems reasonable that the appropriate adjustments are made to bills. Companies are able to manage the financial consequences of ODIs using other mechanisms for example their in-period ODI determinations. The company also does not sufficiently explain how deadbands contribute to customer protection given the other mechanisms in place to support bill stability. While there is some evidence of customer support for deadbands in principle, this is associated more with bill volatility. We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification.	We are intervening to remove the deadband for this performance commitment. We are intervening to remove collars for this performance commitment

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						We consider that the company evidence was insufficient, in particular the company did not demonstrate the benefit to customers of the specific cap and collar levels proposed for this specific performance commitment. We consider that the performance commitment is not financially material and we do not consider that caps and collars are appropriate for this performance commitment. How we assess financially material and our standard approach to setting caps and collars is set out in PR19 draft determinations: Delivering outcomes for customers policy appendix.	
	ANH.OC.A34	Stretch	**Treatment works compliance:** The company should set performance to the expected target of 100% for the period 2020-25 or provide convincing evidence why it cannot.	1 April 2019	The company states that it has accepted and adopted our required service levels of 100% compliance for treatment works discharge consents. However, it highlights that its customers supported the lower level of 99%. Furthermore, it has set its future forecasts of service level at 99.5% for 2025-30 as it feels that 100% would not be achievable in that timescale.	No intervention required. The company is proposing to adopt the performance commitment levels of 100% compliance for treatment works discharge consents for 2020-25. However, it forecasts less than 100% service level for the period 2025-30 and has not provided any evidence to support its proposed lower service level for 2025-30. This implies that the company is planning on be non-compliant with statutory requirements in the long-term. The Environment Agency has set out their expectations that all companies should have a plan in place to achieve 100% compliance for all licences and permits and we think this is appropriate. We set out our rationale for setting performance commitment levels for this common performance commitment in PR19 draft determinations: Delivering outcomes for customer's policy appendix'.	NA
	ANH.OC.A35	ODI rates	**Treatment works compliance:** The company should explain and evidence how its proposed ODI rate for treatment works compliance is coherent with the rates proposed for any PCs relating to the associated customer facing-impacts of the	1 April 2019	The company provides additional explanation of the calculation of its incentive rate and how it is coherent with its related customer-facing performance commitments in its business plan.	No intervention required. The company has explained the formulation of its ODI rate. The company sufficiently explains how its ODI rate is coherent with rates proposed for other asset health and service	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			asset failure (such as river water quality) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term. The company should also provide the additional information set out in **'Technical appendix 1: Delivering outcomes for customers'** to allow us to better understand the causes of variation in ODIs rate for treatment works compliance and assess the appropriateness of the company's customer valuation evidence supporting its ODI.		The company states that it has significant concerns with our approach to standardising incentive rates across the industry. The company states that it is confident that its incentive rates reflect its customers' underlying preferences and priorities for service improvements and that there is a clear, robust line of sight from its customer valuations and preferences to the ODI rate. The approach to valuation and final report was peer reviewed. The company gathered data on the overall range of incentives supported by customers and their relative weighting of individual measures for financial incentives. The company states that its approach avoids double counting with service performance commitments and that underperformance incentives on asset health performance commitments represent roughly 1% of return on regulatory equity (RoRE). Providing strong incentives in the short and long term.	performance commitments. The company's underperformance payment rate is within our reasonable ranges set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix '. The company does not have past performance issues on treatment works compliance. Therefore we are not intervening on the ODI rate since it offers adequate customer protection. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	
	ANH.OC.A36	Caps, collars and deadbands	**Treatment works compliance:** The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance. If the company cannot provide this it should remove the underperformance collar. The company should revise the deadband level to 99% or provide justification why this is not appropriate.	1 April 2019	The company retains its deadband of 98.6%. It states that this level is supported by customers. The company however did not ask customers if a better level of 99% is acceptable. The company continues to propose including a cap and a collar. Its approach is to set collars at P10 performance level. It argues that customers are supportive of the levels it proposes, its caps and collars protect customers from bill volatility and provides appropriate incentive to protect customers against underperformance.	Intervention required The company has provided insufficient evidence to demonstrate why its deadband at 98.6% is more appropriate for the environment than a deadband of 99%. The benefits from improved performance for this performance commitment are related to environmental impacts and have limited direct customer service impact. A deadband of 99% aligns with the threshold of unacceptable performance set by the Environment Agency and all companies are required to adopt this level. We consider that collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification. We consider that the company evidence was insufficient, in particular the company did not demonstrate the benefit to customers of the specific collar levels proposed for this specific performance commitment.	We are intervening to set the deadband to 99% for all years of the regulatory period 2020-25. This a standard expectation for all companies. We are intervening to remove collars.

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						We consider that the performance commitment is not financially material and we do not consider that collars are appropriate for this performance commitment. How we assess financially material and our standard approach to setting caps and collars is set out in PR19 draft determinations: Delivering outcomes for customers policy appendix.	
	ANH.OC.A37	Stretch	**Properties at risk of persistent low pressure:** The company should revise its performance forecast to reflect more stretching performance in each year of the 2020-25 period. The company should also revise the flat performance in its longer term forecast or provide convincing evidence why this is not in customers' interests.	1 April 2019	The company proposes to not change its performance commitment levels on the following grounds: Its supply region is relatively flat Its customers do not give this issue a high priority and do not support further improvements; and The investment needed to further its proposed performance.	No intervention required We accept company's view of retaining the performance commitment level for the reasons stated in its rationale. The forecast performance is better than industry upper quartile calculated on normalised data. We set out our rationale for setting performance commitment levels for this common performance commitment in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	NA
	ANH.OC.A38	Caps, collars and deadbands	**Properties at risk of persistent low pressure:** The company should provide further ODI-specific evidence to support its use of a cap and a collar, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests.	1 April 2019	The company continues to propose including a collar. It argues that customers are supportive of the levels it proposes, its caps and collars protect customers from bill volatility and provides appropriate incentive to protect customers against underperformance.	Intervention required We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification. The customer evidence was insufficient, in particular the company did not demonstrate the benefit to customers of the specific cap and collar levels proposed for this specific performance commitment. We consider that the performance commitment is not financially material and we do not consider that caps and collars are appropriate for this performance commitment. How we assess financially material and our standard approach to setting caps and collars is set out in 'PR19 draft determinations: Delivering outcomes for customer's policy appendix'.	We are intervening to remove collars.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	ANH.OC.A39	Stretch	**External Sewer Flooding:** The company should revise its forecast performance level in line with recent performance or provide further evidence of why the last year's performance cannot be sustained.	1 April 2019	The company provides additional evidence to show the connection between rainfall and the performance of this performance commitment. The company argues that there is a direct correlation (for example, low rainfall results in a reduction in external sewer flooding events). 2017/18 was a year of low rainfall and hence a reduction in sewer flooding events. The company notes that this trend is observed across all companies as the upper quartile performance in external sewer flooding is lower for that year.	No intervention required. The company's forecast performance for 2024/25 is at the upper quartile value. The company has provided evidence to show that the exceptional performance in 2017/18 was due to low rainfall and that this cannot be expected to be the standard on a recurring basis. We set out our rationale for setting performance commitment levels for this common performance commitment in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	NA
	ANH.OC.A40	ODI rate	**External Sewer Flooding:** The company should provide the additional information set out in **'Technical appendix 1: Delivering outcomes for customers'** to allow us to better understand the causes of variation in ODI rate for external sewer flooding and assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should explain and evidence how its proposed ODI rate for external sewer flooding is coherent with the rates proposed for all other sewerage performance commitments (including Internal sewer flooding, Sewer collapses and Pollution incidents) and demonstrate how the package of ODIs across the relevant group of performance commitments appropriately incentivises performance in the long and short-term.	1 April 2019	The company sets out concerns with our approach to standardising incentive rates across the industry. The company states that it undertook an innovative, robust programme of willingness to pay research and argues that its incentive rates reflect its customer' underlying preferences and priorities for service improvements. The company provides additional explanation of the calculation of its incentive rate and how it is coherent with its other wastewater incentives rates. The company explains that there are separate customer valuations for each sewerage performance commitment which are scaled together as part of its overall package approach.	No intervention required. While the company's proposed underperformance payment rate is below the reasonable range that we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix ', we have not identified any concerns with the company's derivation of its ODI rate. The company is proposing a materially higher level of customer protection against incremental outperformance than that which applies to its equivalent ODI for the 2015-20 period. Furthermore, the company is forecast to earn a net positive outperformance payment for its 2015-20 ODI and has amongst the best current levels of performance in the industry. It therefore does not appear to face a credible incentive to understate its ODI rates.	NA .
	ANH.OC.A41	Caps, collars and deadbands	**External Sewer Flooding:** The company should either remove the proposed deadbands from this PC or provide convincing evidence to explain why these deadbands are appropriate and in customers' interests.	1 April 2019	The company proposed to retain its deadband for this performance commitment. It argues that its customers approve of the use of deadbands on a small set of performance commitments and that a deadband provides protection against bill volatility.	Intervention required. The company provides insufficient evidence that a deadband is necessary for this performance commitment.	We are intervening to remove the deadband for this performance commitment. We are intervening to set collars to the following values: 2020-21 = 6286.5

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 further ODI-specific evidence to support its use of a cap and a collar, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests.		The company provides details of additional customer engagement on the topic. The company considers this performance commitment to be volatile and directly linked to rainfall levels. The company proposes to continue to include a cap and a collar. It argues that customers are supportive of the levels it proposes, its caps and collars protect customers from bill volatility and the level of collar provides appropriate incentive to protect customers against underperformance.	We consider that deadbands reduce the incentive for companies to improve their performance. We want to ensure companies are incentivised to mitigate the risk of service failure during severe weather. Customers experience the down and upside of the fluctuations in terms of their service, so it seems reasonable that the appropriate adjustments are made to bills. Companies are able to manage the financial consequences of ODIs using other mechanisms for example their in-period ODI determinations. The company also does not sufficiently explain how deadbands contribute to customer protection given the other mechanisms in place to support bill stability. While there is some evidence of customer support for deadbands in principle, this is associated more with bill volatility. We consider that the proposed collars were not set at levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills. In response to the company evidence: The range that underperformance payments would apply was too small to provide sufficient incentive. We consider that the performance commitment is financially material as outperformance could lead to unexpectedly high bill impacts without a cap. We consider that caps and collars are appropriate, but the collars should be set at different levels to those the company proposed based on our standard approach. How we assess financially material and our standard approach to setting caps and collars is set out in PR19 draft determinations: Delivering outcomes for customers policy appendix.	2021-22 = 6286.5 2022-23 = 6286.5 2023-24 = 6286.5 2024-25 = 6286.5 Units: Number of properties flooded externally

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	ANH.OC.A42	Stretch	**Reactive Mains Bursts:** The company should consider revising its projected performance level to take into account expected active leakage control, to make this PC more stretching. The company should clearly set out its evidence and rationale for the revised targets.	1 April 2019	The company provides additional justification that its proposed performance commitment level is stretching. It states that the measure is quite volatile and is affected by external factors such as weather and therefore it is difficult to forecast exact levels of performance into the future. The company states that it considers setting its target at its best level of historic performance in each year of 2020-25 to be very stretching.	No intervention required. The company is the only company that proposed a separate performance commitment on reactive bursts and we have no comparative industry data. The 2024-25 performance commitment level represents a 12% reduction from 2019-20 and from the 5 year average, and would be the best ever level achieved by the company.	NA
	ANH.OC.A43	ODI type	**Reactive Mains Bursts:** If the company chooses to apply a financial ODI to Total Mains Bursts it should also review its selection of a financial ODI for this PC and ensure there is no double counting.	1 April 2019	The company states that it is not proposing a financial ODI for Total Mains Burst and so this action is not applicable.	Intervention required. As set out in our response to ANH.OC.26, we consider that there should be financial incentives on Total Mains Burst. To avoid double counting of outperformance or underperformance we are intervening to remove financial incentives on Reactive Mains Burst.	We are intervening to change the ODI type to a non-financial incentive.
	ANH.OC.A44	Caps, collars and deadbands	**Reactive Mains Bursts:** The company should either remove the proposed underperformance deadband from this PC or provide convincing evidence to explain why this deadband is appropriate and in customers' interests. The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide an ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance. If the company cannot provide this it should remove the underperformance collar.	1 April 2019	NA As we are removing the financial incentives on this performance commitment, the action is no longer relevant.	No intervention required.	NA
	ANH.OC.A45	Stretch	**Managing void properties:** The company should reconsider its proposed percentage target for 2020/21. The	1April 2019	The company has not changed its proposed targets. It argues that the commitment is based on a percentage of the overall stock of	No intervention required.	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			company should improve the target or justify it clearly setting out the evidence and rationale.		voids and as a result an increase of voids during the AMP would make it harder to achieve the target through their chosen metric. The company states that they are decreasing voids from 103,393 in 2018 to 93,021 by 2020 to deliver benefits now to the customer in this AMP rather than waiting until the period 2019-20 to 2024-25 to make this change. The company reiterates its acceptability research in which it found 74% of household and 81% of non-household customers agreed the performance commitment level was stretching.	The company argues that improvement in the metric is harder to achieve with increasing levels of overall voids. We do not consider this to be a compelling argument for no improvement in performance as: - exogenous factors, such as in this case increasing overall voids, are a common risk in many other performance commitments for which companies have still demonstrated an ambition to improve; - due to the nature of this performance commitment it is the rate of new voids which are false that would most affect the resulting score rather than the increase in voids on its own; and - the reverse is also true - the target may become easier with falling void levels. In addition to this the company is the only company in the industry proposing an overall increase in residential voids as a percentage of total customers during the period 2020-25. The company is also proposing to exclude unmetered properties from the performance commitment. As set out in Table 3, we are intervening to change the definition to include unmetered properties. We consider that this intervention makes the company's proposed performance commitment levels sufficiently more stretching, and so are not intervening to further increase stretch in response to this action.	
	ANH.OC.A46	ODI type	**Managing void properties:** The company should provide further evidence to justify the use of a non-financial incentive by demonstrating why a financial incentive would not be in the interests of customers. Alternatively, the company should formulate a financial ODI reflecting the reduction in customer bills that would	1 April 2019	The company provides additional justification for using a non-financial incentive. The company argues that an underperformance payment rate would create a disincentive on management to effectively deliver, due to the design of the performance commitment. The company provided examples of possible scenarios to illustrate the disincentive.	Intervention required. The company provides insufficient evidence to justify a non-financial incentive. The company does not explain why a non-financial incentive is in customers' interests. The company's argument that including an underperformance payment rate would disincentivise identifying void properties is not compelling as for the known properties on its	We are intervening to set an outperformance and an underperformance payment rate. As we are setting the ODI type to financial, we are intervening to add an ODI rate based on an average wholesale bill of £396, marginal costs of £30, a cost sharing factor of 50%, and property numbers as provided by the company. The new rates are: Underperformance: £10.037 million per 1% Outperformance: £5.216 million per 1%

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			result from a reduction in the proportion of occupied void properties.			billing database, void properties are just a function of its billing. The only factor it can change is the number of properties it does not bill, but which receive a service for which it would be efficient to bill. This is what the performance commitment incentivises. We set out our rationale for setting ODI rates for this performance commitment in PR19 draft determinations: Delivering outcomes for customers policy appendix.	
	ANH.OC.A47	ODI type	**CRI: Water Treatment Works:** The company should remove its ODI underperformance payment.	1 April 2019	The company is removing the sub-performance commitment. The company argues that it is appropriate to remove the sub-performance commitment in light of the ban on metaldehyde.	No intervention required. We agree with the company's approach given the metaldehyde ban.	NA
	ANH.OC.A48	ODI type	**CRI: Service Reservoirs:** The company should remove its ODI underperformance payment.	1 April 2019	The company is removing the sub-performance commitment. The company argues that it is appropriate to remove the sub- performance commitment in light of the ban on metaldehyde.	No intervention required. We agree with the company's approach given the metaldehyde ban.	NA
	ANH.OC.A49	ODI type	**CRI: Water Supply Zones**: The company should remove its ODI underperformance payment.	1 April 2019	The company is removing the sub-performance commitment. The company argues that it is appropriate to remove the sub-performance commitment in light of the ban on metaldehyde.	No intervention required. We agree with the company's approach given the metaldehyde ban.	NA
	ANH.OC.A50	ODI rate	**Water quality contacts:** The company should provide further evidence to justify the standard outperformance ODI rate assigned to this PC given the forecasted flat performance over the 2020 - 2025 period. The company should provide its evidence and rationale of why this is in its customer's interest.	1 April 2019	The company states that the performance commitment level and incentive rates it proposes are part of the package of cost and service approved by its customers. The company states that its customers told it that they felt that while drinking water quality is an important service attribute (the most important of the company's ten outcomes - 97% of customers taking part in our Acceptability research) they are also strongly supportive of the company's proposals to maintain performance at the current AMP6 levels.	No intervention required. While the company's proposed rates are below industry average, we have not identified any concerns with the basis on which the company has derived its rates. In addition, its proposed underperformance payment rate provides a greater level of protection against underperformance than that which applies to its equivalent ODI for the 2015-20 period, during which it has so far exceeded its performance commitment levels. The company has no clear incentive to understate its rates given its current performance relative to its performance commitment level.	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						We set out our rationale for setting ODI rates for this common performance commitment in PR19 draft determinations: Delivering outcomes for customers policy appendix.	
	ANH.OC.A51	Caps, dollars, and deadbands	**Water quality contacts:** The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance. If the company cannot provide this it should remove the underperformance collar.	1 April 2019	The company proposes to continue to include a cap and a collar. It argues that customers are supportive of the levels it proposes, its caps and collars protect customers from bill volatility and the level of collar provides appropriate incentive to protect customers against underperformance. Therefore, it has not adopted our requirements.	Intervention required We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification. The customer evidence was insufficient, in particular the company did not demonstrate the benefit to customers of the collar levels proposed for this specific performance commitment. We consider that the performance commitment is not financially material and we do not consider that caps and collars are appropriate for this performance commitment. How we assess financially material and our standard approach to setting caps and collars is set out in 'PR19 draft determinations: Delivering outcomes for customer's policy appendix'.	We are intervening to remove collars.
	ANH.OC.A52	Caps, dollars, and deadbands	**Percentage of population supplied by a single supply system:** The company should provide further ODI-specific evidence to support its use of a cap and a collar, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests.	1 April 2019	The company provides additional justification for its use of caps and collars. The company explains that the levels used are based on multiple sources of customer engagement including willingness to pay evidence and customer views on bill volatility.	No intervention required. As we set out in Table 3 below we are intervening to change ODI type to reputational, this action is no longer relevant.	NA
	ANH.OC.A53	Caps, dollars, and deadbands	**Bathing Waters Attaining Excellent Status**: The company should either remove the proposed underperformance deadband or provide convincing evidence to explain why it is appropriate and in customers' interests. If the company chooses to retain the deadband, it should either increase the	1 April 2019	The company provides additional justification for its use of a collar and deadbands. The company argues that its use of a collar and a deadband for this performance commitment reflect its customers' preferences for bill stability.	Intervention required. The company provides insufficient evidence on its use of deadbands. The company provides some evidence of customer support for deadbands for this ODI, but it does not provide compelling evidence that deadbands	We are intervening to remove the proposed deadbands. We are intervening to set the collars to 2020-21 = 25

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			level at which it applies or provide a compelling justification for the level at which it is currently set. The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance. If the company cannot provide this it should remove the underperformance collar.		The company restates its evidence that customers are supportive of the concept of deadbands being applied to their performance commitments in principle. The company also undertook additional research, finding that 67% of a sample of customers supported deadbands for this ODI. It links these preferences with the volatility introduced by extreme weather and external party influence on bathing water quality.	at the levels proposed will benefit customers. We consider that deadbands reduce the incentive for companies to improve their performance. We want to ensure companies are incentivised to mitigate the risk of service failure during severe weather. Customers experience the down and upside of the fluctuations in terms of their service, so it seems reasonable that the appropriate adjustments are made to bills. Companies are able to manage the financial consequences of ODIs using other mechanisms for example their in-period ODI determinations. The company also does not sufficiently explain how deadbands contribute to customer protection given the other mechanisms in place to support bill stability. As set out in ANH.OC.A3, we do not consider the evidence provided by the company regarding caps and collars to be sufficient. Customers have generally not been asked their views on caps and collars on specific performance commitments. We consider that the performance commitment is financially material as outperformance could lead to unexpectedly high bill impacts without a cap. We consider that caps and collars are appropriate, but at different levels to those the company proposed based on our standard approach. How we assess financially material and our standard approach to setting caps and collars is set out in PR19 draft determinations: Delivering outcomes for customer's policy appendix. We have assumed that the probability distribution for performance relative to the service level that the company set out for 2024-25 applies to other years as well.	2021-22 = 25 2022-23 = 26 2023-24 = 27 2024-25 = 28 . We are also intervening to set the caps to 2020-21 = 38 2021-22 = 38 2022-23 = 39 2023-24 = 40 2024-25 = 41
	ANH.OC.A54	Timing	**Bathing Waters Attaining Excellent Status**: The company should apply this ODI in-period, or alternatively provide	1 April 2019	The company provides evidence to support the proposed end of period incentive. The company states that the four year rolling	Intervention required.	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			convincing evidence on why it chooses to not do so. This should include evidence of customer support.		average calculation for the performance commitment means that performance improvements take time to be reflected in the bathing water classification. The company has conducted additional research to demonstrate 71% of customers support an end-of-period payment for this performance commitment.	As set out in Table 3 we consider measuring and reporting this performance commitment each year will provide more appropriate incentives for the company. A four year rolling average calculation should be made each year and we see no reason that the incentives should not be in-period. We are not convinced that customers understood that this was the case when they were asked their opinion.	
	ANH.OC.A55	Definition	**Supporting customers in vulnerable circumstances (qualitative):** The company should provide additional evidence on the sample size used in the monthly survey to determine the PC target. In addition, the company should provide external assurance that the survey will be conducted in line with social research best practice.	1 April 2019	The company sets out detailed sub-criteria against which it will be assessed and has published this information. The criteria it has proposed are based on the same criteria used to assess Distribution Network Operators as part of Ofgem's Stakeholder Engagement and Consumer Vulnerability (SECV) incentive, to allow external benchmarking of its performance with other sectors. The company also sets out that it will appoint the independent panel with the agreement of the Customer Engagement Forum. The forum will also provide challenges to ensure that the panel is informed by customer engagement. The assessment will be carried out by an independently appointed consultant and the panel will challenge these findings.	Intervention required. We have considered the additional evidence that the company has submitted and found that the company response is acceptable with the exception of panel independence. The criteria the company proposes are suitable and enables external benchmarking. However there is not sufficient information in the submission to explain how the panel will remain independent. As the panel can override the independent consultant's findings, and the company is responsible for appointing this panel, there is potential for conflict of interest. In addition to this the company does not provide sufficient clarity over the process for appointing the panel and which organisations it intends to be represented on the panel.	We are intervening because we want to see the company set out clearly how it will appoint the panel and ensure the panel's independence. We will expect third party assurance that the panel is truly independent of influence by the company. Additionally we expect the company to set out which organisations or individuals it intends to appoint to the panel.
	ANH.OC.A56	ODI type	**Supporting customers in vulnerable circumstances (qualitative):** The company should provide further evidence to demonstrate how the outperformance payments from this PC will be reinvested into vulnerable customer services. In this instance, the company should propose an outperformance and underperformance incentive rate.	1 April 2019	The company provides further evidence to explain how outperformance would be reinvested under its proposals to benefit customers in vulnerable circumstances. The company explains its intended process for reinvestment and provides examples of potential reinvestments. The company also states that including an underperformance payment rate would introduce a fear of failure and hinder innovation.	Intervention required. The company provides sufficient further evidence to explain how it will reinvest the outperformance payment to directly benefit customers in vulnerable circumstances. The company provides only minimal justification for not including an underperformance payment rate, referring to a desire to avoid a fear of failure and hindering innovation. We do not consider this justification to be sufficient - this argument can be applied to any performance commitment	We are intervening to set an underperformance payment rate. We assume that the company's proposed outperformance payment rate of £0.19 million per panel score is an application of the ODI formula, as the company does not state "No" in response to this question in the App1 Data table.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						with an associated underperformance payment rate. It is appropriate that if the company is not spending money effectively and not benefiting customers then money is returned to customers through an underperformance payment.	Applying the standard ODI formula we are setting the underperformance payment rate to £0.37 million per panel score.
	ANH.OC.A57	ODI rate	**Supporting customers in vulnerable circumstances (qualitative):** The company should provide further evidence to demonstrate and justify the calculation of the ODI incentive rates and the methodology employed, in particular why the standard incentive rate formulae cannot be applied.	1 April 2019	The company provides further explanation of its initial evidence. The company states that there is limited information from which to derive a valuation, and so it has used additional sources of customer evidence to set incentive rates, principally testing a £1 bill increment with a group of vulnerable customers. It did not test other values of bill increments	No intervention required. The company's evidence relies only on customer prioritisation and a single survey which tested only a single financial value with only a subset of customers. However the resulting ODI rate is consistent with other ODI rates proposed by the company, given the relative priorities of the company's customers. On balance, as this is now used for both outperformance and underperformance payment rates, and any outperformance payments are to be reinvested to directly help vulnerable customers, we are not intervening to amend the ODI rate.	NA
	ANH.OC.A58	Caps, dollars, and deadbands	**Supporting customers in vulnerable circumstances (qualitative):** The company should provide further ODI-specific evidence to support its use of a cap, whilst also considering how its use of this feature aligns with its broader approach to customer protection. The company's evidence should include justification for the level at which the cap is set, with the company explaining why its level is appropriate and in customers' interests.	1 April 2019	The company maintains its cap and has provided additional evidence in response to its proposed cap. The company argue that customers are supportive of the levels it proposes, its caps and collars protect customers from bill volatility and the level of collar provides appropriate incentive to protect customers against underperformance.	Intervention required. As set out in ANH.OC.A3, we do not consider the evidence provided by the company regarding caps and collars to be sufficient. Customers have generally not been asked their views on caps and collars on specific performance commitments. There is also a natural cap at 50, the maximum score possible from the panel.	We are intervening to remove the cap.
	ANH.OC.A59	Caps, dollars, and deadbands	**Non-household Retailer Satisfaction:** The company should either remove the proposed deadbands from this PC or provide convincing evidence to explain why these features are appropriate and in customers' interests. The company should provide further ODI-specific evidence to support its use of a cap and a collar, whilst also considering	1 April 2019	NA This action is no longer relevant due to our decision to remove the financial outcome delivery incentive from this performance commitment (see Table 3).	No intervention required.	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests.				
	ANH.OC.A60	Definition	**Natural Capital:** The company should clearly define what the key metrics are and how it will measure performance against them.	1 April 2019	The company has not yet provided a full definition for this performance commitment and how it will be measured. The company instead provides an update on its progress, describing a process of testing and refinement over the course of 2019 which it claims will result in finalised metrics for April 2020.	Intervention required. A full definition for this performance commitment, including what the key metrics are and how the company will measure performance against them, is necessary for us to set the final determination. We note the innovative nature of the performance commitment and encourage the company to provide the information required to understand how this performance commitment will operate.	We are intervening to remove this performance commitment, until the company provides a finalised metric and approach to measuring performance before final determination from which it can set a baseline for improvement across the period 2019/20 - 2024/25.
	ANH.OC.A61	Stretch	**Natural Capital:** The company should clearly define what the key metrics are for this PC and what the target performance will be.	1 April 2019	The company has not yet provided a full definition for this performance commitment and what the target performance will be. The company instead provides an update on its progress, describing a process of testing and refinement over the course of 2019 which it claims will result in finalised metrics for April 2020.	No intervention required. A full definition for this performance commitment, including what the key metrics are and what the target performance will be, is necessary for us to set the final determination. The performance target could be expressed as a change from the 2019-20 baseline, as long as sufficient detail is provided on how the baseline will be set. As the intervention necessary is captured in ANH.OC.A60, we are not intervening on ANH.OC.A61.	NA
	ANH.OC.A62	ODI type	**Water Industry National Environment Programme:** The company should clarify why it will not return 100% of the value to customers if amber schemes it has already started are no longer needed. In addition to this the company should clarify what the benefit is to customers of expediting work, and that this will not be the result of normal re-profiling of the investment programme. The company should provide further evidence to justify how the structure of	1 April 2019	The company provides a response to the part of the action relating to returning 100% of the value of aborted schemes to customers as part of ANH.CE.A4 The company provides additional explanation of how the performance commitment will operate and justification for the type of incentive.	Intervention required. The part of the action relating to returning 100% of the value of aborted schemes to customers is discussed in ANH.CE.A4 and is not assessed here. The company provides sufficient further justification for the benefits of expediting delivery and link the incentives for faster delivery to customer willingness to pay. We	We are intervening to set an underperformance payment rate and associated collar. We are setting the underperformance payment rate and associated collar symmetrically to the outperformance payment rate and cap.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			this ODI will stimulate scheme delivery and is supported by customers, or alternatively remove the outperformance payment.		The company explains that faster delivery improves river quality faster, giving customer's additional benefits. The company refers to the use of the Environment Agency's standard methodology for its calculations. The company also provides evidence that customers support outperformance payments for this incentive. The company does not provide evidence to support the exclusion of an underperformance payment.	note that in many cases schemes will need to be delivered a year or more early to be counted as early delivery under the definition proposed by the company. The company provides sufficient evidence of customer support for outperformance payments for this ODI, including high quality survey evidence. However the company does not provide any additional evidence or justification for not including an underperformance payment. Our PR19 methodology states that underperformance payments should be included by default for financial outcome delivery incentives, unless the company provides high quality evidence that their absence is both supported by and will benefit customers.	
	ANH.OC.A63	Caps, dollars, and deadbands	**Water Industry National Environment Programme:** The company should provide further ODI-specific evidence to support its use of an outperformance cap, whilst also considering how its use of this feature aligns with its broader approach to customer protection. The company's evidence should include justification for the level at which the cap is set, with the company explaining why its level is appropriate and in customers' interests.	1 April 2019	The company provides additional justification for its use of a cap for this performance commitment. The company provides evidence that the levels used are based on multiple sources of customer engagement including willingness to pay evidence and customer views on bill volatility.	Intervention required. As set out in ANH.OC.A3, we do not consider the evidence provided by the company regarding caps and collars to be sufficient. Customers have generally not been asked their views on caps and collars on specific performance commitments. However, as the performance commitment is financially material we consider that caps and collars should be applied at the p90 and p10 levels respectively. Note that we are intervening to change the scope of this performance commitment and are adjusting the cap and collar as part of this change (see Table 3 PR19ANH_32). We have estimated p10 levels assuming a symmetrical probability distribution between p10 and p90 levels.	We are intervening to set the caps at p90 levels of: 2020-21 = 545 2021-22 = 1,271 2022-23 = 1,411 2023-24 = 1,866 2024-25 = No cap We have intervened to introduce underperformance payments and have assumed the following collars at p10 levels: 2020-21 = 61 2021-22 = 783 2022-23 = 923 2023-24 = 1,375 2024-25 = No collar
	ANH.OC.A64	Definition	**Social capital:** The company should ensure that the full definition is in place before 2020 and that all the actions and	1 April 2019	The company has not yet provided a full definition for this performance commitment and how it will be measured.	Intervention required.	We are intervening to remove this performance commitment, unless the company can provide a full definition before final determination from which it can set 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 timetable for these actions are demonstrated within the plan.		The company instead provides an update on its progress, describing a process of testing and refinement over the course of 2019 which it claims will result in finalised metrics for April 2020.	A full definition for this performance commitment, including what the key metrics are and how the company will measure performance against them, is necessary for us to set the final determination. We note the innovative nature of the performance commitment and encourage the company to provide the information needed to understand how this performance commitment will operate.	baseline for improvement and performance commitment levels across the period 2019/20 - 2024/25.
	ANH.OC.A65	Stretch	**Social capital:** The company should provide the levels for this PC.	1 April 2019	The company has not yet provided a full definition for this performance commitment and what the performance commitment levels will be. The company instead provides an update on its progress, describing a process of testing and refinement over the course of 2019 which it claims will result in finalised metrics for April 2020.	No intervention required. A full definition for this performance commitment, including what the key metrics are and what the target performance will be, is necessary for us to set the final determination. The performance target could be expressed as a change from the 2019-20 baseline, as long as sufficient detail is provided on how the baseline will be set. As the intervention necessary is captured in ANH.OC.A64, we are not intervening on ANH.OC.A65.	NA
Affordability and Vulnerability	ANH.AV.A1	Required	All companies apart from Anglian Water have proposed a performance commitment for those who are struggling to pay or are at risk of struggling to pay. Anglian Water should propose a performance commitment relating to supporting customers that struggle to pay or who may be at risk of struggling to pay to help provide additional confidence that it will achieve its proposals.	1 April 2019	The company proposes a new performance commitment which will record the proportion of "non-operational" calls that are proactively rerouted to its "Extra Care and Collections" teams and commits the company to proactively try to increase this proportion over the period 2019/20 - 2024/25.	Intervention required. The performance commitment does not meet the requirements set out in the PR19 methodology as it is unclear how the performance commitment will help customers struggling to pay. The company proposes to record the proportion of "non-operational calls that are proactively rerouted to its "Extra Care and Collections" teams and to proactively try to increase this proportion over the period 2019/20 - 2024/25. We do not consider that the proposal to instigate an increase in the number of calls received by the company's "Extra Care and Collections" team will result in improving support for those struggling to pay. We are intervening because the company fails to produce a performance commitment that has a direct link to helping customers in need.	We are intervening to include a performance commitment that is more aligned to other companies in the sector, and that is clearly linked to the affordability measures the company outlines in its plan. We therefore propose a 'Help to pay when you need it' commitment which sets out all of the affordability measures in the definition that are included in the company's business plan so it is clear what affordability measures the company has committed to delivering. The performance commitment levels are: 2020-21 = 388,100 2021-22 = 388,100 2022-23 = 388,100 2023-24 = 388,100 2024-25 = 388,100

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						The performance commitment levels are based on the company's own projections for customers who will be receiving financial help through the company's various schemes, as set out in its business plan.	
	ANH.AV.A2)	Affordability and vulnerability	Anglian Water has stated that it will achieve the British Standards Institution (BSI) standard for inclusive services but has not provided a performance commitment or plan on how it will do so. Anglian Water should propose a performance commitment on achieving the BSI standard for fair, flexible and inclusive services for all and maintaining it throughout the 2020 to 2025 period.	1 April 2019	The company proposes a metric which demonstrates either compliance or non-compliance with the British standards institution standard for inclusive services. The company proposes a performance commitment level of full compliance for every year. This is the maximum possible score. The company proposes the ODI type to be reputational. The company presents evidence that customers are broadly supportive of the measure. The company does not present evidence on customer support for the type of incentive.	No intervention required. The company has complied with the action and implemented a suitable performance commitment that meets our expectations for a performance commitment that measures compliance with the British Standards Institution's Standard for inclusive service. The company's proposal for full compliance is the most the company could score for this measure therefore by default it is as stretching as it can be in its current format. Whilst the company does not provide explicit justification for a non-financial incentive, the performance commitment appears to be a low priority for customers, and it is not clear they would be willing to pay for outperformance or underperformance. There is no clear customer benefit from the inclusion of outperformance or underperformance payments. Overall, no intervention is needed to set a financial outcome delivery incentive rate.	NA
	ANH.AV.A3	Affordability and vulnerability	Anglian Water has proposed a reputational performance commitment on Priority Services Register (PSR) growth (PR19ANH_22). It is proposing to increase its PSR reach from 1.5% in 2019/20 to 15% of households in 2024/25. This is a sector leading target. However, it has only checked 5% of PSR data over the past two years. We propose to introduce a Common Performance Commitment on the PSR: Anglian Water should adapt its performance commitment on Priority Service Register (PSR) growth (PR19ANH_22) to align with this proposed PSR Common Performance Commitment. This would involve making the performance commitment reputational	1 April 2019	The company adopts two out of three features of our Priority Services Register common performance commitment by submitting a refined performance commitment which commits it to reach of 12.8% of households and data checking for 90% of customers. The company does not adopted the third feature, as it is proposing to keep the outperformance payment associated with this performance commitment. The company gives five reasons for keeping the outperformance payment – 'a) Our performance commitment level is sector leading;	Intervention required. The company adopts our proposal in two out of three elements. However, the company proposes to keep the outperformance payment associated with the increase to membership of its Priority Services Register. We consider there is insufficient evidence of customer benefit from outperformance payments. In particular, as this is a new performance commitment lacking good historical or comparative data, it is not clear how stretching the performance commitment level will be. Outperformance payments are only justifiable where a company goes	We are intervening to change this performance commitment from financial to reputational. We are also intervening to amend the performance commitment levels for this performance commitment for all companies and will split the current data checking target into two, splitting out attempted and actual contacts. More information on this common performance commitment can be found in 'Reporting guidance: Common performance commitment for the Priority Services Register'

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			and committing to checking at least 90% of PSR data every 2 years. 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.		b) We will provide assurance on the quality of the register by committing to check at least 90% of data every two years ; c) We will only achieve outperformance by meeting both of the above criteria (90% of the register checked every two years and our industry leading number of customers on the Priority Services Register); d) We have committed to reinvest 100% of any outperformance payment to supporting customers in vulnerable circumstances and e) Our customers are supportive of our existing proposal'.	beyond already stretching performance commitment levels. As a consequence, it is not appropriate for the company to earn outperformance payments for this performance commitment We note the customer challenge group raises (as it did in September 2018) that there is no clear customer support for an outperformance-only ODI.	

Table 3 – Interventions not directly related to IAP actions

Intervention reference	Our assessment and rationale	Interventions
ANH.OC.C1 PR19ANH_12 Unplanned Outages Caps, collars and deadbands	Intervention required. The company's proposal for a deadband is unchanged from its initial business plan. We raised no action regarding Unplanned Outage deadbands at IAP, but have since given further consideration to the customer benefit of a deadband for this performance commitment. The deadband is proposed due to the volatility concerns given there is only one year of data and limited understanding of volatility in performance. The company state that 69% of customers who participated in its acceptability testing of its performance commitment short list indicated support for a deadband on volatile measures. The company does not provide sufficient evidence to demonstrate that performance of this measure will be volatile. Industry compliance with the guidance is considerably improved from 2017-18, and Anglian Water has proposed a plan to improve reporting by April 2020. Therefore, we do not consider that future reported performance value will fluctuate significantly. We consider that deadbands reduce the incentive for companies to improve their performance. We want to ensure companies are incentivised to mitigate the risk of service failure during severe weather. Customers experience the down and upside of the fluctuations in terms of their service, so it seems reasonable that the appropriate adjustments are made to bills. Companies are able to manage the financial consequences of outcome delivery incentives using other mechanisms for example their in-period ODI determinations. The company also does not sufficiently explain how deadbands contribute to customer protection given the other mechanisms in place to support bill stability.	We are intervening to remove the deadband for this performance commitment.

ANH.OC.C2 PR19ANH_23 Managing void properties Definition	Intervention required. We have undertaken additional comparative analysis of performance commitments relating to voids across companies. Anglian Water is the only company that is proposing not accounting for unmetered properties in its definition. Whilst Anglian Water has relatively few unmetered properties, unmetered properties are more difficult to manage as occupation cannot be observed though consumption on the meter, and so it is not appropriate to omit them from a performance commitment to manage void properties in this way.	We are intervening to change the definition of this performance commitment to include unmetered properties.
ANH.OC.C3 PR19ANH_30 Non-household Retailer Satisfaction Outcome delivery incentive type	Intervention required. We consider that financial incentives for company performance relating to their interactions with business retailers is better managed through the market performance framework and market codes. These provide more flexibility to set appropriate incentives. This may result in financial incentives which cross-over and risk duplication with those proposed by Anglian Water for this performance commitment. As a result, we do not consider financial incentives to be appropriate.	We are intervening to remove financial incentives.
ANH.OC.C4 PR19ANH_32 Water Industry National Environment Programme Definition	Intervention required. The company's proposal of adjusting the performance commitment levels if the scope of the WINEP changes is not appropriate. This would lead to unnecessary complexity in the performance commitments and ODI framework, with the performance commitment levels and associated caps and collars potentially changing multiple times through the 2020-2025 period. Removing the schemes the Environment Agency classified as 'Amber,' as of 1st April 2019, will remove this risk. We are also intervening to add a reputational performance commitment that measures whether the company has met all of its water industry national environment programme requirements in each reporting year. The performance commitment will use the latest water industry national environment programme from the Environment Agency at the end of the reporting year. This will allow the inclusion of any changes to the water industry national environment programme between now and the end of 2025.	We are intervening to ensure there is no need to adjust the performance commitment over time by defining the scope of the performance commitment to cover only activity classified by the Environment Agency as "Green" water industry national environment programme schemes as of 1 April 2019. We are also intervening to add an additional reputation performance commitment that measures whether the company has met all of its water industry national environment programme requirements in each reporting year.
ANH.OC.C5 PR19ANH_32 Water Industry National Environment Programme Stretch	Intervention required. The company's proposal of adjusting the performance commitment levels if the scope of the water industry national environment programme changes is not appropriate. We are intervening to change the definition. Consequently, the target is no longer appropriate and needs to change to cover only activity classified by the Environment Agency as "Green" water industry national environment programme schemes. In addition, we do not consider the company proposed performance commitment levels are sufficiently stretching based on the completion dates provided by the Environment Agency. For the company to gain outperformance payments for early delivery it is important that the levels are stretching. We are therefore intervening to align the performance commitment levels with the Environment Agency's delivery profile with a 10% challenge to provide sufficiently stretching levels in the context of outperformance payments.	We are intervening to set the performance commitment level to: 2020-21 = 308 2021-22 = 1,110 2022-23 = 1,242 2023-24 = 1,716 2024-25 = 1,866 Units: cumulative number of 'Green' water industry national environment programme schemes completed
ANH.OC.C6 PR19ANH_10 Risk of sewer flooding in a storm Definition	Intervention required. We have improved the definition of this common performance commitment in consultation with the industry following our IAP. We expect companies to confirm that they will be updating their approach to flooding resilience in line with the revised definition. We also request the company confirms it will achieve 100% model coverage by April 2020 as stated in its submission	We are intervening to set out that the company should confirm that it is: using the updated parameters in the catchment vulnerability assessment; (And setting out any additional criteria that they intend to use) reporting the extent to which they use 2d or simpler modelling; and adopting FEH13 rainfall as standard and if not when it expects to do so.

		Can the company also provide any modelling assumptions and full reporting tables from the model? Can the company confirm it will achieve 100% model coverage by April 2020.
ANH.OC.C7 PR19ANH_9 Risk of restrictions in a drought Further information required	Intervention required. Intermediate calculations both give us confidence that companies have followed our definition appropriately and allow us to intervene effectively if we do not consider the service levels are stretching. We would like companies to confirm that their performance commitment levels are reflective of their water resources management plan position. We would like companies to confirm which programmes of work will impact their risk profile forecasts. If companies do not provide the intermediate calculations this may impact our assessment of levels throughout the 2020-25 period since there needs to be consistency to make years comparable.	This is a sector wide action. The company should provide a full set of intermediate calculations at a zonal level, underlying the risk calculation (for both baseline levels and performance commitment). The company should confirm that its performance commitment levels are reflective of its water resources management plan position. This should include the potential that it will have access to drought orders and permits The company should confirm which programmes of work will impact its forecasts. The company should confirm which schemes will impact its forecasts.
ANH.OC.C8 PR19ANH_6 Per capita consumption Stretch	Intervention required The company proposed a 4% reduction which is below the industry proposed upper quartile. The company is in a water stressed region and is introducing smart meters which provide additional means to engage with its customers. As such we do not consider its proposal to be sufficiently stretching. We are intervening to increase the reduction to 5.6% to take it to upper quartile performance by 2024-25. We set out our rationale for setting performance commitment levels for this common performance commitment in PR19 draft determinations: Delivering outcomes for customer's policy appendix.	We are intervening to set the performance commitment levels to the following values. 2020-21 = 0.8% 2021-22 = 2.0% 2022-23 = 3.2% 2023-24 = 4.5% 2024-25 = 5.6% Units: percentage reduction in per capita consumption from initial levels on a three-year average basis.
ANH.OC.C9 PR19ANH_15 Percentage of population supplied by a single supply system Outcome delivery incentive type	Intervention required. We are separately intervening to include a performance commitment with an associated financial incentives relating to the company's internal scheme. As there is a high degree of crossover between the internal interconnection scheme and the percentage of population supplied by a single supply system, financial incentives on both would be inappropriate. As such, we consider the rationale and evidence for financial incentives for this performance commitment is no longer compelling.	We are intervening to remove financial incentives from this performance commitment.
ANH.OC.C10 PR19ANH_34 Water quality contacts Stretch	Intervention required. The company states that its customers told it that they felt that while drinking water quality is an important service attribute (the most important of the company's ten outcomes - 97% of customers taking part in its acceptability research) they are also strongly supportive of the company's proposals to maintain performance at the current levels. We are concerned that the company's proposed service level performance shows no improvement over the period 2020-25 and is less than industry's upper quartile in both absolute terms and upper quartile percentage improvement from 2019-20 to 2024-25. The company has improved on this measure historically also. Therefore we are therefore intervening to drive further improvement in this measure.	We are intervening to set the following performance commitment levels: 2020-21 = 1.09 2021-22 = 1.01 2022-23 = 0.93 2023-24 = 0.85 2024-25 = 0.77 Units: customer contacts per 1,000 population.

	We set out our rationale for setting performance commitment levels for this common performance commitment in PR19 draft determinations: Delivering outcomes for customers policy appendix.	The values are based on the application of the upper quartile percentage improvements proposed by other companies (34%) from 2019/20 to 2024/25, using a linear profile.
ANH.OC.C11 PR19ANH_15 Leakage Enhanced outcome delivery incentives	Intervention required. The company has not applied an enhanced outperformance cap to this enhanced ODI which we consider risks insufficient protection for customers and excessive management focus on a single performance commitment. As we set out in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix ' we consider enhanced outperformance caps are appropriate. As we set out in the PR19 draft determinations: Delivering outcomes for customers policy appendix we have calculated a single enhanced outperformance threshold for the sector since we want to ensure companies only receive enhanced outperformance payments for pushing forward the industry frontier. Where companies have proposed less stretching levels than this we are intervening to move them to our assessment of the frontier over time. Due to information asymmetry, where companies proposed more stretching levels we do not propose to intervene. Since this company's proposal is less stretching than our assessment of the frontier, we are intervening on the company's enhanced outperformance thresholds for this performance commitment As we set out in the PR19 draft determinations: Delivering outcomes for customers policy appendix, we have calculated a single enhanced underperformance threshold for the sector based on current lower quartile performance which should protect customers from poor performance. We consider that this will protect customers from companies taking unreasonable risks to achieve enhanced outperformance and potentially end up with very poor performance. As we set out in the PR19 draft determinations: Delivering outcomes for customers policy appendix, we have calculated a single enhanced underperformance collar for the sector based on current lower decile performance which will limit the level of exposure to companies while protecting customers from poor performance.	We are intervening to set an enhanced cap at 1% return on regulatory equity. 1% return on regulatory equity is the highest enhanced payment a company can receive in any single year. We are intervening to set the enhanced outperformance thresholds for this performance commitment at our assessment of the frontier over time. This is as follows: 2020-21: 9.2% 2021-22: 11.5% 2022-23: 14.3% 2023-24: 16.8% 2024-25: 22.3% Units: percentage reduction in leakage from initial levels on a three-year average basis. We are intervening to set the enhanced underperformance thresholds for this performance commitment at the lower quartile of current company performance. This is as follows: 2020-21: -76.0% 2021-22: -76.0% 2022-23: -76.0% 2023-24: -76.0% 2024-25: -76.0% Units: percentage reduction in leakage from initial levels on a three-year average basis. We are intervening to set the enhanced underperformance collar for this performance commitment at the lower decile of current company performance. This is as follows: 2020-21: -91.1% 2021-22: -91.1%

		2022-23: -91.1% 2023-24: -91.1% 2024-25: -91.1% Units: percentage reduction in leakage from initial levels on a three-year average basis.
ANH.OC.C12 PR19ANH_38 Smart Metering delivery Performance commitment addition	Intervention required. The company has not proposed a performance commitment to report on and incentivise its delivery of its smart metering programme. Our draft determination is allowing substantial funding for this programme and so a performance commitment and associated ODI is appropriate to ensure the company is incentivised and so customers can recover the costs if the programme is not fully delivered. While the company already has some incentives to deliver the scheme, for example the leakage and per capita consumption performance commitments, we consider there to be additional and long-term benefits to the smart metering programme which warrant it being directly incentivised.	We are intervening to include a performance commitment to protect customers from partial or none delivery of the smart metering programme. We are setting a performance commitment which has the following characteristics: Sets a performance commitment level consistent with the delivery of the company's 2020-25 plan to replace existing non-smart meters with smart meters and to roll-out smart meters to new connections by the end of the period. This is 1,096,397 meters in 2024-25 with a linear profile in preceding years. Sets an underperformance only ODI. The unit rate is set to recover the costs of non-delivery, in line with the enhancement spend allowance of £24.86/meter. Applying cost-sharing of 50% gives an underperformance payment rate of £12.43/meter. The ODI will apply in the final year only, is end-of-period and has no underperformance collar.
ANH.OC.C13 PR19ANH_39 Internal interconnection delivery Performance commitment addition	Intervention required. The company has not proposed a performance commitment to report on and incentivise its delivery of its internal interconnection programme. Our draft determination is allowing substantial funding for this programme and so a performance commitment and associated outcome delivery incentive is appropriate to ensure the company is incentivised and so customers can recover the costs if the programme is not fully delivered.	We are intervening to include a performance commitment to protect customers from partial or none delivery of the internal interconnection programme. We are imposing a performance commitment which has the following characteristics: Sets a performance commitment level consistent with the delivery of the company's 2020-25 plan to add new water treatment capacity and new water transfers to improve internal interconnection. This is equivalent to 384.9 megalitres per day (Ml/d) of additional water treatment and transfer capacity by the end of 2024-25. Sets an underperformance only outcome delivery incentive. The unit rate is set to recover the costs of non-delivery, in line with the enhancement spend allowance which is equivalent to £0.734 million per Ml/d. Applying cost-sharing of 50% gives an underperformance payment rate of £0.367 million per Ml/d. The outcome delivery incentive will apply at the end-of-period only and has no collar.
ANH.OC.C14 PR19ANH_19 Bathing waters attaining excellent status Stretch	Intervention required. There is no reason that performance cannot be measured each year and greater benefits will be realised if the activity is delivered more quickly. This is a four year average and we have calculated an annual profile that is consistent with this approach. We are setting a profile with steady improvements from 2021-22 onwards, reaching 36 by 2024-25 in line with the company's proposed performance commitment level for the year. Improvements can be delivered in each year and do not necessarily need to be constant, given the four year average calculation methodology.	We are intervening to set service levels for earlier years. We have assumed a straight line improvement over the period. The resulting service levels are: 2020-21 - 33 2021-22 - 33 2022-23 - 34 2023-24 - 35 2024-25 – 36

		The financial incentive still only applies for service delivery in 2024-25 as the performance commitment is cumulative and underperformance or outperformance should only be applied once.
ANH.OC.C15 PR19ANH_19 Bathing waters attaining excellent status Outcome delivery incentive rates	Intervention required. The company proposed an ODI rate for performance measured at the end of the period that is a cumulative target. To calibrate these rates to apply on an annual basis we divide these rates by 5 to keep similar incentives. Financial incentives can be applied each year to provide appropriate financial incentives to deliver improvements earlier and to maintain them.	We are intervening to change the ODI rates so that they are appropriately calibrated to apply to service in each year of the control period ODI underperformance payment rate: -0.2248 ODI outperformance payment rate: 0.1154
ANH.OC.C16 PR19ANH_20 Abstraction incentive mechanism Caps and collars	Intervention required. The company proposes to include a cap and a collar. As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals. In its business plan it argues that customers are supportive of the levels it proposes, and that its caps and collars protect customers from bill volatility. We consider that caps and collars are appropriate for this performance commitment because it is financially material. We consider that the proposed caps and collars were not set levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills. In response to the company evidence, we consider that the range that underperformance payments would apply was too small to provide sufficient incentive We consider that caps and collars are appropriate, but at different levels to those the company proposed based on our standard approach. How we assess financially material and our standard approach to setting caps and collars is set out in PR19 draft determinations: Delivering outcomes for customers policy appendix.	We are intervening to set the aggregate underperformance collar at P10 values supplied by the company: 2020-21 - 2634 2021-22 - 2634 2022-23 - 2634 2023-24 - 2634 2024-25 – 2634 This is the sum of each underperformance collar at Marham (River Nar), Marham (Groundwater), Wilsthorpe and Wixoe, these are provided in App3. We are intervening to set the aggregate outperformance caps using the P90 values supplied by the company: 2020-21 - -3677 2021-22 - -3677 2022-23 - -3677 2023-24 - -3677 2024-25 – -3677 This is 41% of the total sum of all outperformance caps at Marham (River Nar), Marham (Groundwater), Wilsthorpe and Wixoe, provided in App3. Therefore, the cap for each of these individual sites is reduced to 41% of the value provided in App3. All units are in total Ml per year as per the definition.

Table 4 – Company changes to performance commitments since IAP not resulting in interventions

Performance commitment reference	Company's response	Our assessment and rationale	Interventions
ANH.OC.D1 PR19ANH_22 Supporting customers in vulnerable circumstances (quantitative) Definition	The company is proposing new units used for calculating this performance commitment, due to an action we raised at IAP. As a consequence, the company is proposing to update the ODI unit rate.	No intervention required. We consider this change to be a consequence of an action we raised. The company has amended both the performance units and the ODI rates to keep the structure of the incentives unchanged.	NA
ANH.OC.D2 PR19ANH_37 Helping those Struggling to pay ODI type	The company proposes the ODI type to be reputational. The company presents evidence that customers are broadly supportive of the measure. The company does not present evidence on customer support for the type of incentive. The company argues that a financial ODI would not be appropriate, as underperformance would be paid to all customers, not those who are being targeted by the measure.	No intervention required. The performance commitment appears to be a low priority for customers, and it is not clear they would be willing to pay for outperformance or underperformance. There is no clear customer benefit from the inclusion of outperformance or underperformance payments. It is a new measure without historical data available. Overall, no intervention is needed to set a financial ODI rate.	NA

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