July 2019 Trust in water

PR19 draft determinations

Bristol Water – Delivering outcomes for customers actions and interventions

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PR19 Draft Determinations: Bristol 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 'BRL' denotes the company Bristol 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 'BRL' denotes the company Bristol 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 'PR19BRL_' denotes the company Bristol Water), the name of the performance commitment, and the action type (for example, stretch).

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

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

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Delivering outcomes for customers	BRL.OC.A.1	Performance Commitment (PC) Definition	The company should propose a bespoke PC covering business retail gaps and voids or justify why not.	1 April 2019	The company argues it is not its responsibility to minimise business retail gaps and voids. Instead it proposes a performance commitment with a reputational outcome delivery incentive (ODI) to measure business retailer satisfaction with Bristol Water.	Intervention required. The company has not proposed a detailed and finalised performance commitment. We do not consider that the company has provided sufficient detail for us to fully assess this performance commitment for inclusion in our draft determination. In any case, we expect to see the industry develop a common measure outside the PR19 process.	We are intervening to remove the company's proposed performance commitment for business retailer satisfaction.
	BRL.OC.A.2	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 PC. The company should provide further evidence to detail the estimation of forecast efficient marginal costs within its ODI rate calculations, in line with our PR19 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 confirms there are no relevant cost adjustment claims. The company says that four of its performance commitments relate to enhancement expenditure. The company says that its estimates of marginal benefits have been calculated in line with post-efficiency costs. The company's view of marginal costs is unaltered from its initial submission.	No intervention required at the company level Where we are allowing a cost adjustment claim at a level different to the company's proposal due to a different view of efficient costs, we reflect this in our response to individual performance commitment actions.	NA
	BRL.OC.A.3	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 reflect on the overall quantity of deadbands it proposes to apply, and it should consider whether to reduce the number of	1 April 2019	The company states it has adjusted deadbands, caps and collars and completed further customer research for specific performance commitments. The company also states that these changes make its ODIs more stretching, over the balance of Ofwat's challenges and customer evidence, without having	No intervention required at a company level. We note the company's reduction in the total number of deadbands to five performance commitments. We have considered each remaining deadband in our response to the relevant actions for the specific performance commitments. We consider that deadbands reduce the incentive for companies to improve their performance. We want to	NA Covered by performance commitment specific interventions.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			deadbands in its ODI package. The company should provide a convincing and well-evidenced justification in its response. 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.		a material financial risk that would not be in customers' interests. It considers the revised package to be well balanced and supported by customers as well as the Customer Challenge Group.	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 ODIdeterminations. The company also does not sufficiently explain how deadbands contribute to customer protection given the other mechanisms in place to support bill stability. The company is in most cases proposing to retain or reset its caps and collars for several of its performance commitments. As we set out for each performance commitment against specific actions, we are intervening to remove caps and collars where we consider they may dampen incentives, or where they appear to not be evidence based or supported by customers.	
	BRL.OC.A.4	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. With regards to a balanced package and incentivising the company to meet its company challenges and customer priorities; the company should provide further explanation why one PC, "Population at Risk from Asset Failure", has such high ODI outperformance payment, while other ODIs of a high customer priority do not carry such high payments. Note also our concerns and action on the widespread use of deadbands, caps and collars above.	1 April 2019	The company responds to our concerns relating to the overall balance of the package by introducing a cap on outperformance payments for its "Population at Risk from Asset Failure" performance commitment at two years early delivery. The company also provides further explanation on the balance of its outcome delivery incentive package between different outcomes, and how the package incentivises it to deliver in line with customer views today and in the future.	No intervention required at the company level. 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 outcomes customer's value most highly.	NA Covered by performance commitment specific interventions.
	BRL.OC.A.5	Asset health ODI package	The company should provide sufficient evidence that its customers support its proposed asset health outperformance payments. If it cannot do this, the company should remove the outperformance payments. The company should provide a 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 provides a list of its core asset health measures. Unplanned outage Properties at risk of low pressure Turbidity performance at treatment works Unplanned maintenance – non-infrastructure It only proposed outperformance payments for properties at risk of low	No intervention required at a company level. We consider the company's proposals with regard to asset health outperformance payments in our responses to specific performance commitment actions. 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

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					pressure. It also presents partial asset health measures, which have customer drivers but also provide an indication of asset health: Water quality compliance Customer contacts on appearance Customer contacts on taste and smell. The company provides P10 and P90 payments for all asset health performance commitments. It states that its overall return on regulatory equity range for asset health measures is -0.8% for P10, and 0.1% for P90.		
	BRL.OC.A.6	Customer protection	The company should apply additional protections through an appropriate outperformance payment sharing mechanism. The payment sharing mechanism should be applied in accordance with guidance provided in the **'Technical appendix 1: Delivering outcomes for customers'**	1 April 2019	The company is proposing to adopt the outperformance sharing mechanism in line with our guidance. The company also states it will maintain its proposed annual cap on bill changes, to mitigate short-term bill volatility risk.	No intervention required. The company is proposing to adopt our customer protection measures as set out in 'Technical appendix 1: Delivering outcomes for to make sure that customers are adequately protected.	NA

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

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Delivering outcomes for customers	BRL.OC.A.7	ODI rate	**Water quality compliance PC:** The company should explain why its proposed rate differs from our assessment of the reasonable range around the industry average that we 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 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	1 April 2019	Although the company does not consider the Compliance Risk Index as a core asset health measure, it sets out in its plan that it is partly an asset health performance commitment and partly a customer priority. The company revises its asset health ODI rates, based on changes in its proposed deadbands and collars. The company increases its rate for this performance commitment. The company provides further evidence of its customers' valuations supporting the ODI rate. It has based rates on both updated willingness to pay evidence and marginal cost.	No intervention required. The company has explained the formulation of its ODI rate. We consider its approach to be adequate. The company sufficiently explains how its outcome delivery incentive rate is coherent with rates proposed for other asset health performance commitments. The amended rates provided are only marginally below the reasonable range that we set out in PR19 draft determinations: Delivering outcomes for customers policy appendix.	NA

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			variation in ODI rates for CRI 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 CRI is coherent with the rates proposed for other asset health PCs.			We note that the company had a very minor failure on the previous water quality performance commitment mean zonal compliance. In light of the only minor failure 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'.	
	BRL.OC.A.8	Caps, collars, deadbands	**Water quality compliance PC:** We propose to intervene to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. 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 collar at 9.50 for 2020-25.	1 April 2019	The company is proposing to adopt our proposed deadband level, set at 1.50. The company is proposing to adopt our proposed collar level set at 9.50.	Intervention required. The company is proposing to adopt our proposed deadband level, set at 1.50, and collar level at 9.50. As described in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix' we have further reviewed the deadband levels for all companies. We do however recognise that there may be a need to retain some flexibility for new 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 As with the rest of the industry we are setting a deadband profile at 2.0 for the first two years, before tightening it to 1.5, the level proposed by the company. The company is implementing a collar in line with our policy. How we assess financially material and our standard	We are intervening to set a standard deadband. 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

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						approach to setting caps and collars is set out in PR19 draft determinations: Delivering outcomes for customers policy appendix.	
	BRL.OC.A.9	Stretch	**Supply Interruptions PC:** 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 proposes to implement the values we calculated.	Intervention required. 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 set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels are: 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 are: minutes per property for year
	BRL.OC.A.10	ODI rate	**Supply Interruptions PC:** The company should clarify the single standard outperformance incentive rate to be applied and set out further evidence to justify the calculation and selection of this rate. The rate selected should not be greater than the absolute magnitude of the underperformance incentive rate, unless the company provides compelling evidence to the contrary. The company should also 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.	1 April 2019	The company proposed two tiers of standard outperformance payment rate for this performance commitment in its business plan. The company has responded to our IAP action by proposing removing the higher second tier outperformance payment rate and leaving the first tier rate unchanged in its revised business plan. The company states that its proposed rates reflect its customer research and willingness to pay and therefore has not adjusted its rates to align to the IAP range around the industry average. The company argues that there would be an extreme impact on its return on regulatory equity balance as a consequence of using other companies' incentive rates and that doing so would be inconsistent with its customers' views and preferences, performance levels and efficient cost base.	Intervention required. The company's revised standard outperformance payment rate is below the reasonable range that we set out in PR19 draft determinations: Delivering outcomes for customers policy appendix The company is also proposing an underperformance payment rate that is smaller in absolute terms than its outperformance payment rate. We have identified concerns with the company's approach to triangulation which appears to understate the marginal benefit component of the company's rates. Its proposed rates are also materially lower than those which apply to its corresponding outcome delivery incentives for the 2015-20 period, implying a lower level of customer protection against underperformance.	We are intervening to set the outcome delivery incentive rates at the lower bound of the IAP range. This results in underperformance and outperformance payment rates of -£0.123 million and £0.095 million respectively. outperformance payment rate

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			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 supply interruptions and assess the appropriateness of the company's customer valuation evidence supporting its ODI.			We are intervening to address the issues identified and increase the underperformance payment rate. Applying our approach to setting ODI rates would result in a significant increase in the underperformance payment rate. However, this performance commitment is a material contributor to a downside financial risk to the return on regulatory equity. When combined with the rest of the ODI package, we consider the financial exposure to the company resulting from this performance commitment's underperformance payment rate would be disproportionate. As such, we are moderating our intervention on the underperformance payment rate to reduce the financial exposure from this underperformance payment rate. We are doing this by reducing the underperformance payment rate to the lower bound of the reasonable range. We are also setting the outperformance payment rate at the lower bound of the reasonable range. 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.	
	BRL.OC.A.11	ODI rate	**Mains Bursts PC:** The company should explain and evidence how its proposed ODI rate for mains bursts is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (including leakage, supply interruptions and low pressure) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.	1 April 2019	The company states that it is maintaining its approach to the calculation of this outcome delivery incentive because the underperformance payment rate is higher than that which results from applying the Ofwat formula. It also states that the rates reflect our customer research and willingness to pay but states that it does not have a direct willingness to pay for mains bursts and uses multiple of costs.	Intervention required. The company uses costs to determine the incentive rate and has tested this using cost benefit analysis. Whilst this is considered appropriate for asset health PCs, the company could have improved this through triangulation with customer engagement valuations. The company's underperformance payment rate is below the reasonable range that we set out in PR19 draft determinations: Delivering outcomes	We are intervening to increase the company's underperformance payment rate to -£0.041 million.

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			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 customer valuation evidence supporting its ODI.			for customers policy appendix, and the company does not provide a convincing rationale for this position. The company also has not provided evidence of performance drivers and lessons learnt, as well as insufficient evidence that it can improve performance or an action plan in response to our past delivery concerns. When setting the underperformance incentive rate we have considered both past performance issues and the downside financial risk to the return on regulatory equity. We are intervening to increase the company's proposed rate to the industry average, as defined by our reasonable range in PR19 draft determinations: Delivering outcomes for customers policy appendix. We set out our rationale for setting ODI rates for this common performance commitment in PR19 draft determinations: Delivering outcomes for customers policy appendix.	
	BRL .OC.A 12	Caps, collars, deadbands	**Mains Bursts PC:** 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 proposes to retain an underperformance deadband and states further customer research has been undertaken to justify its inclusion. The company tested customer support for deadbands on Mains Burst with 16 customers and found all to be in favour of a deadband for this performance commitment. The company also says the purpose of the deadband is to mitigate the impact of extreme weather on burst levels. The company states that its deadband reflects a degree of annual variation in burst levels, so that penalties are only payable where deterioration in performance would be related to underinvestment or poorly-targeted investment.	Intervention required. We consider the customer research here to be of good quality. We note that the additional research only used 16 customers but that customers supported deadbands where performance is affected by weather. However, 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	We are intervening to remove the deadband.

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						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.	
	BRL.OC.A.13	Definition	**Unplanned Outage PC:** 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	The company states that since its business plan submission it has developed an outage database that assesses all sub-components associated with the common definition. This database is maintained and updated on a weekly basis providing outage details at a daily resolution. The company anticipates that the sub-components will now be assessed as 'Green' and will therefore be compliant for the 2018-19 shadow data submissions. The company states that this is confirmed by the independent audit report.	No intervention required. The company has provided sufficient evidence to demonstrate that it will be fully compliant with the reporting requirements by 2020.	NA
	BRL.OC.A.14	Stretch	**Unplanned outage PC:** The company is required to provide fully audited 2018-19 performance data by 15 May 2019. This should take the form of an early APR submission, but only for Unplanned Outages. Board assured data can be provided with the main APR in July 2019, any changes will be taken into account for the Final Determination. Based on the latest performance and updated methodologies, the company should re-submit 2019/20 – 2024/25 forecast data in the 15 May submission. The company should also report its current and forecast company level peak week production capacity (Ml/d), the unplanned outage (Ml/d) and planned outage (Ml/d) in their commentary for the May submission.	15 May 2019	The company provides the result for 2018-19 as 0.40% and explains its outage for the period is low because it aims to fix all outages within the 8 hour working day. It explains that that unless there is a reason why the outage cannot be fixed which is outside of its control (such as the lead time on parts, or treatment process conditions) all outages are addressed before they exceed the 24 hour duration criteria set out within the reporting methodology. The company explains the most significant outage occurred in December 2018, resulting in a 2.56% level of company outage that month. Its performance in the other eleven months of the reporting year demonstrate how this was an exceptional event. The company re-submits 2019/20 – 2024/25 forecast data which retains the numbers submitted as part of its revised business plan on 1st April 2019. Bristol Water explains that although its performance has improved this reporting year, due to the lack of historically consistent data it	No intervention required The company provides the requested information. Its forecast performance for 2024-25 is better than the upper quartile level from 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

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					has retained its forecasts at the higher level.		
	BRL.OC.A.15	ODI rate	**Unplanned outage PC:** 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 outcomes for customers'** to allow us to better understand the causes of variation in ODI rates for unplanned outages and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	1 April 2019	The company has not changed its proposed rate since its September business plan. The original rate proposed in September was close to the upper quartile of ODI rates and was based on costs rather than willingness to pay. The company states that further evidence of its customers' valuations supporting the outcome delivery incentive rate has now been included. The company has conducted additional customer research since our IAP, but has only used this to provide additional triangulation. The company has retained the higher rate originally determined using costs.	No intervention required. The company conducted additional customer engagement to determine a willingness to pay value, which was based on valuation of an unplanned outage of service. This resulted in a value lower than the one calculated using a cost basis, the company retained the higher value rate. We consider this approach appropriate as the company has attempted to ask its customers about its valuation of this performance commitment as a basis for triangulation of the rate, but then retained the higher rate as this was considered more suitable for an asset health performance commitment. The company's underperformance payment rate is within the reasonable range 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 determinations: Delivering outcomes for customers policy appendix.	NA
	BRL.OC.A.16	Stretch	**Risk of severe restrictions in drought PC:** The company should explain its level of stretch and submit the intermediate calculation outputs as shown in the common definition guidance published on our website for the drought resilience metric.	1 April 2019	The company changes the 2020 target to 42% at risk and states that the level of stretch reflects the water resources management plan leakage and metering activities delivering water savings, which reduces the 42% to 0% over time.	Intervention required. We note that the company's starting risk is comparable to that in water resources management plan, but the proposed performance commitment levels remain stable at 42% even by 2045. Although the company says it reduces to zero over time in its commentary, this was not evident in the data submitted. The company is planning to work on its leakage performance which should reduce the risk for customers. As such we are intervening to reduce the risk for customers to 0% in 2024-25. We lack the data to make a different	We are intervening to reduce the risk to customers in 2024-25 to zero. The following is a sector wide action. The company should provide a full set of intermediate calculations (at a zonal level), for the underlying the risk calculation (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 they will have access to drought orders and permits The company should confirm which programmes of work will impact its risk profile forecasts.

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						intervention (see PR19 draft determinations: Delivering outcomes for customers policy appendix). Intermediate calculations give us both the 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 each year's performance comparable. 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.	
	BRL.OC.A.17	ODI rate	**Leakage PC:** The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average that we 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 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 leakage and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	1 April 2019	The company has retained its original ODI rate for this performance commitment and provided further information on its customer research. The company argues that its proposed rates reflect its customer research and willingness to pay and therefore it has not adjusted its rates to align to the IAP range around the industry average. The company argues that there would be an extreme impact on its return on regulatory equity balance as a consequence of using other companies' incentive rates and that doing so would be inconsistent with its customers' views and preferences, performance levels and efficient cost base.	Intervention required. We have identified a concern with the company's approach to deriving the marginal benefit component of its outcome delivery incentive rate which appears to understate its outcome delivery incentive rates. The company proposes an underperformance payment rate below the reasonable range that we set out in PR19 draft determinations: Delivering outcomes for customers policy appendix. The company's outcome delivery incentive rates also imply a materially lower level of customer protection against incremental underperformance compared to that which applies to its leakage performance commitment for the 2015-20 period (for which it is	We are intervening to set the underperformance rate at the lower bound of our reasonable range (see PR19 draft determinations: Delivering outcomes for customers policy appendix) and the outperformance rate at the underperformance rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' business plans. This results in underperformance and outperformance payment rates of -£0.191 million and £0.163 million per megalitres per day, respectively. We have also made a cost allowance for the company to improve its performance on this measure. To protect customers we are setting an additional underperformance payment rate to return funding to customers. This cost recovery rate will operate between the performance commitment level in the final three years of the period and the following levels: 2022-23: 40.2

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						forecast to earn a net underperformance payment). Applying our approach to setting ODI rates would address the issues identified and increase the underperformance payment rate. This would result in a significant increase in the underperformance payment rate. However, this performance commitment is a material contributor to a downside financial risk to the return on regulatory equity. When combined with the rest of the outcome delivery incentive package, we consider the financial exposure to the company resulting from this performance commitment's underperformance payment rate would be disproportionate. As such, we are moderating our intervention on the underperformance payment rate to reduce the financial exposure from this underperformance payment rate. We are doing this by reducing the underperformance payment rate to the lower bound of the reasonable range. We are also setting the outperformance payment rate at the lower bound of the reasonable range. In addition, we have given enhancement allowances to deliver leakage reductions beyond industry upper quartile levels. These allowances are contingent on the company delivering its performance commitment levels. To protect customers we are intervening to ensure the outcome delivery incentive rate will recover the enhancement allowances in the case that the company does not achieve its performance commitment levels.	2023-24: 40.2 2024-25: 40.2 The rate will be -£3.117 million per unit. Beyond these levels, the underperformance payment rate will be the standard rate we have set at -£0.191 million per unit.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						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.	
	BRL.OC.A.18	Caps, collars, deadbands	**Leakage PC**: 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 retain its original caps and collars. Cap level is based on the lowest achievable rate, while the collar level is based on the worst historic leakage level of the last 10 years It argues that customers are supportive of the levels it proposes.	Intervention required 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 are 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. 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 collars at the following levels 2020-21 = - 5.0% 2021-22 = - 5.0% 2022-23 = - 5.0% 2023-24 = - 5.0% 2024-25 = - 5.0% Units: percentage reduction in leakage from initial levels on a three-year average basis. We are intervening to set caps at the following levels 2020-21 = 11.6% 2021-22 = 11.6% 2022-23 = 11.6% 2023-24 = 13.3% 2024-25 = 15.6% Units: percentage reduction in leakage from initial levels on a three-year average basis.
	BRL.OC.A.19	ODI rate	**Per capita consumption (PCC) PC:** The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average that we 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 rates for per capita consumption and assess the	1 April 2019	The company continues to propose its original ODI rate for this performance commitment and has provided further information on its customer research. The company argues that its proposed rates reflect its customer research and willingness to pay and therefore it has not adjusted its rates to align to the IAP range around the industry average. The company argues that there would be an extreme impact on its return on regulatory equity balance as a consequence of using other companies' incentive rates and that doing so would be inconsistent with its customers' views and preferences, performance levels and efficient cost base.	Intervention required. In deriving its ODI, the company appears to have made a number of adjustments to its triangulated marginal benefit value (including a downward adjustment to reflect what it states is an overlap with metering). The company has provided insufficient information or supporting evidence for us to verify whether such adjustments are appropriate. The company's proposed rates are below the reasonable range that we set out in PR19 draft determinations: Delivering outcomes for customers policy appendix. We set out our rationale for setting ODI rates for this common	We are intervening to set the outperformance payment rate by triangulating across: (i) industry average (on a normalised basis); (ii) the company's proposed rate; and (ii) the company's implied outcome delivery incentive rate after removal of the un-evidenced adjustment for metering overlap. We are intervening to set the underperformance payment rate equal to the outperformance payment rate (in absolute terms) with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' business plans This results in underperformance and outperformance payment rates of -£0.066 million and £0.055 million litres per person per day, respectively.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			appropriateness of the company's customer valuation evidence supporting its ODI.			performance commitment in PR19 draft determinations: Delivering outcomes for customers policy appendix.	
	BRL .OC.A20	Caps, collars, deadbands	**Per capita consumption (PCC) PC:** The company should reconsider whether to apply an outperformance deadband to this PC. The company should provide a convincing and well-evidenced justification in its response.	1 April 2019	The company states it has removed the outperformance deadband, supported by additional customer research.	No intervention required. The company is complying with the action.	NA
	BRL .OC.A 21	ODI rate	**Customer contacts about water quality – appearance PC:** The company should provide further evidence to justify the selection of the chosen outperformance incentive rate from the two rates provided. The rate selected should not be greater than the absolute magnitude of the underperformance incentive rate, unless the company provides compelling evidence to the contrary.	1 April 2019	The company states that it has used the lower standard outperformance rate of the two rates originally provided, as well as removing its outperformance deadband, as part of a balanced approach to this action. The company states that this is supported by its customers.	Intervention required. While no concerns have been identified with the quality of the underlying willingness to pay research, we have identified concerns with the company's approach to triangulation which appears to understate its outcome delivery incentive rates. The company's proposed rates also provide a materially lower level of customer protection against underperformance compared to its corresponding outcome delivery incentive for the 2015-20 period. The level of stretch (relative to current performance) implied by the company's performance commitment level is above the industry average. The company's proposed rates are below our reasonable range as set out in PR19 draft determinations: Delivering outcomes for customers policy appendix We are intervening to address the issues identified and increase the underperformance payment rate. Applying our approach to setting ODI rates would result in a significant increase in the underperformance payment rate. However, this performance commitment is a material contributor to a downside financial risk to the return on regulatory equity. When combined with the rest of the outcome delivery incentive package, we consider the financial exposure to the company resulting from this	We are intervening to set the underperformance payment rate at the lower bound of the reasonable range set out in PR19 draft determinations: Delivering outcomes for customers policy appendix. The outperformance rate is set at the underperformance rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' business plans. This results in underperformance and outperformance payment rates of -£0.935 million and £0.779 million per contact per 1,000 population, respectively.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						performance commitment's underperformance payment rate would be disproportionate. As such, we are moderating our intervention on the underperformance payment rate to reduce the financial exposure from this underperformance payment rate. We are doing this by reducing the underperformance payment rate to the lower bound of the reasonable range. We are also setting the outperformance payment rate at the lower bound of the reasonable range. 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.	
	BRL.OC.A.22	ODI rate	**Customer contacts about water quality – taste and smell PC:** The company should provide further evidence to justify the selection of the chosen outperformance incentive rate from the two rates provided.	1 April 2019	The company states that it has used the lower standard outperformance rate, as well as removing its outperformance deadband, as part of a balanced approach to this action. The company states that this is supported by its customers.	Intervention required. While no concerns have been identified with the quality of the underlying willingness to pay research, we have identified concerns with the company's approach to triangulation which appear to understate its outcome delivery incentive rates. The company's proposed rates also provide a materially lower level of customer protection against underperformance compared to its corresponding outcome delivery incentive for the 2015-20 period. The level of stretch (relative to current performance) implied by the company's performance commitment level is above the industry average. The company's proposed rates are below the reasonable range that we set out in PR19 draft determinations: Delivering outcomes for customers policy appendix.	We are intervening to set the outperformance and underperformance payment rate at the lower bound of the reasonable range set out in PR19 draft determinations: Delivering outcomes for customers policy appendix. This results in underperformance and outperformance payment rates of -0.935 million and £0.779 million per contact per 1,000 population, respectively.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						Applying our approach to setting ODI rates would result in a significant increase in the underperformance payment rate. However, this performance commitment is a material contributor to a downside financial risk to the return on regulatory equity. When combined with the rest of the outcome delivery incentive package, we consider the financial exposure to the company resulting from this performance commitment's underperformance payment rate would be disproportionate. As such, we are moderating our intervention on the underperformance payment rate to reduce the financial exposure from this underperformance payment rate. We are doing this by reducing the underperformance payment rate to the lower bound of the reasonable range. We are also setting the outperformance payment rate at the lower bound of the reasonable range. 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.	
	BRL.OC.A.23	Caps, collars, deadbands	**Customer contacts about water quality – taste and smell PC:** 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	1 April 2019	The company states that it has removed deadbands, and that this removal is supported by additional customer research. However, it maintains the underperformance collar based on the customer research, and it is based on the worst historic performance in the past 10 years. The company proposes to include a collar. Its proposed level is based on worst historic performance in the past 10 years.	Intervention required. The company is removing the deadband from this performance commitment, which responds appropriately to that aspect of the action. However, we consider that the proposed collars are not set at levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to	We are intervening to set collars at the following levels 2020-21 = 0.8 2021-22 = 0.8 2022-23 = 0.8 2023-24 = 0.8 2024-25 = 0.8 Units: Number of contacts per 1,000 people We are intervening to set cap at the following levels 2020-21 = 0.21 2021-22 = 0.19

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			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.		It argues that customers are supportive of the levels it proposes.	bills, as there are no outperformance caps 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 customers policy appendix.	2022-23 = 0.16 2023-24 = 0.14 2024-25 = 0.14 Units: Number of contacts per 1,000 people
	BRL.OC.A.24	ODI type	**Properties at risk of receiving low pressure PC:** The company should provide further evidence to demonstrate how it will avoid the double counting of outperformance incentives between this PC and Leakage.	1 April 2019	The company states that there is no outperformance double-counting with leakage as leakage does not cause properties to be at persistent risk of low pressure, and the performance commitment does not include low pressure from leakage. However, the company also states that a persistent leak that causes persistent pressure issues could potentially impact on both the low pressure and leakage performance commitments. The company also provides evidence to show that nine properties will be removed from the DG2 register during 2020-21 to 2024-25 period as a result of improved network monitoring and not leakage control.	No intervention required. The company has not provided further evidence to demonstrate how it will avoid double-counting but instead states that there is no double-counting between leakage and low pressure. Whilst the company states that there could be double-counting in the case of a persistent leak causing persistent low pressure, it also states that that all nine properties it intends to remove from the DG2 register are due to additional monitoring and not leakage control, and so in practice they do not expect there to be double counting. This argument is sufficient and so we are not intervening.	NA
	BRL.OC.A.25	Caps, collars, deadbands	**Properties at risk of receiving low pressure PC:** 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. If the deadband is retained, the company should strongly consider changing the level of the deadband, and it should explicitly justify the level it chooses.	1 April 2019	The company states that it has removed the underperformance and outperformance deadbands. It also states that although supported in the customer research, a balanced package of outcome delivery incentives allows it to protect customers better through this change. The company has retained its original collar. It argues that customers are supportive of the levels it proposes.	Intervention required. The company proposes to remove the deadbands from this performance commitment, which responds appropriately to that aspect of the action. We consider that the proposed collars are not set at levels that would provide appropriate incentives for the company and there are no caps to protect customers from the risk of	We are intervening to set collars at the following levels 2020-21 = 650 2021-22 = 650 2022-23 = 650 2023-24 = 650 2024-25 = 650 Units: Number of properties We are intervening to set cap at the following levels 2020-21 = 9

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			The company should also consider whether to remove the outperformance deadband from this PC. The company should provide a convincing and well-evidenced justification for its response.			higher than anticipated impacts to bills. 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 customers policy appendix.	2021-22 = 8 2022-23 = 8 2023-24 = 8 2024-25 = 7 Units: Number of properties
	BRL.OC.A.26	Caps, collars, deadbands	**Turbidity performance at treatment works PC:** 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.	1 April 2019	The company proposes revised collars. It proposes underperformance collar from one failure in its business plan to five failures in its revised business plan. It argues that customers are supportive of the levels it proposes. The company is also reducing the ODI rate in response to this action, arguing that the estimated marginal costs should be applied across the range of relevant performance, which has now increased from one to five. The company also says it has instead retargeted incentives by increasing the outcome delivery incentive rate for water quality compliance.	Intervention required. Based on historic performance, the company has provided sufficient evidence to support its proposals. In particular, the company has demonstrated customer support and customer benefit from its proposals. However, we are concerned that the strength of the incentive is weakened by lowering the underperformance payment rate, particularly given the company's view that the probability of underperformance is unchanged. The underperformance payment rate for an incremental deterioration in performance should not be affected by a change in the collar. We consider that the strength of incentives on the company for a failure should not change in response to a change in the collar. We have considered the linkage with water quality compliance but do not find sufficient evidence of double counting of incentives.	We are intervening to restore the underperformance payment rate for this performance commitment to the level proposed by the company in its business plan.
	BRL.OC.A.27	ODI rate	**Unplanned maintenance – non-infrastructure PC:** The company should either provide further evidence to set out the marginal costs used within the ODI rate calculation, or amend the underperformance payment to reflect any required adjustments. In either case the	1 April 2019	The company is not changing its estimate of marginal costs and has not provided further evidence of how they were estimated. The company says the marginal costs are based on forward looking asset health costs as a whole, and are based on an allocation from an internal company document. The	Intervention required. As a result of removing the deadband, the company has reduced the underperformance payment rate (which is based on weighted unit costs) to reflect the wider range of	We are intervening to increase the outcome delivery incentive underperformance payment rate to -£0.000892 million.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			company should provide its evidence and rationale.		company does not provide information on how these are derived. Separately, as a result of their proposal to remove the underperformance deadband (see BRL.OC.A28), the company is proposing to reduce the outcome delivery incentive rate because it says the previous marginal cost estimate was weighted upwards to reflect unit costs being applied to a narrow range of performance (when there was a deadband).	performance now impacted. However, the reduction in the underperformance payment rate (by 8 times) does not appear proportionate to the increase in the performance range (by 3 times) and causes the maximum underperformance payment over the 2020-25 period to fall from £4.7 million to £1.8 million (or from £2.1 million to £1.4 million at P10). There is no justification provided for weakening the incentive in this way, and so we are intervening to change the rate to the value proposed by the company in its September business plan submission.	
	BRL.OC.A.28	Caps, collars, deadbands	**Unplanned maintenance – non-infrastructure PC:** 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.	1 April 2019	The company is removing the underperformance deadband for this performance commitment. The company is proposing to retain the underperformance collar and has undertaken further customer research to justify this approach. The company argues the collar is outside the range of historic performance and limits the risk from unexpected events. It argues that customers are supportive of the levels it proposes.	Intervention required. The company has complied with the part of the action relating to removing deadbands. The company provides sufficient justification and evidence of customer support to retain an underperformance collar for this performance commitment. The performance commitment as proposed is a material contributor to downside financial risk to the return on regulatory equity. When combined with the rest of the outcomes delivery incentive package, we consider the financial exposure to the company resulting from this performance commitment's underperformance payment rate would be disproportionate. As such, we are intervening to reduce the financial underperformance exposure by adjusting the underperformance collar. We are doing this through reducing the collar to 3601. How we assess financially material and our standard approach to setting caps and collars is set out in PR19	We are intervening to set collars at the following levels 2020-21 =3601 2021-22 = 3601 2022-23 = 3601 2023-24 = 3601 2024-25 = 3601 Units: Number of jobs

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						draft determinations: Delivering outcomes for customers policy appendix.	
	BRL.OC.A29	ODI type	**Population at Risk from Asset Failure PC:** The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.	1 April 2019	The company continues to propose outperformance payments and has undertaken further customer research to demonstrate customer support for these payments. The company argues there is a benefit to customers from early delivery. The company has amended the outcome delivery incentive design so that outperformance payments are only gained for early delivery of the programme.	Intervention required. We are rejecting the company's enhancement claim for the related resilience project, removing the need for a performance commitment with a financial outcome delivery incentive. We are continuing to financially incentivise resilience work relating to the Glastonbury Street area with a performance commitment and associated financial outcome delivery incentive (see Table 3).	We are intervening to change the outcome delivery incentive type to reputational.
	BRL.OC.A30	ODI rate	**Population at Risk from Asset Failure PC:** Should the company propose to keep the outperformance payment on this ODI, the company should provide further evidence to justify the use of >24 hour supply interruptions as a proxy for customer willingness to pay for this ODI, or formulate marginal benefits based upon specific customer evidence relevant for this ODI. The company should provide further evidence to justify the appropriateness of the proposed ODI outperformance payment, or revise its rate downwards in line with customer evidence. In either case the company should provide its evidence and rationale.	1 April 2019	NA As we are changing the outcome delivery incentive type to reputational, this action is no longer relevant.	No intervention required.	NA
	BRL.OC.A31	Caps, collars, deadbands	**Population at Risk from Asset Failure PC:** 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	1 April 2019	NA As we are changing the outcome delivery incentive type to reputational, this action is no longer relevant.	No intervention required.	NA

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			collar is set, with the company explaining how this compensates customers adequately for poor service performance.				
	BRL.OC.A32	Definition	**Value for money PC:** The company should confirm that the survey will be externally assured and conducted in line with social research best practice.	1 April 2019	The company says the survey will be reviewed with the Bristol Water Challenge Panel and be conducted in line with social research best practice by an accredited firm.	No intervention required. Bristol Water confirms that the survey will be reviewed with the Bristol Water Challenge Panel and will be conducted in line with social research best practice by an accredited firm.	NA
	BRL.OC.A 33	Definition	**Percentage of satisfied vulnerable customers PC:** The company should provide evidence that its measurement methodology will provide robust results based on 300 responses, rather than using the entire sample of PSR customers surveyed to determine satisfaction levels in addition, the company should confirm that the survey will be externally assured and conducted in line with social research best practice.	1 April 2019	The company says: "We will base our survey on a sample of 500 customers and base the sample on representative percentages of the vulnerability needs codes as of the end of the previous financial year. The survey will be conducted by telephone interviews but will also be supplemented by face-to-face interviews and paired interviews if needed. The survey will be externally assured and conducted in line with social research best practice."	No intervention required. The company confirms that the survey will be carried out in line with social research best practice and provide sufficient detail on their approach.	NA
	BRL.OC.A 34	Stretch	**Percentage of satisfied vulnerable customers PC:** The company should justify the setting of an 85% target, in comparison to its existing rating on PSR customer satisfaction.	1 April 2019	The company argues that the percentage of satisfied vulnerable customers performance commitment for 2020-25 is not comparable to its 2015-20 performance commitment (which measures ease of contact level of service). The company argues that the measures are not comparable in any way with the "easy to contact " level of service as customer feedback from individual vulnerable customers highlighted that the most frustrating element was finding out about support after the event, suggesting that they therefore target different aspects of vulnerable customers' experience.	No intervention required. The company sufficiently explains why the 2020-25 performance commitment is not fully comparable with the 2015-20 performance commitment. The company's explanation of the source of the difference is credible in explaining the performance gap. The target of 85% appears appropriate when compared to other similar metrics.	NA
	BRL.OC.A 35	Stretch	**Gaps and voids PC:** The company should reconsider its proposed percentage target for 2020-25. The company should clearly set out the evidence and rationale for the revised targets.	1 April 2019	The company is not proposing to revise the performance commitment levels, opting instead to justify its initial proposed levels. The company reasons that the target is 10% below their historic rate of 2 percentage points and that the company	No intervention required. We consider the company's evidence and rationale for its proposed performance commitment levels to be sufficient. The company proposal is better than the industry average and	NA

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					is better than average on voids when compared against all companies.	targets performance which is 10% lower than the historic rate.	
	BRL.OC.A.36	ODI type	**Voids properties PC:** The company should provide evidence to demonstrate that an outperformance payment would benefit customers and that it is designed in such a way that does not create perverse incentives with respect to the timely and accurate registration of void sites.	1 April 2019	The company provides customer research evidence that customers support an outperformance payment for this performance commitment. It also says outperformance payments would incentivise the company to identify voids, and notes it is comparatively high performing on this metric compared to other companies. The company argues the outperformance payment does not create perverse incentives, as the outcome delivery incentive underperformance payment rate prevents over reporting of voids.	No intervention required. The company has provided sufficient evidence of customer support and there is a clear case for customer benefit from outperformance payments for this performance commitment.	NA
	BRL.OC.A.37	ODI type	**Meter penetration PC:** The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.	1 April 2019	The company continues to propose an outperformance payment for this outcome delivery incentive. The company provides further explanation of customer support for this measure and has undertaken additional post-IAP research that indicates customer support for the use of outperformance payments. The company also explains how the justification it provides is linked to the benefit of increasing metering, as increased metering could in many cases lead to bill reductions rather than increases.	Intervention required. The company provides sufficient further explanation of customer benefit and evidence of customer support for outperformance payments for this performance commitment. However, given the company's poor performance in the 2015-20 period we are concerned whether the incentives to deliver this performance commitment are sufficient, particularly when the rate proposed by the company for 2020-25 is lower than the rate for this performance commitment for 2015-20. (See BRL.PD.A9 within the "Bristol Water – Actions and interventions" document for Past Delivery).	We are intervening to set the underperformance payment rate for this performance commitment to its 2015-20 rate. This is equivalent to -£0.043 million in 2017-18 prices.
	BRL.OC.A.38	Caps, collars, deadbands	**Meter penetration PC:** 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 retain its caps and collars. It argues that customers are supportive of the levels it proposes. The company provides additional justification for the use of a cap for this performance commitment and the level at which it has been set. It has also undertaken additional customer research that shows customer support for its proposed approach. The company also explains the collar relates to the pre-existing level of meter	Intervention required. We consider that a collar is not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification. In response to the company evidence: The company's evidence and rationale for a cap are sufficient. The cap provides additional customer	We are intervening to remove the underperformance collar.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					penetration and so therefore performance cannot materially reduce beneath this level.	protection and is supported by customers. However, the company's' explanation for the use of a collar is not sufficient. As the company acknowledges, it is highly unlikely the collar will ever be reached. We consider that the company has sufficient control over its performance for this performance commitment to meaningfully forecast performance over the 2020-25 period. In this case there seems no to be no benefit in retaining the collar and it should be removed.	
	BRL.OC.A39	Definition	**Raw Water Quality of Sources PC:** The company should ensure that its definition of this PC is transparent and any uncertainty in measurement is reduced.	1 April 2019	The company provides further evidence of its methodology. The measurement of the definition was revised following our May 2018 feedback. The company has provided further information in relation to the methodology and the Farmscoper model.	No intervention required. The company provides further evidence and justification that sufficiently addresses the action. In particular the company provides sufficient further information on its modelling approach.	NA
	BRL.OC.A40	ODI type	**Raw Water Quality of Sources PC:** The company should provide further evidence to justify why this PC has financial incentives associated with it, despite the evidence presented indicating that customers prefer non-financial incentives. The company should demonstrate how financial incentives will benefit customers. Alternatively the company should consider removing the outperformance payment from this PC.	1 April 2019	The company clarifies that the incentives have customer support and explains that the research showing customers favour non-financial incentives that was referenced was in relation to the 2015-20 definition and therefore does not apply to the 2020-25 definition.	No intervention required. The company provides sufficient evidence that customers benefit from outperformance for improving raw water quality, and has clarified that the customer research showing a preference for non-financial incentives is not directly relevant to this performance commitment.	NA
	BRL.OC.A41	ODI type	**Biodiversity Index PC:** The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support. The company should demonstrate how this ODI will benefit customers.	1 April 2019	The company continues to propose outperformance payments for this performance commitment and has undertaken further customer research to justify this approach. The company says customers support outperformance payments for this performance commitment due to the priority given to habitats around the lakes and reservoirs operated by the company. The company also argues this incentivises outperformance beyond legal minimums.	No intervention required. The company has provided sufficient evidence of customer support. It has also made a convincing argument for the benefits customers would receive from outperformance on this performance commitment, including the quality of the environment around the lakes and reservoirs operated by the company.	NA

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	BRL.OC.A42	Caps, collars, deadbands	**Biodiversity Index PC:** 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	1 April 2019	The company proposes retaining an underperformance collar. It argues that customers are supportive of the levels it proposes, The company has undertaken further customer research to show customer support for this approach. The company argues that the collar is at the level at which penalties for non-compliance with the water industry national environment programme come into effect. This therefore prevents double counting incentives.	No intervention required. The company has provided sufficient evidence to support its proposals. In particular, the company has demonstrated customer support and customer benefit from its proposals.. Beyond this level of poor performance, other (non- outcome delivery incentive) penalties will act as a further disincentive for poor performance	NA
	BRL.OC.A.43	Caps, collars, deadbands	**Waste disposal compliance PC:** 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.	1 April 2019	The company proposes retaining an underperformance collar. The company is proposing a collar level which is worse than historic performance. The company argues the collar prevents double counting with other penalties for breaching environmental standards, and that customers are broadly supportive of the principle of underperformance collars where the performance commitment is not core to water service delivery. The company has changed the deadband in its revised plan to 97% from 96% in its business plan.	Intervention required. We consider that the proposed collar is not set at a level that would provide appropriate incentives for the company. The range that underperformance payments would apply was too small to provide sufficient incentive. We consider that collars are appropriate, but at different levels to those the company proposed. The company is proposing a collar level which is worse than historic performance. Other companies have collars that are more in line with historic performance for similar performance commitments.	We are intervening to change the underperformance collar. We are setting the collar at 94% for every year of the 2020-25 period.
	BRL.OC.A.44	Definition	**Local community satisfaction PC:** The company should justify its reasoning for selecting the price control for this measure. The company should clarify how performance on each of the survey questions will be combined with the results of the qualitative interviews to give the overall performance score.	1 April 2019	The company is amending the price control allocation of this performance commitment to 80% water network plus and 20% water resources to be more reflective of the regulatory capital value allocation. The company has clarified how performance on each of the survey questions will be combined to give the overall performance score.	No intervention required. We recognise this performance commitment was under development at IAP stage and that significant additional information and definition has now been added. The new split across price controls appears to be appropriate and the company has provided the additional clarification requested.	NA
	BRL.OC.A.45	ODI type	**Local community satisfaction PC:** The company should provide further evidence to justify the use of	1 April 2019	The company provides additional justification explaining how the use of outperformance payments is supported	No intervention required.	NA

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			outperformance payments for this ODI and evidence of customer support for this approach. The company should demonstrate how this ODI will benefit customers. Alternatively, the company should consider removing the outperformance payments.		by customers as well as how this benefits customers through "wider societal benefits". Additional post-IAP research also shows customer support for outperformance on this measure.	The company has provided sufficient additional evidence of customer support, and a clear rationale for how customers will benefit from outperformance.	
	BRL.OC.A.46	ODI rate	**Local community satisfaction PC:** The company should either provide further evidence to demonstrate how it will avoid double counting outperformance on this PC with other incentives, or revise its ODI rates downwards (in absolute terms) to reflect this.	1 April 2019	The company provides further evidence that it has considered several potential overlaps and that these have been accounted for in the calculations. The company argues that the willingness to pay value for this outcome delivery incentive is not reflected in other performance commitments as the value derives from working in a different way with stakeholders, and that benefits are not currently accounted for in standard customer satisfaction measures. The willingness to pay is linked to specific initiatives that would be undertaken as a result of this outcome delivery incentive. Separately, the company amends its outcome delivery incentive rate as "Our assurance processes identified a minor error in the underperformance incentive rate, which we have updated."	No intervention required. The company provides evidence of how it has considered potential overlaps on this measure. Whilst there is some residual concern regarding one potential double counting of benefits from a performance commitment, the relative size of the P10 and P90 payments as well as the robustness of the company's general cost estimation leads us to conclude that this is unlikely to be a material issue for the outcome delivery incentive rates for this performance commitment. We have no concerns with the error correction identified by the company, which has only a very small impact on the outcome delivery incentive rate.	NA
	BRL.OC.A.47	Caps, collars, deadbands	**Local community satisfaction PC:** 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. The company provides evidence of customer support for its caps and collars for this performance commitment. The company undertook additional research on caps and collars for this performance commitment in March 2019, demonstrating customer support. The company argues that the collar is justified on the grounds that there are already reputational consequences and that all customers who participated in the Customer Forum event in July 2018 also supported proposals to include overall caps and collars on the incentive	No intervention required The company has provided sufficient evidence to support its proposals. In particular, the company has demonstrated customer support and customer benefit from its proposals. The company has undertaken additional research to demonstrate customer support. The company also sufficiently demonstrates that reputational incentives will incentivise performance improvement where performance falls beyond the cap or collar.	NA

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					package as a whole. The July 2018 customer forum evidence supports the approach being taken for caps and collars.		
	BRL.OC.A.48	Caps, collars, deadbands	**Abstraction Incentive Mechanism (AIM) PC:** 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. 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 is proposing to retain caps, collars and deadbands for this performance commitment. It argues that customers are supportive of the levels it proposes. Stating they have engaged customers further and they are supportive of the principles the company have applied. The company also states it did not have sufficient time to reengage with the Environment Agency around the design of this performance commitment. The company has previously said that the deadbands are due to poor historic data for this measure. The company has also previously argued that caps and collars for the abstraction incentive mechanism are integral with the abstraction being incentivised.	Intervention required. We consider that caps, collars and deadbands are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification. Accordingly, we consider they do not have sufficient customer support or benefit. In response to the company evidence: - 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. - There are other ways of protecting customers, such as the sharing mechanism for performance payments beyond 3% return on regulatory equity, other than the caps and collars proposed. - 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. The impact on the environment that customers are concerned about fluctuates, so it seems reasonable that the appropriate adjustments are made to bills. 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	We are intervening to remove the deadbands and collars for this performance commitment.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						assess financially material and our standard approach to setting caps and collars is set out in our 'outcomes policy appendix'. However, we do not have evidence that there are benefits if the performance commitment exceeds the level that the company set as a cap and so have kept this level.	
	BRL.AV.A3	Required	Bristol Water has not proposed a performance commitment on Priority Services Register (PSR) growth. It is proposing to increase its PSR reach from 0.5% in 2019/20 to 1.2% of customers in 2024/25. We consider this to be an insufficiently ambitious target. In addition, the company has checked 28.2% of PSR data over the past two years. We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): Bristol Water should include a Performance Commitment which involves increasing its PSR reach to at least 7% of its customer base (measured by households) by 2024/25 and committing to check at least 90% of its PSR data every two 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.	1 April 2019	Bristol Water adopts all three features of our common performance commitment by submitting a new performance commitment which commits it to reach 7% of households and data checking for 90% of customers.	Intervention required. The company adopts all three elements of our common performance commitment. We consider that it has met the proposal we set out. However we are amending the performance commitment levels for all companies, and so intervention is required.	We are intervening to amend the performance commitment levels for this common 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' .https://www.ofwat.gov.uk/publication/common-performance-commitment-outline-for-the-priority-service-register/).

Table 3 – Interventions not directly related to IAP actions

Intervention reference	Our assessment and rationale	Interventions
BRL.OC.C1 PR19BRL_PC28	Intervention required. We are removing the financial aspect of the Population at risk from asset failure performance commitment. However it is still necessary to incentivise the delivery	We are intervening to include a new performance commitment. We are including a performance commitment which has the following characteristics:

Glastonbury Street Network Resilience Performance commitment addition	of the Glastonbury Street area mains scheme and protect customers from non-delivery of the scheme. The Population at risk from asset failure performance commitment is not suitable to incentivise the delivery of the Glastonbury Street main, as the Glastonbury Street main will only be delivering a small fraction of the company's target of mitigating this risk for 542,886 customers. A performance commitment with an associated financial outcome delivery incentive focused on delivery of this scheme is more appropriate and protects customers from partial or non-delivery of the scheme.	Completion reported annually, with a performance commitment level of 0 expected months of delay by the end of 2024-25. An underperformance payment rate of -£0.0472 million per month late. This is calculated by multiplying the estimate of efficient costs (£5.667 million) by the cost sharing factor (assumed to be 50%) and then dividing by 60 to put into the appropriate units. The outcome delivery incentive will be underperformance only for 2024-25, with end-of-period revenue payments.
BRL.OC.C2 PR19BRL_PC03 Mains repairs Stretch	Intervention required. The company's forecast performance is roughly in line with its historical performance and its proposed forecast is worse than our assessment of expected level based on the industry's historical performance. We will intervene to set a more stretching target. The new service levels will be based on the 3 best years of historical performance in all years which we consider to be stretching but realistic. 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.	We are intervening to set the forecast service levels to the following values. 2020-21 = 121.7 2021-22 = 121.7 2022-23 = 121.7 2023-24 = 121.7 2024-25 = 121.7 The values are based at the average of the three best recent years' actual performance (2012-13, 2013-14 and 2015-16). We have selected this value in each year of the 2020-25 period. It represents an 8% improvement on the company's proposal.
BRL.OC.C3 PR19BRL_PC03 Mains repairs Caps and collars	Intervention required The performance commitment is a material contributor to-downside financial risk to the return on regulatory equity. When combined with the rest of the outcomes delivery incentive package, we consider the financial exposure to the company resulting from this performance commitment's underperformance payment rate would be disproportionate. As such, we are intervening to reduce the financial underperformance exposure by adjusting the underperformance collar. We are doing this through applying a graduated collar to manage exposure over the 2020-25 period such that it gradually increases to the P10 estimate by 2024-25 and limits exposure to approximately 1% return on regulatory equity. This is a change to our standard approach to setting collars. as set out in PR19 draft determinations: Delivering outcomes for customers policy appendix	We are intervening to set collars at the following levels 2020-21 = 146.0 2021-22 = 150.2 2022-23 = 154.4 2023-24 = 158.6 2024-25 = 162.8 Units: Mains bursts per 1,000km
BRL.OC.C4 PR19BRL_PC08 Properties at risk of receiving low pressure Stretch	Intervention required. The company has relatively poor comparative performance (above our 'good level' and is forecasting only 13% improvement in levels. We are therefore intervening to propose an improved level of service for 2020-25. 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.	We are intervening to set the forecast service levels to the following values. 2020-21 = 65 2021-22 = 61 2022-23 = 57 2023-24 = 53 2024-25 = 49 The values are based on upper quartile % reduction from 2019-20 to 2024-25 with a linear profile. It represent a 29% improvement on the company's proposal.
BRL.OC.C5 PR19BRL_PC19 Per capita consumption Stretch	Intervention required. The proposed performance commitment levels are insufficiently stretching. The company has some supply demand balance issues in the region, and trades water with its better performing neighbour. It has proposed 12% increase in metering, has outperformance payments on metering and also plans high leakage reduction which will have a positive impact on its per capita consumption. It proposes a reduction of 5%, which is less than the industry upper quartile of 6.3% by the end of the 2020-25 period. We are intervening to set the performance commitment levels to a 6.3% reduction by the end of the period, with a linear profile from baseline 2019-20 performance.	We are intervening to set the performance commitment percentage reduction levels to the following values: 2020-21 = 1.3% 2021-22 = 2.6% 2022-23 = 3.9% 2023-24 = 5.2% 2024-25 = 6.3% Units: percentage reduction in per capita consumption from initial levels on a three-year average basis.

	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 2024-25 percentage reduction of 6.3%.
BRL.OC.C6 PR19BRL_PC19 Per Capita Consumption (PCC) Caps and collars	Intervention required 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 customers policy appendix	We are intervening to set collars at the following levels 2020-21 = -8.6% 2021-22 = -8.6% 2022-23 = -8.6% 2023-24 = -8.6% 2024-25 = -8.6% Units: percentage reduction in per capita consumption from initial levels on a three-year average basis. We are intervening to set cap at the following levels 2020-21 = 9.9% 2021-22 = 9.9% 2022-23 = 9.9% 2023-24 = 9.9% 2024-25 = 9.9% Units: percentage reduction in per capita consumption from initial levels on a three-year average basis.
BRL.OC.C7 PR19BRL – NEP01 Water Industry National Environment Programme (WINEP) Delivery Performance commitment addition	Intervention required. We are 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 add an additional reputational performance commitment that measures whether the company has met all of its water industry national environment programme requirements in each reporting year.
BRL.OC.C8 PR19BRL_PC02 Supply interruptions Caps and collars	Intervention required 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 customers policy appendix	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 = 00:02:37 2021-22 = 00:02:20 2022-23 = 00:01:30

		2023-24 = 00:01:30 2024-25 = 00:01:30 Units: hours:minutes:seconds
BRL.OC.C9 PR19BRL_PC06 Customer contacts about water quality – appearance Caps and collars	Intervention required 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 customers policy appendix.	We are intervening to set collars at the following levels 2020-21 = 1.66 2021-22 = 1.66 2022-23 = 1.66 2023-24 = 1.66 2024-25 = 1.66 Units: Number of contacts per 1,000 people We are intervening to set cap at the following levels 2020-21 = 0.44 2021-22 = 0.38 2022-23 = 0.32 2023-24 = 0.32 2024-25 = 0.32 Units: Number of contacts per 1,000 people
BRL.OC.C10 PR19BRL_PC24 Water Industry National Environment Programme (WINEP) Compliance Definition	Intervention required. The company's proposed performance commitment levels do not take into account the risk of Amber schemes being removed from the water industry national environment programme. Given the uncertainty around the requirement to deliver schemes classified as "Amber" we have removed these from the scope of this performance commitment. This avoids unnecessary complexity in the performance commitments and outcome delivery incentives framework, which may require several revisions through the 2020-25 period.	We are intervening to set the definition to include only schemes specified as "Green" by the Environment Agency.
BRL.OC.C11 PR19BRL_PC04 Unplanned Outage Collars	Intervention required As we did not raise an action at IAP regarding a collar for this performance commitment, the company has not provided any additional evidence to support its proposals. We consider that a collars is 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 our 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to set collars at the following levels 2020-21 = 3.00 2021-22 = 3.00 2022-23 = 3.00 2023-24 = 3.00 2024-25 = 3.00 Units: % - Proportion of unplanned outage of the total peak week production capacity
BRL.OC.C12 PR19BRL_PC17 Void properties	Intervention required. We consider that caps, collars and deadbands are inappropriate for this performance commitment given the clear benefit to customers of bringing void properties in to billing. Caps, collars and deadbands would weaken the incentive of this performance commitment.	We are intervening to remove all caps, collars and deadbands. We are intervening to adjust the outcome delivery incentive rate based on an average wholesale bill of £170, marginal costs of £30, a cost sharing factor of 50%, and property numbers as provided by the company. The new rates are: Underperformance: £0.805 million per 1%

	Additionally, the company's proposed outcome delivery incentive rate does not accurately reflect the expected decrease in customer bills as a result of identifying voids. As such we have adjusted both underperformance and outperformance payment rates, based on the benefit of wholesale bill reduction to customers from void identification, customer numbers, and the efficient marginal cost of identifying voids. We set out our rationale for setting outcome delivery incentive rates for this performance commitment in PR19 draft determinations: Delivering outcomes for customers policy appendix.	Outperformance: £0.442 million per 1%
PR19BRL_PC14 Percentage of customers in water poverty	Intervention required The definition for the performance commitment, 'Percentage of customers in water poverty' was not sufficiently detailed regarding the calculation of customers in water poverty. It would not have been possible for us to be able to hold the company to account on its performance based on the information provided. We are intervening to change this performance commitment to a more straightforward measure of the number of customers who will benefit from the company's financial support measures. We have also changed the name of the performance commitment to "Helping those who are struggling to pay". The performance commitment levels are based on the company's own projections of customers receiving financial help, as set out in its business plan.	We are intervening to set the following service levels: 2020-21 = 18,774 2021-22 = 20,462 2022-23 = 22,151 2023-24 = 23,840 2024-25 = 25,259
BRL.OC.C12 PR19BRL_PC26 Abstraction incentive mechanism Definition and caps	Intervention required The company has incorrectly set its performance commitment level and cap as total abstraction rather than using the guidance calculation. We are intervening to correct the performance commitment level and the cap that has been applied to this performance commitment. If the baseline is 3,029.5 megalitres per year and the target abstraction is 2.843.4 megalitres then the performance commitment is 2,843.4 minus 3,029.5 which equals -186.1. Similarly if the cap is at a total abstraction of 2296 megalitres then the outperfromance cap should equal 2296 minus 3029.5 which equals -733.5.	We are intervening to set the committed performance level to -186.1 megalitres for every year and the outperformance cap to -733.5 megalitres each year.

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

Performance commitment reference	Company's response	Our assessment and rationale	Interventions
BRL.OC.D1 PR19BRL_PC18 Leakage Stretch	The company is proposing to revise its absolute leakage performance commitment levels for all years from 2017-18 to 2024-25 compared to its September 2018 submission. The company marginally increases its proposed percentage reduction between 2019-20 and 2024-25 but retains the volumetric reduction proposed in the September 2018 plan.	No intervention required. The company revised its forecast service levels to better values than its September 2018 plan values. We are accepting the revised values as they offer improved performance service levels.	NA

BRL.OC.D2 PR19BRL_PC04 Unplanned Outage Caps, collars and deadbands	The company is proposing to remove the deadbands. We did not raise an action at IAP regarding the deadbands tor the unplanned outage performance commitment.	No intervention required. We accept the company's proposal. 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.	NA

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

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