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Trust in water

PR19 draft determinations

Dŵr Cymru – Delivering outcomes for customers actions and interventions

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PR19 Draft Determinations: Dŵr Cymru - 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 'WSH' denotes the company Dŵr Cymru. 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 'WSH' denotes the company Dŵr Cymru. 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 preceded with a 'D'.

In Table 3 and Table 4, we also specify the performance commitment reference number provided by the company (the prefix 'PR19WSH_' denotes the company Dŵr Cymru), the name of the performance commitment, and the action type (for example, stretch).

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

Table 1 – Dŵr Cymru’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	WSH.OC.A1	PC definition	The company should clearly explain how it will assess its asset resilience PCs for a transparent and robust PC assessment including a worked example. Individual PC actions are set out in table 2.	1 April 2019	The company provides worked examples that detail how the scoring would be applied. The company provides further detailed evidence that shows which questions and assessments will be completed for two of its asset resilience performance commitments (PCs). The company does not provide clear explanation or evidence detailing the questions and assessments that will be used to assess performance of the remaining three performance commitments.	Intervention required. The company provides insufficient further information in regard to the questions and assessments that will be used to assess its asset resilience performance commitments. The company has provided detailed evidence of the assessment that will be undertaken for two out of five measures. We do not know if the other three measures have such detailed assessment plans. Even for these there are parts that rely on judgment without clear criteria of how that judgement should be applied. This prevents a transparent and robust performance commitment assessment by the company each year. The metrics proposed provide a broad picture of asset resilience. They also show a clear link between the mitigation measures proposed and performance as measured by the performance commitment. However, the metrics involve judgements that are unlikely to be made consistently without clear detailed criteria and are more appropriate as non-financial measures for the 2020-25 period until greater confidence can be placed on the scoring methodology and the benefits and outcomes delivered to customers from these measures.	We are intervening to set all five asset resilience performance commitments to reputational outcome delivery incentives (ODIs), with no financial incentives. We have also removed from the scoring some elements for which the criteria was unclear and made changes to other aspects to increase the clarity of the measurement.
	WSH.OC.A2	Performance reporting	The company should consider what reporting it will provide for external stakeholders beyond its annual performance report, including providing contextual information, to increase the impact of its Outcome Delivery Incentives (ODIs) on its reputation.	1 April 2019	The company provides further details regarding a range of existing methods the company is using for reporting to stakeholders as well as future actions to improve reporting to stakeholders further. The company provides further details on existing methods it uses for reporting to stakeholders. It also sets out proposals to improve the reporting. The company also states that it publishes its preliminary and interim financial results online (in June and November). These are promoted via press releases (including to local media) and social media. The company states that these reports and press releases include operational performance updates as well as financial data.	No intervention required. The company provides sufficient information to explain what further reporting it provides for external stakeholders. These provide further information to increase the impact of its outcome delivery incentives on its reputation.	NA
	WSH.OC.A3	ODI type	The company should provide further evidence why it set financial ODIs for PCs where customers preferred non-financial PCs.	1 April 2019	NA This action is dealt with in individual PC actions in Table 2.	No intervention required at a company level.	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	WSH.OC.A4	ODI rates	<p>The company should provide further evidence, either from its own customer base or wider industry studies, to demonstrate that the ODI incentive rates it proposes are reflective of customer valuations or willingness to pay for each financial ODI proposed. We note that the company proposes a number of ODI outperformance incentive rates that are of high magnitude relative to industry comparators. Whilst this may result from the methodology that the company has employed to calculate ODI incentive rates, the company is still required to demonstrate that the rates proposed are reflective of its customer valuations.</p> <p>The company should also provide further evidence to justify and demonstrate the following specific concerns with the methodology that it has selected:</p> <p>The company provides the total underperformance and outperformance payments ranges in Table 5 of Appendix 5.5, which have been used to inform the maximum payment ranges set out in Table 6 for each customer importance category. The company should provide further detail as to the exact process and considerations made when determining the payment ranges of £25m, £13m and £7m for each customer importance category from the values in Table 5.</p> <p>The company should clarify the process by which the ODI incentive rates for each measure were calculated from the maximum payment ranges developed. In particular, the company should provide the underlying workings to demonstrate how the Measure of Success (MOS) and willingness to pay (WTP) research has been used to inform the total financial incentive per category and how the rates have been</p>	1 April 2019	<p>The company provides additional evidence that explains that it has revised ODI rates for some PCs to be in line with the lower bound of our reasonable range set out at IAP and our customer valuations. The company does not demonstrate that the outcome delivery incentive rates it proposes are reflective of customer valuations or willingness to pay for each financial outcome delivery incentive proposed.</p> <p>The company provides detail to explain the process and considerations made when determining the payment ranges of £25 million, £13 million and £7 million.</p> <p>The company provides evidence of the process for calculating payment ranges and total financial incentive.</p> <p>The company provides further evidence to explain the methodology for calculating outcome delivery incentive rates. The company does not provide further evidence to demonstrate that customers are willing to pay for the outcome delivery incentive rates and service increments developed by the company's methodology.</p> <p>The company revises its rates for internal sewer flooding, leakage and pollution incidents to be in-line with willingness to pay and the lower bound of our reasonable range set out in the IAP.</p> <p>The company provides its rationale for not proposing any changes to performance commitments or outcome delivery incentives arising from rejection or revisions to enhancement expenditure or cost adjustment claims. The company explains that there are no changes to the aggregate enhancement expenditure or cost adjustment claims with a performance commitment or outcome delivery incentive attached.</p> <p>The company provides evidence detailing how it estimates its forecast efficient marginal costs within its outcome delivery incentive calculations. The company explains that the methodology includes cost adjustment claims and enhancement expenditure.</p>	<p>Intervention required.</p> <p>The company explains that it has revised its outcome delivery incentive rates for some common performance commitments to be in line with the lower bound of our reasonable range and customer valuations. We assess whether the company has provided sufficient evidence regarding its rates for internal sewer flooding, leakage and pollution incidents in our performance commitment specific action responses in Table 2.</p> <p>However the company has not used performance commitments specific willingness to pay or customer research for its bespoke performance commitments. Bespoke performance commitments remain grouped into three categories based on customer priorities with outcome delivery incentive rates back-calculated from maximum P90 payments of either £7 million, £13 million or £25 million. We are concerned that the company's package may incentivise it to pursue outcome delivery incentive payments that do not adequately reflect customer benefits or priorities. The company provides sufficient evidence of the process for calculating payment ranges and total financial incentives.</p> <p>The company explains the methodology for calculating outcome delivery incentive rates. However, the company provides insufficient evidence to demonstrate that customers are willing to pay for the outcome delivery incentive rates and service increments developed by the company's methodology.</p> <p>The company provides sufficient justification for not proposing any changes to PCs or ODIs arising from rejection or revisions to enhancement expenditure or cost adjustment claims. Where we are intervening to change cost allowances in ways that impact performance commitments, this is discussed in Table 3 below.</p>	<p>We are intervening to apply revised outcome delivery incentive rates to the following performance commitments:</p> <ul style="list-style-type: none"> Bioresources disposal compliance Bioresources product quality Business customer satisfaction Km of river improved (Water Industry National Environmental Programme) Lead pipes replaced Surface water removed from sewers Total complaints Unbilled properties <p>We are also intervening to remove outperformance and underperformance payments for a number of bespoke performance commitments.</p> <p>We are also intervening on a number of common performance commitment outcome delivery incentive rates.</p> <p>Each of these is discussed in the relevant performance commitment specific actions in Table 2 and Table 3 below.</p>

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>calculated using the P10 and P90 within Appendix Ref 5.5 (p20).</p> <p>The company should provide further evidence to demonstrate that customers are willing to pay for the ODI rates and service increments developed by the company's methodology. It is observed, for example, that WTP for company outperformance on internal sewer flooding, leakage and pollution incidents (Table 5) is lower than the £25m maximum payment range assigned for the measure (table 4, Appendix 5.5).</p> <p>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.</p> <p>In cases where a scheme will no longer be undertaken, the company should consider the removal of the associated scheme-specific PC.</p> <p>The company should provide further evidence to detail the estimation of forecast efficient marginal costs within its ODI 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, where applicable.</p>				
	WSH.OC.A5	ODI deadbands, caps and collars	<p>The company should review its P10 and P90 estimates for individual ODIs (as well as its underperformance collars and outperformance caps) to ensure that they are robust and a fair reflection of extreme performance outcomes.</p> <p>The company should reach a decision as to whether its P10 and P90 estimates (and its cap and collar levels) for each individual financial ODI should</p>	1 April 2019	<p>The company proposes to retain caps and collars on all performance commitments. It considers all performance commitments to qualify based on being financially significant (as defined in the IAP) or due to uncertainty from severe weather, poor historical data or the uniqueness of the performance commitment. As it has changed some outcome delivery incentive rates, its P10 and P90 estimates have changed.</p>	<p>No intervention required at a company level.</p> <p>We assess the caps and collars for individual performance commitments in specific performance commitment actions in Table 2.</p>	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>be revised, and it should provide a convincing and well-evidenced justification for each of these ODI-specific decisions.</p> <p>The company should provide ODI-specific evidence to support its use of caps and/or collars on particular ODIs, 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.</p> <p>The company should provide justification for the levels at which all of its caps and collars are set, with the company explaining why these levels are appropriate and in customers' interests.</p>		The company has carried out further research which shows customers are in principle supportive of caps and collars (70% find them to be acceptable).		
	WSH.OC.A6	Overall ODI package	The company should provide further evidence that it has tested the acceptability and affordability of the overall size of its ODI package with customers and there should be a clear line of sight from customer engagement and valuations to the final ODI package proposed.	1 April 2019	In line with company's revised outcome delivery incentive package in its revised business plan, the company has tested with customers a bill variability associated with outcome delivery incentives of up to a £20 increase or a £30 decrease per year. The company presents evidence to show that a significant majority of customers find this bill range acceptable. However, the company also states that given the choice, more customers would prefer a smaller bill range than a larger one. The company has further reduced incentives for several measures, which reduces the maximum bill impact based on its final revised outcome delivery incentive package to an £18 increase or a £24 decrease per year. The company presents evidence that shows it has accounted for the importance that customers place on certain service measures and explains how this has translated into the outcome delivery incentive package proposed.	<p>No intervention required at a company level.</p> <p>The company provides further evidence that it has tested the acceptability and affordability of the overall size of its outcome delivery incentive package with customers.</p> <p>We are intervening on an individual performance commitment basis to address any specific performance commitment actions relating to incentives in Table 2.</p>	NA
	WSH.OC.A7	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	1 April 2019	The company proposes to remove outperformance payments on its asset health performance commitments, due to insufficient customer support. The company has also	No intervention required.	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>company should remove the outperformance payments.</p> <p>The company should provide a clear list of what it considers to be its asset health PCs, and state its P10 underperformance payments and P90 outperformance payments for each of its asset health ODIs in £m and as a percentage of RoRE.</p>		<p>provided a list of what it believes are its asset health performance commitments as opposed to service measures. It has provided P90 and P10 performance payments for each performance commitment.</p> <p>The company states that its P10 underperformance payment over the period is equal to £45 million of penalties (0.37% return on regulatory equity). The P90 outperformance payment over the period is £18 million (0.15% of return on regulatory equity).</p>	<p>The company has complied with the action and provided its P10 and P90 payments for each asset health performance commitment. It has also removed the outperformance payments on its asset health performance commitments.</p>	
	WSH.OC.A8	Customer protection	<p>The company should explain clearly how its incidence process works to protect customers from bill volatility and how these measures provide the same level of customer protection as those outlined in 'Technical appendix 1: Delivering outcomes for customers'.</p>	1 April 2019	<p>The company has provided further information about how it protects customers from bill volatility.</p> <p>The company states that it does not need to implement our proposed sharing mechanism as its proposal goes further by sharing 50% of all net outperformance payments through bill reductions, with the remainder invested or used to reduce bills further.</p>	<p>Intervention required.</p> <p>The company provides sufficient further information regarding how its process works to protect customers from bill volatility.</p> <p>The measures as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix' complement those proposed by the company. As such we will implement them to have consistency across the industry. The further mechanisms proposed by the company should protect its customers on top of this.</p>	<p>We are intervening so that companies share 50:50 any gains above 3% return on regulatory equity.</p> <p>We are intervening to apply caps and collars to financially material performance commitments at appropriate levels.</p>

Table 2 – Dŵr Cymru’s response to required PC-specific 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	WSH.OC.A9	Caps, collars and deadbands	<p>Tap Water Quality Compliance Risk Index PC: As set out in the methodology we noted a deadband may be appropriate. It is important that the range of underperformance to the collar is adequate to provide clear incentives for companies to deliver statutory requirements.</p> <p>The company should set a deadband at 1.50 for 2020-25.</p>	1 April 2019	<p>The company proposes to revise its deadband from equivalent to performance in the top one-third of companies’ performances, to 2.58 for 2020-25.</p> <p>The company argues that our proposed deadband value seems likely to be unachievable for most companies in most years. The company sets out the following reasons why this may be the case:</p> <ul style="list-style-type: none"> - A single deadband across companies does not take into account that some companies set higher underperformance rates than others. - The new measure is volatile and setting upper quartile based on one year’s performance does not reflect this. <p>Additionally the company argues that a relative measure is advantageous to an absolute measure as it can automatically recalibrate over time. Given the design of the measure, large companies may be worse off as they will not have the same volatility in the measure that smaller companies do.</p>	<p>Intervention required.</p> <p>The company’s justification for adopting a different deadband to the one we proposed is insufficient. We do not consider the relative size of underperformance rates to be of high importance when considering the appropriate deadband rates. We consider that deadbands reduce the incentive for companies to improve their performance, regardless of the outcome delivery incentive rates with which they are associated. However, deadbands are expected on this performance commitment as the performance commitment level is set at 0, which is the best achievable. A deadband set at the levels we are proposing allows for some fluctuation in performance, whilst providing a strong incentive to minimise compliance failures. The deadband is set at standard level to reflect the standard nature of the performance commitment level.</p> <p>The measure can fluctuate like all others, but existing performance data does not suggest volatility.</p> <p>As stated in our methodology document for PR19, we discussed with DWI whether CRI disadvantages large or small companies, but did not find evidence this was clearly the case. Therefore we will not accept the evidence that companies are disadvantaged due to size.</p> <p>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.</p>	<p>We are intervening to set a standard deadband. The deadband profile for the Compliance Risk Index is:</p> <p>2020-21 = 2.0 2021-22 = 2.0 2022-23 = 1.5 2023-24 = 1.5 2024-25 = 1.5</p> <p>Units: Compliance Risk Index Score.</p>
	WSH.OC.A10	Stretch	<p>Water supply interruptions PC: For this common PC we expect all companies’ service levels to reflect</p>	1 April 2019	<p>The company does not propose to apply our calculated levels. The company challenges our methodology</p>	<p>Intervention required.</p>	<p>We are intervening to set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels are:</p>

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			the values we have calculated for each year of the 2020 to 2025 period.		<p>for calculating the forecast upper quartile. The company states that our approach does not account for customer numbers, and challenges the inclusion of Yorkshire Water's performance commitment levels, due its use of deadbands.</p> <p>The company also raised a lack of network connectivity, population sparsity and lack of customer support as company-specific factors.</p>	<p>In calculating forecast upper quartile levels, we have not excluded company forecasts because we recognise the information asymmetry that exists between us and companies and that forecast levels can be unrealistic in either direction (too high or too low). We have assessed the scale of performance and improvement in previous periods. Based on similar performance commitments which apply during the 2015-20 period, companies have generally outperformed levels that they accepted both in the run-up to and during the 2015-20 period.</p> <p>Our draft determinations take into account customers' views on performance levels, as well as historical and forecast performance levels across the sector. In some instances this results in our draft decisions on performance commitment levels differing from the level supported by customers. We are satisfied that our decisions provide strong customer protection and appropriately incentivise the company.</p> <p>We do not consider the company's rationale for being treated differently to the industry is well justified since it does not quantify the impact on the interruption time relative to the upper quartile levels.</p> <p>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.</p> <p>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'.</p>	<p>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</p> <p>Units: hours:minutes:seconds.</p>
	WSH.OC.A11	ODI rates	Water supply interruptions PC: The company should explain why its proposed rates differ from our	1 April 2019	The company proposes to remove the top-down scaling factors it had previously applied to its outcome	Intervention required.	We are intervening to set the underperformance rate by re-triangulating across the company's valuation research outputs. We are intervening to set the outperformance rate at

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			<p>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.</p> <p>The company should provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODIs rate for supply interruptions and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>		<p>delivery incentive rates and re-triangulating its rate based on the outputs of its valuation research and the outcome delivery incentive rates proposed in companies' September Business Plans.</p>	<p>In re-triangulating its outcome delivery incentive rates, the company appears to have arbitrarily set its rates at the lower bound of the industry average, as defined by the reasonable range set out in PR19 draft determinations: Delivering outcomes for customers policy appendix', despite its own valuation research indicating that a higher value would be appropriate.</p> <p>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'.</p>	<p>the underperformance rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' September business plans (as explained in PR19 draft determinations: Delivering outcomes for customers policy appendix).</p> <p>The resulting underperformance and outperformance rates are -£0.745 million and £0.621 million per minute per property, respectively.</p>
	WSH.OC.A1.2	Stretch	<p>Pollution incidents from Wastewater PC: For this common PC we expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.</p>	1 April 2019	<p>The company does not propose to apply our proposed levels. The company says the present metric is not suitable and proposes an alternative 'multi-asset' approach.</p> <p>The company argues that the upper quartile should be calculated on a different basis: weighted by customers rather than at a company level. The company suggests an alternative measure of performance, "multi-asset approach", rather than our measure.</p>	<p>Intervention required.</p> <p>Our approach to measuring this performance commitment is aligned to the Environment Agency and Natural Resources Wales measures on the Environmental Performance Assessment and as such we consider it suitable. We understand that the EPA is currently being reviewed but is unlikely to change to a multi-asset approach, as such we consider the current definition suitable.</p> <p>We do not think the upper quartile should be weighted by customer since this assumes that companies have forecast upper quartile performance based on customers, which they do not appear to have done and is inconsistent with our approach to incentivising companies to perform in line with industry leading levels.</p> <p>We have set a single benchmark level based on the upper quartile of company forecasts in business plans of upper quartile performance.</p>	<p>We are intervening to set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels are:</p> <p>2020-21 = 24.5 2021-22 = 23.7 2022-23 = 23.0 2023-24 = 22.4 2024-25 = 19.5</p> <p>Units: incidents per 10,000 km of sewer.</p>

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						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'.	
	WSH.OC.A13	ODI type	<p>Pollution incidents from Wastewater PC: The company should provide further evidence to justify the use of outperformance payments for this ODI and evidence of customer support for this approach.</p>	1 April 2019	The company has not provided further customer evidence regarding its pollution incidents performance commitment.	<p>No intervention required.</p> <p>The company did not provide additional evidence of customer support for outperformance payments for pollution incidents performance commitment. We are intervening to ensure that the company's service levels are set at the forecast upper quartile. In line with our policy in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', where a company's forecast performance will be at or above upper quartile but we are unclear of customer support we will retain the outperformance payment but adjust the outperformance rate given concerns about customer support (see WSH.OC.A14). There is a clear customer benefit from financial incentives to outperform on pollution incidents.</p>	NA
	WSH.OC.A14	ODI rates	<p>Pollution incidents from Wastewater PC: 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 pollution incidents.</p> <p>The company should provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODIs rate for pollution incidents and assess the appropriateness of the company's</p>	1 April 2019	The company proposes to remove the top-down scaling factors it had previously applied to its outcome delivery incentive rates and re-triangulating its rate based on the outputs of its valuation research and the outcome delivery incentive rates proposed in companies' September Business Plans.	<p>Intervention required.</p> <p>We have not identified any concerns with the quality of the company's willingness to pay research (submitted as part of the September business plan) and the resulting outcome delivery incentive rates following the removal of the scaling factors are aligned to the industry average, as defined by the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. However, the company has not provided new evidence of customer support for outperformance payments for this performance commitment (see WSH.OC.A13) and so we are intervening to reduce the outperformance rates.</p>	We are intervening to reduce the outperformance payment to the lower bound of, the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. This results in an outperformance payment of £0.177 million per incident per 10,000km of sewer.

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			<p>customer valuation evidence supporting its ODI.</p> <p>The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for all other sewerage PCs (including Internal sewer flooding, Sewer collapses, External sewer flooding) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.</p>			<p>We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.</p>	
	WSH.OC.A15	ODI rate	<p>Leakage PC: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in leakage.</p> <p>The company should provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODIs rate for leakage and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>	1 April 2019	<p>The company proposes to remove the top-down scaling factors it had previously applied in its September business plan to its outcome delivery incentive rates and has re-triangulated its rate based on the outputs of its valuation research and the outcome delivery incentive rates proposed in companies' September Business Plans.</p>	<p>No intervention required.</p> <p>We have not identified any concerns with the quality of the companies' willingness to pay research or triangulation and its proposed rates are in line with the industry average, as defined by the reasonable range set out in our 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.</p> <p>We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.</p>	NA
	WSH.OC.A16	Stretch	<p>Per Capita Consumption (PCC): The company should reconsider its proposed service levels and ensure that these are stretching. The company should clearly set out the evidence and rationale for the revised targets.</p>	1 April 2019	<p>The company revises its proposed performance commitment levels. The company does not accept our assessment and explains that incremental reductions in per capita consumption are not always in customers' interests. The company rejects the validity of like-for-like cross-industry comparisons but appreciates that its reported values are higher than the industry average. The company revises its proposal in view of further information available and proposes to</p>	<p>Intervention required.</p> <p>The company's proposed reduction is not sufficiently stretching to improve the company's performance on a comparative basis. The company has limited supply demand balance issues which is part of our rationale for intervening. The values are based on the upper quartile 2024-25 percentage reduction of 6.3%.</p>	<p>We are intervening to set percentage reduction levels that are consistent with the rest of the industry for per capita consumption. These levels are:</p> <p>2020/21 = 1.0% 2021/22 = 2.0% 2022/23 = 3.0% 2023/24 = 4.6% 2024/25 = 6.3%</p> <p>Units: percentage reduction in per capita consumption from initial level on a three-year average basis.</p>

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					increase its targeted reduction from 4.1% to 4.8%. This reduces the 2024-25 per capita consumption figure by 1 litre per person per day in comparison with the September 2018 business plan. The company explains that it considers its proposal to be at an appropriate level for its region that strikes a fair balance between the interests of customers and the environment.	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'.	
	WSH.OC.A17	ODI type	<p>Per Capita Consumption (PCC): The company should provide further evidence to justify the use of a non-financial incentive for this PC and evidence of customer support for this approach.</p> <p>Alternatively, the company should formulate a financial ODI supported by evidence to justify the customer valuation and forecast efficient marginal cost inputs it proposes.</p>	1 April 2019	<p>The company proposes to maintain its non-financial incentive on the performance commitment.</p> <p>The company sets out further customer evidence that shows 35% of customers support financial rewards on per capita consumption whilst 44% say there should not be rewards or penalties.</p>	<p>Intervention required.</p> <p>We consider the company has failed to fully justify why this should not be a financial outcome delivery incentive.</p> <p>The company does not provide the underlying detail to the customer evidence, only 44% customers agree with a non-financial incentive and the company is a comparatively poor performer with forecast service levels below upper quartile. Financial incentives better aligns the interests of investors and company management with those of customers. The company has poor comparative performance on this measure and a financial incentive will also focus management on improving service performance on per capita consumption and protects customers if the company does not deliver. Therefore we are concerned that the company has no underperformance incentive on this.</p>	We are intervening to introduce an underperformance only financial outcome delivery incentive. We are setting the rate at £-0.296 million, the industry average rate.
	WSH.OC.A18	ODI rate	<p>Per Capita Consumption (PCC): Should the company propose a financial ODI, the company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service</p>	1 April 2019	The company is continuing to propose a non-financial outcome delivery incentive for this performance commitment.	<p>Intervention required.</p> <p>Intervention required following our assessment of the company's response to our action on outcome delivery incentive type (see WSH.OC.A17).</p> <p>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 '.</p>	We are intervening to set an underperformance rate at the industry average (on a normalised basis). The resulting underperformance rate is -£0.296 million per litre per head per day.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>improvements in per capita consumption.</p> <p>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 appropriateness of the company's customer valuation evidence supporting its ODI.</p>				
	WSH.OC.A19	Stretch	<p>Sewer flooding on customer property (internal) PC: For this common PC we expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.</p>	1 April 2019	<p>The company does not propose to apply our proposed levels. The company states that this is due to more severe weather events in its area, lack of customer support for improvements, and the performance commitment not accounting for customer numbers. The company states it is not able to supply the industry data required to support its claim about severe weather.</p>	<p>Intervention required.</p> <p>The company has not provided sufficient compelling / quantifiable evidence and we do not consider the company's rationale for being treated differently to the industry on the grounds of company-specific factors is sufficiently justified.</p> <p>We consider that company specific adjustments are only appropriate where evidence presented is compelling and quantifiable. Whilst the company states it is disadvantaged by more common severe weather events leading to flooding it does not provide any empirical evidence for its justification.</p> <p>Our draft determinations take into account customers' views on performance levels, as well as historical and forecast performance levels across the sector. In some instances this results in our draft decisions on performance commitment levels differing from the level supported by customers. We are satisfied that our decisions provide strong customer protection and appropriately incentivise the company.</p> <p>We have set a single benchmark level based on the upper quartile of company forecasts in business plans of upper quartile performance.</p>	<p>We are intervening to set performance commitment levels that are consistent with the rest of the industry for internal sewer flooding. These are:</p> <p>2020-21 = 1.68 2021-22 = 1.63 2022-23 = 1,58 2023-24 = 1.44 2024-25 = 1.34</p> <p>Units: internal sewer flooding incidents per 10,000 properties.</p>

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						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'.	
	WSH.OC.A20	ODI rates	<p>Sewer flooding on customer property (internal) PC: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in internal sewer flooding.</p> <p>The company should provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rate for internal sewer flooding and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p> <p>The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for all other sewerage PCs (including Sewer collapses, External sewer flooding, Pollution incidents) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.</p>	1 April 2019	The company proposes to remove the top-down scaling factors it had previously applied to its outcome delivery incentive rates and re-triangulating its rate based on the outputs of its valuation research and the outcome delivery incentive rates proposed in companies' September business plans.	<p>Intervention required.</p> <p>While we have not identified any concerns with the quality of the company's willingness to pay research submitted as part of the September business plan, its revised outcome delivery incentive rates are materially below the industry average, as defined by the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. Its rates also imply a materially lower level of customer protection against incremental underperformance compared to the rates which apply to its equivalent 2015-20 performance commitment.</p> <p>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'.</p>	<p>We are intervening to set the outperformance rate by re-triangulating across the company's willingness to pay values, the lower bound of the industry average, as defined by the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', and the company's equivalent 2015-20 outcome delivery incentive rate. We are intervening to set 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' September business plans (as explained in PR19 draft determinations: Delivering outcomes for customers policy appendix).</p> <p>This results in underperformance and outperformance rates of -£5.484 million and £4.570 million per incident per 10,000 connections, respectively.</p>
	WSH.OC.A.21	Stretch	<p>Risk of severe restrictions in a drought PC: The company should explain its level of stretch and submit the intermediate calculation outputs as shown in the common definition guidance</p>	1 April 2019	The company has provided a brief breakdown of risk at a water resource zone level provided. The company has not provided intermediate calculations showing the supply-demand balance	<p>Intervention required.</p> <p>The levels seem appropriate however few intermediate calculations have been provided. Intermediate calculations give us confidence that companies have followed our definition appropriately and allow us to</p>	<p>This is a sector wide action.</p> <p>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).</p>

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			published on our website for the drought resilience metric.		and resulting risk (both baseline and performance commitment).	<p>intervene effectively if we do not consider the service levels are stretching.</p> <p>We would like companies to confirm that their performance commitment levels are reflective of their water resources management plan position.</p> <p>We would like companies to confirm which programmes of work will impact their risk profile forecasts.</p> <p>If companies do not provide the intermediate calculations this may impact our assessment of levels throughout the 2020-25 period since there needs to be consistency to make years comparable.</p>	<p>The company should confirm that their performance commitment levels are reflective of their water resources management plan position. This should include the potential that it will have access to drought orders and permits</p> <p>The company should confirm which programmes of work will impact their risk profile forecasts.</p>
	WSH.OC.A.22	Definition	<p>Risk of sewer flooding in a severe storm PC: The company should adopt the standard definition in full, providing full details of any assumptions in its measurement and reporting methodology, including all the information set out in section 3.6 of Developing and Trialling Wastewater Resilience Metrics, Atkins.</p>	1 April 2019	<p>The company confirms that it will adopt the full standard definition. It provides full details of the assumptions in its measurement and reporting methodology and includes all the information set out in section 3.6 of Developing and Trialling Wastewater Resilience Metrics, Atkins. The company has increased the scope of its assessment compared to its September 2018 business plan, and has increased the population at risk.</p> <p>The company argues that because a large percentage of its population is un-modelled, the percentage of its population reported at risk is higher than would be the case using the modelled (1b) approach. It states that this is because it is unlikely that model flooding predictions would suggest 100% of population served within the modelled catchment is likely to be at risk of flooding. The company states that as a result of this situation, it is expected that as the company's model coverage increases, the percentage of the population which would be considered vulnerable will decrease.</p>	<p>Intervention required.</p> <p>The company provides sufficient evidence that it has satisfied this action and the significant increase in the scope and scale of the assessment by the company is welcomed. Additionally, the company provides further details relating to causes of changes to its targets and forecast levels that may be useful during future industry discussions on the measure.</p> <p>We recognise that there is a very significant uplift in population at risk due to the new approach, which is concerning. However, the company's goal to improve model coverage should lead to a better understanding of its flood risk in its catchments. It should also reduce the population classified at risk. The plans to increase hydraulic model coverage are therefore welcomed.</p> <p>We have improved the definition of this common performance commitment in consultation with the industry following our IAP. We expect companies to confirm that they will be updating their approach to flooding resilience in line with the revised definition.</p>	<p>We are intervening to set out that the company should confirm that it is:</p> <ul style="list-style-type: none"> using the updated parameters in the catchment vulnerability assessment; (and setting out any additional criteria that they intend to use); reporting the extent to which they use 2d or simpler modelling; and adopting FEH13 rainfall as standard and, if not, when it expects to do so.
	WSH.OC.A2.3	ODI rate	<p>Water mains bursts PC: The company should explain and evidence how its proposed ODI rate</p>	1 April 2019	<p>The company does not propose to change its outcome delivery incentive rate. It does not have willingness to</p>	<p>Intervention required.</p> <p>The company has complied with our action</p>	<p>We are intervening to increase the company's underperformance payment rate to -£0.102 million, based on the average of the reasonable range as set out in 'PR19 draft</p>

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>for mains bursts is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (such as 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.</p> <p>The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODIs rate for mains bursts and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>		<p>pay for this measure. They have however they asked customers about the priority for incentives. For this particular performance commitment customers gave it a low priority as they consider the incentives are also covered in the related service measures, this results in a maximum penalty of £7 over 5 years. In addition the company states it has used 'a broad range of customer research techniques to inform ODI rates', however it is not clear what these are. The company states that it has reviewed its outcome delivery incentive rate relative to other measures and is satisfied that the marginal benefit from improvements in service are independent and relate to separate benefits. Although there may be a limited overlap for mains bursts, it does not have an outperformance financial incentive on this measure. There may be a limited interdependence for the underperformance payments.</p>	<p>to explain the formulation of its outcome delivery incentive rate and its customer valuation evidence, it has not used willingness to pay, but instead sought the views of its customers through a prioritisation exercise which has been used to inform rates. The company sufficiently explains how its rate is coherent with rates proposed for other asset health and service related performance commitments. This has been done through a joint customer prioritisation exercise for both asset health and non-asset health performance commitments. This should ensure that there no double counting of incentives.</p> <p>Whilst this approach could have been improved through additional triangulation exercises, we consider it acceptable, however we have concerns that its underperformance is below the lower bound of our reasonable range as set out in PR19 draft determinations: Delivering outcomes for customers policy appendix, and will not protect customers effectively. Therefore we will intervene to set the rate at the average of the range to ensure customers are protected sufficiently. We have not intervened further as the company has good comparative performance.</p> <p>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'.</p>	<p>determinations: Delivering outcomes for customers policy appendix'.</p>
	WSH.OC.A 24	Definition	<p>Water process unplanned outages 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).</p>	1 April 2019	<p>The company reports that compliance for all components of the definition has been audited against the requirements of the definition. The company reports that it has been assessed as having complied fully with the requirements for 2019.</p> <p>The company notes that this is a new measure and it does not yet have fully automated processes in place, and is relying on manual processes to capture</p>	<p>No intervention required.</p> <p>The company has complied fully with the performance commitment definition and has further work in place to improve the accuracy of its reported figure.</p> <p>This is confirmed by the independent auditor.</p>	NA

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					the underlying data. The company is putting changes in place by April 2020 that will improve the accuracy and reliability of the reported figure.		
	WSH.OC.A 25	Stretch	Water process unplanned outages 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 resubmit 2019-20 to 2024-25 forecast data in the 15 May 2019 submission. The company should also report its current and forecast company level peak week production capacity (PWPC) (MI/d), the unplanned outage (MI/d) and planned outage (MI/d) in its commentary for the May submission.	15 May 2019	The company provides audited 2018-19 performance data and 2019-20 to 2024-25 forecast data along with the associated sub-components. The company provides its performance figure for 2018/19 as 2% with an overall confidence grade of B3, and states it does not yet have fully automated processes in place for this measure, and still relies on manual processes to capture the underlying data. The company's 2020-25 targets are based on the 2018-19 performance and it explains the forecast reflect its unchanged commitment to stable performance in this area.	<p>No intervention required</p> <p>The company provides the required information and it is considered acceptable. Its forecast performance for 2024-25 is approximately aligned to the median level from all forecast service levels provided. Therefore we consider the forecast service level to be adequate.</p> <p>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'.</p>	NA
	WSH.OC.A 26	ODI type	Water process unplanned outages PC: The company should propose an underperformance incentive rate for this PC, supported by evidence to justify the customer valuation and forecast efficient marginal cost inputs it proposes.	1 April 2019	The company has retained its reputational only incentive for this performance commitment. It conducted additional customer engagement, the results from which were provided in a supplementary submission on the 30th of April. This shows that that 44% of customer support a non-financial incentive on this measure, the rest supported a financial measure or were unsure. The company explains to its customers that unplanned outage does not have a direct impact on service and that there are incentives on interruptions to supply.	<p>Intervention required.</p> <p>We consider the company has failed to fully justify why this should not be a financial outcome delivery incentive.</p> <p>The company does not provide the underlying detail to the customer evidence, only 44% customers agree with a non-financial incentive. The research included asking customers if the three performance commitments with non-financial incentives should be retained as reputational. Customers were provided with reasons for the incentives being reputational but were not provided with a choice i.e. the benefits of financial incentives. We consider this approach to be insufficiently robust. We note that customers were informed that if customers' supply of water is interrupted the company is incentivised financially through the supply interruptions performance commitment.</p>	We are intervening to change the company's outcome delivery incentive type from non-financial to underperformance payment only.

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						<p>Financial incentives better aligns the interests of investors and company management with those of customers. The company has good comparative performance on this measure nevertheless a financial incentive will protect customers if the company does not deliver. Therefore we are concerned that the company has no underperformance incentive</p> <p>We will therefore intervene to introduce a financial incentive for this performance commitment.</p>	
	WSH.OC.A.27	ODI rate	<p>Water process unplanned outages PC: The company should propose a financial underperformance incentive and explain and evidence how its proposed ODI rate 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.</p> <p>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.</p>	1 April 2019	The company has retained this performance commitment as reputational only.	<p>Intervention required.</p> <p>The company has not proposed an underperformance rate (see WSH.OC.A26). We will therefore intervene to set an underperformance outcome delivery incentive rate for this performance commitment. The company has no performance issues on this performance commitment.</p> <p>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'.</p>	We are intervening to set the company's underperformance payment rate to -£0.853 million, based on the average of the reasonable range as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.
	WSH.OC.A.28	ODI rate	<p>Water and wastewater Treatment works compliance PC: The company should explain and evidence how its proposed ODI rate is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (such as river water quality) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises</p>	1 April 2019	The company does not propose to change its outcome delivery incentive rate. It does not have willingness to pay for this measure. They have however they asked customers about the priority for incentives. For this particular PC customers gave it a low priority as they consider the incentives are also covered in the related service measures, this results in a maximum penalty of £7 over 5 years. In addition the company states it has used 'a	<p>No intervention required.</p> <p>The company has explained the formulation of its outcome delivery incentive rate and its customer valuation evidence, it has not used willingness to pay, but instead sought the views of its customers through a prioritisation exercise which has been used to inform rates. The company sufficiently explains how its rate is coherent with rates proposed for other asset health and service related performance commitments. This has</p>	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			<p>performance in the long and short-term.</p> <p>The company should provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for treatment works compliance and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>		<p>broad range of customer research techniques to inform ODI rates', however it is not clear what these are.</p> <p>The company states in its IAP response that it has reviewed its outcome delivery incentive rate relative to other measures and is satisfied that the marginal benefit from improvements in service are independent and relate to separate benefits. It also states there may be a limited interdependence with underperformance incentives with other measures, but goes on to state that any long-term deterioration on long-term asset health will result in penalties in the short-term service related measures.</p>	<p>been done through a joint customer prioritisation exercise for both asset health and non-asset health performance commitments. This should ensure that there no double counting of incentives.</p> <p>Whilst this approach could have been improved through additional triangulation exercises, we consider it acceptable and resultant underperformance payment rate is within our reasonable range and the company does not have past performance issues.</p> <p>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'.</p>	
	WSH.OC.A.29	Caps, Collars and deadbands	Water and wastewater Treatment works compliance PC: The company should revise the deadband level to 99% or provide justification why this is not appropriate.	1 April 2019	The company is proposing a deadband of 99%.	<p>No intervention required.</p> <p>The company is implementing the deadband at the level we proposed.</p>	NA
	WSH.OC.A.30	ODI rate	<p>Sewer collapses PC: The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for all other sewerage performance commitments (including Internal sewer flooding, External sewer flooding and Pollution incidents) and demonstrate how the package of ODIs across the relevant group of performance commitments appropriately incentivises performance in the long and short-term.</p> <p>The company should provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for sewer collapses and assess the</p>	1 April 2019	<p>The company does not propose to change its outcome delivery incentive rate. It does not have willingness to pay for this measure. They have however they asked customers about the priority for incentives. For this particular PC customers gave it a low priority as they consider the incentives are also covered in the related service measures, this results in a maximum penalty of £7 over 5 years. In addition the company states it has used 'a broad range of customer research techniques to inform ODI rates', however it is not clear what these are.</p> <p>The company states that it has reviewed its outcome delivery incentive rate relative to other measures and is satisfied that the marginal benefit from improvements in service are independent and relate to separate benefits. The company states that</p>	<p>No intervention required.</p> <p>The company has explained the formulation of its outcome delivery incentive rate, it has not used willingness to pay, but instead sought the views of its customers through a prioritisation exercise which has been used to inform rates. The company sufficiently explains how its rate is coherent with rates proposed for other asset health and service related performance commitments. This has been done through a joint customer prioritisation exercise for both asset health and non-asset health performance commitments. This should ensure that there no double counting of incentives.</p> <p>Whilst this approach could have been improved through additional triangulation exercises, we consider it acceptable and the resultant underperformance payment rate is within our reasonable range and the</p>	NA

Test area	Action reference	Action type	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.		there may be a limited overlap for sewer collapses, however it does not have an outperformance financial incentive on this measure. There may be a limited interdependence for the underperformance payments.	company has good comparative performance. 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'.	
	WSH.OC.A31	Stretch	Acceptability of drinking water PC: The company should revise its proposed service levels and ensure that these are stretching. The company should clearly set out the evidence and rationale for the revised targets.	1 April 2019	The company has retained its performance commitment levels, citing company specific reasons such as geology, topography and history which it considers are out of its control. It also highlights that it is targeting a 28% reduction in customer contacts between 2017-18 and the end of 2020-25 which it considers to be very stretching given that all of the 'easy wins' on this measure have already been achieved in the early part of 2015-20. It also notes that its proposals compare favourably with other companies' plans for 2020-25. Further, cost benefit analysis supports a level of performance in the range of 2.0 to 2.4 contacts per 1,000 population, above the average for the rest of the industry.	Intervention required. We consider that the evidence presented is not sufficient to retain the proposed performance commitment levels. The issues the company has identified for not improving its proposed performance commitment levels are not always specific to Dŵr Cymru. This is especially so when considering that maintaining manganese standard at the treatment works is a regulatory requirement, and the presence of cast-iron pipes is a common industrywide issue. We are therefore intervening to apply higher percentage improvement based on our industry comparative analysis. The levels are based on the application of the upper quartile percentage improvements proposed by other companies (34%) from 2019-20 to 2024-25, using a linear profile. 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, based on the industry upper quartile percentage improvements. These are as follows: 2020-21 = 2.24 2021-22 = 2.07 2022-23 = 1.91 2023-24 = 1.74 2024-25 = 1.58 Units: customer contacts per 1,000 population.
	WSH.OC.A32	Stretch	Sewer flooding on customer property (external) PC: The company should review its proposed service levels. The company should clearly set out the evidence and rationale for the revised targets. If it is not proposing to meet forecast upper quartile performance, it will need to justify why it had not done this.	1 April 2019	The company does not propose to apply our proposed levels. The company states that it has already improved performance by 31% since 2012 and that its customers do not consider external sewer flooding to be a significant issue. Therefore it would not be in customer interests to improve performance beyond 3700 incidents. The company states that cross-company comparisons have to be treated with some caution, because this is a new measure with historically quite differing reporting methods being	Intervention required The company has not provided any additional information to justify retaining its performance commitment levels. Although it has improved in the past, the company poor comparative performance on external sewer flooding and its proposed levels would not change this.. Therefore we will intervene to set more stretching levels. The levels are based on the application of the upper quartile percentage improvements proposed by other companies (25%) from 2019-20 to 2024-25, using a linear profile. The	We are intervening to set performance commitment levels, based on the industry upper quartile percentage improvements. These are as follows: 2020/21 = 26.70 2021/22 = 25.29 2022/23 = 23.89 2023/24 = 22.48 2024/25 = 21.08 Units: incidents per 10,000 sewer connections.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					used by companies. It considers that it will take some time and a process of independent horizontal audit before there is a robust and consistent reporting data across the sector.	<p>definition of external sewer flooding has been established alongside the other common performance commitments and companies have shadow reported on these measures.</p> <p>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'.</p>	
	WSH.OC.A33	ODI rate	<p>Sewer flooding on customer property (external) PC: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in external sewer flooding.</p> <p>The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rate for internal sewer flooding and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p> <p>The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for all other sewerage performance commitments (including Internal sewer flooding, Sewer collapses and Pollution incidents) and demonstrate how the package of ODIs across the relevant group of performance commitments appropriately incentivises</p>	1 April 2019	The company proposes to remove the top-down scaling factors it had previously applied to its outcome delivery incentive rates and re-triangulating its rate based on the outputs of its valuation research and the outcome delivery incentive rates proposed in companies' September business plans.	<p>Intervention required.</p> <p>While we have not identified any concerns with the quality of the companies' willingness to pay research as submitted in its September 2018 business plan, its proposed outcome delivery incentive rates are different from the industry average, as defined by the reasonable range set out in PR19 draft determinations: Delivering outcomes for customers policy appendix, despite it removing the top-down scaling factors. The company's current performance is amongst the worst in the industry. In addition, the level of stretch implied by its performance commitment levels for 2020-25 compared to current performance is above industry average. It is therefore of concern that it is proposing outcome delivery incentive rates below the industry average.</p> <p>We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'</p>	<p>We are intervening to set the outperformance rate by applying the ratio of marginal benefit for external relative to internal sewer flooding from the company's primary 2020-25 willingness to pay research to the post-intervention outcome delivery incentive rate for internal sewer flooding. We are intervening to set 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' September business plans (as explained in PR19 draft determinations: Delivering outcomes for customers policy appendix).</p> <p>This results in underperformance and outperformance payment rates of -£1.261 million and £1.051 million per incident per 10,000 connections, respectively.</p>

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			performance in the long and short-term.				
	WSH.OC.A34	Definition	Lead supply pipes replaced PC: To remove any ambiguity, the company's definition should clearly state that no communication pipe will be included where only this pipe is replaced and price allocation should be correctly allocated to water network plus.	1 April 2019	The company has clarified the definition of this performance commitment and renamed it to remove the ambiguity. It has updated the definition document to reflect the changes. The company confirms that the measure includes instances where the company replaces just the communications pipe, but only where a customer refuses its offer also to replace the lead supply pipe at the same time. The commitment is now called 'lead pipes replaced' and the company clarifies that the performance commitment covers replacement of either supply and/or communication pipes. It argues that this definition is because replacement of any lead piping will be of benefit to the customer. The company has corrected the price control allocation.	<p>Intervention required.</p> <p>The company has corrected the price control allocation and updated the performance commitment in line with our action.</p> <p>We note that the stretch of the performance commitment level depends on customer willingness to have their lead pipes replaced. The company should provide assurance around the instances where a customer refuses an offer to have their lead supply pipe replaced, together with transparent reporting.</p>	We are intervening to include an expectation on the company to report and monitor customer refusals in the definition of this performance commitment.
	WSH.OC.A35	ODI type	Bioresources product quality PC: The company should provide further evidence to justify the use of outperformance payments for this ODI and evidence of customer support for this approach. The company should demonstrate how the outperformance payment will benefit customers. Failing that, the company should consider removing the outperformance payment.	1 April 2019	The company states that it has undertaken further research which shows customer support for financial incentives for this performance commitment.	<p>No intervention required.</p> <p>The company provides some evidence of customer support for outperformance payments for this performance commitment.</p>	NA
	WSH.OC.A36	Definition	Customer trust PC: The company should provide further justification of why this PC is required in addition to C-MeX.	1 April 2019	The company accepts there is a degree of overlap between this performance commitment and C-MeX. As a result it has reduce the outcome delivery incentive rate. The company wishes to retain both measures as they measure two different things and trust is important to the company.	<p>No intervention required.</p> <p>The company makes a convincing case that a trust-based performance commitment, differs to an extent from providing great service and customer satisfaction.</p>	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	WSH.OC.A37	ODI type	Customer trust PC: The company should provide further evidence to justify why this PC is financial, despite the evidence presented indicating that customers prefer non-financial incentives for this PC. The company should demonstrate how financial incentives will benefit customers. The company should justify why this is the highest ODI payment despite no evidence of customer support for this financial incentive.	1 April 2019	The company has undertaken further customer research and says it shows support for financial incentives for this performance commitment. Customer research with 1,002 customers tested the importance of "financial rewards and penalties" for a number of measures by scoring 1 to 10. For customer trust, 58% scored this performance commitment as 8 or higher, and 72% as 7 or higher.	Intervention required. Customer research indicates support for outperformance and underperformance payments, but did not invite customers' views on whether this performance commitment should have a financial or non-financial incentive. As such, the company has not provided sufficient justification for financial incentives We are also concerned about double counting from both C-MeX and other performance commitments relating to customer satisfaction such as customer complaints, as well as other performance commitments impacting customer service such as sewer flooding or mains burst.	We are intervening to remove outperformance and underperformance payments for this performance commitment.
	WSH.OC.A38	ODI rate	Customer trust PC: The company should clarify the relationship between this PC and C-Mex and provide clear evidence that there is no possibility to double count outperformance payments. The company should provide further evidence to justify the allocation of the largest outperformance payment to this PC. In particular, the company should provide evidence that customers are willing to pay the rates proposed, and that this measure is of higher importance than the other measures proposed by the company.	1 April 2019	NA We are intervening to change the outcome delivery incentive type to reputational. As a result, this action is no longer relevant.	No intervention required.	NA
	WSH.OC.A39	Caps, collars and deadbands	Business customer satisfaction PC: The company should either remove the proposed underperformance deadband or otherwise provide convincing evidence to explain why it is appropriate and in customers' interests.	1 April 2019	The company proposes to remove deadbands from this performance commitment, but as a consequence also reduces the target (to 4.4 from 4.5) and outperformance cap (to 4.6 from 4.7).	Intervention required. We accept the company's removal of deadbands for this performance commitment. However, the company has not provided sufficient explanation for changing the performance commitment levels for 2020-25, particularly as they are below historic performance in recent years.	We are intervening to reset the performance commitment level and outperformance cap for this performance commitment to the levels proposed by the company in the September business plan.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	WSH.OC.A40		Vulnerable customers on priority services register PC: Refer to the addressing affordability and vulnerability section of “ Dŵr Cymru: Actions summary table ” for actions related to this PC (Action WSH.AV.A2).	1 April 2019	NA This is addressed in WSH.AV.A2 below.	NA	NA
	WSH.OC.A41	ODI type	Total complaints PC: The company should provide further evidence to justify the use of outperformance payments for this ODI and evidence of customer support for this approach. Alternatively, the company should consider removing the outperformance payments.	1 April 2019	The company has conducted further customer research which shows customer support for outperformance payments for this performance commitment.	No intervention required. The company provides sufficient justification for outperformance payments for this performance commitment and we consider there to be clear customer benefit from improvements in this measure. However, we have wider concerns about the definition, stretch and ODI rates for this performance commitment. We set out our rationale and interventions further in Table 3.	NA
	WSH.OC.A42	ODI type	Unbilled properties PC: The company should provide further evidence to justify the use of a non-financial incentive by demonstrating why a financial incentive would not be in the interests of customers. Alternatively, the company should formulate a financial ODI reflecting the reduction in customer bills that would result from a reduction in the proportion of occupied properties classified as voids.	1 April 2019	The company argues unbilled properties are largely out of management control and that financial incentives would encourage the wrong outcomes. The company also conducted further customer research and found that 45% of respondents were against financial incentives, whereas 33% were in favour.	Intervention required. While the company provides some evidence of customer support for a reputational-only incentive, we consider that benefits to customers from identifying and reducing the number of void properties are compelling due to the potential reduction of customer bills. As the company is otherwise not financially incentivised to identify voids, we consider that a financial outcome delivery incentive is an important enabler to customers receiving the benefits of increased identification of properties considered to be voids, but which are using services.	We are intervening to introduce outperformance and underperformance payments for this performance commitment. These are calculated using the company's wholesale customer bill for the marginal benefit and an estimate of the efficient marginal cost of identifying a void. Assuming an average wholesale bill of £400, marginal costs of £30 and a cost sharing factor of 50% we estimate an outperformance rate of £2.607 million per 1% decrease in void properties and an underperformance rate of £5.018 million per 1% increase in void properties.
	WSH.OC.A43	Definition	Asset Resilience (reservoirs) PC: The company should provide further evidence on how the resilience assessment scorecard will work in practice by including a worked example.	1 April 2019	The company provides further evidence explaining the questions and assessment forms that will be completed in order to assess this performance commitment.	Intervention required. The company provides further information on how it will score its asset resilience performance commitments. However, we are concerned by the use of	We are intervening to remove the “additional clarifications” criteria and any further scoring amendments beyond those clearly stated in the definition. We have also made changes to other aspects to increase the clarity of the measurement.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						<p>"additional clarification criteria" that are not stated in the definition and which undermine the transparency of the measure.</p> <p>It should be clear how the performance commitment will be measured and, given these concerns, this is not the case for this measure.</p>	
	WSH.OC.A44	ODI type	<p>Asset Resilience (reservoirs) PC: The company should provide further evidence to justify the use of financial incentives for this PC, or make this PC non-financial.</p> <p>In either case the company should provide its evidence and rationale.</p>	1 April 2019	The company provides further customer evidence that details customer support for financial incentives for resilience in general. This appears to indicate an average score of 7.07 out of 10 for customer support for financial rewards and penalties for resilience	<p>Intervention required.</p> <p>The company does not provide sufficient evidence to justify the use of outperformance and underperformance payments. The company does not provide evidence of customer support for financial payments on this specific performance commitment or more precisely, customer evidence detailing clear customer support for the use of outperformance payments on this specific performance commitment.</p> <p>While we welcome the development of this performance commitment, we consider a non-financial incentive is more appropriate at this stage to allow the company to prove that this measure can be an effective method of delivering improvements in resilience in the long-term. We are also concerned that there is an insufficient level of transparency and external assurance proposed given the material financial incentives associated with this measure.</p>	We are intervening to change the outcome delivery incentive type to reputational.
	WSH.OC.A45	Definition	<p>Asset Resilience (water network+ above ground) PC: The company should provide further evidence on how the resilience assessment scorecard will work in practice by including a worked example.</p>	1 April 2019	The company provides further evidence explaining the questions and assessment forms that will be completed in order to assess this performance commitment.	<p>Intervention required.</p> <p>The company provides further information on how it will score its asset resilience performance commitments.</p> <p>However, we are concerned by the use of "additional clarification criteria" that are not stated in the definition and which undermine the transparency of the measure.</p> <p>It should be clear how the performance commitment will be measured and, given these concerns, this is not the case for this measure.</p>	We are intervening to remove the "additional clarifications" criteria and any further scoring amendments beyond those clearly stated in the definition. We have also made changes to other aspects to increase the clarity of the measurement.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	WSH.OC.A46	ODI type	<p>Asset Resilience (water network+ above ground) PC: The company should provide further evidence to justify the use of financial incentives for this PC, or make this PC non-financial.</p> <p>In either case the company should provide its evidence and rationale.</p>	1 April 2019	The company provides further customer engagement evidence that details customer support for financial incentives for resilience in general. This appears to indicate an average score of 7.07 out of 10 for customer support for financial rewards and penalties for resilience. However, the company does not provide evidence of customer support for financial payments on this specific performance commitment or more precisely, customer evidence detailing clear customer support for the use of outperformance payments on this specific performance commitment.	<p>Intervention required.</p> <p>The company provides insufficient evidence to justify the use of outperformance and underperformance payments. While we welcome the development of this performance commitment, we consider a non-financial incentive is more appropriate to prove the long-term value of the measure. We are also concerned by the level of transparency and external assurance in conjunction with material financial incentives.</p>	We are intervening to change the outcome delivery incentive type to reputational.
	WSH.OC.A47	Definition	<p>Asset Resilience (water network+ below ground) PC: The company should provide further evidence on how the resilience assessment scorecard will work in practice including by including a worked example.</p>	1 April 2019	The company provides further evidence explaining the questions and assessment forms that will be completed in order to assess this performance commitment.	<p>Intervention required.</p> <p>The company provides further information on how it will score its asset resilience performance commitments.</p> <p>However, we are concerned by the use of "additional clarification criteria" that are not stated in the definition and which undermine the transparency of the measure.</p> <p>It should be clear how the performance commitment will be measured and, given these concerns, this is not the case for this measure.</p>	We are intervening to remove the "additional clarifications" criteria and any further scoring amendments beyond those clearly stated in the definition. We have also made changes to other aspects to increase the clarity of the measurement.
	WSH.OC.A48	ODI type	<p>Asset Resilience (water network+ below ground) PC: The company should provide further evidence to justify the use of financial incentives for this PC, or make this PC non-financial.</p> <p>In either case the company should provide its evidence and rationale.</p>	1 April 2019	The company provides further customer engagement evidence that details customer support for financial incentives for resilience in general. This appears to indicate an average score of 7.07 out of 10 for customer support for financial rewards and penalties for resilience. However, the company does not provide evidence of customer support for financial payments on this specific performance commitment or more precisely, customer evidence detailing clear customer support for the use of outperformance payments on this specific performance commitment.	<p>Intervention required.</p> <p>The company provides insufficient evidence to justify the use of outperformance and underperformance payments. While we welcome the development of this performance commitment, we consider a non-financial incentive is more appropriate to prove the long-term value of the measure. We are also concerned by the level of transparency and external assurance in conjunction with material financial incentives.</p>	We are intervening to change the outcome delivery incentive type to reputational.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	WSH.OC.A49	Definition	Asset Resilience (waste network+ above ground) PC: The company should provide further evidence on how the resilience assessment scorecard will work in practice by including a worked example.	1 April 2019	The company provides further evidence explaining the questions and assessment forms that will be completed in order to assess this performance commitment.	<p>Intervention required.</p> <p>The company provides further information on how it will score its asset resilience performance commitments.</p> <p>However, we are concerned by the use of "additional clarification criteria" that are not stated in the definition and which undermine the transparency of the measure.</p> <p>It should be clear how the performance commitment will be measured and, given these concerns, this is not the case for this measure.</p>	We are intervening to remove the "additional clarifications" criteria and any further scoring amendments beyond those clearly stated in the definition. We have also made changes to other aspects to increase the clarity of the measurement.
	WSH.OC.A50	ODI type	<p>Asset Resilience (waste network+ above ground) PC: The company should provide further evidence to justify the use of financial incentives for this PC, or make this PC non-financial.</p> <p>In either case the company should provide its evidence and rationale.</p>	1 April 2019	The company provides further customer engagement evidence that details customer support for financial incentives for resilience in general. This appears to indicate an average score of 7.07 out of 10 for customer support for financial rewards and penalties for resilience. However, the company does not provide evidence of customer support for financial payments on this specific performance commitment or more precisely, customer evidence detailing clear customer support for the use of outperformance payments on this specific performance commitment.	<p>Intervention required.</p> <p>The company provides insufficient evidence to justify the use of outperformance and underperformance payments. While we welcome the development of this performance commitment, we consider a non-financial incentive is more appropriate to prove the long-term value of the measure. We are also concerned by the level of transparency and external assurance in conjunction with material financial incentives.</p>	We are intervening to change the outcome delivery incentive type to reputational.
	WSH.OC.A51	Definition	Asset Resilience (waste network+ below ground) PC: The company should provide further evidence on how the resilience assessment scorecard will work in practice by including a worked example.	1 April 2019	The company provides further evidence explaining the questions and assessment forms that will be completed in order to assess this performance commitment.	<p>Intervention required.</p> <p>The company provides further information on how it will score its asset resilience performance commitments.</p> <p>However, we are concerned by the use of "additional clarification criteria" that are not stated in the definition and which undermine the transparency of the measure.</p> <p>It should be clear how the performance</p>	We are intervening to remove the "additional clarifications" criteria and any further scoring amendments beyond those clearly stated in the definition. We have also made changes to other aspects to increase the clarity of the measurement.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						commitment will be measured and, given these concerns, this is not the case for this measure.	
	WSH.OC.A52	ODI type	<p>Asset Resilience (waste network+ below ground) PC: The company should provide further evidence to justify the use of financial incentives for this PC, or make this PC non-financial.</p> <p>In either case, the company should provide its evidence and rationale.</p>	1 April 2019	The company provides further customer engagement evidence that details customer support for financial incentives for resilience in general. This appears to indicate an average score of 7.07 out of 10 for customer support for financial rewards and penalties for resilience. However, the company does not provide evidence of customer support for financial payments on this specific performance commitment or more precisely, customer evidence detailing clear customer support for the use of outperformance payments on this specific performance commitment.	<p>Intervention required.</p> <p>The company provides insufficient evidence to justify the use of outperformance and underperformance payments. While we welcome the development of this performance commitment, we consider a non-financial incentive is more appropriate to prove the long-term value of the measure. We are also concerned by the level of transparency and external assurance in conjunction with material financial incentives.</p>	We are intervening to change the outcome delivery incentive type to reputational.
	WSH.OC.A53	ODI type	<p>Community education PC: The company should provide further evidence to justify the use of financial incentives for this PC, including evidence that customers support and are willing to pay for outperformance.</p>	1 April 2019	The company has conducted further customer research for this performance commitment and notes that, while there is some support, it is less so than the other parts of their package of performance commitments that were tested with customers. As a result, the company has retained outperformance and underperformance payments, but reduced them to £4m over five years.	<p>Intervention required.</p> <p>The customer research provides insufficient evidence. We are concerned that under its current definition this performance commitment is not sufficiently stretching and it is not clear it will necessarily lead to long-term benefits.</p> <p>We would reconsider this if the company could demonstrate that the performance commitment would lead to long term benefits and that the outcome delivery incentive rates were in line with the benefits as valued by customers.</p>	We are intervening to change the outcome delivery incentive type to reputational.
	WSH.OC.A54	ODI type	<p>Visitors to recreational facilities PC: The company should provide further evidence to justify the use of financial incentives for this PC, including evidence that customers support and are willing to pay for outperformance.</p>	1 April 2019	The company has conducted further customer research for this performance commitment and notes that while there is some support, it is less so than other parts of their package of performance commitments that were tested with customers. As a result, the company has retained outperformance and underperformance payments, but reduced them to £4 million over five years.	<p>Intervention required.</p> <p>The customer research provides insufficient evidence of customers' support or willingness to pay for outcome delivery incentive payments for this performance commitment. We are also concerned that under its current definition this performance commitment is not sufficiently stretching and may not lead to long-term benefits.</p>	We are intervening to change the outcome delivery incentive type to reputational.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Addressing Affordability and Vulnerability	WSH.AV.A2	Affordability and vulnerability	<p>Dŵr Cymru has proposed a reputational performance commitment on Priority Services Register (PSR) growth called 'Vulnerable customers on priority services register' (PR19WSH_Sv5). It is proposing to increase its PSR reach from 1.7% in 2019/20 to 3.3% of customers in 2024/25. Dŵr Cymru has checked no PSR data over the past two years.</p> <p>We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): Dŵr Cymru should adapt its performance commitment on 'Vulnerable customers on priority services register' (PR19WSH_Sv5) to align with this proposed PSR Common Performance Commitment. This will include committing to grow its PSR to at least 7% of its customer base (measured by households) by 2024/25 and committing to checking at least 90% of PSR data every two years.</p> <p>For further information on the performance commitment definition, and reporting guidelines, please refer to 'Common performance commitment outline for the Priority Service Register' (NA, published on the initial assessment of plans webpage).</p>	1 April 2019	<p>Dŵr Cymru adopts two out of three features of our common performance commitment. It amends its current performance commitment to reach 7% of customers by 2024-25. In addition, this common performance commitment will remain non-financial. However, although the company states that it adopts our definition in full, for the data-checking target it has interpreted 'proactive interaction' as an outbound contact but not necessarily a response. Also, it appears the data-checking only applies to customers added to the Priority Service Register by Dŵr Cymru and not third parties.</p>	<p>Intervention required.</p> <p>The company adopts two elements of the performance commitment. It is unclear if it adopts the data-checking element as part of the performance commitment.</p>	<p>We are intervening to amend the performance commitment levels for this common performance commitment for all companies, splitting the current data checking target into two, separating attempted and actual contacts.</p> <p>More information on this common performance commitment can be found in our Guidance Document (PR19 draft determinations: Reporting guidance – Common performance commitment for the Priority Service Register) (https://www.ofwat.gov.uk/publication/common-performance-commitment-outline-for-the-priority-service-register/).</p>

Table 3 – Interventions not directly related to IAP actions

Intervention reference	Our assessment and rationale	Interventions
<p>WSH.OC.C1 PR19WSH_En6 Km of river improved Multiple interventions</p>	<p>Intervention required.</p> <p>The company has not proposed any changes to this performance commitment since the initial assessment of business plans and we did not raise an action at that stage. However we have since reviewed all companies' water industry national environment programme performance commitments carefully.</p>	<p>We are intervening to restrict the definition of this performance commitment to the delivery of 'green' schemes as defined by Natural Resources Wales and the Environment Agency under the National Environment Programme and the water industry national environment programme, as of 1 April 2019.</p> <p>We are also intervening to set the underperformance rate for this performance commitment using our standard approach to setting cost-based delay rates. Based on our final allowance and excluding our</p>

Intervention reference	Our assessment and rationale	Interventions
	<p>We are intervening to restrict the definition of this performance commitment to the delivery of 'green' schemes as defined by Natural Resources Wales and the Environment Agency under the national environment programme and the water industry national environment programme, as of 1st April 2019. This ensures there is no need to adjust the performance commitment over time by defining the scope of the performance commitment to cover only activity that the environment agency has fully confirmed is required during the 2020-25 period.</p> <p>In addition, we have reviewed the company's proposed outcome delivery incentive rate for this performance commitment. Because the company has not used an appropriate methodology to set its outcome delivery incentive rates (see WSH.OC.A4) we are intervening to set cost-based delay rates following our standard approach.</p> <p>As a result of these changes this performance commitment is no longer financially material, and due to the lack of rationale provided and to ensure sufficient incentives are in place for the company to deliver schemes on time, we are also intervening to remove the cap and collar for this performance commitment</p>	<p>allowance for the combined sewer overflow scheme (covered by PR19WSH_En9) this leads to an underperformance rate of -£0.00294 million per unit.</p> <p>We are further intervening to remove the cap and collar for this performance commitment.</p>
<p>WSH.OC.C2 PR19WSH_NEP01 Delivery of WINEP requirements Performance commitment addition</p>	<p>We are also intervening to add a reputational performance commitment that measures whether the company has met all of its water industry national environment programme requirements in each reporting year. The performance commitment will use the latest NEP and Water Industry National Environmental Programme programmes from National Resource Wales and 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.</p>	<p>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.</p>
<p>WSH.OC.C3 PR19WSH_En2 Wastewater treatment works 'look-up table' compliance Multiple interventions</p>	<p>Intervention required.</p> <p>The company has removed this performance commitment, stating there is a risk that customers were confused between this performance commitment and 'water and wastewater treatment work compliance' performance commitment. We do not consider this to be a sufficient rationale for removing a performance commitment, particularly as the company has experienced below target levels in the 2015-20 period. However, we recognise there are potential overlaps with other performance commitments.</p>	<p>We are intervening to restore this performance commitment but with a reputational outcome delivery incentive.</p>
<p>WSH.OC.C4 PR19WSH_Ft4 Surface water removed from sewers Definition</p>	<p>Intervention required.</p> <p>The company has proposed to report the metric as a cumulate measure. As the financial incentive is linked to the overall costs and benefits over time the metric should be reported according to delivery within the year. Otherwise payments could be due over multiple years for delivery in a single year. For example if the company did not improve at all the underperformance in year 1 would lead to underperformance payments in each year.</p> <p>To align with our interventions on Southern Water's related performance commitment, we consider expressing performance commitment levels on a per m3 basis could be more transparent.</p>	<p>We intervening to set annual performance commitment levels rather than cumulative levels and have expressed these in cubic metres (m3). This has led to the following changes, although we have not intend to change the stretch, collars or caps:</p> <p>We are intervening to set performance levels as follows:</p> <p>2020-21 = 430,000 2021-22 = 430,000 2022-23 = 430,000 2023-24 = 430,000 2024-25 = 430,000</p> <p>We are intervening to set collar levels as follows:</p> <p>2020-21 = 357,000 2021-22 = 357,000</p>

Intervention reference	Our assessment and rationale	Interventions
		<p>2022-23 = 357,000 2023-24 = 357,000 2024-25 = 357,000</p> <p>We are intervening to set cap levels as follows:</p> <p>2020-21 = 503,000 2021-22 = 503,000 2022-23 = 503,000 2023-24 = 503,000 2024-25 = 503,000</p> <p>Units: cubic metres (m3) of water removed from sewers.</p>
<p>WSH.OC.C5 PR19WSH_Ft4 Surface water removed from sewers Outcome delivery incentive rate</p>	<p>Intervention required.</p> <p>As set out in WSH.OC.A4, we do not consider the top-down method used by the company to estimate its outcome delivery incentive rates to be appropriate. Because the company has not responded to our concerns raised at IAP, we are intervening in line with our company-level action on the outcome delivery incentive rates. In this case, we use comparable data from another company (Southern Water) to set the underperformance rates per cubic metres.</p>	<p>We are intervening to set the underperformance and outperformance payment rates to -£0.00000208 million and £0.00000208 million respectively.</p>
<p>WSH.OC.C6 PR19WSH_En3 Pollution incidents from Wastewater Price control allocation</p>	<p>Intervention required</p> <p>Within the business plan table App1 the company allocates this performance commitment to the water network plus control. We consider that this was not the company's intention.</p>	<p>We are intervening to allocate this performance commitment to the wastewater network plus control.</p>
<p>WSH.OC.C7 PR19WSH_BI6 Delivery of our reservoirs enhancement programme Definition</p>	<p>Intervention required.</p> <p>The company does not present the performance commitment definition to sufficient depth. It provides insufficient evidence on the assurance process relating to the expenditure. It also provides insufficient evidence to demonstrate the interlinkage with the PR19WSH_Ft5 Asset Resilience (reservoirs)' performance commitment.</p>	<p>We are intervening to change the performance commitment definition so that it aligns to the total number of reservoirs to be enhanced and to specify that the company should provide external assurance of the expenditure and outputs delivered each year of the 2020-25 period and publish the performance in its Annual Performance Report.</p>
<p>WSH.OC.C8 PR19WSH_BI6 Delivery of our reservoirs enhancement programme Stretch</p>	<p>Intervention required.</p> <p>The company provides insufficient evidence on stretch. We consider that the targets are sufficiently stretching, however the company provides insufficient evidence to justify the basis upon which the expenditure profile is based, and how this relates to the timing of the customers benefiting from the work programme. The company does not present the performance commitment definition to sufficient depth.</p>	<p>We are intervening to set performance commitment levels aligned to the delivery profile of the 26 proposed schemes which fall within the 2020-25 period, excluding the three schemes that we have made a cost allowance for but with a completion date of December 2025.</p>

Intervention reference	Our assessment and rationale	Interventions
<p>WSH.OC.C9 PR19WSH_BI6 Delivery of our reservoirs enhancement programme ODI type and rate</p>	<p>Intervention required.</p> <p>As a consequence of our changes to the definition, we are intervening to set underperformance payments for this performance commitment which will compensate customers for delayed delivery of the 26 schemes the company has proposed.</p> <p>The underperformance outcome delivery incentive reflects the foregone benefits from annual delays. As set out in the policy appendix we calculate this through multiplying the programme total expenditure in scope of the performance commitment by the weighted average cost of capital plus the run-off rate, and then dividing this by the total number of schemes in scope.</p> <p>In addition we have set a further rate that will return expenditure to customers at the next price review that is not returned to customers under the cost sharing mechanism (we assume 50%) where the company has not delivered in the 2020-25 period.</p>	<p>We are intervening in line with our approach to setting cost-based underperformance payments for late delivery of schemes, the underperformance payment rate will be £0.199 million per scheme.</p> <p>Separately, we will return allowed funding to customers for all 29 schemes that are not delivered by the company in the 2020-25 period at a rate of £1.302 million per undelivered scheme.</p>
<p>WSH.OC.C10 PR19WSH_BI7 Delivery of our Cwm Taf water supply strategy Performance commitment removal</p>	<p>Intervention required.</p> <p>We have amended the company's cost claim such that this performance commitment is no longer needed.</p>	<p>We are intervening to remove this performance commitment.</p>
<p>WSH.OC.C11 PR19WSH_BI8 Delivery of our water network improvement programme Definition</p>	<p>Intervention required.</p> <p>The company does not present the performance commitment definition to sufficient depth. It does not provide sufficient information on the assurance process relating to the expenditure and does not sufficiently clarify the interlinkage with the PR19WSH_Wt3 Acceptability of drinking water performance commitment.</p> <p>While the company's acceptability of drinking water performance commitment (PR19WSH_Wt3) incentivises it to improve on its performance underpinning the investment behind this performance commitment, this performance commitment focuses on protecting customers from non-delivery of the 17 Drinking Water Inspectorate notices.</p>	<p>We are intervening to change the performance commitment definition so that it aligns to the total number of notices served by the Drinking Water Inspectorate.</p>
<p>WSH.OC.C12 PR19WSH_BI8 Delivery of our water network improvement programme" Stretch</p>	<p>Intervention required.</p> <p>The company does not present any substantive information to justify the stretch of its proposed performance commitment levels. The company does not provide the basis upon which the expenditure profile is based, and how this relates to the timing of the customers benefiting from the work programme.</p> <p>While the remediation delivery dates are all 30 April 2025, for the purposes of this performance commitment the company is expected to have completed milestone 3 for each notice by the end of the period (31 March 2025) unless it makes a convincing case at PR24.</p>	<p>We are intervening to set an end-of-period performance commitment level of 17 notices progressed to milestone 3 (delivery of remediation works) which is aligned to the latest version of the Drinking Water Inspectorate notices.</p>

Intervention reference	Our assessment and rationale	Interventions
WSH.OC.C13 PR19WSH_BI8 Delivery of our water network improvement programme Outcome delivery incentive rate	<p>Intervention required.</p> <p>We have also reviewed the outcome delivery incentive rate, so that it is aligned to our final cost enhancement allowance at PR19 for this programme of work (£59 million).</p>	<p>We are intervening to set the underperformance rate so that it is aligned to our final cost enhancement allowance at PR19 of £59 million. With a cost sharing factor of 50%, this equates to an underperformance rate of £1.735 million per unit undelivered.</p>
WSH.OC.C14 PR19WSH_Wt1 Tap Water Quality Compliance Risk Index Outcome delivery incentive rate	<p>Intervention required.</p> <p>We want to ensure a minimum level of customer protection on asset health performance commitments. The proposed outcome delivery incentive rate normalised by number of households is below our reasonable range as set out in PR19 draft determinations: Delivering outcomes for customers policy appendix and therefore offers lower customer protection on this measure. The company does not have past performance issues on water quality.</p> <p>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'.</p>	<p>We are intervening to change the company's underperformance rate to -£0.488 million to ensure it is with our reasonable range.</p>
WSH.OC.C15 PR19WSH_Wt1 Tap Water Quality Compliance Risk Index Caps, collars and deadbands	<p>Intervention required.</p> <p>It is important that the range of underperformance to the collar is adequate to provide clear incentives for companies to deliver statutory requirements. We are intervening to set a standard collar at 9.5 where companies have proposed a tighter collar.</p>	<p>We are intervening to set a standard collar. The collar profile for the Compliance Risk Index is:</p> <p>2020-21 = 9.5 2021-22 = 9.5 2022-23 = 9.5 2023-24 = 9.5 2024-25 = 9.5</p> <p>Unit: Compliance Risk Index Score.</p>
WSH.OC.C16 PR19WSH_Rt4 Total complaints Stretch	<p>Intervention required.</p> <p>At our IAP we raised concerns with the company's approach to setting outcome delivery incentive rates, including for this performance commitment. After further assessment we are concerned about the definition, stretch and outcome delivery incentive rates for this performance commitment.</p> <p>We have been unable to reconcile the company's proposed performance commitment levels and we are concerned they are insufficiently stretching. As such, we are intervening to align the company's performance commitment level to the annual complaints data published by the Consumer Council for Water (CCWater) on telephone and written complaints received by companies. From 2018-19, this metric will include complaints through other channels such as social media. We are intervening to set the definition to align with the metric used by CCWater, enabling us to set more stretching performance commitment levels. This means it includes unwanted contacts (i.e. telephone complaints) and written complaints received by the company from household customers. To avoid incentivising the company to focus on the channel of complaint rather than the total level of</p>	<p>We are intervening to set the performance commitment levels to the following values:</p> <p>2020-21 = 319.9 2021-22 = 287.9 2022-23 = 259.1 2023-24 = 233.2 2024-25 = 209.9</p> <p>For our final determinations we expect to update the calculations for this performance commitment once data for 2018-19 has been published by CCWater.</p>

Intervention reference	Our assessment and rationale	Interventions
	<p>complaints, this performance commitment will treat all complaints on an equal basis and include other channels such as social media.</p> <p>Based on CCWater data, we are intervening to set performance commitment levels that are the upper quartile of performance from 2014-15 to 2017-18, the years that are currently available and directly comparable, with an annual frontier shift of 10% which reflects performance improvements in those years. We consider this is stretching and provides sufficient incentives for the company to improve on its relatively poor performance in recent years.</p>	
<p>WSH.OC.C17 PR19WSH_Rt4 Total complaints Caps, collars and deadbands</p>	<p>Intervention required.</p> <p>The company proposes a collar for this performance commitment.</p> <p>As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals.</p> <p>We consider that the performance commitment is not financially material and we do not consider caps and collars are appropriate. How we assess financially material is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix.'</p>	<p>We are intervening to remove the proposed caps and collars.</p>
<p>WSH.OC.C18 PR19WSH_Rt4 Total complaints performance commitment Outcome delivery incentive rate</p>	<p>Intervention required.</p> <p>As set out in WSH.OC.A4, we consider the company's top-down approach is inappropriate and as such we are intervening to set outcome delivery incentive rates. In the absence of any other reliable information we have sought to continue a similar level of incentive as currently exists in the 2015-20 period under the service incentive mechanism (SIM).</p> <p>For the 2015-20 period, the worst performing companies can receive a financial penalty equal to 12% of its household retail revenues – as 25% of this metric relates to complaints, this implies 3% broadly relate to complaints. To set outcome delivery incentives rates, we therefore divide 3% of the company's forecast annual household retail revenues over the 2020-25 period by the difference between the performance commitment level for 2024-25 (209.9) and the worst performing company in 2017-18 (1,287.6). This leads to an outcome delivery incentive rate of £0.00152m per complaint per 10,000 connections. We are setting the outperformance rate equal to the underperformance rate.</p>	<p>We are intervening to set the outperformance and underperformance payment rates to £0.00152 million and -£0.00152 million per complaint per 10,000 connections.</p> <p>For our final determinations we expect to update the calculations for outcome delivery incentive once data for 2018-19 has been published by CCWater.</p>
<p>WSH.OC.C19 PR19WSH_Wt4 Water mains repairs Stretch</p>	<p>Intervention required.</p> <p>The company does not propose an improvement in its forecast in comparison with its historical performance and its proposed forecast is worse than our assessment of our 'good' level based on the industry's historical performance (see PR19 draft determinations: Delivering outcomes for customers policy appendix). We are intervening to set more stretching performance commitment levels. The new performance commitment levels will be based on the 3 best years of historical performance and will take a flat profile [see PR19 draft determinations: Delivering outcomes for customers policy appendix.]</p> <p>We set out our rationale for setting performance commitment levels for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix.'</p>	<p>We are intervening to set the performance commitment levels to the following values:</p> <p>2020-21 = 126.7 2021-22 = 126.7 2022-23 = 126.7 2023-24 = 126.7 2024-25 = 126.7</p> <p>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 a 1% improvement on the company's proposal.</p> <p>Units: repairs per 1,000km of mains.</p>

Intervention reference	Our assessment and rationale	Interventions
WSH.OC.C20 PR19WSH_Wt4 Water mains repairs Caps, collars and deadbands	<p>Intervention required.</p> <p>The company proposes to include a collar</p> <p>We consider that the proposed collar were not set levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills. The range that underperformance payments would apply was too small to provide sufficient incentive.</p> <p>We consider that collars are appropriate, but at different levels to those the company proposed based on our standard approach. Our standard approach to setting caps and collars is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.</p>	<p>We are intervening to set collar levels as follows:</p> <p>2020-21 = 190.1 2021-22 = 190.1 2022-23 = 190.1 2023-24 = 190.1 2024-25 = 190.1</p> <p>Units: repairs per 1,000km of mains.</p>
WSH.OC.C21 PR19WSH_Sv3 Customer trust Stretch	<p>Intervention required.</p> <p>The company has not provided a numerical value for the performance commitment levels. It states its performance commitment level as 'Upper quartile'. We are intervening to set the performance commitment levels in line with the actual performance achieved in 2017 by the company, its best year over the course of the decade.</p>	<p>We are intervening to set the performance commitment levels as follows:</p> <p>2020-21 = 8.15 2021-22 = 8.15 2022-23 = 8.15 2023-24 = 8.15 2024-25 = 8.15</p> <p>Units: customer trust score.</p>
WSH.OC.C22 PR19WSH_Wt8 Lead pipes replaced Outcome delivery incentive rate	<p>Intervention required.</p> <p>Customers should be protected from the company not delivering the activity encompassed by this performance commitment. As such, we are intervening to set the outcome delivery incentive rate equal to the efficient allowed unit cost. Based on our cost allowance, this is £2,000 per replacement of a supply or communication pipe, which is then multiplied by the totex sharing factor.</p>	<p>We are intervening to set an underperformance rate of -£0.001 million per unit.</p>
WSH.OC.C22 PR19WSH_Wt8 Lead pipes replaced Caps and collars	<p>Intervention required.</p> <p>The company proposes caps and collars for this performance commitment. It argues there is uncertainty, and says there are limited comparators across the sector for similar performance commitments. The underperformance collar would weaken the protection to customers from non-delivery and as the ODI rate is based on efficient cost the risk to customers from greater outperformance is limited.</p> <p>This is not a financially material PC and we do not consider that caps and collars are required. 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 not intervening to amend the proposed caps.</p>	<p>We are intervening to remove caps and collars from this performance commitment.</p>
WSH.OC.C23 PR19WSH_En7 Bioresources product quality Outcome delivery incentive rate	<p>Intervention required.</p> <p>As set out in WSH.OC.A4, we do not consider the top-down method used by the company to estimate its outcome delivery incentive rates to be appropriate. Because the company has not responded to our concerns raised at IAP, we are intervening in line with our company-level action on the outcome delivery incentive rates.</p>	<p>We are intervening to change the underperformance rate to -£0.413 million and outperformance rate to £0.413 million.</p>

Intervention reference	Our assessment and rationale	Interventions
	<p>As we have no reliable company specific information to use we have used comparable willingness to pay data from another company (Thames Water) to set the incentive rates.</p>	
<p>WSH.OC.C44 PR19WSH_BI2 Vulnerable customers on social tariffs Stretch</p>	<p>Intervention required.</p> <p>The company's proposed performance levels within App1 do not reconcile with the number of customers receiving social tariffs and number of customers receiving WaterSure and WaterSure Plus in App4 (Lines 12 and 15). We are intervening to use the sum of these two lines in App4 as the performance levels for this performance commitment.</p>	<p>We are intervening to set the performance levels for this performance commitment as the sum of App4 lines 12 and 15 from the company's April 2019 submission. The performance levels are as follows:</p> <p>2020-21 = 146,412 2021-22 = 151,312 2022-23 = 154,312 2023-24 = 157,312 2024-25 = 160,312</p> <p>Units: Number of customers benefitting from the company's social tariffs.</p>
<p>WSH.OC.C25 PR19WSH_En8 Bioresources disposal compliance Outcome delivery incentive rates</p>	<p>Intervention required.</p> <p>As set out in WSH.OC.A4, we do not consider the top-down method used by the company to estimate its outcome delivery incentive rates to be appropriate. Because the company has not responded to our concerns raised at IAP, we are intervening in line with our company-level action on the outcome delivery incentive rates.</p> <p>As we have no reliable company specific information to use we have used comparable willingness to pay data from another company (Wessex Water) to set the underperformance rates.</p>	<p>We are intervening to change the underperformance payment rate to -£0.098 million.</p>
<p>WSH.OC.C26 PR19WSH_Sv4 Business customer satisfaction Outcome delivery incentive rate</p>	<p>Intervention required.</p> <p>As set out in WSH.OC.A4, we do not consider the top-down method used by the company to estimate its outcome delivery incentive rates to be appropriate. Because the company has not responded to our concerns raised at IAP, we are intervening in line with our company-level action on outcome delivery incentive rates.</p> <p>As we have no reliable company-specific information to use we have used comparable willingness to pay data from the company's comparable performance commitment in the 2015-20 period.</p>	<p>We are intervening to change the underperformance payment rate to -£1.25 million and the outperformance payment rate to £1.25 million.</p>
<p>WSH.OC.C27 PR19WSH_En9 Combined sewer overflow storage systems Performance commitment addition</p>	<p>Intervention required.</p> <p>The company requested funding to deliver unspecified schemes relating to combined sewer overflows with a high frequency of spilling, linked requirements in the National Environment Programme (NEP). We have made a cost allowance of £33m. We are intervening to set a performance commitment with outcome delivery incentives that will return allowed efficient costs to customers for undelivered equivalent storage by 2024-25.</p> <p>We are defining the measure as the total volume of storage commissioned through the combined sewer overflows scheme or the equivalent volume from using alternative approaches. Based on our benchmarking assessment and water industry national environment programme and national environment programme cost challenges we have estimated an efficient unit cost of £0.00122 million per cubic metre of equivalent storage</p>	<p>We are intervening to include a performance commitment to protect customers from partial or non-delivery of the combined sewer overflows schemes. We are including a performance commitment which has the following characteristics:</p> <p>Performance commitment levels as follows:</p> <p>2020-21 = 5,000 2021-22 = 10,000 2022-23 = 15,000 2023-24 = 20,000 2024-25 = 27,049</p>

Intervention reference	Our assessment and rationale	Interventions
	<p>volume. Dividing our cost allowance of £33 million by this unit cost we have set a performance commitment level in 2024-25 at 27,049 cubic metres of additional storage volume. We have set the underperformance rate at -£0.00061 million per cubic metre, reflecting the customer sharing factor.</p>	<p>Units: cubic meters to zero decimal places. Underperformance only payment rate of -£0.00061 million per cubic metre only for 2024-25. The outcome delivery incentive will be end-of-period only, revenue, and has no caps, collars or deadbands. The performance commitment is allocated entirely to the wastewater network plus price control.</p>
<p>WSH.OC.C28 PR19WSH_BI4 Unbilled properties Definition</p>	<p>Intervention required.</p> <p>The company did not include business properties in this performance commitment. Customers will benefit directly if the company identifies properties it has recorded as void but identified that they are using services and bills them. The company is responsible for doing so and we consider it appropriate it has sufficient incentives to do so.</p>	<p>We are intervening to include business voids in the definition.</p>
<p>WSH.OC.C29 PR19WSH_Wt7 Water catchment management Stretch</p>	<p>Intervention required.</p> <p>There is no reason that performance cannot be measured each year and greater benefits will be realised if delivered more quickly. We have based this on equal improvement each year. The company could propose a different profile if it has evidence it is more appropriate, but still stretching.</p>	<p>We are intervening to set service levels for earlier years. The resulting service levels are:</p> <p>2020-21 = 22 2021-22 = 21 2022-23 = 20 2023-24 = 19 2024-25 = 18</p> <p>Units: Number of water treatment works</p>
<p>WSH.OC.C30 PR19WSH_Wt6 Event Risk Index Stretch</p>	<p>Intervention required.</p> <p>The company has not provided a numerical value for the performance commitment levels. It states its performance commitment level as 'Upper quartile'. We are intervening to set the performance commitment levels in line with the upper quartile performance of all companies in 2017, the latest year with full data available from the Drinking Water Inspectorate.</p>	<p>We are intervening to set the performance commitment levels as follows:</p> <p>2020-21 = 10 2021-22 = 10 2022-23 = 10 2023-24 = 10 2024-25 = 10</p> <p>Units: Event Risk Index score.</p>
<p>WSH.OC.C31 PR19WSH_Rt6 Worst served customer for wastewater service Stretch</p>	<p>Intervention required.</p> <p>The company proposes performance commitment levels which vary by year. In some years the performance commitment level is higher (that is, allowing worse performance) than in previous years. Whilst the performance level deterioration is relatively small, we consider that it is not appropriate and has not been justified by the company. As such we are intervening to increase the level of stretch in 2022/23 and 2024/25, the two years where the performance commitment is less stretching than in the prior year. In each case, we are setting the performance commitment level to be equal to the prior year.</p>	<p>We are intervening to set the performance commitment levels as follows:</p> <p>2020-21 = 374 2021-22 = 371 2022-23 = 371 2023-24 = 357 2024-25 = 357</p> <p>Units: number of properties at risk.</p>

Intervention reference	Our assessment and rationale	Interventions
<p>WSH.OC.C32 PR19WSH_Wt2 Water supply interruptions Caps, collars and deadbands</p>	<p>Intervention required.</p> <p>As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals.</p> <p>We consider that a cap and collar are necessary, because the performance commitment is financially material. 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.'</p> <p>The performance of the company has been particularly poor and there is a greater risk that the company could exceed the collar that we would set using our standard approach, than other companies. To appropriately incentivise the company we have set the collar at 31 minutes which was the performance of the company in 2016-17. This is a change to our standard approach and provides a higher level of financial exposure to ensure the company are appropriately incentivised to improve performance.</p>	<p>We are intervening to set collars at the following levels:</p> <p>2020-21 = 00:31:00 2021-22 = 00:31:00 2022-23 = 00:31:00 2023-24 = 00:31:00 2024-25 = 00:31:00</p> <p>Units: hours:minutes:seconds.</p> <p>We are intervening to set cap at the following levels:</p> <p>2020-21 = 00:04:59 2021-22 = 00:04:20 2022-23 = 00:03:46 2023-24 = 00:03:10 2024-25 = 00:02:43</p> <p>Units: hours:minutes:seconds.</p>
<p>WSH.OC.C33 PR19WSH_Wt3 Acceptability of drinking water Caps, collars and deadbands</p>	<p>Intervention required.</p> <p>The company proposes to include caps and collars for this performance commitment.</p> <p>As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals.</p> <p>We consider that the proposed collars were not set levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills. The range that underperformance payments would apply was too small to provide sufficient incentive.</p> <p>We consider that the performance commitment is financially material. We consider that cap and collars are appropriate, but the collars should be 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 not intervening to amend the proposed caps.</p>	<p>We are intervening to set collar levels as follows:</p> <p>2020-21 = 4.48 2021-22 = 4.48 2022-23 = 4.48 2023-24 = 4.48 2024-25 = 4.48</p> <p>Units: contacts per 1,000 population served.</p>
<p>WSH.OC.C34 PR19WSH_En3 Pollution incidents from Wastewater Caps, collars and deadbands</p>	<p>Intervention required.</p> <p>The company proposes to include caps and collars for this performance commitment.</p> <p>As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals.</p>	<p>We are intervening to set collar levels as follows:</p> <p>2020-21 = 36.76 2021-22 = 36.76 2022-23 = 36.76</p>

Intervention reference	Our assessment and rationale	Interventions
	<p>We consider that the proposed collars were not set levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills. The range that underperformance payments would apply was too small to provide sufficient incentive.</p> <p>We consider that the performance commitment is financially material. We consider that cap and collars are appropriate, but the collars should be 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 not intervening to amend the proposed caps.</p>	<p>2023-24 = 36.76 2024-25 = 36.76</p> <p>Units: pollution incidents per 10,000 km of sewers.</p>
<p>WSH.OC.C35 PR19WSH_En4 Leakage Caps, collars and deadbands</p>	<p>Intervention required.</p> <p>The company proposes to include caps and collars for this performance commitment.</p> <p>As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals.</p> <p>We consider that the proposed collars were not set levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills. The range that underperformance payments would apply was too small to provide sufficient incentive.</p> <p>We consider that the performance commitment is financially material. We consider that caps collars are appropriate, but the collars should be 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 not intervening to amend the proposed caps.</p>	<p>We are intervening to set collar levels as follows:</p> <p>2020-21 = -5.0% 2021-22 = -5.0% 2022-23 = -5.0% 2023-24 = -5.0% 2024-25 = -5.0%</p> <p>Units: percentage reduction in leakage from initial level on a three-year average basis.</p>
<p>WSH.OC.C36 PR19WSH_Rt1 Sewer flooding on customer property (internal) Caps, collars and deadbands</p>	<p>Intervention required.</p> <p>The company proposes to include caps and collars for this performance commitment.</p> <p>As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals.</p> <p>We consider that the proposed collars were not set levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills. The range that underperformance payments would apply was too small to provide sufficient incentive.</p> <p>We consider that the performance commitment is financially material. We consider that cap and collars are appropriate, but the collars should be 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 not intervening to amend the proposed caps.</p>	<p>We are intervening to set collar levels as follows:</p> <p>2020-21 = 3.35 2021-22 = 3.35 2022-23 = 3.35 2023-24 = 3.35 2024-25 = 3.35</p> <p>Units: incidents per 10,000 sewer connections.</p>

Intervention reference	Our assessment and rationale	Interventions
WSH.OC.C37 PR19WSH_Rt2 Sewer flooding on customer property (external) Caps, collars and deadbands	<p>Intervention required.</p> <p>The company proposes to include caps and collars for this performance commitment.</p> <p>As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals.</p> <p>We consider that the proposed collars were not set levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills. The range that underperformance payments would apply was too small to provide sufficient incentive.</p> <p>We consider that the performance commitment is financially material. We consider that cap and collars are appropriate, but the collars should be 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 not intervening to amend the proposed caps.</p>	<p>We are intervening to set collar levels as follows:</p> <p>2020-21 = 40.05 2021-22 = 40.05 2022-23 = 40.05 2023-24 = 40.05 2024-25 = 40.05</p> <p>Units: incidents per 10,000 sewer connections.</p>
WSH.OC.C38 PR19WSH_Rt3 Sewer collapses Caps, collars and deadbands	<p>Intervention required.</p> <p>The company proposes to include a collar for this performance commitment.</p> <p>As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals.</p> <p>We consider that the proposed collars were not set levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills. The range that underperformance payments would apply was too small to provide sufficient incentive.</p> <p>We consider that the performance commitment is not financially material. We consider that 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'.</p>	<p>We are intervening to set collar levels as follows:</p> <p>2020-21 = 10.8 2021-22 = 10.8 2022-23 = 10.8 2023-24 = 10.8 2024-25 = 10.8</p> <p>Units: collapses per 10,000km of sewers.</p>

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

Performance commitment reference	Company's response	Our assessment and rationale	Interventions
NA	NA	NA	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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