

July 2019

Trust in water

PR19 draft determinations

Hafren Dyfrdwy – Delivering outcomes for customers actions and interventions

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PR19 Draft Determinations: Hafren Dyfrdwy - 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 'HDD' denotes the company Hafren Dyfrdwy. 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 'HDD' denotes the company Hafren Dyfrdwy. 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 'PR19HDD_' denotes the company Hafren Dyfrdwy), the name of the performance commitment, and the action type (for example, stretch).

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

Table 1 – Hafren Dyfrdwy’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	HDD.OC.A1	Performance Commitment (PC) definition	<p>Appendix 2 of the PR19 methodology states “Companies must propose bespoke PCs to address their own particular resilience challenges.”</p> <p>Therefore, the company should include resilience as part of its overall package of bespoke PCs.</p>	1 April 2019	<p>The company proposes to adopt a bespoke performance commitment in relation to 'source resilience'. The performance commitment is reputational only, allocated to water resources and water network plus price controls and measures the percentage of the population exposed to a potential 24-hour supply interruption in the event of a failure to any water resource or treatment asset.</p> <p>The company proposes a static performance target of 29.5% throughout 2020-25. This is the same as the forecast level for 2018-19 and 2019-20.</p>	<p>Intervention required.</p> <p>The company proposes a bespoke resilience performance commitment, however, we consider there are several issues with the proposed performance commitment.</p> <p>The performance commitment level suggests a low level of current source resilience and the company proposes no improvement on this level throughout the 2020-25 period.</p> <p>We are concerned that customers are not receiving adequate levels of current protection or that the proposed ambition for 2020-25 suitably protects customers. It is unclear from the evidence provided what activities or plans or strategies the company will be delivering in order to maintain the level of 29.5% source resilience.</p> <p>We are also concerned that there was limited evidence provided of customer support for either this performance commitment or the targets proposed.</p> <p>There is also no clear line of sight between the proposed performance commitment definition and the proposed stretch levels to the resilience risks outlined by the company in its plan.</p> <p>Overall it was unclear that this would provide appropriate incentives for the company to manage resilience challenges.</p> <p>We encourage the company to provide an alternative bespoke resilience performance commitment in its representations which addresses the concerns we have identified. The performance commitment should provide both transparency of a significant resilience challenge and provide incentives for the company to manage it.</p>	<p>We are intervening to remove this performance commitment.</p> <p>We will consider the company’s revised proposal we expect it to provide for the final determinations.</p>

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	HDD.OC.A2	Performance reporting	<p>The company should provide further evidence on how it will capture and assure the data required for its PCs.</p> <p>The company should consider what performance reporting it will provide for customers beyond its annual performance report, including providing contextual information, to increase the impact of its ODIs on its reputation.</p>	1 April 2019	<p>The company provides additional information on its process for reporting performance, covering annual reporting and the governance and assurance processes in place. The flow charts and process description templates detail how performance is reported and data captured by the company. Information from the customer challenge group and third party assurers is also provided.</p> <p>The company provides some information on the customer engagement undertaken in relation to reporting performance and keeping customers informed. The company states that it has created an online presence with Facebook and Twitter and that it has established a new website.</p> <p>Senior leaders at the company have provided statements and assurance of the company's commitment to transparency, accurate reporting and comprehensive assurance.</p> <p>The company also provides some details of its customer facing summary document which it intends to publish alongside the formal annual performance report.</p> <p>The summarised company performance on performance commitments and explained variances. In this document the company provides simple charts and analysis that shows how the company performs in relation to the rest of the sector. The document also provides links to Discover Water.</p>	<p>No intervention required.</p> <p>The company has complied with our action, providing sufficient further evidence on its approach to data capture and assurance, and on its performance reporting. The company's customer facing summary of the annual performance report provides suitable context for customers.</p>	NA
	HDD.OC.A3	ODI type	The company should provide sufficient and convincing evidence for its ODI type proposals and how these have been tested with customers. In particular, the company should provide evidence to support the use of outperformance payments and that in cases where these are proposed, they are supported by customers.	1 April 2019	The company provides the results and approach of quantitative and qualitative research that it conducted. The research provides customer views and preferences in regards to outcome delivery incentive types, and provides evidence of support for outperformance payments.	<p>No intervention required at a company level...</p> <p>The company provides the results of its "Choices" research which tested customer support for outcome delivery incentive types, under and outperformance payments, and outcome delivery incentive rates.</p> <p>This research was conducted post-IAP and the company provides both the summary of</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
						the findings and the detailed report as supporting evidence. However, customer support is marginal in certain areas. Our consideration of these areas is included in our responses to specific performance commitment actions in Table 2 below.	
	HDD.OC.A4	ODI rates	<p>In all cases, the company should provide further evidence to demonstrate and justify the calculation and level of its ODI outperformance and underperformance rates that it has proposed, both through the requested data tables and any additional written submissions.</p> <p>The company should provide further evidence, either from its own customer base or wider industry studies, to demonstrate that the marginal benefit estimates used are reflective of its customers' preferences, or conduct further engagement to develop triangulated ODI rates that are based on a broader base of evidence.</p> <p>The company should provide further evidence of customer acceptability for its ODI package, either in the form of further engagement or from the existing evidence gathered by the company.</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 rate calculations, in line with our PR19 Final</p>	1 April 2019	<p>The company has undertaken additional quantitative and qualitative research to obtain views from customers on their preferences. It also provides additional narrative to explain the approach and how the company has applied the findings from the customer research.</p> <p>The company carried out additional 'Choices' research to produce more estimates of customer valuations.</p> <p>The company carried out triangulation to weigh up the results of this new research and those from its existing research, and compared its rates with those from the rest of the industry, based on our IAP outcome delivery incentive rate comparison set out in 'Technical appendix 1: Delivering outcomes for customers'.</p> <p>The company has tested overall acceptability of the plan which included the impact of outcome delivery incentives, The new quantitative and qualitative research on outcome delivery incentives also sought views on the overall package.</p> <p>The company has provided additional narrative to explain its approach and how it has applied the findings from the customer research. The company included asset health performance commitments in its research.</p> <p>The company also confirms that no scheme specific performance commitments have been proposed and therefore no changes are needed.</p>	<p>No intervention required at a company level..</p> <p>The company provides additional evidence regarding its outcome delivery incentive rates and the acceptability of the overall package. After reviewing the supporting documents, we have noted areas where customer support is marginal and / or where the company does not provide compelling evidence to support its proposed outcome delivery incentive types, rates, or timing.</p> <p>Where we have particular concerns about outcome delivery incentive rates these are discussed in our response to the relevant performance commitment specific actions in Table 2 or additional actions in Table 3.</p> <p>The company has reviewed the impact of all cost adjustment claims. We have changed two performance commitments as a result: 'Number of lead pipes replaced' and 'Length of river water quality improved' - the evidence to explain the changes are set out in responses to action HDD.OC.A42 and HDD.OC.A47 respectively.</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
			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.				
	HDD.OC.A5	ODI package	<p>The company should provide further explanation of how its ODI package incentivises it, through better aligning the interests of management and shareholders with customers, to deliver on its PCs to customers.</p> <p>The company should provide further evidence of customer support for the overall size of its ODI package. In particular, the company should explain why the ODI package it proposes is in the best interests of customers, when the majority of customers appear to support more ambitious incentive-linked bill amounts than those currently proposed.</p>	1 April 2019	The company proposes making adjustments to its overall outcome delivery incentive package resulting in a return on regulatory equity range of -2.0% to +0.5%. The company also provides the results of its "Choices" research where it gathered customer views on outcome delivery incentive types and rates.	<p>No intervention required at a company level.</p> <p>The company proposes making adjustments to its overall outcome delivery incentive package resulting in a return on regulatory equity range of -2.0% to +0.5% (the original business plan's return on regulatory equity range was - / + 0.4%).</p> <p>The overall package, following our interventions, is aligned to customer preferences and places sufficient incentives on the company to meet and exceed its performance targets.</p> <p>The company also provides new research showing marginal customer support around certain areas such as support for setting a performance commitment as a non-financial incentive as opposed to a financial outcome delivery incentive. We address these in our responses to specific performance commitment actions in Table 2.</p>	NA
	HDD.OC.A6	Asset health ODI package	The company should provide sufficient evidence that its customers support its proposed asset health outperformance payments.	1 April 2019	The company provides additional research which explicitly sought customer views on specific outcome delivery incentive design, which showed that the majority of customers did not support a financial incentive on its asset health performance commitments.	<p>No intervention required.</p> <p>The company has undertaken additional research and as a consequence has removed some outperformance payments. See HDD.OC.A9, A22, A39.</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
	HDD.OC.A7		The company should provide a clear list of what it considers to be its asset health PCs, and state its P10 underperformance payments and P90 outperformance payments for each of its asset health ODIs in £m and as a percentage of RoRE.	1 April 2019	<p>The company provides a list of its asset health measures. It provides P10 underperformance payments for all asset health performance commitments except treatment works compliance.</p> <p>The company notes that treatment works compliance does not make a contribution to the P10 amount because even at this level the company's expectation is that it will still be in compliance.</p> <p>The company states that its four asset health performance commitments contribute 0.2% to overall P10 payments.</p>	<p>No intervention required.</p> <p>The company has complied with the action and provided a clear list of its asset health performance commitments and its P10 and P90 payments for each asset health performance commitment.</p>	NA
	HDD.OC.A8	Customer protection	<p>The company should apply additional protections through an appropriate outperformance payment sharing mechanism and by implementing caps on individual PCs which could result in material outperformance payments.</p> <p>The payment sharing mechanism and caps to material ODIs should be applied in accordance with guidance provided in the 'Technical appendix 1: Delivering outcomes for customers'.</p>	1 April 2019	<p>The company proposes applying P10 and P90 caps and collars on all outcome delivery incentives.</p> <p>The company also proposes adopting the 50:50 sharing mechanism for outperformance payments exceeding 3% return on regulatory equity.</p>	<p>Intervention required.</p> <p>The company is proposing to adopt our customer protection measures as set out in 'Technical appendix 1: Delivering outcomes for customers' to make sure that customers are adequately protected.</p> <p>However, the company also proposes applying caps and collars to other immaterial outcome delivery incentives.</p> <p>This additional change is not in line with our policy, and inappropriately dampens incentives for the company to improve performance without offering significant additional customer protection.</p>	We are intervening to remove caps and collars for non-material outcome delivery incentives except where sufficient evidence is provided for the specific cap or collar.

Table 2 – Hafren Dfyrwy’s response to required PC-specific actions and interventions for draft determinations

Test area	Action reference	Action type	Required action	Date required	Summary of the company’s response to the action	Our assessment and rationale	Interventions
Delivering outcomes for customers	HDD.OC.A9	ODI type	Water Quality Compliance (CRI) PC: 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.	1 April 2019	<p>The company proposes an underperformance payment outcome delivery incentive for this performance commitment.</p> <p>The company states that 73% of its customers support a financial outcome delivery incentive, and that it has chosen an underperformance payment only outcome delivery incentive in line with our approach for the sector.</p>	<p>No intervention required.</p> <p>The company proposes an underperformance payment outcome delivery incentive for this performance commitment.</p>	NA
	HDD.OC.A10	ODI rate	<p>Water Quality Compliance (CRI) PC: If the company proposes a financial underperformance incentive with a rate that is not consistent with our assessment of the reasonable range around the industry average (as set out in ‘Technical appendix 1: Delivering outcomes for customers’) it should demonstrate that this variation is consistent with customers’ underlying preferences and priorities for service improvements in CRI.</p> <p>If the company proposes a financial underperformance incentive it 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 CRI and assess the appropriateness of the company’s customer valuation evidence supporting its ODI.</p> <p>In addition, the company should explain and evidence how any proposed ODI rate for CRI is coherent with the rates proposed for other asset health PCs.</p>	1 April 2019	<p>The company states that it has carried out additional research to produce additional estimates of customer valuations, and triangulated the results of this new research and those from its existing research.</p> <p>The company further states that it has compared its rates with those from the rest of the industry, based on our outcome delivery incentive rate comparison set out in ‘Technical appendix 1: Delivering outcomes for customers’.</p> <p>The company states that it has also considered the coherence between this measure and unplanned outage.</p>	<p>No intervention required.</p> <p>The company has complied with our action and explained the formulation of its outcome delivery incentive rate and its customer valuation evidence.</p> <p>The company provides sufficient evidence to explain how its outcome delivery incentive rate is coherent with rates proposed for other asset health performance commitments.</p> <p>The company’s underperformance payment rate is within our reasonable range as set out in ‘PR19 draft determinations: Delivering outcomes for customers policy appendix’. Therefore we are not intervening on the outcome delivery incentive rate.</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>	NA
	HDD.OC.A11	Caps, collars and deadbands	Water Quality Compliance (CRI) PC: We propose to intervene to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. If a financial incentive did apply to this PC, as set	1 April 2019	<p>The company adopts our proposed underperformance collar of 9.5 for this performance commitment.</p> <p>The company has proposed an alternative</p>	<p>Intervention required.</p> <p>We consider that this measure can fluctuate like all others, but the available performance data does not suggest volatility. The factors</p>	We are intervening to set a standard deadband. The deadband profile for the Compliance Risk Index is:

		<p>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>If the company proposes an underperformance payment rate for this PC, the company should set a deadband at 1.50 and collar at 9.5 for 2020-25.</p>		<p>deadband of 4.0. The company argues that due to its design Compliance Risk Index performance will fluctuate above the deadband of 1.5 points and that the most recent year has a standard deviation of 3.</p> <p>The company states that the volatility reflects the fact that the Compliance Risk Index is impacted by a range of factors, some of which are outside management control. This includes bad hygiene control at a customer tap, discolouration by house building or other utility contractor that cause a burst, illegal hydrant use or other company water quality imported and subsequently failing at taste and odour.</p> <p>The company argues the fact that companies are failing our deadband for drinking water quality target will undermine confidence in the best quality water Europe and drive the wrong behaviours such as discouraging sampling to reduce risk of failure.</p>	<p>listed by the company such as bad hygiene at a customer's taps do not impact performance of the measure.</p> <p>We consider that public perception is a matter of how the performance against targets are communicated and this should not be a reason to provide a worse level of service.</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>A deadband set at the levels we are proposing allows for some fluctuation in performance, whilst providing a strong incentive to minimise compliance failures.</p>	<p>2020-21 – 2.0 2021-22 – 2.0 2022-23 – 1.5 2023-24 – 1.5 2024-25 – 1.5</p> <p>Unit = Compliance Risk Index Score</p>
HDD.OC.A12	Stretch	<p>Water supply interruptions 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 proposes to adopt our performance commitment levels.</p>	<p>Intervention required.</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.</p> <p>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>We are intervening to set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels are as follows:</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: minutes per property for year</p>
HDD.OC.A13	ODI rate	<p>Water supply interruptions 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</p>	1 April 2019	<p>The company is proposing a revised outcome delivery incentive rate based on the results of additional customer valuation research.</p>	<p>Intervention required.</p> <p>The revised rate is only slightly below the reasonable range that we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. We have not identified any concerns with the basis on which the company has derived its revised rate.</p>	<p>We are intervening to increase the company's underperformance rate to the industry average (on a normalised basis). This results in an underperformance rate of -</p>

		<p>preferences and priorities for service improvements in supply interruptions.</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 supply interruptions and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>			<p>However, the company has a history of poor performance in supply interruptions. As a result, we consider it is necessary to increase the underperformance rate to increase the strength of the incentives to improve performance. This is discussed further in 'PR19 Draft Determinations: Hafren Dyfrdwy – Past delivery actions and interventions'.</p>	<p>£0.047 million per minute per property.</p>
HDD.OC.A14	Caps, collars and deadbands	<p>Water supply interruptions PC: The company should provide further evidence to justify the application of a collar and the specific level it should be set at.</p>	1 April 2019	<p>The company applies caps and collars to all financial measures in order to reflect the reticence of customers towards financial incentives. It argues that customers are supportive of the levels it proposes. The company proposed only an underperformance payment for this performance commitment and so only proposed a collar for this.</p>	<p>Intervention required.</p> <p>We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification.</p> <p>The company did not demonstrate the benefit to customers of the specific collar level proposed for this specific performance commitment.</p> <p>How we assess financially material and our standard approach to setting caps and collars is set out in our 'outcomes policy appendix'.</p>	<p>We are intervening to remove the underperformance collars.</p>
HDD.OC.A15	Definition	<p>Leakage PC: For sub-components rated 'Amber' or 'Red' in table 3S of the 2018 APR submission, the company should provide details on the actions needed to comply with the standard definitions of common performance metrics and its timetable for completing them.</p>	1 April 2019	<p>The company does not provide a clear statement that it has all the necessary plans in place to comply with the standard definition for 2019-20. The company notes that it will take it several years before the data is robust enough to report 'Green' against all aspects but that it is setting out all of the assumptions it is making in the absence of measurable data.</p> <p>The company plans to set out the assumptions in its Annual Performance Report documentation and confirms these are subject to the rigorous three lines of assurance approach.</p> <p>The company also provides an updated assessment along with a timetable for completing the 'Amber' and 'Red' actions needed to ensure it can report in line with the common definition. The timetable provides all completion dates by March 2020 at the latest.</p>	<p>No intervention required.</p> <p>The company provides a partial response by providing a Red/Amber/Green (RAG) assessment but does not provide a clear statement that it will comply with the standard definition for leakage performance commitment. We take the provided timetable for completing the actions as confirmation that the company will achieve full compliance by March 2020.</p>	<p>NA</p>

HDD.OC.A16	ODI type	<p>Leakage PC: The company should provide further evidence of its approach to customer engagement and how it addressed the concerns raised by the CCG. The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.</p>	1 April 2019	<p>The company proposes to remove its outperformance payment and adopted an underperformance only outcome delivery incentive.</p> <p>The company removes the outperformance payment based on customer research indicating the majority of its customers prefer a reputational only outcome delivery incentive - where that is for a common performance commitment the company has adopted the approach to make these underperformance only to ensure there are strong incentives to achieve stretching performance commitment levels.</p>	<p>No intervention required.</p> <p>We consider the approach the company has taken sufficiently addresses the action.</p>	NA	
HDD.OC.A17	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 also provide the additional information set out in ‘Technical appendix 1: Delivering outcomes for customers’ to allow us to better understand the causes of variation in ODI rates for leakage and assess the appropriateness of the company’s customer valuation evidence supporting its ODI.</p>	1 April 2019	<p>The company has undertaken additional valuation research since the initial assessment of business plans to provide a broader evidence base on which to set its leakage outcome delivery incentive rate. However the company has not used the results of this research to set its revised rate, this is instead based on a comparison with rates proposed by other companies in their business plans.</p>	<p>Intervention required.</p> <p>While the company has increased its rate relative to its revised business plan, the proposed rate remains below the reasonable range that we set out in ‘PR19 draft determinations: Delivering outcomes for customers policy appendix</p> <p>While the company has undertaken additional valuation research it has not used it to set its outcome delivery incentive rate. Instead it has set its rate based on 0.5 standard deviations below the industry average on a £ per household per megalitre a day basis.</p> <p>This approach does not take account of differences in incremental performance between companies implied by a 1 megalitre a day reduction in leakage and therefore materially understates the resulting outcome delivery incentive rate. It also results in a rate that is a multiple of 44 lower than that implied by its latest valuation research.</p> <p>We set out our rationale for setting outcome delivery incentive rates for this common performance in ‘PR19 draft determinations: Delivering outcomes for customers policy appendix’.</p>	<p>We are intervening to set the underperformance rate at the level implied by the company’s latest valuation research. This results in an underperformance rate of - £0.202 million per megalitre a day.</p>	

HDD.OC.A18	Stretch	Per capita consumption (PCC) PC: The company should reconsider its proposed service levels and ensure that they are stretching. The company should clearly set out the evidence and rationale for the revised targets.	1 April 2019	<p>The company has updated its calculation of per capita consumption from 151 litres per person per day in its business plan to align with the water resources management plan which uses recalculated per capita consumption figures following the creation of two new water resource zones and a bottom-up water balance assessment.</p> <p>As part of this update it has also increased the stretch to 4% by 2024-25 from its initial level in 2019-20. The revised 2024-25 service level is 135.3 litres per person per day.</p>	<p>No intervention required.</p> <p>The company aligns its business plan with its water resources management plan and in turn revises the proposed service levels and increases the level of reduction from 3% to 4% on a three-year average basis.</p> <p>The company explains that it uses revised assumptions and states the figures have been through a three-line assurance process as part of its water resources management plan process.</p> <p>The company has no risk of supply demand balance deficit.</p> <p>We consider the performance commitment level of 135 litres per person per day to be stretching as evidenced by other companies and the proposed stretch is aligned to long-term ambition.</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
HDD.OC.A19	ODI type	Per capita consumption (PCC) PC: 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.	1 April 2019	<p>The company proposes to remove its outperformance payment on this performance commitment and adopted an underperformance only outcome delivery incentive.</p> <p>The company removes the outperformance payment based on customer research indicating the majority of its customers prefer a reputational only outcome delivery incentive - where that is for a common performance commitment the company has adopted the approach to make these underperformance only to ensure there are strong incentives to achieve stretching performance commitment levels.</p>	<p>No intervention required.</p> <p>We consider the approach the company has taken sufficiently addresses the action.</p>	NA
HDD.OC.A20	ODI rate	Per capita consumption (PCC) PC: If the company proposes a financial incentive with a rate that is not consistent with our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') it should demonstrate that this variation is consistent with customers' underlying preferences and priorities	1 April 2019	The company is proposing to apply an underperformance payment for this performance commitment which is based on the results of additional customer valuation research that it has undertaken since the initial assessment of business plans.	<p>No intervention required.</p> <p>The proposed rate is appropriately supported by customer research and is within the reasonable range that we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.</p>	NA

		<p>for service improvements in per capita consumption.</p> <p>If the company proposes a financial incentive it 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 per capita consumption and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</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>	
HDD.OC.A21	Stretch	<p>Resilience - drought risk PC: The company should explain its level of stretch and submit the intermediate calculation outputs as shown in the common definition guidance published on our website for the drought resilience metric.</p>	1 April 2019	<p>The company provided calculations which are limited to water resource zone risks rather than contributing supply-demand balance values.</p> <p>The company also provides an external assurance report that indicates that even with changes in input values of up to 30% the risk faced by customers remains the same.</p>	<p>Intervention required.</p> <p>Intermediate calculations give us confidence that companies have followed our definition appropriately and allow us to intervene effectively if we do not consider the service levels are stretching.</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>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>This is a sector wide action.</p> <p>The company should provide a full set of intermediate calculations at a zonal level, underlying the risk calculation (for both baseline levels and performance commitment).</p> <p>The company should confirm that its performance commitment levels are reflective of its water resources management plan position.</p> <p>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 its forecasts.</p> <p>The company should confirm which schemes will impact its forecasts.</p>
HDD.OC.A22	ODI type	<p>Asset health - burst mains PC: The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support. Alternatively, the company should remove the outperformance payment.</p>	1 April 2019	<p>The company proposes to remove the outperformance payment element of its outcome delivery incentive for this performance commitment and proposes and underperformance only incentive.</p> <p>The company states that it has done this following additional insight provided by its 'Choices' customer research.</p>	<p>No intervention required.</p> <p>We consider the approach the company has taken sufficiently addresses the action.</p>	NA

HDD.OC.A23	ODI rates	<p>Asset health - burst mains PC: The company should explain and evidence how its proposed ODI rates for mains bursts are coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (including leakage, 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 ODI rates for mains bursts and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>	1 April 2019	<p>The company states that it has realigned rates to the upper bound of the sector outcome delivery incentive rates as set out in 'Technical appendix 1: Delivering outcomes for customers'.</p> <p>The company applies the ODI comparison methodology by first calculating the incentive rate per incident and then converting it to a household rate.</p> <p>The company considers this delivers a more balanced picture</p> <p>The company states that it has also considered the coherence between this measure and leakage, supply interruptions and low pressure.</p>	<p>Intervention required.</p> <p>The comparison the company has undertaken has not been normalised so as to control for the difference in risk between companies represented by one mains bursts incident. This materially understates the resulting rate. The company's underperformance payment rate is below the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', but the company has good comparative performance. Therefore we are intervening to increase it to the industry average, 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.</p> <p>The company provides sufficient evidence to explain how its rate is coherent with rates proposed for other asset health performance commitments.</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 increase the company's underperformance payment rate to -£0.007 million, based on the mean of the reasonable range.
HDD.OC.A24	Caps, collars and deadbands	<p>Asset health - burst mains PC: The company should either remove the proposed deadbands from this PC or provide convincing evidence to explain why these features are appropriate and in customers' interests.</p>	1 April 2019	<p>The company proposes removing the deadband and replacing it with an underperformance collar.</p> <p>The company argue its caps and collars protect customers from bill volatility and its customers are supportive of the levels it proposes.</p> <p>The company applies caps and collars to all financial measures in order to reflect the reticence of customers towards financial incentives. The company proposed only an underperformance payment for this performance commitment and so only proposed a collar for this.</p>	<p>Intervention required.</p> <p>We accept the company's proposal to remove its deadbands for this performance commitment.</p> <p>We consider that a collar is not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification: in particular, the company did not demonstrate the benefit to customers of the specific collar level proposed for this specific performance commitment.</p> <p>We consider that the performance commitment is not financially material, and we do not consider collars are appropriate. How we assess financially material and our standard approach to setting collars is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.</p>	We are intervening to remove the proposed collars.
HDD.OC.A25	Definition	<p>Asset health – unplanned outage PC: The company should provide details on the actions</p>	1 April 2019	The company has included an assessment that highlights the company is reporting zero	No intervention required.	NA

		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).		red, four amber and eight green rated components. The independent auditor reports that there is scope to further align the company's reporting with the guidance in several areas and that the company is implementing improvements that should move it to compliance for 2019-20.	The company has provided sufficient evidence to demonstrate that it will be compliant with the reporting requirements by 2020. This is confirmed by the independent auditor.	
HDD.OC.A26	Stretch	<p>Asset health - unplanned outage PC: The company is required to provide fully audited 2018-19 performance data by 15 May 2019. This should take the form of an early Annual Performance Report (APR) submission, but only for Unplanned Outages. Board assured data can be provided with the main APR in July 2019, any changes will be taken into account for the Final Determination. Based on the latest performance and updated methodologies, the company should re-submit 2019-20 – 2024-25 forecast data in the May submission.</p> <p>The company should also report their current and forecast company level peak week production capacity (MI/d), the unplanned outage (MI/d) and planned outage (MI/d) in their commentary for the May submission.</p>	15 May 2019	<p>The company provides an updated calculation of its unplanned outage figure as 1.65% for 2018-19 and states it has improved its process to collect the data required by our methodology.</p> <p>The company states it is difficult to forecast stable performance using only one data point as there is likely to be some natural variation. The company states that due to its small scale, it is exposed to a small number of asset issues, significantly increasing the production loss. In order to address this it has reviewed the 2018-19 performance and considered three plausible scenarios of how performance could reasonably vary, without it meaning that there is likely to be a deterioration in asset health.</p> <p>The results of the scenarios show a reduction in unplanned outage in one scenario and an increase in two scenarios. The company forecasts performance of 1.80% for all years between 2019-20 and 2024-25 which it explains is based on the average of the three scenarios and held flat over the 2020-25 period.</p>	<p>No intervention required.</p> <p>The company complies with the action and provides the requested information and it is considered acceptable. Its performance commitment level for 2024-25 is approximately aligned to upper quartile level from all performance commitment levels provided.</p> <p>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
HDD.OC.A27	ODI type	Asset health – unplanned outage PC: The company should propose a standard underperformance incentive rate for this PC supported by evidence to justify the customer valuations and forecast efficient marginal cost inputs that it proposes.	1 April 2019	The company states that its unplanned outage performance commitment now has an underperformance payment only outcome delivery incentive. It proposes this is in the absence of supporting evidence from its customers that they support outperformance payments for this measure.	<p>No intervention required.</p> <p>The company has complied with our action.</p>	NA
HDD.OC.A28	ODI rate	Asset health – unplanned outage PC: If the company proposes a financial underperformance incentive with a rate that is not consistent with our assessment of the reasonable range around the industry average (as set out in Technical appendix 1:	1 April 2019	The company states that it has aligned rates for unplanned outage and based its outcome delivery incentive rates on our outcome delivery incentive rate comparison set out in 'Technical appendix 1: Delivering outcomes for customers'.	<p>Intervention required.</p> <p>The company states that its underperformance payment rate has been aligned to the industry average. However, as a result of the way it has calculated its range, it is below the lower</p>	We are intervening to increase the company's underperformance payment rate to -£0.056 million, based on the

		<p>Delivering outcomes for customers) it should demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in unplanned outages.</p> <p>If the company proposes a financial underperformance incentive it 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 unplanned outages and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p> <p>The company should explain and evidence how any proposed ODI rate for unplanned outages is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.</p>		<p>The company states it has derived the rate from the lower bound of Ofwat's accepted range for the sector.</p> <p>It also states that it has considered the coherence between this measure and supply interruptions.</p>	<p>bound of the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', and the company has good comparative performance. As a result, we are increasing the underperformance rate to the average, of the reasonable range.</p> <p>The company provides sufficient evidence to explain how its outcome delivery incentive rate is coherent with rates proposed for other asset health performance commitments.</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>average of the reasonable range.</p> <p>Units: Percentage of peak week production capacity</p>
HDD.OC.A29	ODI rates	<p>Treatment works compliance PC: The company should explain and evidence how its proposed ODI rate for treatment works compliance is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (including river water quality) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.</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 treatment works compliance and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>	1 April 2019	<p>The company states that it has compared its rates with those from the rest of the industry, based on our outcome delivery incentive rate comparison set out in 'Technical appendix 1: Delivering outcomes for customers'.</p> <p>It appears that the valuation has used Severn Trent Water valuation from PR14. The company states that it has ensured coherence across the rates for the associated customer-facing impacts of the asset failure (including river water quality) and ensure this group of rates incentivises short and long-term performance.</p>	<p>Intervention required.</p> <p>The company's underperformance payment rate is below the reasonable range that we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', and the company has good comparative performance. We are not clear how the company has used its evidence to develop a rate but do not agree with the approach to normalisation as explained above and therefore we are intervening to increase it to the average of our reasonable range.</p> <p>The company sufficiently explains how its outcome delivery incentive rate is coherent with rates proposed for other asset health performance commitments performance commitments.</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 increase the company's underperformance payment rate to -£0.009 million, based on the mean of the reasonable range.</p> <p>Units: Percentage compliance</p>

HDD.OC.A30	Caps, collars and deadbands	Treatment works compliance PC: The company should revise the deadband level to 99% or provide justification why this is not appropriate.	1 April 2019	<p>The company sets out evidence to explain why its original deadband of 97.9% is appropriate for this performance commitment.</p> <p>The company states that the proposed performance commitment level would require it to have no failing works. The company instead proposes a deadband at 97.9%, equal to a single works failure. The company argues that this level of deadband would not give it the headroom for multiple works failures. The company further argues that if the deadband was removed or set at 99% then it would have by far the most stretching target of the industry.</p>	<p>No intervention required.</p> <p>We have reviewed the company's evidence and accept its position on setting a deadband at 97.9% for this performance commitment, due to the smaller number treatment works it operates for 2020-25 and the impact of failing a single site.</p> <p>This deadband, however, will remain subject to reassessment if the number of treatment works increases in future.</p>	NA
HDD.OC.A31	Stretch	Internal sewer flooding incidents 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.	1 April 2019	The company proposes to implement the values we calculated.	<p>No intervention required.</p> <p>The company is complying with our action.</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
HDD.OC.A32	ODI rates	<p>Internal sewer flooding incidents 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 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 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 internal sewer flooding is coherent with the rates proposed for all other sewerage PCs (including sewer collapses and pollution incidents) and demonstrate how the package of ODIs across the relevant group of</p>	1 April 2019	The company has undertaken additional valuation research since the initial assessment of business plans to provide a broader evidence base on which to set its outcome delivery incentive rate. However the company has not used the results of this research to set its revised rate (which is instead based on a comparison with rates proposed by other companies in their business plans).	<p>Intervention required.</p> <p>The company is proposing lower outperformance and underperformance rates despite its business plan rates being materially below the industry average (as defined by the IAP range).</p> <p>While the company has undertaken additional valuation research it has not used the results to set its revised outcome delivery incentive rates (which are instead based on comparisons with other companies' business plan rates).</p> <p>In undertaking this comparison the company has not normalised so as to control for the difference in risk between companies represented by one internal sewer flooding incident. This materially understates the resulting rate.</p> <p>We set out our rationale for setting outcome delivery incentive rates for this common</p>	<p>We are intervening to set the outperformance rate using an average of the values from the company's core 2020-25 stated preference and its additional Choices valuation research.</p> <p>We are intervening to set the underperformance rate at the outperformance rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' business plans (as explained in 'PR19 draft determinations: Delivering outcomes for customers policy appendix').</p> <p>This results in</p>

		PCs appropriately incentivises performance in the long and short-term.			performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	underperformance and outperformance rates of - £0.066 million and £0.055 million per incident per 10,000 connections, respectively
HDD.OC.A33	Caps, collars and deadbands	Internal sewer flooding incidents PC: The company should provide further evidence to justify the application of a collar and the specific level it should be set at.	1 April 2019	<p>The company applies caps and collars to all financial measures, reflecting the reticence of its customers toward financial incentives. For this performance commitment, the company calculates a collar from the collars proposed by the rest of the industry.</p> <p>The company argue its caps and collars protect customers from bill volatility and its customers are supportive of the levels it proposes.</p>	<p>Intervention required</p> <p>We consider that the proposed caps and collars were not set at levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills.</p> <p>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 as outperformance could lead to unexpectedly high bill impacts without a cap. We consider that caps and collars are appropriate, but the collar should be at a different level to those the company proposed to provide sufficient incentive based on our standard approach.</p> <p>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 at the following levels</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: Number of incidents per 10,000 sewer connections</p>
HDD.OC.A34	ODI timing	Internal sewer flooding incidents PC: The company should provide further evidence to justify the application of this ODI at the end of the 2020-25 period.	1 April 2019	<p>The company proposes to change the outcome delivery incentive on this performance commitment to in-period.</p> <p>The company states that it has decided to apply in-period outcome delivery incentives to all of its performance commitments, except for Length of River Water Quality. It does this as in-period outcome delivery incentives bring service payments closer in time to when its customers receive the services making its financial outcome delivery incentives more powerful.</p>	<p>No intervention required.</p> <p>The company has removed its end of period outcome delivery incentive and adopted an in-period outcome delivery incentive in line with our policy.</p>	NA
HDD.OC.A35	Stretch	Pollution incidents PC: We expect the company to propose more stretching targets.	1 April 2019	The company states that the upper quartile for this measure would require that it has no	No intervention required.	NA

		<p>We note that due to the small size of its sewerage system it may not be appropriate for the company to propose levels in line with the values we have calculated for forecast upper quartile performance as this would lead to very low numbers of category 3 pollution incidents in absolute terms.</p> <p>The company should clearly explain the rationale for the revised service levels that it proposes.</p>		<p>more than 1 incident per year which it believes is unachievable.</p> <p>The company proposes increasing its stretch in its revised performance commitment level, showing the highest percentage improvement relative to industry average. It states that Natural Resources Wales are supportive of its proposed approach</p>	<p>We consider that this level is sufficiently challenging for the company and is appropriately evidenced.</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>	
HDD.OC.A36	ODI type	<p>Pollution incidents PC: The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.</p>	1 April 2019	<p>The company proposes to remove the outperformance payment on this performance commitment and adopt an underperformance only outcome delivery incentive.</p> <p>The company removes the outperformance payment based on customer research indicating the majority of its customers prefer a reputational only outcome delivery incentive - where that is for a common performance commitment the company has adopted the approach to make these underperformance only to ensure there are strong incentives to achieve stretching performance commitment levels.</p>	<p>No intervention required.</p> <p>We consider the approach the company has taken sufficiently addresses the action.</p>	NA
HDD.OC.A37	ODI rates	<p>Pollution incidents 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 pollution incidents.</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 pollution incidents 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 Pollution incidents is</p>	1 April 2019	<p>The company has undertaken additional valuation research since the initial assessment of business plans to provide a broader evidence base on which to set its outcome delivery incentive rate.</p> <p>However, the company has not used the results of this research to set its revised rate (which is instead based on a comparison with rates proposed by other companies in their business plans).</p>	<p>Intervention required.</p> <p>The company is proposing a higher underperformance rate relative to its business plan. However, it remains below the reasonable range that we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.</p> <p>We have identified concerns with the company's approach to triangulation which does not use the outputs of customer valuation research (which would imply a higher outcome delivery incentive rate) and, is instead, based on a comparison with other companies' rates which does not appropriately control for the difference in risk increment between companies represented by one pollution incident.</p> <p>This materially understates the implied outcome delivery incentive rate. The</p>	<p>We are intervening to set the underperformance rate by triangulating across: (i) the rate implied by company's own willingness to pay research; (ii) the industry average proposed outcome delivery incentive rates (as reflected by the lower bound of the reasonable range); and (iii) the rate implied by Severn Trent's corresponding performance commitment for the 2015-20 period (after appropriate normalisation for household volumes and sewer length).</p> <p>This results in an</p>

			coherent with the rates proposed for all other sewerage PCs (including internal sewer flooding, sewer collapses) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.			company's proposed rate also implies a materially lower level of customer protection against underperformance for its wastewater customers than provided by Severn Trent for the period 2015-20 (after appropriate normalisation for household and network volumes). 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'.	underperformance rate of -£0.002 million per incident per 10,000km sewer.
HDD.OC.A38	Definition	Sewer flooding - extreme storms 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.	1 April 2019	The company confirms that it will adopt the full standard definition. It confirms that it is on track to report against the new standard definition and has provided a RAG assessment to support this. The company provides detailed guidance on its assumptions in regards to reporting on the metric. For instance the company describes how flooding from surface water sewers is not included in its assessment as it does not drain to its wastewater treatment works.	Intervention required. We have improved the definition of this common performance commitment in consultation with the industry following our IAP. We expect companies to confirm that they will be updating their approach to flooding resilience in line with the revised definition.	We are intervening to set out that the company should confirm that it is: <ul style="list-style-type: none"> • using the updated parameters in the catchment vulnerability assessment; (and setting out any additional criteria that it intends to use); • reporting the extent to which it uses 2D or simpler modelling; and • adopting FEH13 rainfall as standard and if not when it expects to do so. 	
HDD.OC.A39	ODI type	Sewer collapses PC: The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support. Alternatively, the company should remove the outperformance payment.	1 April 2019	The company proposes to remove the outperformance payment element of its outcome delivery incentive for its sewer collapses performance commitment and proposes an underperformance payment only outcome delivery incentive. The company states that it proposes this in the absence of supporting evidence from its customers that they support outperformance payments for this performance commitment.	No intervention required. We consider the approach the company has taken sufficiently addresses the action.	NA	
HDD.OC.A40	ODI rate	Sewer collapses PC: The company should explain and evidence how its proposed ODI rates for sewer collapses are coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (including pollution incidents and internal sewer flooding) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.	1 April 2019	The company states that it has compared its rates with those from the rest of the industry, based on our outcome delivery incentive rate comparison set out in 'Technical appendix 1: Delivering outcomes for customers'. The company applies the outcome delivery incentives comparison methodology by first calculating the incentive rate per incident and then converting it to a household rate The	Intervention required. The company provides sufficient evidence to explain how its rate is coherent with rates proposed for other asset health performance commitments. The comparison the company has undertaken has not been normalised so as to control for the difference in risk between companies	We are intervening to increase the company's underperformance payment rate to -£0.002 million, based on the lower bound of the reasonable range. Units: Number of collapses per 1000km of sewer network	

		<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 sewer collapses 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 Sewer collapses is coherent with the rates proposed for all other sewerage PCs (including internal sewer flooding and 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>		<p>company considers this delivers a more balanced picture</p> <p>The company states that it has also considered the coherence between this measure, internal sewer flooding and pollution incidents.</p>	<p>represented by one sewer collapse. This materially understates the resulting rate.</p> <p>The company's underperformance payment rate is below the reasonable range that we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix, and the company is a relatively good performer and therefore we are intervening to increase it to the lower bound of our reasonable range.</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>	
HDD.OC.A41	ODI timing	<p>Sewer collapses PC: The company should provide further evidence to justify the application of this ODI at the end of the 2020-25 period.</p>	1 April 2019	<p>The company proposes to change the outcome delivery incentive on this performance commitment to in-period.</p> <p>The company states that it will apply in-period outcome delivery incentives to all of its performance commitments, except for Length of River Water Quality. It does this as in-period outcome delivery incentives bring service payments closer in time to when its customers receive the services making its financial outcome delivery incentives more powerful.</p>	<p>No intervention required.</p> <p>The company has removed its end of period outcome delivery incentive and adopted an in-period outcome delivery incentive in line with our policy.</p>	NA
HDD.OC.A42	Stretch	<p>Number of lead pipes replaced PC: The company should provide further evidence that the service levels are stretching including by benchmarking itself with the service levels proposed by Dŵr Cymru.</p>	1 April 2019	<p>The company states that it has reviewed its levels of ambition for this performance commitment and compared them to that of Welsh Water. For the 2020-25 period, the company's number of lead pipes replaced are slightly lower than those of Dŵr Cymru. However, its long-term targets are more stretching.</p> <p>The cumulative total for the period therefore remains 460 replacements; this is identical to that proposed in the September 2018 submission. The company proposes to target 230 vulnerable properties (e.g. schools, social housing) where it plans to change both communication and supply pipes. However, the company's performance commitment level is set at 460 pipes regardless of whether the pipes replaced are communication or supply pipes.</p>	<p>Intervention required.</p> <p>The company has complied with this action by comparing its targets with those of Welsh Water. It has not revised its performance commitment level downwards due to the reduced cost allowance and has provided arguments that its targets are stretching with regards to its unique circumstances.</p> <p>We recognise that comparing the two companies' proposed performance commitment levels are not on a like-for-like basis; there are fundamental differences in how they are measured, including the triggers for carrying out the lead pipe replacement works.</p> <p>However, the two performance commitments support a common priority of changing lead pipes to reduce the amount of lead in water from 10 µg/l to 5 µg/l. This reduction, which</p>	<p>We are intervening to update the definition and corresponding performance commitment levels for this performance commitment from 460 pipes to 230 pipes over the five years.</p>

					<p>The company proposes to accelerate some elements of the activity but it does not propose to change the levels of stretch from that proposed in the business plan.</p> <p>The Welsh government proposes to reduce lead levels to as low as reasonably practicable (ALARP). The company's quality target is 5µg/l, which is the same for Welsh Water, compared to 10µg/l currently.</p>	<p>represents customer benefit, can only be maximised by changing both communication and supply pipes.</p> <p>Additionally, changing both pipes at the same time could potentially be more cost effective and provide greater cost benefit to the customer. We consider that Welsh Water's proposal for its (similar) performance commitment definition are more complete and robust since the company's proposals include the replacement of communication and supply pipes.</p> <p>We consider Hafren Dyfrdwy's customer will receive greater levels of customer protection and greater levels of benefit if the definition of this performance commitment is updated in line with the similar Welsh Water performance commitment.</p> <p>We are therefore intervening to change the definition of this performance commitment and the performance commitment level to 230 lead pies replaced.</p> <p>As for Dŵr Cymru, we do not intend to set a performance commitment to measure the delivery of the wider costs allowed for strategies and other activities, but instead ask the company to set its own internal targets and monitor and report against the effectiveness of its work.</p>	
HDD.OC.A43	ODI type	Number of lead pipes replaced PC: The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support. The company should demonstrate how this ODI will benefit customers.	1 April 2019	<p>The company provides additional evidence of customer support for outperformance payments for this performance commitment.</p> <p>The company also proposes adjusting the outcome delivery incentive rate to be within the reasonable range set out in the IAP.</p>	<p>No intervention required.</p> <p>The company proposes retaining outperformance payments for this performance commitment and provides sufficient evidence of customer support based on research that was conducted following the IAP.</p>	NA	
HDD.OC.A44	ODI timing	Number of lead pipes replaced PC: The company should consider changing the design of this ODI to in-period, or alternatively provide further evidence to justify why an end-of-period ODI should apply.	1 April 2019	The company proposes to change the outcome delivery incentive on this performance commitment to in-period.	<p>No intervention required.</p> <p>The company complies with our action and has changed the outcome delivery incentive to in-period.</p>	NA	
HDD.OC.A45	ODI type	Length of river water quality improved PC: The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.	1 April 2019	The company provides further evidence of customer support for outperformance payments for this performance commitment. It has conducted additional 'Choices' research.	<p>No intervention required.</p> <p>The company provides sufficient evidence of customer support based on the results of its "Choices" research. However we note that the company states an incorrect figure in its</p>	NA	

			The company should demonstrate how this ODI will benefit customers.		The company sets out that 60% of the customer sample showed support for designing this performance commitment as a financial outcome delivery incentive with both underperformance and outperformance payments.	summary of the research – 50% of the customer sample showed support, rather than 60%. Nevertheless, we consider that on balance taking account of all the evidence that no intervention is necessary.	
HDD.OC.A46	ODI rates	Length of river water quality improved PC: The company should either provide compelling evidence to justify the willingness to pay selected for this ODI.	1 April 2019	<p>The company proposes to reduce its outcome delivery incentive rate from £41,567 to £40,183 following further willingness to pay testing through its "Choices" research and subsequent triangulation.</p> <p>The company sets out the results of its "Choices" research, these estimates were used to carry out triangulation to weigh up the results of this new research and those from previous research.</p> <p>The company also confirms that it has compared its rates to other industry rates based on our IAP outcome delivery incentive rate comparison set out in 'Technical Appendix 1: Delivering outcomes for customers'.</p> <p>The company also notes that the marginal benefits of this measure are 2% lower than marginal costs, which means there is a further efficiency challenge on top of the benefit valuation.</p>	<p>Intervention required.</p> <p>We identified an error when comparing the IAP response to the detailed willingness to pay research. The company quoted an incorrect willingness to pay number from its customer research (£0.28 as opposed to £0.35).</p> <p>Additionally, the company had provided an incorrect target for this performance commitment (22km as opposed to the correct target of 46km). We are intervening to correct these errors.</p>	We are intervening to amend both the underperformance rate and outperformance rate to £0.0196 million per km improved.	
HDD.OC.A47	ODI timing	Length of river water quality improved PC: The company should consider changing the design of this ODI to in-period, or alternatively provide a convincing and well-evidenced argument for why an end-of-period ODI should apply.	1 April 2019	<p>The company provides evidence, supported by independent economic assurance, on why setting this outcome delivery incentive as end-of-period is necessary to overcome the water industry national environment programme uncertainty.</p> <p>The company also provides independent economic assurance by Frontier economics.</p>	<p>No intervention required.</p> <p>We note that any outperformance is unlikely to arise early in the period and there is limited benefit to customers from intervening.</p>	NA	
HDD.OC.A48	ODI timing	Hectares managed for biodiversity PC: The company should consider changing the design of this ODI to in-period, or alternatively provide a convincing and well-evidenced argument for why an end-of-period ODI should apply.	1 April 2019	The company proposes to change its outcome delivery incentive to in-period for this performance commitment.	<p>No intervention required.</p> <p>The company complies with our action and has changed the outcome delivery incentive to in-period.</p>	NA	

HDD.OC.A49	Definition	<p>Inspiring our customers to use water wisely PC: The company should consider how the proposed PC will impact per capita consumption.</p> <p>The company should clearly set out what the outcome of this PC is and its evidence and rationale for the proposed targets.</p>	1 April 2019	<p>The company provides additional evidence outlining how this performance commitment aligns to the overall water efficiency programme.</p> <p>The company also provides a numerical estimate of the contribution this performance commitment makes to per capita consumption as a whole.</p> <p>The company now proposes the performance commitment will be reputational only, in order to avoid the risk of double counting with its per capita consumption performance commitment.</p>	<p>No intervention required.</p> <p>The company proposes to remove the financial incentives and make this a reputational performance commitment. We consider this removes the risk of potential double counting of outperformance payments.</p> <p>The company also provides additional evidence outlining how the performance commitment aligns to its wider per capita consumption obligations utilising standard industry assumptions and good practice reports.</p> <p>Since this performance commitment measures engagement levels, we consider it suitably complements the absolute measure of behavioural change (per capita consumption).</p>	NA	
HDD.OC.A50	Stretch	<p>Sewer blockages PC: The company should reconsider its proposed service levels and ensure that they are stretching.</p> <p>The company should clearly set out the evidence and rationale for the revised targets.</p>	1 April 2019	<p>The company proposes to retain its 2024-25 performance commitment level, but has changed the base level in 2020-21 to a worse level, so it appears the percentage reduction is more than in its business plan.</p> <p>The company states that blockages on its network do not cause a direct customer impact, therefore it does not need to improve performance.</p>	<p>Intervention required.</p> <p>The company proposes a deterioration in service in its revised business plan compared to its September business plan. We consider that no compelling evidence has been provided to justify this proposal.</p> <p>We will intervene to set a revised profile for the service level based on the industry maximum percentage reduction from 2019-20 to 2024-25 (16.7%), using a linear profile of reductions each year.</p> <p>This is an asset health related measure and companies must invest in and maintain their assets even if not direct impact on service in the short term.</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>We are intervening to set the performance commitment levels to the following values.</p> <p>2020-21 = 283 2021-22 = 273 2022-23 = 264 2023-24 = 254 2024-25 = 244</p> <p>Units: number of blockages</p>	
HDD.OC.A51	ODI type	<p>Reduction in the number of void supply points PC: The company should provide</p>	1 April 2019	The company notes the absence of supporting evidence showing customer	Intervention required.	We are intervening to change the design of the	

		evidence to demonstrate that an outperformance payment would benefit customers and that it is designed in such a way that does not create perverse incentives with respect to the timely and accurate registration of void sites.		support for outperformance payments in relation to this performance commitment. The company proposes changing this outcome delivery incentive to a non-financial incentive.	The company does not provide any evidence to justify the exclusion of underperformance payments on this performance commitment. There is a clear customer benefit in identifying voids as they lower customer bills. This direct financial benefit to customers justifies underperformance and outperformance payments.	outcome delivery incentive on this performance commitment to include both underperformance and outperformance payments.
HDD.OC.A52	Definition	Welsh language services PC: The company should consider whether this PC should be allocated across price controls and include business retail. The company should include sufficient information to justify its decision.	1 April 2019	The company proposes to update the parameters of this performance commitment to include business retail in the price control allocation. It is now apportioning it to residential retail (90%) and business retail (10%).	No intervention required. The company proposes to reallocate a portion of the performance commitment to the business retail control as stipulated in the IAP action. However, in retrospect as there is no financial incentive an allocation between price controls is unnecessary.	NA
HDD.OC.A53	Definition	Supporting our Priority Service customers during an incident PC: The company should clarify which incidents are covered under this PC. The company should justify how the support provided to customers through this PC goes above and beyond what is expected of companies during an incident.	1 April 2019	The company proposes to remove this performance commitment and adopt the new sector performance commitment that specifies Priority Services Register (PSR) growth: 'PR19HDD_H1 - Priority Services Register (growth)'. The company proposes that this performance commitment is no longer needed because it is replaced by the common performance commitment in relation to the Priority Services Register. The company also proposes to adopt the associated targets for the common performance commitment 'PR19HDD_H1 - Priority Services Register (growth)'.	Intervention required. We do not accept the company's rationale for removing this performance commitment. The Priority Services Register (growth) common performance commitment has a different purpose to this specific performance commitment which is aimed at supporting priority services customers during an incident. We consider that both performance commitments measure different aspects of service for customers on the company's Priority Services Register. We are therefore intervening to re-instate this performance commitment and adopt the stretch levels proposed by the company in the September 2018 submissions. The company has not provided sufficient evidence to demonstrate how it intends to measure the support given to these customers during an incident. In addition to reinstating this performance commitment, we have made a number of changes to the company's original definition as a result of our concerns at IAP. We assess the company's adopting of the common performance commitment separately (HDD.AV.A5).	We are intervening to reinstate this performance commitment. The performance commitment level is 100% in each year of the period 2020-25. We have intervened on the definition to include definitions of what constitutes a water incident, and changed the maximum length of time before the company must react from six hours to three hours. As a further part of the performance commitment, the company will need to seek and publish the view of CCWater on the quality of the assistance the company has offered to Priority Services Register customers during an incident.
HDD.OC.A54	Definition	Effectiveness of the affordability support PC: The company should propose which price	1 April 2019	The company proposes to allocate this performance commitment to residential retail (100%).	No intervention required.	NA

			controls this PC should be allocated to in data table App1.			The company has complied with the action, proposing an appropriate allocation. However, in retrospect as there is no financial incentive an allocation between price controls is unnecessary.	
	HDD.OC.A55	Stretch	Effectiveness of the affordability support PC: The company should propose specific targets or percentage improvements to ensure that service levels are clear and stretching.	1 April 2019	The company proposes numeric performance commitment levels for the period 2020-25. These targets indicate a stable trend set at 0% throughout the period 2020-25. The company states that it cannot set performance commitment levels at this point because it has no baseline data available to do this. It states it has debated removing the performance commitment entirely but (as the company has high levels of deprivation in its area) it considers that this is an innovative way of looking at how effective affordability support is in the longer term. The company proposes stable performance throughout the period due to the infancy of the measure and potential factors that could influence it that are outside the company's control.	Intervention required We agree with the company that there is merit in retaining this performance commitment. However, we consider that the company's intention to set a baseline in 2020-21 and to target 0% improvement during the period does not sufficiently protect customers. The company should be able to produce a reasonable baseline and performance commitment level based on existing data. We consider the performance commitment level can be based on the data provided by the company in its business plan.	We are intervening to set a baseline now and to target year on year improvement in performance. The performance commitment level is: 2020-21: 30% 2021-22: 35% 2022-23: 40% 2023-24: 45% 2024-25: 50%
Affordability and vulnerability	HDD.AV.A5	Affordability and vulnerability	Hafren Dyfrdwy has not proposed a performance commitment on Priority Services Register (PSR) growth. It is proposing to increase its PSR reach from 0.7% in 2019-20 to 1.1% of customers in 2024-25. We consider this to be an insufficiently ambitious target. In addition, Hafren Dyfrdwy has only checked 50% of PSR data over the past two years. We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): Hafren Dyfrdwy should include a Performance Commitment to increase its PSR reach to at least 7% of its customer base (measured by households) by 2024-25. It should also commit to checking at least 90% of PSR data every 2 years via its Performance Commitment. For further information on the performance commitment definition, and reporting guidelines, please refer to 'Common performance commitment outline for the Priority Service Register ("PSR")', published on the initial assessment of plans webpage.	1 April 2019	Hafren Dyfrdwy adopts all three features of our common performance commitment by committing to reach 7% of households and data checking for 90% of customers	Intervention required. The company adopts all three elements of our common performance commitment. We consider that it has met the proposal we set out. However we are amending the performance commitment levels for all companies, and so intervention is required.	We are intervening to amend the performance commitment levels for this common performance commitment for all companies and will split the current data checking target into two, splitting out attempted and actual contacts. More information on this common performance commitment can be found in our Guidance Document titled 'Common performance commitment outline for the Priority Service Register ("PSR")' (https://www.ofwat.gov.uk/publication/common-performance-commitment-outline-for-the-priority-service-register/).

Table 3 – Interventions not directly related to IAP actions

Intervention reference	Our assessment and rationale	Interventions
<p>HDD.OC.C1 PR19HDD_A3 Number of lead pipes replaced Outcome delivery incentive rate</p>	<p>Intervention required.</p> <p>The company proposes reducing the outcome delivery incentive rate from £9,555 (end-of-period) to £5,839 (in-period) following its new willingness to pay research.</p> <p>We have recalculated the rate based on expected cost for replacing a pipe and have found the proposed outcome delivery incentive rate to be much higher than the expected cost. Given the structure of this performance commitment and outcome delivery incentive, the financial incentives should not exceed efficient costs and so we are intervening to set them based on efficient costs.</p> <p>In addition, the outcome delivery incentive rate should be adjusted to reflect the definition change for this performance commitment.</p> <p>The definition change means that rather than a communication pipe and a supply pipe calculated separately it will be calculated as a single unit. Therefore the performance commitment should be halved to provide the same level of performance.</p>	<p>We are intervening to change the outcome delivery incentive rate to £1,000 per replacement where both a communication and supply pipe are changed.</p> <p>We are also intervening to adjust the in-year caps to reflect the change in definition as follows:</p> <p>2020-22 – 200 2021-22 – 300 2022-23 – 140 2023-24 – 140 2024-25 – 140</p> <p>Units: Number of lead communication and supply pipes</p>
<p>HDD.OC.C2 PR19HDD_F1 Reduction in the number of void supply points Definition</p>	<p>Intervention required.</p> <p>Our assessment of stretch has found that the company should do more to achieve levels comparable with the rest of the industry. It is not possible to set the stretch of this PC to levels comparable with the rest of the industry or with levels in analogous data using the original definition as the company does not provide enough information about reducing supply points across the industry or how this affects its overall levels.</p>	<p>We are intervening to apply a new definition for this performance commitment which should instead target reductions in the proportion of household voids as a percentage of properties.</p>
<p>HDD.OC.C3 PR19HDD_F1 Reduction in the number of void supply points Stretch</p>	<p>Intervention required.</p> <p>We have undertaken further review of all companies' performance commitment levels on voids.</p> <p>The company proposes one of the highest rates of void properties in the industry and one of the lowest percentage reduction rates in the industry.</p> <p>The company provides insufficient evidence to explain why this is acceptable in its plan.</p> <p>Also the company forecasts a reduction in business voids of only 1.3% across the period 2019-2025 when the industry average is above 5%, again suggesting that the proposed performance commitment levels are insufficient.</p> <p>In order to protect customers we are intervening to set reductions in void levels similar to other water companies and to provide incentives for the company to actively seek to bill all properties that are utilising a service from the company.</p>	<p>We are intervening to set the performance commitment levels as follows:</p> <p>2020-21: 5.94 2021-22: 5.58 2022-23: 5.22 2023-24: 4.86 2024-25: 4.50</p> <p>Units: percentage</p>

<p>HDD.OC.C4 PR19HDD_F1 Reduction in the number of void supply points Outcome delivery incentive rate</p>	<p>Intervention required.</p> <p>We have adjusted the outcome delivery incentive rate based on the definition change. Additionally, the company's proposed outcome delivery incentive rate does not accurately reflect the expected decrease in customer bills as a result of identifying voids. As such we have adjusted both underperformance and outperformance rates, based on the benefit of wholesale bill reduction to customers from void identification, customer numbers, and the efficient marginal cost of identifying voids.</p> <p>We set out our rationale for setting outcome delivery incentive rates for this performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.</p>	<p>We are intervening to adjust the outcome delivery incentive rate based on an average wholesale bill of £179, marginal costs of £30, a cost sharing factor of 50%, and property numbers as provided by the company. The new rates are: Underperformance: £0.146 million per 1% Outperformance: £0.079 million per 1%</p>
<p>HDD.OC.C5 PR19HDD_H2 Help to pay when you need it Stretch</p>	<p>Intervention required.</p> <p>The company indicates that approximately 18% of customers are 'just about managing' (JAMs), a group of customers that can sometimes have problems paying their bills.</p> <p>The company is looking at tracking the number of JAMs versus other low income groups that it signs up to its affordability schemes. This performance commitment calculates the overall proportion of customers that struggle to pay as 11%. This is based on a number of evidence sources and is the population who always struggle to afford their bills.</p> <p>The company's performance commitment level (reaching 73% of the aforementioned population through a number of different schemes including social tariffs, payment matching and payment concessions) is constituted as such because the company considers it is deliverable but that it will also deliver more if necessary.</p>	<p>We are intervening to increase the denominator for this performance commitment from 11% to 18%, in order to ensure it includes those customers who sometimes struggle to pay (JAMs) as well as those who always struggle to pay.</p>
<p>HDD.OC.C6 PR19HDD_B7 Properties at risk of receiving low pressure Stretch</p>	<p>Intervention required.</p> <p>We have considered our industry comparative analysis, and although the company's proposal shows a significant percentage reduction from forecast 2019-20 levels, we have concerns about these levels.</p> <p>We did not consider that the starting point was suitable given historical performance in 2016-17 was 30 even though 2017-18 was 52. As such we consider an appropriate year 1 value would be the average of these two values – which would align with the previous serviceability approach to setting targets that are realistic. We also note that its proposed forecast for 2025-26, the year after this price control period, is 30.</p> <p>We are therefore intervening to propose more stretching service levels that enable the company to achieve its 2025-26 aspirations more realistically.</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>We are intervening to propose following service level targets: 2020-21 = 41 2021-22 = 39 2022-23 = 37 2023-24 = 34 2024-25 = 32</p> <p>Based on company's 2025-26 forecast performance of 30 we set 41 for 2020-21 and a linear profile for 2020-25. Units: number of properties</p>
<p>HDD.OC.C7 PR19HDD_B7 Properties at risk of receiving low pressure Outcome delivery incentive type and rate</p>	<p>Intervention required.</p> <p>The company proposes changing 'low pressure' from a financial to a reputational measure.</p> <p>The company states that this is based on 52% of customers supporting a reputational only outcome delivery incentive. However, the company also provides outcome delivery incentive rates for low pressure stating that it is an important priority and provides a value of £929 per property. The company does not provide sufficient evidence of customer benefit for this being changed to a reputational outcome delivery incentive.</p>	<p>We are intervening to change the company's low pressure ODI type from non-financial to underperformance only and to set an underperformance rate of -£0.00313.</p>

	<p>The outcome delivery incentive rate normalised by number of households is not within our reasonable range as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. In addition, the company has poor comparative performance. Therefore we are intervening to change the rate 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>	
<p>HDD.OC.C8 PR19HDD_E3 Sewer blockages Outcome delivery incentive rate</p>	<p>Intervention required.</p> <p>The company has undertaken additional valuation research since the initial assessment of business plans to provide a broader evidence base on which to set its outcome delivery incentive rate.</p> <p>The company states that the new value for sewer blockages benefits from triangulation work, which incorporated the new research that was based on our accepted ranges for the sector comparison. It appears that the company has not normalised this measure so as to control for the difference in risk between companies represented by one sewer blockage incident. This understates the resulting rate.</p> <p>The company's outcome delivery incentive rate normalised by number of households is below the reasonable range that we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix and the company also has comparatively poor performance. We are intervening to increase the rate.</p>	<p>We are intervening to change the company's underperformance rate to -£0.0029 due to the company having poor comparative performance and to ensure the rate is within the reasonable range.</p>
<p>HDD.OC.C9 PR19HDD_E3 Sewer blockages Collars</p>	<p>Intervention required</p> <p>We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification.</p> <p>The company did not demonstrate the benefit to customers of the specific collar level proposed for this specific performance commitment.</p> <p>How we assess financially material and our standard approach to setting caps and collars is set out in our 'outcomes policy appendix'.</p>	<p>We are intervening to remove the collars</p>
<p>HDD.OC.C10 PR19HDD_A2 Number of complaints about drinking water quality Outcome delivery incentive rates</p>	<p>Intervention required.</p> <p>The company proposes reduced outcome delivery incentive rates relative to its business plan. While the company has undertaken additional customer research it has not set its rates using the resulting triangulated marginal benefit value. Instead the company states it has derived its outcome delivery incentive rate at the industry average (in terms of £ per household per contact) plus 0.5 standard deviations, which implies a materially lower rate. In doing so the company does not appear to have appropriately normalised for the difference in performance across companies represented by one customer contact.</p> <p>The company's proposed outcome delivery incentive rates are therefore materially below industry average.</p>	<p>We are intervening to set the outperformance rate at the level implied by the output of the company's willingness to pay research.</p> <p>We are intervening to set the underperformance rate at the outperformance rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' September 2018 business plans (as explained in '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 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.</p>	<p>The resulting underperformance and outperformance rates are -£679 and £566 per contact, respectively.</p>
<p>HDD.OC.C11 PR19HDD_A2 Number of complaints about drinking water quality Caps and collars</p>	<p>Intervention required</p> <p>We consider that the proposed collars were not set at levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills.</p> <p>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 as outperformance could lead to unexpectedly high bill impacts without a cap. We consider that caps and collars are appropriate, but the collar should be at a different level to those the company proposed to provide sufficient incentive based on our standard approach.</p> <p>We consider that caps and collars are appropriate, but at different levels to those the company proposed based on our standard approach. How we assess financially material and our standard approach to setting caps and collars is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.</p>	<p>We are intervening to set collar levels at the following levels:</p> <p>2020-21 –864 2021-22 - 864 2022-23 - 864 2023-24 - 864 2024-25 - 864</p> <p>Units: Number of customer contacts</p>
<p>HDD.OC.C12 PR19HDD_E5 Sewer collapses Stretch</p>	<p>Intervention required.</p> <p>The company proposes a forecast level of service that is not aligned to historical performance and therefore does not provide a suitably stretching level. We will intervene to set the service level at the average of the best 3 historical years of performance.</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>We are intervening to set the performance commitment levels to the following values.</p> <p>2020-21 = 5.37 2021-22 = 5.37 2022-23 = 5.37 2023-24 = 5.37 2024-25 = 5.37</p> <p>The values are based on the average of the best three years of recent performance for the company, the years used are 2013, 2015 and 2017.</p>
<p>HDD.OC.C13 PR19HDD_E5 Sewer collapses Collars</p>	<p>Intervention required</p> <p>We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification.</p> <p>The company did not demonstrate the benefit to customers of the specific collar level proposed for this specific performance commitment.</p> <p>How we assess financially material and our standard approach to setting caps and collars is set out in our 'outcomes policy appendix'.</p>	<p>We are intervening to remove the collars.</p>

<p>HDD.OC.C14 PR19HDD_C2 Hectares managed for biodiversity Outcomes delivery incentive rate</p>	<p>Intervention required.</p> <p>The company proposes adjusting the outcome delivery incentive rate from £891 per hectare to £833 per hectare based on the results of its "Choices" research and subsequent triangulation. The company provides sufficient evidence to justify customer support for the new outcome delivery incentive rate. However are also intervening to change the price control allocation because we would expect the company's scheme to operate across the water and wastewater controls.</p>	<p>We are intervening to change the price control allocation to 50% water resources, 50% wastewater network plus.</p>
<p>HDD.OC.C15 PR19HDD_G3 Non-household customer experience Outcomes delivery incentive rates</p>	<p>Intervention required.</p> <p>The company does not provide performance commitment levels, caps, collars or outcome delivery incentive rates for this performance commitment. We are intervening to include these as the company has chosen an in-period revenue incentive for the performance commitment.</p> <p>We have based our interventions on the performance commitment that Dŵr Cymru has proposed, scaling the incentive rates to reflect the difference in revenue of the two companies.</p>	<p>We are intervening to set the performance commitment level to an average score of 4.5 in each year between 2020-21 and 2024-25, the standard underperformance collar to 4.0 and the standard outperformance cap to 4.7.</p> <p>We are intervening to set the standard underperformance payment rate at -£0.059 million per unit and the standard outperformance payment rate at £0.059 million per unit.</p>
<p>HDD.OC.C16 PR19HDD_NEP01 Delivery of national environment programme requirements Performance commitment addition</p>	<p>Intervention required.</p> <p>We are intervening to add a reputational performance commitment that measures whether the company has met all of its national environment programme requirements in each reporting year. The performance commitment will use the latest national environment programme from Natural Resources Wales at the end of the reporting year. This will allow the measurement of the delivery of the National Environment Programme (NEP), including any changes, 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 WINEP/NEP requirements in each reporting year.</p>
<p>HDD.OC.C17 PR19HDD_C1 Length of river water quality improved Definition</p>	<p>Intervention required.</p> <p>We consider it is necessary to define the performance commitment carefully to make sure it meets the specifications of Natural Resources Wales for delivery. As such we are intervening to amend the definition.</p>	<p>We are intervening to define the scope of the performance to be the four schemes classified by the Environment Agency as 'Amber' in 2020-25, and any other non-green schemes delivered in period as agreed by Natural Resources Wales.</p>
<p>HDD.OC.C18 PR19HDD_C1 Length of river water quality improved Caps</p>	<p>Intervention required</p> <p>We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification.</p> <p>The company did not demonstrate the benefit to customers of the specific cap and collar level proposed for this specific performance commitment.</p> <p>How we assess financially material and our standard approach to setting caps and collars is set out in our 'outcomes policy appendix'.</p>	<p>We are intervening to remove the cap and collar.</p>

<p>HDD.OC.C19 PR19HDD_B2 Leakage Collars</p>	<p>Intervention required</p> <p>We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification.</p> <p>The company did not demonstrate the benefit to customers of the specific collar level proposed for this specific performance commitment.</p> <p>How we assess financially material and our standard approach to setting caps and collars is set out in our 'outcomes policy appendix'.</p>	<p>We are intervening to remove the collars.</p>
<p>HDD.OC.C20 PR19HDD_B3 PCC (per capita consumption) Collars</p>	<p>Intervention required</p> <p>We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification.</p> <p>The company did not demonstrate the benefit to customers of the specific collar level proposed for this specific performance commitment.</p> <p>How we assess financially material and our standard approach to setting caps and collars is set out in our 'outcomes policy appendix'.</p>	<p>We are intervening to remove the collars.</p>
<p>HDD.OC.C21 PR19HDD_B6 Asset health - unplanned outage Collars</p>	<p>Intervention required</p> <p>We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification.</p> <p>The company did not demonstrate the benefit to customers of the specific collar level proposed for this specific performance commitment.</p> <p>How we assess financially material and our standard approach to setting caps and collars is set out in our 'outcomes policy appendix'.</p>	<p>We are intervening to remove the collars.</p>
<p>HDD.OC.C22 PR19HDD_C4 Treatment works compliance Collars</p>	<p>Intervention required</p> <p>We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification.</p> <p>The company did not demonstrate the benefit to customers of the specific collar level proposed for this specific performance commitment.</p>	<p>We are intervening to remove the collars.</p>

	<p>How we assess financially material and our standard approach to setting caps and collars is set out in our 'outcomes policy appendix'.</p>	
<p>HDD.OC.C23 PR19HDD_E2 Pollution incidents Collars</p>	<p>Intervention required</p> <p>We consider that caps and collars are not appropriate for this performance commitment because it is not financially material, and the company provides insufficient evidence for an alternative justification.</p> <p>The company did not demonstrate the benefit to customers of the specific collar level proposed for this specific performance commitment.</p> <p>How we assess financially material and our standard approach to setting caps and collars is set out in our 'outcomes policy appendix'.</p>	<p>We are intervening to remove the collars.</p>
<p>HDD.OC.C24 PR19HDD_C1 Length of river water quality improved Stretch</p>	<p>Intervention required.</p> <p>The company states that it has updated the length of river improved due to corrections issued from Natural Resources Wales (NRW). The total length improved has now increased from 22km in the September 2018 submission to 46km in the April 2019 submission. The company provides written communication from NRW in support of these corrections and updates.</p> <p>The company provides suitable evidence that the increase to the river length improved is a result of changes to the national environment programme made by Natural Resources Wales. However the company has also included its 46km level in both 2023-24 and 2024-25.</p>	<p>We are intervening to set the performance commitment level in 2024-25 to 0km, reflecting the fact the company already has a performance commitment level of 46km in 2023-24. This was confirmed by the company in response to a query.</p>
<p>HDD.OC.C25 PR19HDD_B1 Water supply interruptions Deadbands</p>	<p>Intervention required.</p> <p>The company proposes to include an underperformance deadband, citing company-specific factors, namely the different operating circumstances, including operating in a rural hilly region. We did not request this change.</p> <p>We do not consider the company's rationale for being treated differently on deadbands to the industry on the grounds of company-specific factors to be well justified, it does not quantify how its operating circumstance impact the interruption time and why it is different from other companies. As such the underperformance deadband proposed by the company is not accepted.</p>	<p>We are intervening to remove the underperformance deadband.</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
HDD.OC.D1 PR19HDD_B2 Leakage Stretch	<p>The company updates its performance commitment levels for each year between 2018-19 and 2024-25 and explains the revision is proposed to align the 2020-25 plan with the company's final water resources management plan and updated bottom up calculations.</p> <p>The company explains that the revision in its assessment brings it closer towards reporting against the standardised definition. The company confirms that these changes do not alter the ambition in its plan and it is still committed to making the 15% leakage reduction over the 2020-25 period.</p> <p>The company revises its leakage reduction proposal as a result of methodological changes that increase accuracy of the calculations.</p> <p>The revision leads to a lower ambition of the proposed reduction, both in volumetric and percentage reduction terms. Whilst the company continues to propose the same percentage reduction of 15% in annual terms, the reduction reduces from 15% to 12% on a three-year average basis but a higher volumetric reduction when compared with business plan.</p>	<p>No intervention required.</p> <p>The revision of the proposed performance commitment levels by the company leads to a lower ambition of the proposed reduction, both in volumetric and percentage reduction terms. The company continues to propose a percentage reduction of 15% in annual terms, but the reduction reduces from 15% to 12% on a three-year average basis.</p> <p>Although the reduction is less stretching on the three-year basis than originally proposed it is more accurate than in the September 2018 plan and we still consider it stretching.</p> <p>The company's proposed performance commitment levels place the company above upper quartile performance for companies that have a lower network density like Hafren Dyfrdwy.</p>	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.

Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

Phone: 0121 644 7500
Fax: 0121 644 7533
Website: www.ofwat.gov.uk
Email: mailbox@ofwat.gov.uk

July 2019

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