July 2019

Trust in water

PR19 draft determinations

South Staffs Water – Delivering outcomes for customers actions and interventions

www.ofwat.gov.uk

PR19 Draft Determinations: South Staffs Water - Delivering outcomes for customers actions and interventions

Following our initial assessment of plans (IAP), 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 ‘SSC’ denotes the company South Staffs Water. The central acronym references the test area where the action has been identified, please see the ‘PR19 draft determinations: Glossary’ for a key to these acronyms. Actions whose numbers are preceded with an ‘A’ denote required actions and actions whose numbers are preceded with a ‘B’ denote advised actions.

Table 3 below sets out any further interventions that are not resulting from an action which we are making as part of the draft determination. Table 4 below sets out any company changes to performance commitments that do not result in an intervention.

Each further intervention that is not resulting from an action, and company changes to performance commitments not resulting in an intervention has a unique reference. The prefix ‘SSC’ denotes the company South Staffs Water. The central acronym references the test area where the action has been identified, please see the ‘PR19 draft determinations: Glossary’ for a key to these acronyms. Intervention numbers are preceded with a ‘C’. Company changes to performance commitments not resulting in an intervention are proceeded with a ‘D’.

In Table 3 and Table 4, we also specify the performance commitment reference number provided by the company (the prefix ‘PR19SSC_’ denotes the company South Staffs Water), the name of the performance commitment, and the action type (for example, stretch).

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

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

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Delivering outcomes for customers	SSC.OC.A1	ODI rates	The company should provide further evidence to justify the scaling factors proposed at the package level or consider removing those scaling factors such that the ODI rates are formulated on customer valuations and marginal costs alone. As part of this consideration, the company should review the ODI rates where the outperformance rate exceeds the underperformance rate (in absolute terms) and either provide evidence of customer support to justify this or revise its ODI rates in line with customer evidence such that outperformance rates do not exceed underperformance rates in absolute terms. In cases of rejection or revisions to enhancement expenditure or a cost adjustment claim, the company should consider the implications, if any, for the associated level of the PC and ODI incentive rates proposed, and provide evidence to justify any changes to its business plan submission. In cases where a scheme will no longer be undertaken, the company should consider the removal of the associated scheme-specific PC. The company should provide further evidence to detail the estimation of forecast efficient marginal costs within its ODI rate calculations, in line with our Final Methodology. In particular, the company should provide evidence to demonstrate how these marginal cost estimates relate to the cost adjustment claims or enhancement expenditure proposed by the company.	1 April 2019	The company proposes removing top down scaling and rebalancing factors. The company confirms that, following its proposed adjustment, there are no longer any outperformance outcome delivery incentive rates that are higher, in absolute terms, than underperformance payment rates. Additionally, the company confirms that there are no changes to any outcome delivery incentives as a result of cost adjustment claims. Finally, the company provides marginal cost calculation evidence in the individual outcome delivery incentive actions.	No intervention required at a company level. The company complies with this action. Following a review of the outcome delivery incentive rates we can confirm that none of the proposed outperformance payment rates exceed underperformance payment rates. Where we are allowing a cost adjustment claim at a level different to that proposed by the company due to us taking a different view of efficient costs, we reflect this in our responses to individual performance commitment actions The company also provides marginal cost calculation evidence which we have reviewed in the individual outcome delivery incentive actions. 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 interventions in Table 3.	NA
	SSC.OC.A2	Overall ODI package	The company should provide further explanation of how its ODI package incentivises it, through better aligning the interests of management and shareholders with customers, to deliver on its PCs to customers.	1 April 2019	The company explains that its incentives are weighted to avoiding underperformance as opposed to pursuing outperformance in line with customer views. The customer research was completed by Accent, using an online survey (638) and in-home	No intervention required at a company level. The company provides sufficient evidence to justify its approach. 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.	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 company should provide evidence that it has tested the acceptability of its ODI package with customers.		interviews (100) with results weighted to match the company's customer profile.		
	SSC.OC.A3	ODI timing	The company should provide further evidence on why having end-of-period ODIs is in customers' interest, taking into account the benefits of bringing payments closer in time to performance.	1 April 2019	The company provides evidence of customer support for flat bills. The company notes that its customers would be comfortable with a bill fluctuation up to £3. The company proposes following a mechanism where it monitors and reports its expected under and outperformance payments on a yearly basis. If the yearly report highlights that the total bill increase will reach £3, the company will redesign the outcome delivery incentive timing to in-period in order to smooth out bill volatility.	Intervention required. Following a review of customer's preferences and the company's rationale, we consider the evidence provided did not sufficiently demonstrate that the proposed mechanism offers sufficient customer protection. In-period outcome delivery incentives bring payments closer in time to the service level that generated them, and enhance reputational impact of outcome delivery incentives by necessitating companies to explain their performance more frequently. Customers experience the down and upside of the fluctuations in terms of their service, so it seems reasonable that the appropriate adjustments are made to bills in a timely way. Companies are able to manage the financial consequences of outcome delivery incentives as part of considering the impact of ODIs in the round in their applications for their in-period outcome delivery incentives determinations The company does not propose any alternative mechanism of accomplishing this through end-of-period outcome delivery incentives. We set out our rationale for assessing outcome delivery incentive timing in PR19 draft determinations: Delivering outcomes for customers policy appendix.	We will intervene to change end-of-period outcome delivery incentives to in-period.
	SSC.OC.A4	Asset health ODI package	The company should increase its asset health underperformance payments in order to protect customers from poor performance or provide convincing evidence to demonstrate that its current proposals are in its customers' interest. The company should provide sufficient evidence that its customers support its proposed asset health outperformance payments. If it cannot do this, the company should remove the outperformance payments. The company should state its P10 underperformance payments and P90 outperformance payments for its asset health ODIs in £m and as a percentage of RoRE.	1 April 2019	The company proposes to remove all top down scaling and rebalancing and therefore the incentives, both under and out-performance, so that they are directly reflective of the underlying willingness to pay valuations from the customer engagement programme The company provide a list of what it believes are its asset health performance commitments. It has provided P90 and P10 performance payments for each performance commitment.	No intervention required at a company level. The company provides sufficient evidence that its outperformance payments for mains burst and unplanned outage are supported by customers. See action responses SSC.OC.A24 and SSC.OC.A29 for further details. However, we consider there are still issues with the underperformance payment rates for the Compliance Risk Index and mains burst, therefore we will be intervening to increase these rates. See actions responses SSC.OC.16 and SSC.OC.24 for further details. The company has complied with the action and provided its P10 and P90 payments for each asset health performance commitment.	We are intervening to increase the underperformance outcome delivery incentive rate for mains burst and the Compliance Risk Index. See interventions in performance commitment specific actions SSC.OC.A16 and SSC.OC.A24.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						We set out our rationale for assessing outcome delivery incentive rates and types in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	SSC.OC.A5	Customer protection	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. 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'**. The company should explore other approaches than end-of-period ODIs to avoid large bill impacts on customers, either in period or at the end of the period.	1 April 2019	The company proposes adopting our proposed sharing mechanism payments for outperformance payments. However, the company proposes not to apply caps on material outperformance payments that are greater than 10% of total outperformance P90s. The company argues that it is not the P90 level itself which presents the customer protection issue, but how likely it is to go beyond this level and what the bill impact is, if it occurs. The company argues that, if all P90's occur simultaneously under the current outcome delivery incentive package, the total customer exposure at the p90 is £2.44 which is below the £3 threshold at which customers would find a bill step change unacceptable.	Intervention required. The company's argument around the likeliness of the P90s to occur does not justify the exclusion of caps and collars on material performance commitments. Additionally, the company's proposed alternative customer protection methodology, which relies on a yearly monitoring and reporting mechanism, does not offer the same level of customer protection as our guidance. As a consequence, we consider that there is a need to appropriately protect customers from larger than expected bill impacts. We are imposing our customer protection measures as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix' to make sure that customers are adequately protected.	We are intervening so that companies share 50:50 any gains above 3% return on regulatory equity. We are intervening to set caps and collars on material performance commitments as per the guidance provided in the technical submission.

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

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Delivering outcomes for customers	SSC.OC.A6	ODI type	Residential water consumption South Staffs region: The company should provide further evidence to justify the use of outperformance payments for this PC, including evidence of customer support.	1 April 2019	The company states that it has engaged with its customers and has support to maintain its proposal of having outperformance payments on this performance commitment. The company has gained approximately 58% customer support for outperformance payments, with only 10% of customers explicitly stating that the proposal was unacceptable.	No intervention required. Whilst we have some concerns about the quality of the customer engagement including the appropriateness of the questions and sampling on customer support, we are satisfied that on balance the evidence shows support for outperformance payments. The company is a comparatively good performer for per capita consumption. In line with our policy in PR19 draft determinations: Delivering outcomes for customers policy appendix , we propose to retain the outperformance payment but adjust the rate given our concerns about customer support We set out our rationale for assessing outcome delivery incentive type in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	NA
	SSC.OC.A7	ODI rate	Residential water consumption South Staffs region: The company should provide further evidence to justify the ODI rates, including further evidence to demonstrate and justify the calculation of its marginal benefit and marginal cost estimates. The company should also explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in per capita consumption. The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand	1 April 2019	The company proposes to remove all top down scaling and rebalancing and therefore the incentives, both under and out-performance, so that they are directly reflective of the underlying willingness to pay valuations from the customer engagement programme.	Intervention required. The company's revised outcome delivery incentive rates for its South Staffs performance commitment are within the reasonable range that we set out in ' PR19 draft determinations: Delivering outcomes for customers policy appendix ', however the rates for its Cambridge performance commitment are materially greater than the reasonable range that we set out in PR19 draft determinations: Delivering outcomes for customers policy appendix. While we have not identified any concerns with the quality of the primary stated preference research or the company's approach to triangulation, there is insufficient evidence provided to reconcile the triangulated marginal benefit values with the outcome delivery incentive rates proposed for each of the respective operating regions. We set out our rationale for setting outcome delivery incentive rates for this common	We are intervening to set the underperformance payment rate for the South Staffs region at 1.2 times the outperformance payment rate implied by the company's stated marginal benefit values. This results in an underperformance payment rate of -£0.181 million per litre per head per day. We would have made a change to the outperformance payment rate to use the rate implied by the company's stated marginal benefit values however we are not making any corresponding upward adjustment to the outperformance payment rate to reflect our intervention on outcome delivery incentive type. See SSC.OC.A6

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			the causes of variation in ODI rates for per capita consumption and assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should provide the associated household water volumes for its South Staffs operating area to allow us to assess the appropriateness of its proposed ODI rates.			performance commitment in the PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	SSC.OC.A8	Timing	Residential water consumption South Staffs region: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment. The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment. We set out our rationale for assessing outcome delivery incentive timing in the '' PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to change the timing of the outcome delivery incentive to in-period.
	SSC.OC.A9	ODI type	Residential water consumption Cambridge region: The company should provide further evidence to justify the use of outperformance payments for this PC, including evidence of customer support.	1 April 2019	The company states that it has engaged with its customers and has support to maintain its proposal of having outperformance payments on this performance commitment. The company has gained approximately 58% customer support for outperformance payments, with only 10% of customers explicitly stating that the proposal was unacceptable.	No intervention required. Whilst we have some concerns about the quality of the customer engagement including the appropriateness of the questions and sampling on customer support, we are satisfied that on balance the evidence shows support for outperformance payments. The company is a comparatively good performer for per capita consumption.	NA

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						In line with our policy in the outcomes policy appendix, we propose to retain the outperformance payment but adjust the rate given our concerns about customer support. We set out our rationale for assessing outcome delivery incentive types in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	SSC.OC.A10	ODI rate	Residential water consumption Cambridge region: The company should provide further evidence to justify the ODI rates, including further evidence to demonstrate and justify the calculation of its marginal benefit and marginal cost estimates. The company should also explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in per capita consumption. The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for per capita consumption and assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should provide the associated water household volumes for its Cambridge operating area to allow us to assess the appropriateness of its proposed ODI rates.	1 April 2019	The company proposes to remove all top down scaling and rebalancing and therefore the incentives, both under and out-performance, so that they are directly reflective of the underlying willingness to pay valuations from the customer engagement programme.	Intervention required. The company's revised outcome delivery incentive rates for its South Staffs performance commitment are within the reasonable range that we set out in PR19 draft determinations: Delivering outcomes for customers policy appendix', however the rates for its Cambridge performance commitment are materially greater than the reasonable range that we set out in'' PR19 draft determinations: Delivering outcomes for customers policy appendix''. While we have not identified any concerns with the quality of the primary stated preference research or the company's approach to triangulation, there is insufficient evidence provided to reconcile the triangulated marginal benefit values with the rates proposed for each of the respective operating regions. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to reduce the outperformance payment rate to the level implied by the company's stated marginal benefit values. We are intervening to set the outperformance payment rate at the underperformance payment rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' September business plans (as explained in PR19 draft determinations: Delivering outcomes for customers policy appendix). This results in underperformance and outperformance payment rates of -£0.025 million and £0.021 million per litre per head per day, respectively.
	SSC.OC.A11	Timing	Residential water consumption Cambridge region: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment. The company recognises our policy that brings incentive payments closer to the performance that generated them. However it	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We	We are intervening to change the timing of the outcome delivery incentive to in-period.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					argues that its customer evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment. We set out our rationale for assessing outcome delivery incentive timing in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	SSC.OC.A12	ODI rate	Leakage South Staffs region: The company should remove the scaling factor it applies to align its ODI rates for leakage with the industry average. The company should provide sufficient evidence that its customers support an outperformance rate for leakage that is greater than the underperformance rate or adjust its outperformance payment rate such that it is no greater than the outperformance rate. The company should also explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in leakage. The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for leakage and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	1 April 2019	The company proposes to remove all top down scaling and rebalancing and therefore the incentives, both under and out-performance, so that they are directly reflective of the underlying willingness to pay valuations from the customer engagement programme	Intervention required. While we have not identified any concerns with the quality of the company's primary stated preference research, the proposed outcome delivery incentive rates are materially lower than the reasonable range that we set out in" PR19 draft determinations: Delivering outcomes for customers policy appendix", and imply a materially lower level of customer protection against incremental underperformance than the company's corresponding 2015-20 leakage outcome delivery incentive rates. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in the PR19 draft determinations: Delivering outcomes for customers policy appendix.	We are intervening to re-triangulate the underperformance payment rate across the company's proposed rate, the lower bound of the reasonable range and the company's 2015-20 leakage outcome delivery incentive rate. We are intervening to set the outperformance payment rate at the underperformance payment rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' September 2018 business plans (as explained in PR19 draft determinations: Delivering outcomes for customers policy appendix). This results in underperformance and outperformance payment rates of -£0.235 million and £0.196 million per megalitre per day, respectively.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			The company should provide the associated distribution input and water household volumes for its South Staffs operating area to allow us to assess the appropriateness of its proposed ODI rates.				
	SSC.OC.A13	Timing	Leakage South Staffs region: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment. The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment. We set out our rationale for assessing outcome delivery incentive timing in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to change the timing of the outcome delivery incentive to in-period.
	SSC.OC.A14	ODI rate	Leakage Cambridge region: The company should remove the scaling factor it applies to align its ODI rates for leakage with the industry average. The company should provide sufficient evidence that its customers support an outperformance rate for leakage that is greater than the underperformance rate or adjust its outperformance rate such that it is no greater than the underperformance rate. The company should also explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and	1 April 2019	The company proposes to remove all top down scaling and rebalancing and therefore the incentives, both under and out-performance, so that they are directly reflective of the underlying willingness to pay valuations from the customer engagement programme	Intervention required. While we have not identified any concerns with the quality of the company's primary stated preference research, the proposed outcome delivery incentive rates are materially lower than the reasonable range that we set out in' PR19 draft determinations: Delivering outcomes for customers policy appendix ", and imply a materially lower level of customer protection against incremental underperformance than the company's corresponding 2015-20 leakage outcome delivery incentive rates. We set out our rationale for setting outcome delivery incentive rates for this common	We are intervening to re-triangulate the underperformance payment rate across the company's proposed rate and the company's 20215-20 leakage outcome delivery incentive rate. We are intervening to set the outperformance payment rate at the underperformance payment rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' September business plans (as explained in [PR19 draft determinations: Delivering outcomes for customers policy appendix). This results in underperformance and outperformance payment rates of -£0.254

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in leakage. The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for leakage and assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should provide the associated distribution input and water household volumes for its Cambridge operating area to allow us to assess the appropriateness of its proposed ODI rates.			performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	million and £0.211 million per megalitre per day respectively.
	SSC.OC.A15	Timing	Leakage Cambridge region: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment. The company recognises that our policy brings incentive payments closer to the performance that generated them. However it argues that its customer evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment. We set out our rationale for assessing outcome delivery incentive timing in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to change the timing of the outcome delivery incentive to in-period.
	SSC.OC.A16	ODI rate	Compliance risk index (CRI): The company should provide further evidence and rationale to justify the proposed ODI rate and the methodology employed or re-submit its ODI	1 April 2019	The company proposes to remove all top down scaling and rebalancing and therefore the incentives, both under and out-performance, so that they are directly reflective of the underlying willingness to pay	Intervention required. The company has explained the formulation of its outcome delivery incentive rate. In September business plan the company	We are intervening to increase the company's underperformance payment rate to -£0.267 million, based on the lower bound of the reasonable range.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			rate based on customer evidence and forecast efficient marginal cost. The company should also explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in CRI. The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for CRI and assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should explain and evidence how its proposed ODI rate for CRI is coherent with the rates proposed for other asset health PCs.		valuations from the customer engagement programme. The company considers that it would not be appropriate for us to override the CRI ODI rate based on willingness to pay of its customers with an industry derived value, as its exposure on CRI is already disproportionate to other companies, despite the ODI rate being lower than others', and to increase this exposure further becomes punitive in light of how the scoring methodology works with its reliance on two large works that are under notice for improvement with customer support	reduced the incentive on the Compliance Risk Index and lifted the incentive on the water quality contacts measure to rebalance the package. For April business plans the company has further reduced the rate which is a concern. The rate was not developed using the willingness to pay valuation data. As a result of this and that 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", we will intervene to increase the company's rate to the lower bound of the reasonable range. The company provides sufficient evidence to explain its rates for its package of asset health performance commitments. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	SSC.OC.A17	Caps, collars, deadbands	Compliance risk index (CRI): We propose to intervene to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. As set out in the methodology we noted a deadband may be appropriate. It is important that the range of underperformance to the collar is adequate to provide clear incentives for companies to deliver statutory requirements. The company should set a deadband at 1.50 and collar at 9.5 for 2020-25.	1 April 2019	The company proposes to adopt the deadband and collar proposed by us in our IAP action.	Intervention required. As described in the PR19 draft determinations: Delivering outcomes for customers policy appendix, we have further reviewed the deadband levels for all companies. We do however recognise that there may be a need to retain some flexibility for new metaldehyde legislation to be implemented therefore we have increased the deadband for the first two years of the 2020 to 2025 period compared to our IAP proposals. A deadband set at the levels we are proposing allows for some fluctuation in performance, whilst providing a strong incentive to minimise compliance failures	We are intervening to set a standard deadband profile. The deadband profile for the Compliance Risk Index is: 2020-21 – 2.0 2021-22 – 2.0 2022-23 – 1.5 2023-24 – 1.5 2024-25 – 1.5 Unit = Compliance Risk Index Score
	SSC.OC.A18	Timing	Compliance risk index (CRI): The company should change this ODI to in-period or provide sufficient reasoning and evidence	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment.	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal,	We are intervening to change the timing of the outcome delivery incentive to in-period.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			why an end-of-period ODI is more appropriate.		The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer engagement evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment. We set out our rationale for assessing outcome delivery incentive timing in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	SSC.OC.A19	Stretch	Supply interruptions: We expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	1 April 2019	The company is not proposing to implement the values we have calculated. It says the proposed levels are inappropriate due to the inclusion of Bristol Water and Affinity Water which set out unrealistic step changes despite poor track records. The company's proposed levels exclude these two companies.	Intervention required. In calculating forecast upper quartile levels, we have not excluded company forecasts because we recognise the information asymmetry that exists between us and companies and that forecast levels can be unrealistic in either direction (too high or too low). We have assessed the scale of performance and improvement in previous periods. Based on similar performance commitments which apply during the 2015-20 period, companies have generally outperformed levels that they accepted both in the run-up to and during the 2015-20 period. We have revised our view on performance commitment levels. We consider that 2024-25 levels are achievable but that the forecast upper quartile levels in earlier years do not appear to be achievable for this performance commitment. We are therefore introducing a glide path with a starting point of the upper quartile based on 2019-20 forecast data. We set out our rationale for setting performance commitment levels for this common performance commitment in the	We are intervening to set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels are as follows: 2020-21 - 00:05:24 2021-22 - 00:04:48 2022-23 - 00:04:12 2023-24 - 00:03:36 2024-25 - 00:03:00 Units: minutes per property for year

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	SSC.OC.A20	ODI rate	Supply interruptions: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in supply interruptions. The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for supply interruptions and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	1 April 2019	The company proposes to remove all top down scaling and rebalancing and therefore the incentives, both under and out-performance, so that they are directly reflective of the underlying willingness to pay valuations from the customer engagement programme	Intervention required. While we have not identified any concerns with the quality of the company's Primary Stated Preference research valuation, the resulting outcome delivery incentive rates are materially below the reasonable range that we set out in ' PR19 draft determinations: Delivering outcomes for customers policy appendix ', and imply a lower level of customer protection against incremental underperformance than the company's corresponding outcome delivery incentive rates for its 2015-20 performance commitment. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to re-triangulate the underperformance payment rate across the company's proposed rate, the lower bound of the reasonable range and the company's 20215-20 outcome delivery incentive rate. We are intervening to set the outperformance payment rate at the underperformance payment rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' September business plans (as explained in PR19 draft determinations: Delivering outcomes for customers policy appendix). This results in underperformance and outperformance payment rates of -£0.237 million and £0.197 million per minute per property, respectively.
	SSC.OC.A21	Caps, collars, deadbands	Supply interruptions: The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification and evidence supporting this, including evidence of customer support. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance.	1 April 2019	The company continues to propose its original collar levels from its September business plan submission. It argues that customers are supportive of the levels it proposes, and that its proposed collar has been refined after further testing of customer support	We consider that caps and collars are appropriate for this performance commitment because it is financially material. However, we consider that the proposed collars were not set levels that would provide appropriate incentives for the company, while protecting customers from the risk of higher than anticipated impacts to bills. The range that underperformance payments would apply was too small to provide sufficient incentive. We consider that caps and collars are appropriate, but the collars should be at different levels to those the company proposed based on our standard approach. How we assess financially material and our standard approach to setting caps and collars is set out in PR19 draft determinations: Delivering outcomes for customers policy appendix	We are intervening to set collars as follows: as follows: 2020-21: 00:21:36 2021-22: 00:21:36 2022-23: 00:21:36 2023-24: 00:21:36 2024-25: 00:21:36 Units: Minutes : seconds

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	SSC.OC.A22	Timing	Supply interruptions: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment. The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer engagement evidence demonstrates that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment. We set out our rationale for assessing outcome delivery incentive timing in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to change the timing of the outcome delivery incentive to in-period.
	SSC.OC.A23	Definition	Mains bursts: The company should remove the three-year average when calculating the performance levels for the PC.	1 April 2019	The company proposes to remove the three-year average when calculating forecast service levels for this performance commitment.	No intervention required. The company is complying with the action by removing its three-year average calculation.	NA
	SSC.OC.A24	ODI type	Mains bursts: The company should provide further evidence to justify the use of outperformance payments for this PC, including evidence of customer support. The company should demonstrate how the outperformance will benefit its customers and the assets. If the company cannot do this, it should remove the outperformance payment.	1 April 2019	The company states that it received majority acceptability for outperformance payments on both mains bursts and unplanned outage (both 55% acceptability). Some 17% (across mains and unplanned outage) do not find outperformance payments acceptable at all. The company states that an outperformance payment on mains bursts would only apply beyond its best ever performance. The company's aim is that smarter technologies that generate additional data and insight into network performance means that it can take more proactive action to mitigate bursts.	No intervention required. The company has provided sufficient evidence to demonstrate customer support and further justify an outperformance payment for its mains bursts performance commitment. The company has relatively good comparative current and forecast performance.	NA
	SSC.OC.A25	ODI rate	Mains bursts: 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	1 April 2019	The company states that as part of its review of asset health incentives for its revised business plan, it has considered how the broad range of asset health is incentivised	Intervention required. The company has complied with our action to explain the formulation of its outcome	We are intervening to increase the company's underperformance payment rate to -£0.056 million, based on the average of the reasonable range.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			customer facing-impacts of the asset failure (including leakage and supply interruptions) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term. The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for mains bursts and assess the appropriateness of the company's customer valuation evidence supporting its ODI.		and the balance between these incentives. The company has now removed all top down scaling and rebalancing and therefore its incentives, both under and out-performance, are now directly reflective of the underlying willingness to pay valuations that it had from its customer engagement programme.	delivery incentive rate and its customer valuation evidence. The company provides sufficient evidence to explain how its rate is coherent with rates proposed for other asset health performance commitments. However, although the company has removed the scaling factors, the original underperformance payment rates were set to be the same as the outperformance payment rates since the marginal cost was too high. The company stated in September that "Altering the burst rate of the network over the long term requires sustained mains renewal activity. The annualised cost of this is significantly larger than the willingness to pay value for this metric, meaning that the standard penalty formula does not work. As such it is a concern to us that the company's underperformance payment rate is lower than the reasonable range that we set out in ' PR19 draft determinations: Delivering outcomes for customers policy appendix ', implying low customer protection on mains repairs. The company has good comparative performance. Therefore we are intervening to increase the rate to average, since the company has good comparative and forecast performance We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	SSC.OC.A26	Caps, collars, deadbands	Mains bursts: The company should provide further ODI-specific evidence to support its use of a collar, whilst also considering how its use of aligns with its broader approach to customer protection. The company's evidence should include justification for the level at which the collar is set, with the company explaining why this level is appropriate and in customers' interests. The company should consider increasing the level of the collar, thereby extending the performance range over which incentive payments apply.	1 April 2019	The company proposes to include a revised collar for this performance commitment. The company states it has reviewed the asset health packages, increasing the collar for this performance commitment. The company argue that customers are supportive of the levels it proposes. The company state that 55% of customers supported the cap levels proposed in its September submission. It states that it did not have enough time to test its new rates following the removal of scaling factors.	Intervention required We consider that the proposed collars were not set levels that would provide appropriate incentives for the company as the levels were too low. We consider that the performance commitment is financially material as outperformance could lead to unexpectedly high bill impacts without a cap. We consider that caps and collars are appropriate, but the collars at different levels to those the	We are intervening to set collars as follows: as follows: 2020-21 - 180 2021-22 - 180 2022-23 - 180 2023-24 - 180 2024-25 - 180 Units: Number per 1000 km of main

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						company proposed based on our standard approach. How we assess financially material and our standard approach to setting caps and collars is set out in our 'outcomes policy appendix'.	
	SSC.OC.A27	Timing	Mains bursts: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment. The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment. We set out our rationale for assessing outcome delivery incentive timing in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to change the timing of the outcome delivery incentive to in-period.
	SSC.OC.A28	Stretch	Unplanned outage: The company is required to provide fully audited 2018-19 performance data by 15 May 2019. This should take the form of an early APR submission, but only for Unplanned Outages. Board assured data can be provided with the main APR in July 2019, any changes will be taken into account for the Final Determination. Based on the latest performance and updated methodologies, the company should resubmit 2019-20 to 2024-25 forecast data in the 15 May 2019 submission. The company should also report its current and forecast company level peak week production capacity (PWPC) (Ml/d), the unplanned outage (Ml/d) and planned outage (Ml/d) in its commentary for the May submission.	1 April 2019	The company provides its 2018-19 performance as 1.96% and its proposed performance commitment levels are reducing, reaching 1.71% in 2024-25. The company also provides the calculations and forecasts for the calculation components. The company explains it expects some natural variability in the unplanned outage level, and the current two years of data are not sufficient to indicate what this level of variability may be. The level of unplanned outage has been broadly similar across the two years of reporting so far.	No intervention required. The company provides the requested information and its performance commitment levels are sufficiently stretching. This is because its forecast performance for 2024-25 is better than the upper quartile level from all industry proposed performance commitment levels. Therefore we consider the proposed performance commitment levels to be stretching. We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	NA

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	SSC.OC.A29	ODI type	Unplanned outage: The company should provide further evidence to justify the use of outperformance payments for this PC, including evidence of customer support. The company should demonstrate how the outperformance will benefit its customers and the assets. If the company cannot do this, it should remove the outperformance payment. If the company can provide the above evidence, it should also provide sufficient evidence that its customers support an outperformance rate for unplanned outage that is greater than the underperformance rate or adjust its outperformance payment rate such that it is no greater than the outperformance rate.	1 April 2019	The company states that it has comprehensively reviewed its asset health package due to the links with other areas of the plan and other challenges, for example on outcome delivery incentive rates, stretch, and deadbands. The company states that it received majority acceptability for outperformance payments on both mains bursts and unplanned outage (both 55% acceptability). The company states that as per our general challenge, it has now removed all top down scaling and rebalancing and therefore its incentives, both under and out-performance, are now directly reflective of the underlying willingness to pay valuations that it had from its extensive customer engagement programme.	No intervention required. The company provides sufficient evidence to justify the use of outperformance payments, including evidence of customer support. The company has also rebalanced its outcome delivery incentive rates so that the outperformance payment is no longer greater than the underperformance payment rate.	NA
	SSC.OC.A30	ODI rate	Unplanned outage: The company should explain and evidence how its proposed ODI rates for unplanned outages are coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term. The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for unplanned outages and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	1 April 2019	The company states that it has comprehensively reviewed its asset health package due to the links with other areas of the plan and other challenges, for example on outcome delivery incentive rates, stretch, and deadbands. The company states that it received majority acceptability for outperformance payments on both mains bursts and unplanned outage (both 55% acceptability). The company states that as per our general challenge, it has now removed all top down scaling and rebalancing and therefore its incentives, both under and out-performance, are now directly reflective of the underlying willingness to pay valuations that it had from its extensive customer engagement programme.	No intervention required. The company has explained the formulation of its outcome delivery incentive rate. The company provides sufficient evidence to demonstrate how its rate is coherent with rates proposed for other asset health performance commitments. The company's proposed underperformance payment rate is within the reasonable range that we set out in PR19 draft determinations: Delivering outcomes for customers policy appendix'. The company has good comparative performance. As such, we are not intervening. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	NA
	SSC.OC.A31	Timing	Unplanned outage: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment.	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in	We are intervening to change the timing of the outcome delivery incentive to in-period.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer engagement evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment. We set out our rationale for assessing outcome delivery incentive timing in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	SSC.OC.A32	Definition	Customer contact about water quality: The company should revise its definition so that it covers the scope of appearance, taste and odour in line with the PCs set out in the asset health long list and the information published on Discover Water and remove the inclusion of incidents related to illness.	1 April 2019	The company proposes to align its definition with the information published on Discover Water website, by removing 'illness' incidents from its definition. It has also adjusted its proposed performance commitment levels accordingly.	No intervention required. The company has complied with the action. The subsequent adjustment to the performance commitment level is appropriate, as its performance commitment level for 2024-25 is near the upper quartile of all companies' proposed levels.	NA
	SSC.OC.A33	ODI rate	Customer contact about water quality: The company should provide further evidence to justify the proposed ODI rate and the methodology employed or re-submit its ODI rate based on customer evidence and forecast efficient marginal cost.	1 April 2019	The company proposes to reduce its outcome delivery incentive rates for this performance commitment compared to its business plan proposals, as a result of removing the rebalancing of incentives between this performance commitment and the Compliance Risk Index. The company states that its proposed rates are now based on the triangulated outputs of its broad base of willingness to pay research.	Intervention required. The company's proposed rates are materially below the reasonable range that we set out in ' PR19 draft determinations: Delivering outcomes for customers policy appendix', which is of concern since it may not provide adequate customer protection especially in the context that the company is currently forecast to earn a net underperformance payment on its equivalent outcome delivery incentive for the 2015-20 period. As such we are intervening to increase the incentive rates. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft	We are intervening to set the underperformance payment rate by re-triangulating across the company's proposed rate and industry average (on a normalised basis). We are intervening to set the outperformance payment rate at the underperformance payment rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' September business plans (as explained in PR19 draft determinations: Delivering outcomes for customers policy appendix). This results in underperformance and outperformance payment rates of -£1.094 million and £0.912 million per contact per 1,000 population, respectively.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						determinations: Delivering outcomes for customers policy appendix'.	
	SSC.OC.A34	Timing	Customer contact about water quality: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment. The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer engagement evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment. We set out our rationale for assessing outcome delivery incentive timing in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to change the timing of the outcome delivery incentive to in-period.
	SSC.OC.A35	Stretch	Financial support: The company should reconsider its PC level and provide evidence and justification.	1 April 2019	The company states that it only has customer support for the proposed levels. If this should increase in the next round of testing in 2019-20, it will increase the performance commitment levels. It also states that, looking across the sector, it has the 6th highest level of customer support.	Intervention required. The company provides some cross-sector analysis as part of its April 2019 submission. However, the information is out of date in relation to some companies, and there are also omissions and inaccuracies. At IAP we were concerned about insufficient evidence of customer support for cross subsidy for this performance commitment. The company is committing to undertake further customer testing to see if it can increase the social tariff. On this basis, we are not intervening to increase the performance commitment level. However we consider that the definition should include schemes with direct benefits to customers. As such, we are intervening to	We are intervening to update the definition in order to ensure that this performance commitment includes schemes with direct benefits to customers, such as social tariffs and Watersure.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						change the definition to ensure such schemes are included.	
	SSC.OC.A36	Timing	Financial support: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment. The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment.	We are intervening to change the timing of the outcome delivery incentive to in-period.
	SSC.OC.A37	Definition	Extra Care assistance: The company should confirm that for the purposes of this PC only data on the provision of services to customers with non-financial vulnerabilities will be reported.	1 April 2019	The company states "this Extra Care measure does not include the financial support element of the service these customers receive, as this is captured by our separate financial support performance commitment" (PR19SSC_B1 _ Financial Support).	No intervention required. The company is complying with the action.	NA
	SSC.OC.A38	Stretch	Extra Care assistance: The company should consider revising its performance level or provide sufficient evidence that the current level is an appropriate estimate of eligible customers on the PSR.	1 April 2019	The company proposes to increase the level of stretch for this performance commitment. It has kept the target of 5% of priority service register customers on Extra Care assistance, but it proposes to increase the number of priority service register customers overall. This has led to an increase from 45,387 customers by 2024-25 in the original plan, to 60,000 customers in 2024-25 in the revised plan.	No intervention required. The company has responded appropriately to the stretch element of the action, no intervention is required on this.	NA
	SSC.OC.A39	ODI rate	Extra Care assistance: The company should provide further evidence to justify the ODI rates proposed or revise these based upon customer evidence. In either case the	1 April 2019	The company provides a new outcome delivery incentive rate along with a clarification around a calculation error in the original submission where the rate was	No intervention required. The company provides an adjusted outcome delivery incentive rate and provides evidence of a calculation error in the prior submission.	NA

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			company should provide its evidence and rationale.		calculated as £ per customer rather than £ per percent. The company notes that it was unable to complete a willingness to pay assessment due to the bespoke nature of the performance commitment and therefore has calculated the outcome delivery incentive rate based on cost of delivery.	We note the incentive rate is based on costs, which the company sufficiently explains in this instance.	
	SSC.OC.A40	Timing	Extra Care assistance: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment. The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer engagement evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment.	We are intervening to change the timing of the outcome delivery incentive to in-period.
	SSC.OC.A41	Stretch	Education activity: The company should consider revising its target, taking into account the views of the CCG and challenging the revised targets against the Ofwat methodologies.	1 April 2019	The company states that it has not updated the targets for this performance commitment to make them more stretching. The company also proposes to change this from a reputational to financial performance commitment in response to IAP action SSC.OC.A42. The company provides some additional evidence in respect of its performance commitment levels being stretching, stating that its engagement is spread over a number of days rather than just being a singular engagement activity. The company states	Intervention required. The evidence provided does not sufficiently demonstrate how the company has responded to the customer challenge group challenge that the proposed performance commitment level is too soft. There are also several other companies with similar performance commitments (for example, Welsh Water) that propose significantly more stretching targets. The Welsh Water performance commitment 'community education' has a cumulative 2020-25 target of 364,000 compared to South Staffs Water's cumulative 2020-25 target of 15,000. Welsh	We are intervening to double the level of stretch for this performance commitment. The cumulative 2020-25 total is therefore 30,000 customers (6,000 per annum): 2020-21 – 6,000 2021-22 – 6,000 2022-23 – 6,000 2023-24 – 6,000 2024-25 – 6,000 Units: number of people who receive the company's educational activities

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					that this provides richer engagement and cements concepts in individual presentations. The September 2018 customer challenge group report noted soft targets as a potential concern with respect to this performance commitment In the April 2019 customer challenge group report the panel does not specifically comment on the targets and level of stretch but does summarise the company's views.	Water's proposed level of stretch represents 12% of their population compared to South Staffs Water's level of stretch over the same period (0.9% of population). Given this is a financial performance commitment, we are concerned about the level of ambition represented by these performance commitment levels even when the nature of differences in South Staffs Water's delivery of education activities is taken into account. As such, we are intervening to make the performance commitment levels more stretching.	
	SSC.OC.A42	ODI type	Education activity: 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. The company should demonstrate how this non-financial incentive will benefit customers. Alternatively, the company should propose a financial ODI supported by evidence to justify the customer valuations and forecast efficient marginal cost inputs it proposes.	1 April 2019	The company complies with this action and proposes changing this performance commitment to a financial outcome delivery incentive with out and underperformance payments. The company provides a rate based on customer willingness to pay data.	No intervention required. The company complies with the action and proposes changing this performance commitment to a financial outcome delivery incentive. The company provides sufficient evidence of customer support for outperformance payments.	NA
	SSC.OC.A43	Definition	Environmentally sensitive water abstraction: The company should correct the units proposed for the underperformance payments.	1 April 2019	The company agrees to make the correction we propose.	No intervention required. The company accepts the units of £ per hectare were incorrect and corrects the error.	NA
	SSC.OC.A44	Timing	Environmentally sensitive water abstraction: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment. The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer engagement evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment.	We are intervening to change the timing of the outcome delivery incentive to in-period.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.		
	SSC.OC.A45	Stretch	Protecting wildlife, plants, habitats and catchments: The company should provide further evidence demonstrating that performance levels have been set using a robust approach and are appropriately stretching.	1 April 2019	The company states that the performance commitment level of 690 hectares protected has been set using a combination of the continuation of baseline activities as well as the inclusion of additional new areas. The new areas include: supporting biodiversity projects, implementing national environment research council improvements and the extension of the catchment management programme. The company also provides a granular breakdown of how the hectares have been built-up into the overall performance commitment levels from Green water industry national environment programme schemes, Amber water industry national environment programme schemes and other schemes outside of the scope of the water industry national environment programme. The customer challenge group reports raised no specific issues with the performance commitment levels and the methods for setting them in respect of this performance commitment. The external assurance documents provided for both the business plan and the revised business plan raise no specific concerns in relation to this issue. The performance commitment also includes a continuation of the company's 'PEBBLE' scheme which awards grants for projects that enhance biodiversity.	No intervention required. The company has provided additional customer evidence which supports its proposals for this performance commitment. The company has also provided sufficient evidence to demonstrate a robust approach to setting the performance commitment levels.	NA
	SSC.OC.A46	ODI type	Protecting wildlife, plants, habitats and catchments: The company should provide further evidence to justify the use of outperformance payments for this ODI and evidence of customer support for this approach. The company should demonstrate how this ODI will benefit customers.	1 April 2019	The company provides sufficient evidence of customer support for outperformance payments that suggests 71% of customers support outperformance payments.	No intervention required. The company provides sufficient evidence of customer support for outperformance payments for this outcome delivery incentive.	NA
	SSC.OC.A47	Timing	Protecting wildlife, plants, habitats and catchments: The company should change this ODI to in-period or provide sufficient	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment.	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal,	We are intervening to change the timing of the outcome delivery incentive to in-period.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			reasoning and evidence why an end-of-period ODI is more appropriate.		The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer engagement evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment.	Following the intervention on timing, we are also intervening to set in-year caps on this performance commitment. The caps are set at 10% above the year targets and are as follows: 2020-21 - 229 2021-22 - 355 2022-23 - 486 2023-24 - 627 2024-25 – 725 Units: number of hectares
	SSC.OC.A48	ODI rate	Visible leak repair time: The company should provide further evidence and explanations demonstrating that its customers support its proposed ODI rates.	1 April 2019	Due to the short timeframe, the company states it was not able to retest customers' willingness to pay in regards to this performance commitment. The company proposes a new outcome delivery incentive rate based on further triangulation using another company's willingness to pay research results that have been adjusted to be in line with South Staffs Water's outcome delivery incentives.	No intervention required. The new outcome delivery incentive rate is lower, both for underperformance and outperformance. Additionally, the outperformance payment rate is now 50% less than the underperformance payment rate in absolute values. Whilst not based on its own research, it is at least based on willingness to pay from another company's customers. Overall we consider the proposed revisions to the outcome delivery incentive rates to be appropriate.	NA
	SSC.OC.A49	Timing	Visible leak repair time: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment. The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer engagement evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years.	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it will be able to smooth bills over the period through its in-period assessment.	We are intervening to change the timing of the outcome delivery incentive to in-period.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.		
	SSC.OC.A50	ODI rate	Water treatment works delivery programme: The company should provide further evidence to justify and demonstrate the calculation of the standard ODI rate in this instance.	1 April 2019	The company clarifies its outcome delivery incentive rate calculation. This performance commitment is measuring two elements across three different schemes where: 1. If schemes are not delivered: money will be returned to customers via a regulatory capital value adjustment for the scheme's capital expenditure component and a revenue adjustment for the scheme's operational expenditure component. 2. If schemes are delivered late: customers will be compensated via a revenue adjustment.	Intervention required. We consider that it is appropriate to construct the underperformance ODI rate to correspond to the relative size of each component of the programme. We also consider that it is appropriate to have an outcome delivery incentive for both the delay and non-delivery of the programme. However, we consider that the proposed rate understates the forgone benefits to customers from delays. The underperformance outcome delivery incentive reflects the foregone benefits from annual delays. As set out in the policy appendix we calculate this through multiplying the programme total expenditure in scope of the performance commitment by the weighted average cost of capital plus the run-off rate, and then dividing this by 100. In addition we have set the further rate that will return expenditure to customers at the next price review that is not returned to customers under the cost sharing mechanism (we assume 50%) where the company has not delivered in the 2020-25 period.	We are intervening to adjust the underperformance payment rate to -£0.0556 million per percentage. We are also setting the underperformance payment rate for non-delivery to -£0.315 million per percentage.
	SSC.OC.A51	Timing	Water treatment works delivery programme: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment. The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer engagement evidence definitively shows that customers favour the certainty of a flat bill over one	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it	We are intervening to change the timing of the outcome delivery incentive to in-period.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					which may be volatile. The company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	will be able to smooth bills over the period through its in-period assessment.	
	SSC.OC.A52	Stretch	Bad debt level: The company should provide further evidence and rationale to support why the proposed performance levels are stretching and address the challenge by the CCG that performance should be compared against only other water only companies.	1 April 2019	The company proposes more stretching performance commitment levels than in its business plan. The company has carried out analysis comparing the company's performance against companies with a similar level of deprivation. It has accordingly reduced its bad debt target by 0.2%. It does not agree with the customer challenge group that it should compare with other water only companies, as its levels of deprivation are far higher. The customer challenge group does not reference this performance commitment in its revised submission.	No intervention required. The company has increased the level of stretch and provided evidence on levels of deprivation in comparison with other companies. As a result we consider the revised performance commitment levels to be sufficiently stretching.	NA
	SSC.OC.A53	ODI rate	Residential void properties and gap sites: The company should demonstrate that its ODI underperformance rate is reflective of the foregone reduction in bills that customers would experience from improvements in the identification of gap sites and validation of void sites.	1 April 2019	The company provides its outcome delivery incentive rate calculation methodology for this performance commitment. The company calculates the outcome delivery incentive rates based on the foregone reduction in bills that customers would experience from improvements in the identification of gap sites and validation of void sites. The company's proposed rate is based on the assumption that 75% of void properties are genuinely empty whereas only 25% would be billed when discovered.	Intervention required. The company complies with the action and provides its calculation methodology. However, the company does not exclude the retail element of the bill (10%) in its calculations. This has led to a higher outcome delivery incentive rate that overstates the customer benefit. We are intervening to recalculate the outcome delivery incentive rate based on the wholesale element of the bill.	We are intervening to amend the underperformance payment rate to £6,745 per percentage.
	SSC.OC.A54	Timing	Residential void properties and gap sites: The company should change this ODI to in-period or provide sufficient reasoning and evidence why an end-of-period ODI is more appropriate.	1 April 2019	The company continues to propose an end of period outcome delivery incentive for this performance commitment. The company recognises our policy that brings incentive payments closer to the performance that generated them. However it argues that its customer evidence definitively shows that customers favour the certainty of a flat bill over one which may be volatile. The	Intervention required. The company's proposal results in bills that will be flat in real terms rather than nominal, so customers would still see bill changes in the company's proposal. The proposal limits bill changes over the 2020-25 to £3. We consider that the company should adopt in-period outcome delivery incentives and that it	We are intervening to change the timing of the outcome delivery incentive to in-period.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					company has taken the view that it will remove all volatility from bills and give its customers certainty over their bills for the next five years. The company provides evidence that customers support this provided the transition between 2024-25 and 2025-26 is not more than £3. It will monitor the level of outcome delivery incentive it is incurring and revert to the in-period mechanism if the transition is likely to be more than £3.	will be able to smooth bills over the period through its in-period assessment.	
	SSC.OC.A55	Definition	Trust: The company should provide further justification of why this PC is required in addition to C-MeX.	1 April 2019	The company provides further evidence in support of the rationale for this performance commitment and its definition. The company draws a distinction between the hypothetical net promoter score part of C-MeX which focuses on future propensity to recommend, and 'trust' which encapsulates wider issues related to ethical behaviour and overall experience. The company also states that retaining this PC measure will allow the company to combine its on-going tracker survey results with CCWater's annual 'Water Matters' survey (which also measures trust separately). This will also enable the company to compare its 'trust' scores with other sectors through the UK Institute of Customer Service's regular benchmarking reports.	No intervention required. The company provides sufficient additional evidence to justify the retention of this performance commitment in addition to C-MeX.	NA
	SSC.OC.A56	Definition	Value for money: The company should provide further evidence on the sample size for its quarterly tracker survey to measure value for money. In addition, the company should confirm that the survey will be externally assured and conducted in line with social research best practice.	1 April 2019	The company states it is changing provider for the customer service tracker. It confirms that the survey will be externally assured and in line with social research best practice. The company also proposes to increase the sample size.	No intervention required. The company confirms that research will be conducted in line with social research best practice and will be externally assured.	NA
	SSC.OC.A57	Stretch	Value for money: The company should provide further evidence that the proposed PC levels are stretching.	1 April 2019	The company proposes to increase the 2020-21 performance commitment level to 78% from 77% in the business plan. The company states that 78% matches the best historic performance level. No other component of the performance commitment level has been updated. The company states that the 2025 performance commitment level of 85% is 7% higher than it has ever	No intervention required. The company provides sufficient evidence that supports the proposed level of stretch for this performance commitment.	NA

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					achieved in the past, so the company considers it very stretching.		
Addressing affordability and vulnerability	SSC.AV.A4	Affordability and vulnerability	South Staffs Water has not proposed a performance commitment on Priority Services Register (PSR) growth. It is proposing to increase its PSR reach from 1.7% in 2019-20 to 2.5% of customers in 2024/25. We consider this to be an insufficiently ambitious target. In addition, the company has only checked 38.6% of PSR data over the past two years. We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): South Staffs Water should include a Performance Commitment which involves increasing its PSR reach to at least 7% of its customer base (measured by households) by 2024-25 and committing to checking at least 90% of its PSR data every two years. 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	South Staffs Water adopts all three features of our common performance commitment by submitting a new performance commitment which commits it to reach 8% of households and data checking for 90% of customers. The company has also committed to checking customer data who are categorised as "priority one" (e.g. customers on dialysis) once per year. This additional categorisation will be reported alongside the common performance commitment in the APR each year.	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")'.

Table 3 – Interventions not directly related to IAP actions

Intervention reference	Our assessment and rationale	Interventions
SSC.OC.C1 PR19SSC_C4 Residential water consumption Cambridge region Stretch	Intervention required. The company's per capita consumption in the Cambridge Water region is comparatively high. The company does not show ambition in its proposals for its Cambridge region. Per capita consumption has been rising and in addition, the company provides evidence that its Cambridge customers support encouraging people to use less water. The current proposal is also higher than water resources management plan levels. We are intervening to set a 2024-25 performance commitment level based on the industry proposed upper quartile percentage reduction in per capita consumption. We apply a linear trend between 2019-20 forecast performance and the 2024-25 performance commitment level. This intervention will bring its per capita consumption more in line with than water resources management plan levels. We set out our rationale for setting performance commitment levels for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to set the performance commitment levels to the following values, in terms of reduction to the 2019-20 baseline: 2020-21 = 1.2% 2021-22 = 2.5% 2022-23 = 3.7% 2023-24 = 5.0% 2024-25 = 6.3% Units: percentage reduction in per capita consumption from initial level on a three-year average basis.
SSC.OC.C2 PR19SSC_D1 Compliance Risk Index (CRI) Definition	Intervention required. The company proposes that its Compliance Risk Index performance commitment should not include failures relating to its Hampton Loade and Seedy Mill sites. The company argues that these sites are subject to enforcement notices by the Drinking Water Inspectorate and resulting failures will therefore be multiplied heavily in the Compliance Risk Index calculation. The company sets out that a single failure at Seedy Mill would incur a Compliance Risk Index score of 4, which would carry a significant financial penalty that does not appear reflective of the impact on customers. Drinking Water Inspectorate Notices of improvement requires companies to take measures to rectify compliance failures. It is appropriate for the Compliance Risk Index to penalise already failing sites as these are the ones companies need to most focus on to provide good drinking water quality to customers. Therefore we do not consider that these sites should be excluded.	We are intervening to remove the exclusions proposed by the company.
SSC.OC.C3 PR19SSC_D3 Risk of severe restrictions in a drought Further information required	Intervention required. Intermediate calculations both give us confidence that companies have followed our definition appropriately and allow us to intervene appropriately if we do not consider the service levels are stretching. We would like companies to confirm that their performance commitment levels are reflective of their water resources management plan position.	This is a sector wide action. The company should provide a full set of intermediate calculations at a zonal level, underlying the risk calculation (for both baseline levels and performance commitment). The company should confirm that its performance commitment levels are reflective of its water resources management plan position. This should include the potential that it will have access to drought orders and permits The company should confirm which programmes of work will impact its forecasts. The company should confirm which schemes will impact its forecasts.
SSC.OC.C4 PR19SSC_D8 Water treatment works delivery programme Stretch	Intervention required. We are aligning the performance commitment with our final cost allowance for the company’s water treatment works delivery programme. Given we have not provided cost allowance for mains cleaning, customers only need to be protected from late delivery and non-delivery for the remaining	We are intervening to set performance commitment levels for this performance commitment. This is as follows: 2020-21 = 0.0 2021-22 = 0.0

Intervention reference	Our assessment and rationale	Interventions
	two schemes. We have redefined the performance commitment to measure percentage completion, with distinct milestones for each scheme.	2022-23 = 44.9 2023-24 = 100.0 2024-25 = 100.0 Units are: percentage of scheme complete
SSC.OC.C5 PR19SSC_NEP01 Water Industry National Environment Programme (WINEP) Delivery Performance commitment addition	Intervention required. We are intervening to add an additional reputational performance commitment that measures whether the company has met all of its water industry national environment programme requirements in each reporting year. The performance commitment will use the latest water industry national environment programme from the Environment Agency at the end of the reporting year. This will allow the inclusion of any changes to the water industry national environment programme between now and the end of 2025.	We are intervening to add an additional reputational performance commitment that measures whether the company has met all of its water industry national environment programme requirements in each reporting year.
SSC.OC.C6 PR19SSC_C6 Supporting water efficient housebuilding Stretch	Intervention required. There is no reason that performance cannot be measured each year and greater benefits will be realised if delivered more quickly. The company considers that delivery will take time to deliver as there is a lag between engagement, the design, construction and final accreditation. To take this into account we have set cumulative service levels that double each year until the level the company proposed in 2024-25.	We are intervening to set service levels for earlier years. We have assumed cumulative improvement over the period. The resulting service levels are: 2020-21 – 1.9 2021-22 – 3.8 2022-23 – 7.7 2023-24 – 15.3 2024-25 – 30.6 Units: megalitres
SSC.OC.C7 PR19SSC_C1 Leakage South Staffs region Caps, collars, deadbands	Intervention required. The company does not propose to include a cap or collar. As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals. We consider that a cap and collar are necessary, because the performance commitment is financially material. How we assess financially material and our standard approach to setting caps and collars is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix.'	We are intervening to set collars as follows: 2020-21: -5.0% 2021-22: -5.0% 2022-23: -5.0% 2023-24: -5.0% 2024-25: -5.0% Units: percentage reduction in leakage from initial level on a three-year average basis. We are intervening to set caps follows: 2020-21: 6.8% 2021-22: 10.0% 2022-23: 14.9% 2023-24: 19.8% 2024-25: 24.8% Units: percentage reduction in leakage from initial level on a three-year average basis.

Intervention reference	Our assessment and rationale	Interventions
SSC.OC.C8 PR19SSC_b3 Education activity Caps, collars, deadbands	Intervention required The company does not propose to include a cap. We consider that it is appropriate to have an outperformance cap as we consider that the company has an element of discretion to increase delivery, which could lead it to undertake improvements that exceed customers' willingness to pay and/or focus on this performance commitment to the neglect of others. We have set this at 1,000 more than the committed performance level in line with the company estimate of p90 performance.	We are intervening to set caps follows: 2020-21: 7,000 2021-22: 7,000 2022-23: 7,000 2023-24: 7,000 2024-25: 7,000 Units: Number of people.
SSC.OC.C9 PR19SSC_bc7 Protecting wildlife, plants, habitats and catchments Caps, collars, deadbands	Intervention required The company does not propose to include a cap. We consider that it is appropriate to have an outperformance cap as we consider that the company has an element of discretion to increase delivery, which could lead it to undertake improvements that exceed customers' willingness to pay and/or focus on this performance commitment to the neglect of others. We have set this in line with the company estimate of p90 performance.	We are intervening to set caps follows: 2020-21: 229.0 2021-22: 355.0 2022-23: 486.0 2023-24: 627.0 2024-25: 725.0 Units: Number of hectares.

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

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

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

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

This document is also available from our website at www.ofwat.gov.uk.

Any enquiries regarding this publication should be sent to us at mailbox@ofwat.gov.uk.

OGL