July 2019

Trust in water

PR19 draft determinations

Thames Water – Delivering outcomes for customers actions and interventions

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

Following our initial assessment of plans, we categorised two types of actions for slow-track and significant scrutiny companies:

- required actions for companies which in general were required for draft determinations (or final determinations for some aspects of past delivery); and
- advised actions for companies to do by a specific date but that are not required for our draft determinations.

Table 1 below sets out the required company level actions, a summary of the company's response to the action, our assessment of the company's response, and any further interventions we are making as part of the draft determination.

Table 2 below sets out the required performance commitment-specific actions, a summary of the company's response to the action, our assessment of the company's response, and any further interventions we are making as part of the draft determination.

Each action has a unique reference. The prefix 'TMS' denotes the company Thames 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 'TMS' denotes the company Thames 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 'PR19TMS_' denotes the company Thames Water), the name of the performance commitment, and the action type (for example, stretch).

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

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

Test area	Action ref	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Delivering outcomes for customers	TMS.OC.A1	Outcome Delivery Incentive (ODI) type	The company should provide sufficient justification for proposing outperformance payments for PCs, when customers expressed a preference for underperformance only payments. This should include a clear rationale and evidence of how this decision will benefit customers.	1 April 2019	The company explains how in its September 2018 submission it produced a summary report for each performance commitment that explained how it had translated customer research into stretching targets and an appropriate outcome delivery incentive type. The company argues that it provided a detailed justification for proposing outperformance payments in each case. However, the company also argues that customer feedback on bottom-up, individual performance commitments sometimes does not produce a binary answer on preferences of outcome delivery incentive type and that in some cases, customers had mixed views. The company considers that from a top-down perspective its selection of outperformance outcome delivery incentives is consistent with customer preferences or customer benefits in the long-term.	No intervention required at a company level. Intervention required at individual performance commitment level. The company provides insufficient justification for proposing outperformance payments for performance commitments where customers expressed a preference for underperformance only payments. The company does not provide a clear rationale for how its proposed approach will benefit customers.	NA We are intervening at an individual performance commitment level where there is insufficient evidence to support the use of outperformance payments.
	TMS.OC.A2	ODI rates	In cases of rejection or revisions to enhancement expenditure or a cost adjustment claim, the company should consider the implications, if any, for the associated level of the PC and ODI incentive rates proposed, and provide evidence to justify any changes to its business plan submission. In cases where a scheme will no longer be undertaken, the company should consider the removal of the associated scheme-specific 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. Where the company has not followed the Ofwat formula, it should provide further evidence to justify how the	1 April 2019	The company confirms that it has adjusted its performance commitments and outcome delivery incentives where it has accepted our rejection or revision to enhancement expenditure or a cost adjustment claim. It argues that it explains these amendments for individual actions and provides additional evidence to support them. The company provides additional evidence regarding revisions to outcome delivery incentive rates and highlights any removed performance commitments. However, the company does not provide evidence to demonstrate how marginal cost estimates relate to the cost adjustment claims or enhancement expenditure proposed by the company. The company explains that it has predominantly used our standard outcome delivery incentive formula to set its	No intervention required at a company level. Where we are allowing a cost adjustment claim at a level different to that proposed by the company due to us taking a different view of efficient costs, we reflect this in our responses to individual performance commitment actions. The company's explanation of where it has deviated from using our outcome delivery incentive formula is sufficient at a company-wide level. 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

Test area	Action ref	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			methodology it used to calculate ODI rates is appropriate and how this reflects of customer valuations.		outcome delivery incentive rates, with any exceptions explained in its business plan. It explains that such exceptions almost always apply to specific scheme outcome delivery incentives or non-financial outcome delivery incentives.		
	TMS.OC.A3	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. The company should provide further explanation why some bespoke PCs that are not of high importance to customers have relatively large ODI rates and why others PCs that are of high importance have lower ODI rates.	1 April 2019	The company argues that its outcome delivery incentives are in line with customers' views and our guidance. It argues that the majority of incentives are financial, providing a clear link between performance, bills and delivery for customers. The company explains how the outcome delivery incentives have been based on triangulated customer values drawn from a wide range of sources over an extended period of time, which ensures that the incentives are stronger where customers prioritise service and provides them with appropriate protection where they need it the most. Additionally the company explains how it has made outcome delivery incentives reputational where such incentives are considered in the best interests of customers. The company also states that it believes its use of caps and collars protects customers' interests in the event that circumstances change and expenditure is no longer required. The company disagrees that some bespoke performance commitments that are not of high importance to customers have relatively large outcome delivery incentive rates, and other performance commitments that are of high importance have lower outcome delivery incentive rates. The company provides evidence that it argues demonstrates that its P10/P90 exposure from outcome delivery incentives are focused on the issues that customers most value, like supply interruptions, pollutions, leakage and sewer flooding and that its exposure to bespoke performance commitments is small.	No intervention required at a company level. 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. There are specific instances where this is not the case - these have been captured in the actions of the specific performance commitment actions.	NA
	TMS.OC.A4	Asset health overall	The company should propose an appropriate service level and ODI for wastewater treatment works compliance PC as set out in table 2.	1 April 2019	The treatment works compliance response is set out in action TMS.OC.A22.	No intervention required at a company level. The company has demonstrated customer support	NA

Test area	Action ref	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
		ODI package	The company should provide sufficient evidence that its customers support its proposed asset health outperformance payments. If it cannot do this, the company should remove the outperformance payments. The company should provide a clear list of what it considers to be its asset health PCs, and state its P10 underperformance payments and P90 outperformance payments for each of its asset health ODIs in £m and as a percentage of RoRE.		The company proposes to retain its outperformance payments for mains burst, sewer collapses and unplanned outage. It provides details of additional customer engagement carried out in January 2019 to show customer support for outperformance payments for these asset health performance commitments. The company has provided a list of what it believes are its asset health performance commitments. It has provided P90 and P10 performance payments for each performance commitment.	for the package of incentives, which includes the potential outperformance payment for mains repairs and sewer collapses performance commitment. It does not provide the same evidence for unplanned outage, where it is not compliant with the reporting requirements, therefore we will intervene to remove the outperformance payment of this performance commitment. This intervention is covered in responses TMS.OC.A9 and TMS.OC.A11. The company has complied with the action and provided its P10 and P90 payments for each asset health performance commitment.	
	TMS.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'.**	1 April 2019	The company proposes to adopt a sharing mechanism to protect customers, with customers sharing (50:50) for outperformance payments greater than 3% annual return on regulatory equity over the 2020-25 period. The company says it will also apply individual outperformance caps to performance commitments such that no single measure exceeds 0.25% return on regulatory equity (around £15m) in any one year.	Intervention required. The company's proposed sharing mechanism provides a lesser level of protection to our recommended mechanism, which applies the 50% sharing with customers where outperformance payments are greater than 3% return on regulatory equity each year, rather than the company proposal of applying it for the five year period as a whole. The company has provided insufficient evidence to support the alternative proposal. As such, we do not consider the company's proposal to be sufficient. The company's proposal on caps and collars differs to our own. We consider that our proposals provide stronger protection to customers and so are intervening to replace the company's proposals with our own. 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'. As such, we are imposing our customer protection measures as set out in our 'PR19 draft determinations: Delivering outcomes for customers policy appendix' to make sure that customers are adequately protected.	We are intervening so that companies share 50:50 any gains above 3% return on regulatory equity in any year. Interventions on caps and collars are covered in specific actions and interventions on individual performance commitments in table 2 and table 3.

Table 2 – Thames 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	TMS.OC.A6	Stretch	**Asset Health Mains Bursts (no.) per 1000km PC:** The company should reconsider its proposed service levels and ensure that these are stretching. If the company continues to propose performance that is worse than its historical levels, it should provide compelling evidence that increased active leakage control (ALC) activity impacts the total number of mains repairs using its own data, including the relationship between proactive and reactive mains repairs. As a minimum the evidence should show the historical correlation between active leakage control, proactive and reactive mains repairs. It should also show the impact of this relationship on forecast repair rates from the output of asset performance modelling. The company should also demonstrate that reduced (worse) performance levels are in the interests of customers and the assets.	1 April 2019	The company proposes not to change its performance commitment levels from its September 2018 business plan. The company stated that its analysis shows that the relationship between active leakage control activity and mains repairs is complex. While visible bursts can lead to an increase in active leakage repair, it can also lead to a reduction where the same resources are redirected from one area to the other. The company asserts that the root cause of bursts is mains condition but does not provide evidence to support this, and states that in the long term, mains rehabilitation is its only option The company has provided evidence that some customers wish to see stable or improved performance.	Intervention required. The company provided insufficient evidence to demonstrate why forecast mains repairs performance at levels worse than recent historical performance are appropriate. The company has provided insufficient evidence to support any increase in its performance commitment levels. Therefore we are intervening to set performance commitment levels based on the average of the three best recent years' actual performance (2011-12, 2012-13, and 2015-16). These represent an 18% improvement on the company's proposal. More detailed analysis of the link between leakage and mains repairs is discussed in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to set the performance commitment levels to the following values: 2020-21 = 231.3 2021-22 = 231.3 2022-23 = 231.3 2023-24 = 231.3 2024-25 = 231.3 Units: Mains burst per 1,000km
	TMS.OC.A7	ODI type	**Asset Health Mains Bursts (no.) per 1000km PC:** The company should provide further evidence to justify the use of an outperformance payment on this PC, including evidence of customer support. If it cannot do this, the company should remove the outperformance incentive.	1 April 2019	The company is proposing to retain the outperformance incentive. The company states that this is an underperformance and outperformance incentive because this is an area where customers value service and it believes that outperformance will deliver sustainable benefits for customers in the long-term. The company states that it has tested its approach to developing incentives for asset health with customers. In recent research it explains its approach to estimating incentive rates, which involves linking performance (for example, bursts) to customer impacts (for example, supply interruptions) and scaling the overall impact to avoid double counting. Three quarters of customers who took part agreed with this approach.	No intervention required. The company has demonstrated customer support for the package of incentives, which includes the potential outperformance payment for this performance commitment. Our analysis also shows that the company has delivered enhancement investment in the past to achieve specific targets, resulting in improved performance, which has largely been sustained. Although the company is comparatively poor performer, we are intervening to set the performance commitment levels at almost the best historical level so an outperformance payment could only occur if they do better than this level. This would incentivise gradual improvement over time.	NA

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					The company also states that its customers have said that they want a strong incentive for the company to outperform its target as they value a proactive, rather than reactive, approach to network maintenance.		
	TMS.OC.A8	ODI rates	**Asset Health Mains Bursts (no.) per 1000km PC:** The company should explain and evidence how its proposed ODI rates for mains bursts are coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (including leakage, supply interruptions and low pressure) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term. 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.	1 April 2019	In January and February 2019, the company further engaged with customers on its incentives around asset health, specifically for mains bursts. When asked whether asset health or performance related measures are more important, customers indicated it is hard to prioritise service over asset health. Based on the customer feedback, the company is maintaining its approach to estimating asset health incentive rates based upon customer service impacts, for example the likelihood of a burst leading to a service impact. The benefits are scaled between measures where there is a risk of double counting. The company states that it has followed a robust process of triangulation of customer willingness to pay values, using a bottom up calculation of its incentives, based on a robust assessment of marginal costs and marginal benefits. For mains bursts the company states that it has increased the marginal benefit estimate by ten percent, which is still inside the confidence intervals from customers. It has not opted for the value from the range published in the Technical appendix 1, as it states this would mean this measure would have a disproportionate weight within their performance commitment framework, with financial incentives exceeding those for leakage and supply interruptions.	Intervention required. The company sufficiently explained how its outcome delivery incentive rate is coherent with rates proposed for other asset health performance commitments, it has done this through calibration of its incentives with associated service benefits and has scaled mains repairs down for double counting with related service measures of loss of supply, leakage and pressure drops. However, the calibration with associated service measures means the company's underperformance payment rate for this performance commitment is only just within the reasonable range (At the lower end) set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix' (when normalised by numbers of households). As the company is a comparatively poor performer on mains bursts, there is a concern that customer protection is inadequate. As such we are intervening to strengthen the underperformance rate. The resulting rate appears to be within the range proposed by the company. We have not amended the outperformance rate. 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 increase the company's underperformance payment rate to -£0.414 million per 1000km of mains, based on the upper bound of the reasonable range as set out in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.
	TMS.OC.A9	Definition	**Unplanned Outage PC**: The company should provide details on the actions needed to comply with the standard definition of this common performance metric and its timetable for completing them (where there is a sub-component rated Amber or Red in table 3S of the 2018 APR submission).	1 April 2019	The company is supporting the proposal from the Water UK working group for a UK Water Industry Research project to provide more detailed guidance to support our methodology definition. The company suggested that we should support the project and work with companies and UK Water Industry Research.	Intervention required. The company has not complied with our action and has not provided sufficient details of the actions and timetable needed to make the company fully compliant with the definition.	We are intervening to specify that the company create and submit an action plan so that it will be able to measure and report their performance for this performance commitment in from April 2020 onwards in line with our common definition. This

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					The company states that until the research project reports, it is not in a position to understand the extent of the monitoring required and therefore the costs and timescale to be compliant with the definition. The company estimates that the monitoring of the relevant assets and development of a system to capture the data could cost at least £10m and take at least two years and possibly up to six years to implement. The company states that to commence work on the next step (a feasibility study) would be premature and unlikely to be value for money and at this stage it is unable to set out a detailed action plan as to when it will be compliant.	A Water UK working group proposed changes to the definition in January of this year, which we accepted and adopted into the guidance for Annual Performance Reporting, which is available on our website. We have no details of any additional work being carried out by UK Water Industry Research, and this is not referenced by another company. From the July 2018 Annual Performance Report submission to the 15th of May early Annual Performance Report submission for this performance commitment, we have seen a significant improvement in compliance with this measure. Currently Thames is the only company stating it cannot be compliant by the required date, despite the definition of this measure being available since 2017 (first reported in the company's 2018 Annual Performance Report). We therefore expect the company to be compliant by April 2020 (the start of 2020/21 reporting year) and set out an action plan to demonstrate how it will become compliant.	should include key activities and timelines. If the company is not able to report performance compliant with the measure from April 2020 onwards, it will be at risk of misreporting.
	TMS.OC.A10	Stretch	**Unplanned Outage PC**: The company is required to provide fully audited 2018-19 performance data by 15 May 2019. This should take the form of an early APR submission, but only for Unplanned Outages. Board assured data can be provided with the main APR in July 2019, any changes will be taken into account for the Final Determination. Based on the latest performance and updated methodologies, the company should resubmit 2019-20 to 2024-25 forecast data in the 15 May 2019 submission. The company should also report its current and forecast company level peak week production capacity (PWPC) (Ml/d), the unplanned outage (Ml/d) and planned outage (Ml/d) in its commentary for the May submission.	15 May	The company states there is a UK Water Industry Research project to provide more detailed guidance to support our methodology definition, to promote further alignment and ensure that a benchmark of good practice could be established. The company provides a comparative analysis of other companies' compliance status and confirms that it is currently unable to report performance against the measure in accordance with the methodology. The company confirms it is able to calculate its peak week production capacity (PWPC) according to the definition but not for all other components. The company's reported figure is 18% for 2018-19 and it explains that the approach to calculate it is, in broad terms, to estimate the percentage of unplanned output inferred by the difference between the planned plant reliable output and actual output required to meet the daily demand. The company recognises that this figure is in the lower quartile across all water companies.	Intervention required. The company's current performance and proposed performance commitment level for 2024-25 are both worse than the median level and all other companies. We consider that the company's values are not calculated using the common definition. We are intervening to set performance commitment levels which are aligned with the common definition and using the median value based on all companies' proposed performance commitment levels. We are using the median because it is a new measure with no historical data, limiting our ability to determine what good performance could be, based on company forecasts. Given the company is currently unable to comply with the definition we are not able to be certain on the scale of the proposed intervention compared to the company's actual performance. 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: 2020-21 = 3.51% 2021-22 = 3.22% 2022-23 = 2.92% 2023-24 = 2.63% 2024-25 = 2.34% Units: percentage of peak week production capacity.

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	TMS.OC.A11	ODI type	**Unplanned Outage PC**: The company should provide further evidence to justify the use of an outperformance payment on this PC, including evidence of customer support for this approach. Alternatively, the company should remove the outperformance payment.	1 April 2019	The company is proposing to retain the outperformance payment. The company states that if this metric is to be used as a financial outcome delivery incentive, then it believes it should be symmetrical and that outperformance payments are justified. Incentivising outperformance aligns with the company's long-term aspirations to improve asset health, reduce risk and reflects its ambition to improve resilience. The outperformance payment helps to recover costs and only measurable enhancements in unplanned outage are rewarded, which the company considers is fair. The company states that removing the outperformance payment for this performance commitment would put it at odds with the feedback that we have provided in the risk and return IAP test area.	Intervention required. Whilst we agree that outperformance payments can incentivise long-term improvements for asset health performance commitments, the company has not provided sufficient evidence that its customers support an outperformance payment, in fact, the company's own research show that its customers support an underperformance payment only for this performance commitment. The company's' reporting is not compliant with the definition and it does not plan to be compliant in the next 5 years. Outperformance payments for a non-compliant performance commitment are not appropriate. We are therefore intervening to remove the payment. We note the company is receiving a related enhancement allowance.	We are intervening to remove the outperformance payment on this performance commitment.
	TMS.OC.A12	ODI rate	**Unplanned Outage PC**: 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 explains how its customer benefit calculations are based on the customer and societal valuations for reducing the risk of water restrictions. The company has used customer preferences research from 2011 to 2017 which includes stated preference values measuring the impact of water restrictions on customers. The company states it has a comprehensive and long standing set of customer valuations in this area. These have been assessed against valuations from other industries and estimates of disruption to the productivity of non-household customers as part of the triangulation process for customer values. Although the company proposed a financial measure it recommends the measure is not financial since it is new.	Intervention required. The company has complied with our action to explain the formulation of its outcome delivery incentive rate and its customer valuation evidence. The company has sufficiently explained how its outcome delivery incentive rate is coherent with rates proposed for other asset health performance commitments. However, the company's underperformance payment rate is below the lower bound of the range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix.' As the company is a very poor performer on unplanned outages, this is a concern. As such we are intervening to strengthen the underperformance rate and increase customer protection on this. In addition, we have given enhancement allowances for the company to improve its performance. These allowances are contingent on the company delivering its performance commitment levels. To protect customers we are intervening to ensure the outcome delivery incentive rate will recover the enhancement allowances in the case that the company does not achieve its performance commitment levels. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft	We are intervening to increase the company's underperformance payment rate to -£3.090 million, based on the upper bound of the reasonable range as set out in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. We have also made a cost allowance for the company to improve its performance in this measure. To protect customers we are setting an additional underperformance rate to return funding to customers. This cost recovery rate will operate between the performance commitment level each year and 3.79 at a rate of £8.891 million per unit. Beyond 3.79, the underperformance rate will be the standard rate we have set at £3.0904 million per unit.

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						determinations: Delivering outcomes for customers policy appendix'.	
	TMS.OC.A13	Stretch	**Interruptions to supply PC** For this common PC we expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	1 April 2019	The company is not complying with our action. It states that the performance commitment levels are based on companies' proposed performance commitment levels that lack credibility and do not reflect current performance. It also argues that the levels do not account for the company's older network in corrosive soils, traffic congestion in London, and lack of customer support for its proposed levels.	Intervention required. The company is not complying with our action, and so we are intervening to set the performance commitment levels to the levels we have calculated based on industry data. 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. Our draft determinations take into account customers' views on performance levels, as well as historical and forecast performance levels across the sector. In some instances this results in our draft decisions on performance commitment levels differing from the level supported by customers. We are satisfied that our decisions provide strong customer protection and appropriately incentivise the company. The evidence presented doesn't consider whether traffic issues in London are offset by benefits of being located near to incidents. The evidence presented only considers pipe age and corrosive soils as factors in pipe corrosion however there are other factors which it did not take into consideration. 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 do not consider the company's rationale for being treated differently to the industry on 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

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						grounds of company-specific factors is sufficiently justified. 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'.	
	TMS.OC.A14	ODI rates	**Interruptions to supply PC:** The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in **'Technical appendix 1: Delivering outcomes for customers'**) and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in 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 is proposing to change its outcome delivery incentive by re-triangulating valuations based on existing evidence and its revised view of marginal cost.	Intervention required. We are intervening to increase the underperformance rate to reflect our assessment of the company's response to our Past Delivery Action in relation to the quality of its action plan to address past performance issues on its 2015-20 supply interruptions performance commitment (see TMS.PD.A8 in Table 2 of the 'PR19 Draft Determinations: Thames Water - Past delivery actions and interventions'). We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to increase the underperformance rate to the industry average (on a normalised basis). The resulting underperformance rate is -£1.970 million per minute per property.
	TMS.OC.A15	Stretch	**Leakage PC:** The company should reconsider its proposed service levels and ensure that they are stretching and meeting the upper quartile values or provide compelling evidence to demonstrate why this level cannot be achieved. Based on the forecast data provided by companies in the September 2018 business plan submission the upper quartile values are 75 litres/property/day and 5.42 m3/km of mains/day. The company should clearly set out the evidence and rationale for the revised targets. The company should clearly set out both the service levels for this PC based on 3 year average and the annual average values it proposes.	1 April 2019	The company is proposing to revise its 2019-20 forecast performance level. The company states that it has concerns that the asset health of its water network is lower quartile due to the age of its network, which has proven not to be resilient to weather events. The company explains that it has been heavily affected by two weather events during 2018/19, both of which contributed to an increase in leakage. This caused the company to increase its 2019-20 leakage forecast by 24 Ml/d. As the company proposes to retain its 2024-25 performance commitment level at 568 Ml/d, this directly increases the proposed leakage reduction to 20% by 2024-25. The company explains it has employed significant effort and improved its operational responses in comparison with its 2016/17 position but that this has not	Intervention required. The company proposes a reduction that is not sufficiently stretching to improve the company's performance on a comparative basis. The company deteriorated its 2018-19 service level and all forecast service levels expressed in Ml/d between 2019-20 and 2023-24 in its revised business plan. The company has provided insufficient justification for the deterioration in its initial level nor its plan for recovery to its originally planned position by April 2020. The company proposes to retain its 2024-25 performance commitment level as proposed in its business plan, and increases its percentage reduction from 18% to 20% by 2024-25 from the initial level in 2019-20 on a three-year average basis. This increase is wholly a function of the company's deterioration in the initial performance level, and the company's 20% commitment is in any	We are intervening to set the performance commitment percentage reduction levels to the following values: 2020-21 = 5.0% 2021-22 = 12.5% 2022-23 = 17.3% 2023-24 = 21.2% 2024-25 = 25.0% Units: percentage reduction in leakage from initial level on a three-year average basis.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					been able to reduce its leakage levels as it hoped and that there is a disconnect between its efforts and its results. The company explains that the majority of the proposed reduction in the 2020-25 period is to be achieved through non-mains rehabilitation leakage reduction options but achieving greater reduction requires improvement in asset health which is the most expensive option. The company provides industry-wide reasons explaining factors impacting leakage performance and lists a legacy of pre-privatisation issues, historical target setting through the water resources management plan, soil conditions, density and meter penetration rates.	event required under its formal commitment in response to our leakage enforcement investigation. The company does not align its water resources management plan annual leakage targets with its performance commitment levels and does not explain the reasons for the discrepancy, although this is fairly small. The company does not propose to meet the normalised upper quartile values of 75 litres/property/day and 5.42 m3/km of mains/day, and proposes the following performance commitment levels: 133.3 litres/property/day and 17.35 m3/km of mains/day. The company describes its two main schemes for meeting its 2024-25 performance commitment level and explains further reduction requires the use of less cost-effective main renewal option, but does not sufficiently justify how the proposed plan is ambitious and stretching. We are intervening to increase the stretch by 5% on the three-year average basis based on the maximum reduction proposed by a company. We expect the company to continue to keep the suitability of its delivery plans under review given the experiences of 2018. 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'.	
	TMS.OC.A16	ODI rates	**Leakage PC:** The company should provide further justification of its approach to triangulation of the marginal benefit value for leakage and provide further detail on the adjustments made for overlap across PCs. The company should demonstrate that these adjustments and its triangulation approach result in ODI rates which remain representative of customers' underlying preferences for leakage reduction. 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 reduce its underperformance rate. The company states that this revision is due to a reduction in its view of incremental cost (following changes to its proposed performance commitment levels) which would have implied an increase in the outcome delivery incentive rates such that leakage would have dominated its outcome delivery incentive package. The company states it has undertaken qualitative research with customers in which they have fed back that this would place too much focus on one area of service. The company has therefore revised the marginal benefit component of its outcome delivery incentive rate from its central to lower estimate for the purposes	Intervention required. The company has reduced its underperformance rate such that it is now 20% lower than its proposed outperformance rate. The company has not provided detailed evidence to support the adjustments to its underperformance rate (nor justified why the reduction in marginal benefit is applied to its underperformance rate only). The level of customer protection against incremental underperformance is also lower than that implied by its 2015-20 leakage outcome delivery incentive. The company has also not addressed our concern around the formation of the marginal benefit component of its outcome delivery incentive rate (in which it appeared to place unjustified higher weight on lower values in its triangulation). In addition, the company is forecast to accrue a large net underperformance payment on its leakage outcome delivery incentive for the 2015-20.	We are intervening to set the underperformance and outperformance rate at the levels implied after appropriate triangulation across the company's customer valuation research inputs and after removing the un-evidenced adjustment to marginal cost. The resulting underperformance rate is -£0.389 million per megalitre per day and the outperformance rate is £0.307 million per megalitre per day.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					of calculating the underperformance rate only.	We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	TMS.OC.A17	Stretch	**Per Capita Consumption PC:** The company should reconsider its proposed service levels and justify that these are stretching or revise them. The company should clearly set out the evidence and rationale for the revised targets.	1 April 2019	The company proposes to retain its September business plan performance commitment levels. It explains its per capita consumption target is aligned to its water resources management plan targets (in a dry year annual average scenario). The company believes that further reductions to per capita consumption beyond its proposed 2020-25 levels can be achieved, but will require legislative and regulatory changes from central government.	Intervention required. The company proposes a reduction that is not sufficiently stretching to improve the company's performance on a comparative basis. The company's 2024-25 forecast level of 136 litres per day is comparatively high and the proposed 4.2% reduction is below the industry average proposed reduction of 5.3%. Its metering penetration of 63% is comparatively low but the company plans a high percentage of smart meters and the company's increase in metering by 16% is the third highest in the 2020-25 period. The company states that a 6% reduction will require 300,000 additional meters and 100,000 home visits but does not provide sufficient evidence that other options (for example. behavioural, customer engagement campaigns) cannot support additional savings. The company does not provide evidence of having a clear demand management strategy. We also note that the 1 April assurance report from the company's customer challenge group explains that it is disappointed that per capita consumption targets have not been improved and that it does not find the company's argument that cross industry comparisons are difficult to be a compelling one. The customer challenge group report also states that customers frequently suggest that they want to hear more in this area so they can help to reduce their consumption and the combination of Smarter Home visits and metering have been seen to be effective. As a result, we are intervening to increase the stretch of the performance commitment levels. Our intervention is based on applying the upper quartile of percentage reductions proposed by companies, 6.3%.	We are intervening to set the performance commitment percentage reduction levels to the following values: 2020-21 = 1.1% 2021-22 = 2.3% 2022-23 = 3.4% 2023-24 = 4.4% 2024-25 = 6.3% Units: percentage reduction in per capita consumption from initial level on a three-year average basis. The values are based on the 2024-25 percentage reduction of 6.3%.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	TMS.OC.A18	ODI rate	**Per Capita Consumption PC:** The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in **'Technical appendix 1: Delivering outcomes for customers'**) and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in 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 also should provide further detail on the adjustments made to the marginal benefit values for overlap across PCs and demonstrate that these are appropriate.	1 April 2019	The company provides additional clarity on the derivation of its outcome delivery incentive rate, and proposes revised rates by recalibrating its rates to exclude the impact that third party activities are forecast to have on per capita consumption. This results in outcome delivery incentive rates which are more closely aligned to industry average.	No intervention required. The company's proposed outcome delivery incentive rates are within the reasonable range that we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix and we have not identified any concerns with the company's derivation of its rates. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	NA
	TMS.OC.A19	ODI type	**Water Quality Compliance: CRI PC:** The company should add a financial underperformance incentive to this PC and provide evidence to justify the rate that it proposes.	1 April 2019	The company states it has reviewed this performance commitment and still believes it is appropriate to retain the two incentive rates to address the ongoing risk from metaldehyde being present in the source waters until the ban comes into effect, and also allows for potential illegal use as existing stocks are used up. Additionally, failure on this measure has the potential to undermine customer confidence in our water supplies. The company therefore proposes no changes to the underperformance incentive measures originally proposed for its two bespoke performance commitments relating to the Compliance Risk Index.	Intervention required. The company does not agree with our challenge to include an underperformance payment outcome delivery incentive for this common performance commitment and remove the metaldehyde / all other parameters bespoke PCs. From June 2020 new legislation bans the outdoor use of metaldehyde, which we consider removes the need for multiple performance commitments in the form the company proposes. It is not appropriate to set a performance commitment level, deadband or outcome delivery incentive rate on the basis of potential illegal activity. We are therefore intervening to remove these additional performance commitments, creating a need for financial incentives on the common performance commitment to ensure the company is appropriately incentivised on this outcome.	We are intervening to remove the two bespoke Compliance Risk Index performance commitments and include the underperformance payment on the Compliance Risk Index common performance commitment.
	TMS.OC.A20	ODI rates	**Water Quality Compliance: CRI PC:** The company should propose an underperformance ODI rate consistent with our assessment of the reasonable range around the industry average (as set out in **'Technical appendix 1: Delivering outcomes for customers')** or	1 April 2019	The company states that two financial underperformance incentives were assigned to the CRI measure in its original submission (Sep 2018), one for	Intervention required. The company has complied with our action to explain the formulation of its outcome delivery incentive rate and its customer valuation evidence.	We are intervening to set the company's underperformance payment rate to -£2.144 million, based on the average of the reasonable range as set out in

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 a rate outside this range 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 any proposed ODI rate for CRI is coherent with the rates proposed for other asset health PCs.		metaldehyde and a separate one for all other parameters. This has been reviewed and the company believes it is appropriate to retain the two incentive rates as described above in TMS.OC.A19.	The company sufficiently explains how its outcome delivery incentive rate is coherent with rates proposed for other asset health performance commitments. However, we are intervening to remove the two sub-measures and their associated outcome delivery incentives. As such, we need to set an underperformance payment rate on the common performance commitment We are intervening to set the rate on the common measure based on the average of the reasonable range. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	our 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.
	TMS.OC.A21	Caps, collars and deadbands	**Water Quality Compliance: CRI PC:** We propose to intervene to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. 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 continues to propose the deadband levels put forward in its September business plan. The company argues that our proposal for a fixed deadband of 1.5 is unreasonably challenging. The company presents evidence that its recent performance data would mean that it would only have met the deadband in 2017. Therefore it would have incurred an underperformance payment in all years but one in the period 2012-18. The company states that adopting a deadband of 1.5 could undermine customer confidence in the quality of drinking water, when current public perception is excellent. The company states that when reforecasting its P10 risk profile to take into account the change in risk due to the Metaldehyde ban it faces a forecast P10 financial risk of a £37m underperformance payment, much of which relates to a banned substance.	Intervention required. We have reviewed the company's resubmission and we do not consider it has provided sufficient evidence to retain its original proposals for this measure. Over the period of three years data shows improving stability, and the company acknowledges that it already performed better than the industry upper quartile in 2017 which included the impact from metaldehyde. Our proposed deadband profile is less demanding than 2017 industry upper quartile for this measure. We consider that public perception is a matter of how the performance against targets are communicated and this should not be a reason to provide a worse level of service. As described in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', we have further reviewed the deadband levels for all companies since the IAP. We recognise that this is a fairly new measure and 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 2020-25 compared to our proposal at IAP. As with the rest of the industry we are setting a deadband profile at 2.0 for the first two	We are intervening to set a standard deadband which all companies are expected to adopt. The deadband profile for the Compliance Risk Index is: 2020-21 = 2.0 2021-22 = 2.0 2022-23 = 1.5 2023-24 = 1.5 2024-25 = 1.5 Unit = Compliance Risk Index Score

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						years, before tightening it to 1.5.	
	TMS.OC.A22	Stretch	**Asset Health: Treatment works compliance PC:** The company should set the performance target at 100% for the 2020-25 period. A deadband at 99% may be applied.	1 April 2019	The company has clarified that its performance commitment level and deadband for treatment works compliance are set at 100% and 99% respectively. It has also clarified that the performance forecast provided in one document in its business plan is not the proposed performance commitment level, but it is forecast of performance.	No intervention required. The company has clarified that its performance commitment level and deadband for treatment works discharge consent compliance are set at 100% and 99% respectively as we requested. 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
	TMS.OC.A23	ODI rate	**Asset Health: Treatment works compliance PC**: The company should explain and evidence how its proposed ODI rate for treatment works compliance is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (including river water quality) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term. The company should also provide the additional information set out in **'Technical appendix 1: Delivering outcomes for customers'** to allow us to better understand the causes of variation in ODI rates for treatment works compliance and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	1 April 2019	The company considered that it continues to have the most innovative, comprehensive and long-standing set of customer valuations in this area, which it states provides a very strong foundation for calculating its triangulated willingness to pay values for this performance commitment. It looks at wastewater and water treatment works separately. The company states that there is no overlap between this performance commitment and others. The company states that it followed a robust process of triangulation of customer willingness to pay values, which included testing the outputs with customers to ensure the balance between the different measures was right and reflects their priorities. These triangulated customer willingness to pay values have been used in a bottom up calculation of its incentives, and which are based on a robust assessment of marginal costs and marginal benefits. The company states it has followed a consistent approach to scaling the benefits between overlapping performance commitments such that there is no double counting.	No intervention required. The company has complied with our action to explain the formulation of its outcome delivery incentive rate and its customer valuation evidence. The company sufficiently explains how its outcome delivery incentive rate is coherent with rates proposed for other asset health performance commitments. The company's underperformance payment rate is within our reasonable range. Therefore we are not intervening on the outcome delivery incentive rate. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	NA
	TMS.OC.A24	ODI rate	**Asset Health: Sewer collapses PC**: The company should propose an underperformance ODI rate consistent with our assessment of the reasonable range around the industry average (as set out in **'Technical appendix 1: Delivering outcomes for customers')** or demonstrate that a rate outside this range is consistent	1 April 2019	The company has increased its outcome delivery incentive rate to match its upper bound of valuation, so it is within our reasonable range, but not to the upper quartile value set out. In arriving at the revised rate, the company stated that	No intervention required. The company has complied with our action to explain the formulation of its outcome delivery incentive rate and its customer valuation evidence. The company sufficiently explains how its outcome	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
			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 sewer collapses 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 Sewer collapses is coherent with the rates proposed for all other sewerage performance commitments (including internal sewer flooding and pollution incidents) and demonstrate how the package of ODIs across the relevant group of performance commitments appropriately incentivises performance in the long and short-term.		it has extensively tested the impact of sewer collapses, sewer flooding and pollution with its customers. The company states that asset health relates to a range of impacts on customer service (pollution, internal sewer flooding & blockages), and it has therefore carefully developed its outcome delivery incentives to ensure there is no overlap or double counting.	delivery incentive rate is coherent with rates proposed for other asset health performance commitments. The company's underperformance payment rate is within the reasonable range we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. Therefore we are not intervening on the outcome delivery incentive rate.	
	TMS.OC.A25	Stretch	**Internal sewer flooding incidents PC**: For this common PC we expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	1 April 2019	The company proposes to adopt a more challenging level compared to its September 2018 business plan, but does not go as far as our proposed levels. It argues it has the highest blockage rate in the industry and a high proportion of properties with basements. It says moving to the upper quartile levels by 2024-25 would require an approximately 50% improvement compared to current performance and that customers would not be willing to pay for such a service improvement over such a short period. It also raises deliverability concerns over the 2020-25 period.	Intervention required. We consider that company specific adjustments are only appropriate where evidence presented is a) compelling and b) quantifiable. The company does not provide sufficient evidence supported by data and only points to its unreferenced initial findings. The company states properties with basements make this performance commitment more challenging. However Yorkshire Water, which also has a high proportion of cellars, removed its special cost claim in April re-submission as it considers we adequately account for this atypical circumstance. We expect an efficient company to achieve sector forecast upper quartile performance within base service. Our draft determinations take into account customers' views on performance levels, as well as historical and forecast performance levels across the sector. In some instances this results in our draft decisions on performance commitment levels differing from the level supported by customers. We are satisfied that our decisions provide strong customer protection and appropriately incentivise the company. We have set a single benchmark level based on the upper quartile of company forecasts in business plans of upper quartile performance.	We are intervening to set performance commitment levels that are consistent with the rest of the industry for internal sewer flooding. These are: 2020-21 = 1.68 2021-22 = 1.63 2022-23 = 1.58 2023-24 = 1.44 2024-25 = 1.34 Units: internal sewer flooding incidents per 10,000 properties.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	TMS.OC.A26	ODI rates	**Internal sewer flooding incidents PC:** The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in **'Technical appendix 1: Delivering outcomes for customers'**) and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in internal sewer flooding. The company should also provide the additional information set out in **'Technical appendix 1: Delivering outcomes for customers'** to allow us to better understand the causes of variation in ODI rates for internal sewer flooding and assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should explain and evidence how its proposed ODI rate for internal sewer flooding is coherent with the rates proposed for all other sewerage performance commitments (including sewer collapses and pollution incidents) and demonstrate how the package of ODIs across the relevant group of performance commitments appropriately incentivises performance in the long and short-term.	1 April 2019	The company is not proposing any adjustments to its proposed outcome delivery incentive rates.	No intervention required. The company's proposed rates are within our reasonable range, as defined by the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix ', and we have not identified any concerns with the company's underlying valuation research and not with the derivation of its outcome delivery incentive rates. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	NA
	TMS.OC.A27	Definition	**Risk of sewer flooding in a severe storm PC**: The company should adopt the standard definition in full, providing full details of any assumptions in its measurement and reporting methodology, including all the information set out in section 3.6 of Developing and Trialling Wastewater Resilience Metrics, Atkins	1 April 2019	The company confirmed that it will adopt the full standard definition. The company did not provide full details of any assumptions in its measurement and reporting methodology and does not provide all the information set out in section 3.6 of Developing and Trialling Wastewater Resilience Metrics, Atkins.	Intervention required. The company provides insufficient information regarding its approach. In particular, any assumptions in its measurement and reporting methodology and does not provide all the information set out in section 3.6 of 'Developing and Trialling Wastewater Resilience Metrics' as specified by the action. The company has not provided us the number of catchments modelled. We have improved the definition of this common performance commitment in consultation with the industry following our IAP. We expect companies to confirm that they will be updating their approach to flooding resilience in line with the revised definition.	We are intervening to set out that the company should confirm that it is: using the updated parameters in the catchment vulnerability assessment; (And setting out any additional criteria that they intend to use) reporting the extent to which they use 2d or simpler modelling; and adopting FEH13 rainfall as standard and if not when it expects to do so. The company should provide any modelling assumptions and full reporting tables from the model and model coverage.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	TMS.OC.A28	Stretch	**Risk of severe restrictions in a drought PC**: The company should review its proposed service levels for 2020-25 and ensure that they are stretching. The company should explain its level of stretch and submit the intermediate calculation outputs as shown in the common definition guidance published on our website for the drought resilience metric.	1 April 2019	The company provides only a brief description of calculation used and resultant risks at a water resource zone level. No intermediate calculations provided. Only a brief description of the solutions that contribute to changes in risk over time.	Intervention required. Whilst the risk presented seems appropriate and reduces to zero by 2030, without intermediate calculations and additional detail this is hard to assess. Intermediate calculations both give us confidence that companies have followed our definition appropriately and allow us to intervene effectively if we do not consider the service levels are stretching. We would like companies to confirm that their performance commitment levels are reflective of their water resources management plan position. We would like companies to confirm which programmes of work will impact their risk profile forecasts. If companies do not provide the intermediate calculations this may impact our assessment of levels throughout the 2020-25 period since there needs to be consistency to make years comparable. 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'.	This is a sector wide action. The company should provide a full set of intermediate calculations (at a zonal level), for the underlying the risk calculation (both baseline levels and performance commitment). The company should confirm that its performance commitment levels are reflective of their water resources management plan position. This should include the potential that they will have access to drought orders and permits The company should confirm which programmes of work will impact its risk profile forecasts.
	TMS.OC.A29	Stretch	**Pollution incidents PC:** For this common PC we expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	1 April 2019	The company proposed to implement the values we calculated.	No intervention required. The company is complying with the action, implementing the values we calculated. 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
	TMS.OC.A30	ODI type	**Pollution incidents PC**: The company should provide further evidence to justify the use of outperformance payments for this ODI. The company should demonstrate how going against customer preferences will benefit customers.	1 April 2019	The company considers it has strong customer support to include standard outperformance payments as well as enhanced incentives if needed.	Intervention required. The company has not provided new customer evidence to support retention of this specific outperformance payment and so the evidence of customer support is not sufficient. Its 2018 research showed customers did not support outperformance payments.	We are intervening to remove the outperformance payment.
	TMS.OC.A31	ODI rates	**Pollution incidents PC**: The company should provide the additional information set out in **'Technical**	1 April 2019	The company does not propose to change its outperformance rate but does propose	Intervention required.	We are intervening to set the underperformance rate at the

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for pollution incidents and assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should explain and evidence how its proposed ODI rate for pollution incidents is coherent with the rates proposed for all other sewerage performance commitments (including internal sewer flooding and sewer collapses) and demonstrate how the package of ODIs across the relevant group of performance commitments appropriately incentivises performance in the long and short-term.		to change its underperformance rate. The company states that this is due to the higher marginal cost of delivering the increased level of stretch implied by industry upper quartile performance commitment level (relative to the performance commitment level proposed in its Business Plan).	The company has provided insufficient evidence to support the adjustment to its stated marginal cost. We have also identified concerns with the company's approach to triangulating the marginal benefit component of its outcome delivery incentive rates which yields a value that is lower than any of its reported willingness to pay research outputs. Both these factors appear to supress the company's proposed rates and result in a lower level of protection for customers against underperformance than implied by the rates for its corresponding 2015-20 pollution incidents performance commitment. The company has provided insufficient evidence of customer support for outperformance payments for this performance commitment (see TMS.OC.A30). We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	average of the company's proposed rate from its original business plan (that is, with the increase in marginal cost removed) and company's equivalent 2015-20 outcome delivery incentive rate (given the company's valuation research demonstrates that customers' willingness to pay is no lower than for the 2015-20 period). We are intervening to remove the outperformance payment. The resulting underperformance rate is -£1.270 million per incident per 10,000km of sewer.
	TMS.OC.A32	Caps, collars and deadband s	**Pollution incidents PC**: The company should provide further evidence to support its use of a cap and a collar for this specific PC, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests.	1 April 2019	The company revised its approach to caps and collars, but has not removed them entirely. The company argues that the reason for doing this is a there is a high degree of uncertainty in performance due to risk from weather disruptions. They also argue that its caps and collar levels help balance its incentive package without focussing too much on one performance commitment.	Intervention required. We consider that the proposed caps and collars were not set levels that would provide appropriate incentives for the company. In response to the company evidence we consider: -The range that underperformance payments would apply was too small to provide sufficient incentive. -It is appropriate that the company is incentivised to respond to the impacts of weather so that it provides a resilient service - The customer evidence was insufficient, in particular the company did not demonstrate the benefit to customers of the specific cap and collar levels proposed for this specific performance commitment. We consider that the performance commitment is not financially material and we do not consider caps and collars are appropriate. How we assess financially material and our standard approach to setting caps and collars is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to remove the caps and collars.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	TMS.OC.A33	Definition	**Water Quality Compliance: CRI Other PC**: The company should consider if it is still appropriate to have sub measures of CRI, taking into account the announced ban on the outdoor use of metaldehyde. If it continues to propose sub measures it should select appropriate CRI sub-measure from the asset health long list.	1 April 2019	The company reports that it has revised its Drinking Water Inspectorate undertaking for metaldehyde to reflect the metaldehyde ban, but is still proposing a single outcome delivery incentive measure for the Compliance Risk Index with two incentive rates, one for metaldehyde and a separate one for all other parameters. The company considers that there will be an ongoing risk from metaldehyde exceedances in the 2020-25 period until the full effect of the ban is seen.	Intervention required. We consider that due to the change in legislation, the impact of metaldehyde will no longer be factor in the Compliance Risk Index measure and it is not appropriate to plan on the basis of suspected illegal activity. We therefore, intervene to remove the two bespoke CRI measures and apply the common Compliance Risk Index only. The new common performance commitment is covered in Table 3.	We are intervening to remove this performance commitment.
	TMS.OC.A34	Definition	**Water Quality Compliance: CRI Metaldehyde PC**: The company should consider if it is still appropriate to have sub measures of CRI, taking into account the announced ban on the outdoor use of metaldehyde. If it continues to propose sub measures it should select appropriate CRI sub-measure from the asset health long list.	1 April 2019	NA This is discussed in TMS.OC.A33	Intervention required. See action TMS.OC.A33	We are intervening to remove this performance commitment. See action TMS.OC.A33
	TMS.OC.A35	Definition	**Households on a payment plan PC:** The company should provide further information on whether its customers support this PC.	1 April 2019	The company proposed to remove this performance commitment. The company states that its customers do not support this performance commitment as it created concerns that it would preclude customer choice on when they pay their bill.	No intervention required. The company is removing this performance commitment due to the lack of customer support. We consider this response to be appropriate.	NA
	TMS.OC.A36	Definition	**Household accounts on our new billing system PC:** The company should reflect the feedback that we provided in July 2018 and provide a definition of an "active account".	1 April 2019	NA We are removing this performance commitment (see TMS.OC.A37) and so this action is no longer relevant.	NA	NA
	TMS.OC.A37	ODI rate	**Household accounts on our new billing system PC:** The company should consider the proposed ODI rates and either increase the rates (absolute terms) in line with customer evidence so that the ODI rates provide sufficient incentive or provide compelling evidence why the ODI rates are considered appropriate. In either case the company should set out its evidence and rationale.	1 April 2019	The company is not proposing to change the underperformance rate for this performance commitment. The company says it considers it would not be appropriate to ask customers about outcome delivery incentive rates for this performance commitment. Instead the company has calculated the underperformance rate by increasing its cost adjustment claim by 10%.	Intervention required. We are rejecting the cost adjustment claim associated with this performance commitment. The reasons for this are set out in PR19 draft determinations: Thames Water - Cost efficiency draft determination appendix. As such, we do not consider that a performance commitment measuring household accounts on the company's new billing system is appropriate.	We are intervening to remove this performance commitment.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	TMS.OC.A38	Definition	**Customers recommending Priority Services PC:** The company should provide additional evidence on the sample size and provide external assurance that the survey will be conducted in line with social research best practice.	1 April 2019	The company is proposing to remove this performance commitment. It proposed replacing it with the performance commitment "Achieving British Standard BS18477 for Inclusive Service Provision" as it states that the aim of the two performance commitments is the same. The customer challenge group states that it is content with the removal of performance commitments, and makes no further comment on this performance commitment.	Intervention required. We consider that this is a valuable measure of satisfaction of vulnerable customers. We do not agree with the company that is the same as the British Standards Institute accreditation as the accreditation looks at processes, whereas this performance commitment focuses on customer perception and experience. However we consider that a slightly different form of measurement on satisfaction, rather than recommendation would provide more appropriate incentives for the company. We note the views of the customer challenge group and are intervening to reinstate this performance commitment.	We are intervening to reinstate this performance commitment but using a Priority Services Register satisfaction survey, as other companies have. We are intervening to rename this performance commitment to, "Percentage of satisfied vulnerable customers."
	TMS.OC.A39	NA	**Customers recommending Priority Services PC:** No concern	1 April 2019	The company does not respond to this action, as it proposes to remove the performance commitment.	Intervention required. As we are intervening to reinstate this performance commitment but using a PSR satisfaction survey, we will set targets based on a no-deterioration basis. This approach has considered the company's levels in relation to comparable performance commitments from other companies.	We are intervening to set performance commitment levels to those identified by the company in its September business plan submission. These are: 2020-21 = 91 2021-22 = 91 2022-23 = 91 2023-24 = 91 2024-25 = 91 Units: percentage
	TMS.OC.A40	Definition	**Proactive customer engagement PC:** The company should review the price control allocation and reconsider its approach to aggregating sub-measures into the PC. It should clearly set out the evidence and rationale for the revisions.	1 April 2019	The company provided further rationale, supported by customer evidence, to explain why it is appropriate to aggregate sub-measures tor this non-financial measure. The company explains how the sub-measures are all forms of customer interaction linked to demand reduction and per capita consumption and that combining the sub-measures will allow the company to compare its customer engagement approach with that of other industries. The company also states that it will be able to measure and report each of the sub-measures separately for transparency.	No intervention required. The company provides sufficient justification to explain why its approach is appropriate. The company explains why it is appropriate for this measure to combine a number of scores to get an overall customer interaction score; The scores are all for closely related interactions and it will help the company compare its approach in this area with other industries through a net promoter score. The performance commitment is reputational and so we do not use the allocation.	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
					The company amends the price control allocation to 11% water resources and 89% water network plus. It explains that the wastewater aspect is covered elsewhere and therefore not applicable.		
	TMS.OC.A41	Stretch	**Proactive customer engagement PC:** The company should clarify why the target is stretching and additionally provide further evidence of customer views. If the company cannot do this it should set more stretching targets.	1 April 2019	The company provides some further evidence to clarify why the proposed performance commitment level is stretching. It explains how activity in the 2020-25 period will represent a 50% increase compared to activity in the 2015-20 period and how the scale of its lead pipe replacement activities relative to the rest of the industry makes it stretching. The company also provides details on further customer engagement activities will be undertaken in parallel.	No Intervention required. The company provides sufficient further evidence that its proposed performance commitment levels are sufficiently stretching.	NA
	TMS.OC.A42	Definition	**Business retailer measure of experience PC**: The company should clarify if it will be in a position to implement the measure and report on performance by the start of the 2020-25 period.	1 April 2019	The company has provided some further clarity on the performance commitment. The definition of the performance commitment is still incomplete.	Intervention required. The company provides an incomplete definition and therefore we are intervening to remove the performance commitment. We encourage the company to submit a more well-defined performance commitment, including performance commitment levels that are clear and transparent to customers and other stakeholders. In doing so, the company should provide sufficient justification if it considers it appropriate to propose financial outcome delivery incentive payments for this performance commitment, taking into account financial incentives that already exist for the business retail market.	We are intervening to remove this performance commitment.
	TMS.OC.A43	Definition	**Improving customer engagement concerning leaks on customers' pipes PC:** The company should clarify both the definition and the level of performance. It should also change the measure to be based on customer outcomes.	1 April 2019	The company proposes to remove this performance commitment.	No intervention required. We consider that removing the performance commitment is appropriate due to our concerns at IAP with the clarity, stretch testing with customers and that the proposed performance commitment was overly output-focused. We also note the customer challenge group supports the removal of this performance commitment. We consider that there is sufficient incentive for the company to reduce leakage on customers' pipes through the leakage 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
	TMS.OC.A44	Stretch	**Improving customer engagement concerning leaks on customers' pipes PC:** The company should provide evidence that levels of stretch for this PC were tested with its customers.	1 April 2019	NA We are allowing the company to remove this performance commitment (see TMS.OC.A43) and so this action is no longer relevant.	No intervention required.	NA
	TMS.OC.A45	ODI type	**Properties at risk of receiving low pressure PC:** The company should provide further evidence to justify the use of outperformance payments for this ODI.	1 April 2019	The company states that its customers had mixed views, but it still believes an outperformance incentive drives the right behaviour and addresses the concern raised by us in the risk and return IAP feedback, about an overall weighting towards underperformance in its business plan. The company states that an outperformance payment would be used to recover some of the money it will need to invest in order to innovate and reduce instances of sustained low pressure for customers further.	Intervention required. The company has not provided any new specific evidence that its customers support outperformance payments for this performance commitment. The company has not sufficiently demonstrated customer benefit but states that it needs to recover costs from improving performance. In line with our policy on asset health outcome delivery incentive type in 'PR19 draft determinations: Delivering outcomes for customers policy appendix' we are intervening to remove this outperformance payment.	We are intervening to remove this outperformance payment.
	TMS.OC.A46	Definition	**Acceptability of water to consumers PC**: 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 an d the information published on Discover Water and remove the inclusion of incidents related to illness	1 April 2019	The company proposes to not change the measure because it believes that its customers support the inclusion of illness as a factor. It considers that it better reflects its customer's views and having considered this further, has retained water acceptability to customers as the performance commitment in its original plan.	No intervention required. We consider the company's rationale on retaining its original definition to be sufficient and aligned to customer preferences.	NA
	TMS.OC.A47	ODI type	**Acceptability of water to consumers PC**: The company should provide further evidence to justify the use of outperformance payments for this ODI.	1 April 2019	The company states that it believes an outperformance incentive drives the right behaviour and addresses the concern raised by us in the risk and return IAP feedback, about an overall weighting towards underperformance in its business plan. The company states that an outperformance payment would be used to recover some of the money it will need to invest to reduce instances of customer contacts for water acceptability further. The company has done supplementary customer research, which included	Intervention required. The company has not provided any new specific evidence that its customers support outperformance payments for this performance commitment. The company has not sufficiently demonstrated customer benefit but states that it needs to recover costs from improving performance. In line with our policy on asset health outcome delivery incentive type in 'PR19 draft determinations: Delivering outcomes for customers policy appendix' we are	We are intervening to remove this outperformance payment.

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					customer views on the headline ODI RORE range.	intervening to remove this outperformance payment.	
	TMS.OC.A48	Stretch	**Responding to major trunk mains bursts PC:** The company should provide more stretching targets that improve upon recent past performance before the end of the period 2020-25. If the company cannot do this it should provide compelling evidence setting out why not.	1 April 2019	The company proposes to increase the level of stretch for this performance commitment. The company increases its proposed target from a 5.6% reduction to a 20% reduction.	No intervention required. The company is now proposing sufficiently stretching targets, with a 20% reduction over the 2020-25 period.	NA
	TMS.OC.A49 TMS.OC.A50 TMS.OC.A51	Definition	**Improving system resilience of North East London water supply PC:** The company should take the actions listed below; It should provide a timeframe for the completion of the detailed feasibility studies of the proposed schemes, and how the definition of the PC will be agreed. The company should confirm that its customers and the CCG have been presented with the updated information on the schemes, and that their views have been incorporated into the design of the PC and its related outcome delivery incentive. The company should clarify the timeframe for the high lift pumping station scheme and how this scheme will be reflected in the PC.	1 April 2019 1 April 2019 1 April 2019	The company confirms that it plans to complete feasibility/design work within the first two years of the 2020-25 period before reviewing the proposals as part of a 'gateway' process where the final deliverables for 2020-25 will be agreed. The company also states that customer engagement forums and interviews were held in January and February 2019, and that it has kept its customer challenge group updated on the findings. It has also presented the performance commitment to the customer challenge group and taken on board any views provided. The company is planning to do further work to design the High Lift Pumping Station and local site reconfiguration during the 2020-25 period, with a view to construct a new pumping station or alternative solution in the next period.	Intervention required. The company has undertaken further customer engagement and involved the customer challenge group in developing the performance commitment. It has also clarified the programme for the scheme. However, there is uncertainty around the solutions regarding the high lift pumping station and how this will be reflected in the performance commitments. It is important that performance commitments are clear so that companies have clear incentives.	We are intervening to change the definition to ensure that there is sufficient clarity regarding the targets for the 2020-25 period. We are also intervening to change the definition further to clarify that the design of the high lift pumping station design and local configuration should be completed within the first two years of the period.
	TMS.OC.A52	Stretch	**Improving system resilience of North East London water supply PC**: The company should finalise the number of schemes for the PC and provide evidence supported by its customer engagement that this PC is stretching.	1 April 2019	The company proposes three schemes for further development in the 2020-25 period with a gateway planned by December 2021. The company states that following the development of its September 2018 plan, it has continued to engage customers on improving the system resilience of the North East London water supply. It says based on its engagement it is confident this performance commitment is in line with customers' views and has a stretching value-for-money target.	Intervention required. The company has undertaken further customer engagement. It has also confirmed the number of schemes and put in place a checkpoint prior to committing to construction. However we are concerned with the lack of specificity in the company's response as to whether the targets are stretching and value-for-money in the event that the scheme does not go to construction.	We are intervening to set project milestones for two projects for which we have provided cost allowance. These are the: Mecana pre-treatment scheme Design of the high lift pumping station and local configuration at Coppermills WTW Performance on this measure will be assessed as the percentage completion of the agreed schemes to improve the resilience of the water supply to the North East London region.

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							The performance commitment will help monitor and assure the delivery of the enhancement projects so that customers are fully protected for expenditure associated with the company's enhancement claim. The projects are due to be completed by the end of the 2020-25 period. The design of the high lift pumping station and local configuration at Coppermills WTW should be completed within the first two years of the period. The time factor by which late delivery is assessed will be the reporting year. If an obligation is delivered after the reporting year in which it is due, this will be determined as late delivery.
	TMS.OC.A53	ODI type	**Improving system resilience of North East London water supply PC**: The company should provide further evidence to justify the use of outperformance payments for this ODI and evidence of customer support for this approach.	1 April 2019	The company clarifies it intends to use its proposed outperformance and underperformance payments as a cost adjustment mechanism to reflect changes in scope.	Intervention required. We do not consider the outcome delivery incentive framework is appropriate for cost adjustment mechanisms. Instead we consider there is a need for protections for customers relating to the non-delivery of this scheme. In line with our decision to partially allow elements of the company's related cost claim, we consider underperformance payments are needed to reflect the change in scope to two projects and protect customers from delayed delivery or non-delivery. In doing so we are setting performance commitment levels and underperformance rates such that there are milestones which indicate scheme delivery progress. The approach to calculate under performance rates where we have no other reliable evidence of customer benefits from delivery of a performance commitment is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to remove the 'cost adjustment' outcome delivery incentive payments and introduce underperformance payments for late delivery or non-delivery. The performance commitment levels we are setting are aligned to the company's planned delivery profile for the two projects for which we have provided cost allowance. Milestones are defined and weighted in relation to the proportion of the baseline project value. The levels are as follows: 2020-21 = 7.8% 2021-22 = 40.3% 2022-23 = 40.3% 2023-24 = 100.0% 2024-25 = 100.0% Units: percentage completion We calculate the underperformance rate through

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 addition if the company is not expected to deliver the full scheme by 31 March 2025 at the next price review we will recover totex that will not be recovered through cost sharing.	multiplying the programme allowed total expenditure by the weighted average cost of capital plus the Run-Off Rate, and then dividing this by 100 to put into percentage terms. This results in an underperformance rate of £-0.0441m per percentage delayed by a year. If the company if the company is not expected to deliver the full scheme by 31 March 2025 at the next price review, we will return totex to customers at a rate of £0.284m per percentage of the uncompleted scheme (assuming a cost sharing factor of 50%).
	TMS.OC.A54	Definition	**Sewage pumping station availability PC:** The company should provide further clarity on how the annual availability of the sewage pumping station will be measured and reported.	1 April 2019	The company provides further clarity on how the annual availability of the sewage pumping station will be measured and reported. The company explains that the measure is based on the percentage availability of all sewage pumping station pumps that are reported and monitored in the Supervisory Control And Data Acquisition (SCADA) system. The calculation is made weekly and then averaged over the 52 weeks to give an annual average value every financial year.	No intervention required. The company sufficiently addresses the action. The company provides further clarity on how the annual availability of the sewage pumping station will be measured and reported.	NA
	TMS.OC.A55	ODI type	**Sewage pumping station availability PC:** The company should provide further evidence to justify the use of outperformance payments for this ODI. Alternatively, the company should remove the outperformance payments.	1 April 2019	The company says that while there were mixed views from customers on outperformance commitments for this performance commitment, the company will undertake outperformance where there are benefits to customers and that they will drive benefits through innovation.	Intervention required. The company provides limited evidence of customer support and insufficient rationale for outperformance payments for this specific performance commitment.	We are intervening to remove outperformance payments for this performance commitment.
	TMS.OC.A56	ODI type	**Surface water management PC**: The company should provide further evidence to justify the use of outperformance payments for this ODI and evidence of customer support for this approach.	1 April 2019	The company provides additional explanation for its use of outperformance payments. The company explains that outperformance payments are justified because customers and stakeholders have shown strong support and it will allow the company to go beyond its target of 65 hectares to deliver more schemes in partnership with Lead Local Flood Authorities and third	No intervention required. The company has demonstrated customer support for the package of incentives, which includes the potential outperformance payment for this performance commitment. In this instance, we consider this evidence to be sufficient.	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
					parties. The company does not provide further specific evidence of customer support for this approach. However, customer support for better planning for the future to avoid flooding has been identified in the business plan.		
	TMS.OC.A57	ODI rate	**Security of supply index SoSI PC**: The company should provide further information on why the rate is notably smaller than the comparable PR14 measure and why the rate is in the best interest of its customers.	1 April 2019	The company says the underperformance rate for this performance commitment is scaled to account for potential overlaps with other performance commitments.	No intervention required. The company has provided sufficient explanation of how it has calculated the underperformance rate for this performance commitment. We note that the outcome delivery incentive for leakage provides strong incentives to reduce leakage that will help to deliver this performance commitment.	NA
	TMS.OC.A58	Definition	**Power resilience PC:** The company should revise the definition so that its headline measure is clear to customers, (would a measure based on the percentage of total sites be more readily understandable?) and, in any case, provide clarity on the basis of the three hour resilience threshold and how the resilience of the sites is assessed.	1 April 2019	The company proposes to not revise the definition and says both the measure and definition were tested with customers, who supported the numeric headline measure as they felt it was a measure in the company's control. The company provides further evidence to explain that the resilience of sites is assessed using the 'probability of asset failure leading to customer impact' process together with consideration of the number of customers that would be affected and type of that impact. Additionally, three hours is chosen as the threshold because analysis showed that significant customer impact generally only occurs after this period of time.	No intervention required. The company provides sufficient evidence to explain how the resilience of sites will be assessed and how the measure was tested with customers to ensure that it is clear.	NA
	TMS.OC.A59	Timing	**Power resilience PC:** The company should provide further evidence to justify the end-of-period incentive proposed for this PC, or propose to apply incentives in-period.	1 April 2019	The company says end-of-period incentives enable it to have flexibility over the delivery date so that delivery is integrated with other works and benefits maximised.	No intervention required. The company provides sufficient justification. However note that we are intervening to set in period targets as set out in Table 3. However, financial incentive will only apply to 2024-25.	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
	TMS.OC.A60	Definition	**SEMD - Securing our sites PC:** The company should provide a finalised definition of the PC. It should also provide details of when the scope will be agreed with DEFRA and how it will deal with any further uncertainty in the SEMD programme going forward.	1 April 2019	The company has provided a finalised definition of the performance commitment and proposes a two-part bespoke outcome delivery incentive, one for the agreed scope with underperformance payments and the other as an uncertainty mechanism.	Intervention required. The company has complied with the action in terms of the concerns with the definition but we do not consider an uncertainty mechanism is appropriate within this performance commitment. To provide clear incentives to companies, performance commitments should be complete at the final determination. We are intervening to remove the uncertainty mechanism from this performance commitment. While we have aligned the definition of this performance commitment with our cost allowance for 28 sites in the 2020-25 period in our draft determination, we expect the company to submit a complete list of projects for the 2020-25 period to enable us to set a complete performance commitment in our December 2019 final determination. We are also intervening to rename this performance commitment so that it can be distinguished from the performance commitment we are including for legacy projects that the company has not completed in the 2015-20 period.	We are intervening to align the definition of this performance commitment with our cost allowance for 28 sites in the 2020-25 period in our draft determination and rename this performance commitment so that it can be distinguished from the performance commitment we are including for legacy projects that the company has not completed in the 2015-20 period.
	TMS.OC.A61	ODI rate	**SEMD - Securing our sites PC:** The company should consider the proposed ODI rates and either increase the underperformance rates in line with customer evidence so that the ODI rates provide sufficient incentive or provide further evidence in support of the existing rate. In either case the company should set out the evidence and rationale.	1 April 2019	The company has provided further detail about how it has calculated the underperformance rate.	Intervention required. We do not consider the company's approach appropriately reflects the impact to customers of delays. The approach to calculate under performance rates where we have no other reliable evidence of customer benefits from delivery of a performance commitment is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. The underperformance payment recovers the foregone benefit to customers from late delivery. This is based on the company's forecast spend profile per percentage of the programme, applying the run off rate and weighted average cost of capital and assuming an average delay of 2.5 years. In addition at the next price review we will recover totex not recovered by the cost sharing mechanism; 50% multiplied by the company's forecast spend profile per percentage of the programme.	The underperformance payment will apply for only expected performance in 2024-25. The element that relates to the foregone benefit to customers is £0.0403m per percentage of the programme. In addition, at PR24 we will recover allowed costs for any underperformance at a rate of £0.100m per unit of non-delivery in 2024-25.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	TMS.OC.A62	Caps, collars and deadbands	**SEMD - Securing our sites PC:** The company should clarify whether it proposes to apply an underperformance collar to this PC. If it does propose to apply a collar, the company should provide a convincing justification for why a collar is necessary. 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 has clarified that it is not proposing an underperformance collar for this performance commitment.	No intervention required. The company has complied with the action.	NA
	TMS.OC.A63	ODI type	**Unregistered Household Properties PC:** The company should provide further evidence to justify the use of a non-financial incentive by demonstrating why a financial incentive would not be in the interests of customers. Alternatively, the company should formulate a financial ODI reflecting the reduction in customer bills that would result from an improvement in the identification of gap sites.	1 April 2019	The company is proposing to change this performance commitment to a financial underperformance-only outcome delivery incentive and provides its proposed outcome delivery incentive rate and methodology. The company also provides the formula and assumptions that were used to calculate the incentive rate (based on cost of delivery due to the absence of willingness to pay data). The company notes that they are proposing this outcome delivery incentive as under-performance only due to the lack of customer support for outperformance payments.	No intervention required. The company complies with the recommended actions and proposes changing this performance commitment to a financial underperformance-only outcome delivery incentive. The company adopts an appropriate approach to calculating the outcome delivery incentive rate.	NA
	TMS.OC.A64	ODI type	**Empty household properties PC:** The company should provide further evidence to justify the use of a non-financial incentive by demonstrating why a financial incentive would not be in the interests of customers. Alternatively, the company should formulate a financial ODI reflecting the reduction in customer bills that would result from a reduction in the proportion of occupied properties classified as voids.	1 April 2019	The company proposes changing this performance commitment to a financial outcome delivery incentive with outperformance and underperformance payments. The company also provided information on how it calculated its proposed rates.	Intervention required. We recognise the benefit to customers of reducing the number of void household properties and outperformance and underperformance payments are therefore appropriate for this performance commitment. However, the company's proposed outcome delivery incentive rate does not accurately reflect the expected decrease in customer bills as a result of identifying voids. As such we have adjusted both underperformance and outperformance rates, based on the benefit of wholesale bill reduction to customers from void identification, customer numbers, and the efficient marginal cost of identifying voids. We set out our rationale for setting outcome delivery incentive rates for this performance commitment in 'PR19 draft determinations:	We are intervening to adjust the outcome delivery incentive rate based on an average wholesale bill of £358, marginal costs of £30, a cost sharing factor of 50%, and property numbers as provided by the company. The new rates are: Underperformance: £19.152 million per 1% Outperformance: £9.995 million per 1%

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 policy appendix'.	
	TMS.OC.A65	Definition	**Environmental measures delivered (wastewater) PC:** The company should revise the definition of the PC to provide appropriate incentives for the company to deliver the statutory programme of schemes. Changes in cost allowances will be considered through the cost adjustment mechanism.	1 April 2019	The company argues that it is proposing appropriate incentives to deliver the statutory programme of schemes. It argues failure to deliver schemes would result in enforcement action and its proposal returns 100% of totex when considered alongside the totex sharing mechanism. The company does not propose underperformance payments to incentivise it to deliver the agreed scope to the agreed schedule.	Intervention required. The company has provided insufficient evidence that it is sufficiently incentivised to deliver the Water Industry National Environmental Programme and we do not consider an uncertainty mechanism for future changes in scope is appropriate within this performance commitment. We consider the performance commitment should measure the timely delivery of schemes under the water industry national environment programme in the 2020-25 period. The approach to calculate under performance rates where we have no other reliable evidence of customer benefits from delivery of a performance commitment is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. Given the uncertainty around the requirements for 'amber', we consider including these together with 'green' schemes is not appropriate, as it may lead to inefficient investment.in schemes that are not required in the 2020-25 period.	We are intervening to remove the company's cost adjustment mechanism (which will be set through a standard uncertainty mechanism) and setting performance commitment levels aligned to the Environment Agency's profile of completion dates. We are also including underperformance payments for schemes that are delivered later than the agreed delivery date. The underperformance rate is £0.0341m per delayed scheme each year. We calculate this through multiplying the programme total expenditure in scope of the performance commitment by the weighted average cost of capital plus the Run-Off Rate, and then dividing this by the total number of schemes in scope of the performance commitment. We are intervening to ensure there is no need to adjust the performance commitment over time by defining the scope of the performance commitment to only cover activity classified by the Environment Agency as 'green' Water Industry National Environmental Programme water and wastewater schemes.
	TMS.OC.A66	ODI type	**Environmental measures delivered (wastewater) PC:** The company should provide further evidence to justify the use of outperformance payments for this ODI including the additional benefit to customers resulting from outperformance and evidence of customer support for this approach.	1 April 2019	NA This action is discussed as part of TMS.OC.A65.	No intervention required.	NA
	TMS.OC.A67	ODI rate	**Environmental measures delivered (wastewater) PC:** The company should provide evidence to justify how its ODI rates are reflective of customer valuations once inputs are obtained. The company should provide evidence to justify and clearly demonstrate the calculations for the ODI rates.	1 April 2019	NA This action is discussed as part of TMS.OC.A65.	No intervention required.	NA

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	TMS.OC.A68	ODI type	**Compliance with bioresource environmental permits PC:** The company should provide a further evidence to justify the use of outperformance payments for this ODI and evidence of customer support for this approach.	1 April 2019	The company proposes to remove this performance commitment after obtaining certainty from the Environment Agency that the Industrial Emission Directive (IED) does apply to sludge treatment centres. It says it therefore no longer requires a mechanism to protect customers should a site not require a permit. The company states that at the Environment Agency / Water Industry Sludge Strategy Shaping Group, held on 21 February, the Environment Agency clarified its position and indicated that following legal advice all sludge centres are required to comply with the requirements of the Industrial Emission Directive. It further states that the Environment Agency proposed that companies will need to start applying for permits in Autumn 2019, but that remedial actions may not be implemented until the 2020-25 period.	No intervention required. The company has provided evidence and has undertaken appropriate stakeholder consultations. This sufficiently justifies the company's proposal to remove the performance commitment.	NA
	TMS.OC.A69	Stretch	**Readiness to receive tunnel flow at Beckton STW PC:** The company should clarify the benefits of the level of stretch presented in the plan and that this level of stretch is in the interests of its customers and key stakeholders, such as Tideway.	1 April 2019	The company provides further justification that explains that delivery at the specified date is in the interests of its key Tideway stakeholders and customers. The company explains that there would be no material benefit to Tideway or customers from accelerating the programme. The argument presented is that accelerating the programme would be against customers' best interests as it would cost more for no benefit. The company states that they have consulted with Tideway, who confirm that there is no benefit from early delivery.	No intervention required. We consider that the company has put forward sufficient information to explain why the current proposal is in the interests of customers and stakeholders, such as Tideway. There does not appear to be any benefit to customers or stakeholders from early delivery, so increasing the stretch by accelerating the programme may be against customer interests. Whilst it would have been helpful to understand how Thames weighed up the pros and cons of delivering early against delivering on time, this is not considered necessary in the light of customer and stakeholder acceptance and support. However, it should be noted that it is not clear what additional costs may be incurred should the programme be delivered early and whether these offset the risk reduction achieved from delivering early and avoiding potential delays to completion.	NA
	TMS.OC.A70	ODI rate	**Readiness to receive tunnel flow at Beckton STW PC:** The company should provide further evidence to demonstrate and justify the calculation of this ODI rate.	1 April 2019	The company reiterates its calculation of the outcome delivery incentive rate, and altered the definition of its Establish an effective system operator for the London	Intervention required.	We are intervening to remove outperformance payments for this performance commitment.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					Tideway Tunnels performance commitment, arguing the outcome delivery incentive rate for this performance commitment should remain solely based on the revenue impact to customers. The company has also added asymmetric outperformance payments for delivering on time and 'future proofed'.	The company has sufficiently justified its outcome delivery incentive rate following the change to the definition for this performance commitment. However the company has not provided justification for its newly proposed outperformance payments. In addition, we consider customers will be better protected and incentives more fully aligned by structuring the underperformance payments to be based on months of delay.	We are also intervening to redefine this performance commitment so that underperformance penalties are incurred based on the number of full calendar months the company has failed to deliver necessary works from the system commissioning commencement date. Accordingly to reflect the change in units we have changed the underperformance rate to £0.0966m per full calendar month of delay.
	TMS.OC.A71	Stretch	**Effective stakeholder engagement PC:** The company should provide clear evidence of how the proposed levels are stretching and include evidence of customer support for these levels from its customer engagement. If the company cannot do this it should improve the proposed service levels.	1 April 2019	The company has increased the proposed performance commitment level from 3.5 to 4.0. The company has provided further limitations of this measure, such as the sample size including just five respondents so that the overall score could be significantly altered by a single stakeholder. The company explains how an independent research agency was used to derive the performance commitment level of 3.5. The company also says customers found it difficult to judge whether 3.5 was stretching or not but as the measure was reputational, they were generally content for it to be included.	Intervention required. While the company has proposed a higher performance commitment level, it remains below recent performance and we do not consider it to be sufficiently stretching. Based on our engagement with stakeholders including Tideway we do not consider the change in methodology is a material enough change to justify non-stretching levels. We are intervening to set performance commitment levels in line with historical performance.	We are intervening to increase the performance commitment levels as follows: 2020-21 = 5.0 2021-22 = 5.0 2022-23 = 5.0 2023-24 = 5.0 2024-25 = 5.0 Units: average stakeholder score
	TMS.OC.A72 TMS.OC.A73 TMS.OC.A74 TMS.OC.A75	Definition	**Timely return to customers from land sales PC:** The company should revise the definition of the PC to ensure that it addresses the concerns we provided in July 2018. The company should also provide further evidence to clarify the following: The programme, as well as the interlinkages with the other Tideway Tunnel measures. The dependencies on the Tideway system commissioning date. The evidence around customers not supporting speculation with the value of the land	1 April 2019 1 April 2019 1 April 2019 1 April 2019	The company has addressed concerns identified in the July 2018 feedback. The company has provided additional clarity to: Explain if and how it fits with or goes beyond existing statutory obligations; Include greater clarity on how a 'suitable condition for sale' is determined and at what point the site is considered sold; Include definition of 'Net Proceeds; and Review exemptions, confirm exact cases where an exemption is proposed and justify why they are appropriate. Additionally the company has addressed actions TMS.OC.A73 to TMS.OC.A76 as follows:	Intervention required. We have carefully considered the incentives on the company as a whole to dispose of land in a timely manner, to be ready to receive land from Tideway and to maximise the value of land sales in the interests of customers. We consider there is sufficient incentive to timely disposal of land with no detriment to customers via a regulatory capital value adjustment through the financial model in line with the schedule of land sales agreed. In doing so, the company has an incentive to receive and dispose of land before the scheduled date because it will continue to earn a return on its regulatory capital value. Late receipt of land would provide no financial benefit to the	We are intervening to remove this performance commitment and replace it with one that instead focuses incentives on maximising the value of land sales in the interests of customers. We provide more detail on this new performance commitment in Table 3.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	TMS.OC.A76		What happens if no land is released and therefore none is sold, in any year	1 April 2019	1. The company explains that there are no interlinkages with Tideway measures. 2. The company explains that there are no dependencies on the Tideway system commissioning as surplus sites will no longer be of use to Tideway and so therefore not dependant on the Tideway system commissioning date. 3. The company explains that customers have not given the company specific approval to speculate on the property market on their behalf. The company provides further detail explaining the process that the company would go through before it would undertake an activity that could be considered as speculating on the property market, i.e. ensuring that there is a robust business case in place to justify the action. 4. The company has clarified what would happen if no land is released and none is sold, in any year.	company and we consider any holding costs to Tideway to be relatively minor. However, we are more concerned about incentives relating to the value of land sales. As a consequence we are removing this performance commitment and replacing it with one focused on maximising the value of land sales, which we discuss in Table 3.	
	TMS.OC.A77 TMS.OC.A78 TMS.OC.A79 TMS.OC.A80	Stretch	**Timely return to customers from land sales PC:** The company should revise the PC, ensuring that it clearly explains why it is stretching. The company should demonstrate customer and key stakeholder, such as Tideway, support for the proposed method of assessing stretch for this PC as well as the levels of stretch for the PC targets. The company should provide sufficient clarity on the interdependencies with the other Thames Tideway PCs. In particular the timing of any land releases with respect to the system commissioning readiness on a site by site basis, should be made clear. Additionally, the company should consider revising the PC to ensure outperformance payments are contingent on 100% of all the land being sold within a specified time. There company should include an incentive to promote early hand back of sites from Tideway to Thames and subsequent disposal of land.	1 April 2019 1 April 2019 1 April 2019 1 April 2019	NA We are removing this performance commitment (see TMS.OC.A76) and so this action is no longer relevant.	No intervention required.	NA

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	TMS.OC.A81 TMS.OC.A82 TMS.OC.A83 TMS.OC.A84	Definition	Establish an effective system operator for the London Tideway Tunnels (LTT) PC: The company should revise the definition of the PC to ensure that the interlinkages with the other Tideway Tunnel measures are clearly spelt out. The company should revise the scope for this PC to ensure that it is more representative of the company's overall readiness and ensure that assets and systems are sufficiently considered. The company should include the following targets or provide compelling evidence why these would not be appropriate and in the best interests of customers: Completion and delivery against an Integrated Operating Plan, setting out how the company will operate the London Tideway Tunnel assets in a timely, coordinated and integrated manner, and in compliance with relevant environmental permits, consents and London Tideway Tunnel operating techniques. Demonstrate that critical assets are ready to operate in compliance to the London Tideway Tunnels Operating Techniques and support timely system commissioning. Report readiness in line with the Tideway Tunnel Interface Agreement.	1 April 2019 1 April 2019 1 April 2019 1 April 2019	The company revises the definition and scope as requested and has clearly identified the interlinkages between this measure and other Tideway Tunnel commitments. The company revises the measure to include the following: 1.To complete and deliver against an Integrated Operating Plan, setting out how we will operate the London Tideway Tunnel assets in a timely, coordinated and integrated manner, and in compliance with relevant environmental permits, consents and London Tideway Tunnel operating techniques. 2. Demonstrate that critical assets are ready to operate in compliance to the London Tideway Tunnels Operating Techniques and support timely system commissioning by October 2022 3. Report readiness in line with the Tideway Tunnel Interface Agreement (October 2022). The company commits to reporting readiness 6 months ahead of the minimum standard required by the Tideway Tunnel Interface Agreement, which is six months ahead of SCCD. The company will also report on an annual basis in their Annual Report, Operational Readiness and Critical Asset Reports. The company proposes one exception to the performance commitment relating to the development of a management system measure. The company states that in response to Tideway feedback, the measure is a separate entity regarded as reputational only and not linked to outperformance or underperformance ODIs.	Intervention required. The company has revised the definition and scope for this performance commitment as requested. The company's response represents a significant increase in the scope of this performance commitment and appears fully compliant with the feedback we have provided. However, to appropriately incentivise the company to ensure critical assets from across the whole company are sufficiently ready in time, we consider there is a need to expand the definition to explicitly include critical assets within the wastewater network plus controls. The company proposes that one component of the measure is de-linked from outcome delivery incentive payments and becomes reputational only. This is in line with feedback from Tideway that the measure could, otherwise, distract from achieving the primary objective and does not guarantee commissioning readiness. This explanation is considered sufficient. To make this approach as simple and transparent as possible, we are splitting the reputational element into a separate performance commitment.	We are intervening to expand the definition of this performance commitment to include critical assets in the company's wider wastewater network. Consequently we are amending the price control allocation for this performance commitment to 50% Thames Tideway Tunnel control and 50% wastewater network plus. We are also intervening to separate out the reputational elements of the definition into a new reputational performance commitment PR19TMS_ET05 that largely replicates the performance commitment in the company's September 2018 submission. Consequently, we are intervening to rename this performance commitment 'Critical asset readiness for the London Tideway Tunnels' while the new reputational performance commitment will be known as 'Establish an effective system operator for the London Tideway Tunnels'.
	TMS.OC.A85	ODI rate	**Establish an effective system operator for the London Tideway Tunnels (LTT) PC**: The company should revise the rates to reflect the impact upon Tideway's costs, which would ultimately be passed	1 April 2019	The company has revised the underperformance rates for this performance commitment (increased from £3.243 million to £15 million) but says it	Intervention required.	We are intervening to increase the underperformance rate for this performance commitment in line with the expected cost to

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	TMS.OC.A86		through to customers, as well as the need to incentivise the company appropriately to ensure completion of critical work and activities. The company should provide further evidence to justify the ODI underperformance rate proposed and demonstrate the calculations used to formulate these rates. Including explanation of how this would impact Tideway's costs and therefore subsequently customers.	1 April 2019	will be applied monthly (i.e. £1.25 million per month). The company further states an underperformance collar of £15 million over the 2020-25 period will apply, it says because customers prefer no single performance commitment to dominate the overall outcome delivery incentive package. The company has also introduced an outperformance payments for delivering the project on time.	While the company has revised the underperformance rates for this performance commitment, we do not consider they fully reflect the detriment to customers from delays, and consequently do not provide a strong enough incentive on the company. The company has not provided sufficient justification for an underperformance collar for this specific performance commitment, and this risks weakening the incentive to avoid substantial delays. The potential maximum underperformance payment would not dominate the incentive package. The company has not provided sufficient justification for outperformance payments for delivering the project on time, particularly as the company observes there are no benefits to Tideway or customers from early delivery. We note the company will receive additional financial payments via the Alliance Agreement for on-time delivery.	Tideway for each month of delay. In setting the underperformance rate, we have had regard to the expected cost indicated by Tideway for each month of delay. At £69.1 million over the 2020-25 period and with 29 full months from the commencement date (17 October 2022) to the end of the period (31 March 2025) this equates to £2.383 million per month of delay. Under Tideway's equity incentive mechanism, end customers will bear 60% of these delay costs. Consequently we are setting the underperformance rate at £1.430 million per full month of delay. Underperformance payments will be revenue-based and in-period. We are also intervening to remove outperformance payments for this performance commitment. We are also intervening to remove the underperformance collar for this performance commitment.
	TMS.OC.A87	Definition	**Environmental measures delivered (Water) PC:** The company should revise the definition of the PC to provide appropriate incentives for the company to deliver the statutory programme of schemes. Changes in cost allowances will be considered through the cost adjustment mechanism.	1 April 2019	The company argues that it is proposing appropriate incentives to deliver the statutory programme of schemes. It argues failure to deliver schemes would result in enforcement action and its proposal returns 100% of totex when considered alongside the totex sharing mechanism. The company does not propose underperformance payments to incentivise it to deliver the agreed scope to the agreed schedule.	See our response to TMS.OC.A65, where we combine the two performance commitments related to the water industry national environment programme.	See our response to TMS.OC.A65.
	TMS.OC.A88	ODI type	**Environmental measures delivered (Water)** performance commitment**:** The company should provide further evidence to justify the use of outperformance payments for this ODI including the additional benefit to	1 April 2019	NA	No intervention required.	NA

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			customers resulting from outperformance and evidence of customer support for this approach.		This action is discussed as part of TMS.OC.A65.		
	TMS.OC.A89	ODI rate	**Environmental measures delivered (Water)** performance commitment**:** The company should provide evidence to justify how its ODI rates are reflective of customer valuations once inputs are obtained. The company should provide evidence to justify and clearly demonstrate the calculations for the ODI rates.	1 April 2019	NA This action is discussed as part of TMS.OC.A65.	No intervention required.	NA
	TMS.OC.A90	Stretch	**Enhancing biodiversity PC:** The company should provide evidence of why the proposed PC levels are sufficiently stretching and further evidence of customer support for the proposed levels of stretch. The company should also provide explanation on why it did not evaluate the proposed stretch against all the approaches for challenging stretch as required by the PR19 methodology.	1 April 2019	The company did not provide further evidence of why the proposed performance commitment levels are sufficiently stretching or further evidence of customer support for the proposed levels of stretch. However, the company explains why this is the case. The company explains that the measure is the first of its kind for the industry and that it has not been possible to identify evidence to demonstrate by comparison that the target is stretching. The company sets out the rationale for setting the target and believing it to be stretching and explains that because comparative information is not available it has not been possible to test customer support for the proposed level of stretch. However, the company notes that evidence is presented to demonstrate customers support for additional activity to increase biodiversity and that the target has, where possible, been evaluated against Ofwat's approaches for challenging stretch. The company highlights that January 2018 customer research showed 94% of customers thought that it was important that Thames do more to improve biodiversity. (68% very important, 28% fairly important) The company states that the performance commitment levels are the most appropriate at this time as they are cost beneficial and stretching to help motivate and facilitate continuous improvement and innovation. They argue that the performance commitment levels are supported by customers and align with	Intervention required. We consider the level of stretch for 2024/25 to be appropriate. The measure is new and is not sufficiently mature to allow us to assess the level of stretch in the standard ways. This measure could be considered innovative and progressive for the industry and so given the apparent customer support for improvement in this area, we consider the measure should be retained as a performance commitment. However, the company proposes a performance level for the final year only. There is no reason that performance cannot be measured each year and greater benefits will be realised if delivered more quickly. We have based this on equal improvement each year. The company could propose a different profile if it has evidence it is more appropriate, but still stretching.	We are intervening to set service levels for earlier years. The resulting service levels are: 2020-21 = 491 2021-22 = 982 2022-23 = 1,473 2023-24 = 1,964 2024-25 = 2,455 The financial incentive still applies for service delivery only in 2024-25 as the performance commitment is cumulative and underperformance should be applied only once.

Test area	Action reference	Action type	Required action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					a long-term aspiration to positively benefit biodiversity on landholdings and the wider environment. The company explains how it will need to innovate to achieve the performance commitment levels, using modern social media and other communication channels to better engage customers and communities; employing technology such as drones to assess and monitor biodiversity at Sites of Biodiversity Interest (SBIs) using remote sensing techniques; and developing a cutting edge protocol/tool to quantitatively measure the impact of actions on the environment.		
	TMS.OC.A91	ODI type	**Smarter Water Catchment Initiatives PC:** The company should provide a further evidence to justify the use of outperformance payments for this ODI and evidence of customer support for this approach.	1 April 2019	The company argues it can only accommodate further catchments through outperformance payments. It says that customers support the use of catchment management approaches.	Intervention required. While the company says customers support the use of catchment management approaches, it does not provide sufficient evidence of customer support or justification for outperformance payments for this specific performance commitment.	We are intervening to remove outperformance payments from this performance commitment.
	TMS.OC.A92	ODI type	**Empty business properties PC:** The company should provide further evidence to justify the use of a non-financial incentive by demonstrating why a financial incentive would not be in the interests of customers. Alternatively, the company should formulate a financial ODI reflecting the reduction in customer bills that would result from a reduction in the proportion of occupied properties classified as voids.	1 April 2019	The company is proposing to design this performance commitment as an outperformance-only financial outcome delivery incentive. The company argues that an outperformance only measure is appropriate because its customers do not support penalties where the outcomes are beyond the control of the company, which it says is the case with this performance commitment. The company has proposed a financial outcome delivery incentive mechanism based on 60% of the money reclaimed being handed back to customers, with the company taking 40% as an incentive to improve performance in this area.	No intervention required. The company has provided sufficient evidence of customer support and an appropriate balance of benefits from void identification being shared with customers.	NA
Affordability and vulnerability	TMS.AV.A3	Affordability and vulnerability	Thames Water has stated that it will achieve the British Standards Institution (BSI) standard for inclusive services but has not provided a performance commitment or plan on how it will do so. The company should propose a performance commitment on achieving the British Standards	1 April 2019	The company has developed a new performance commitment - AR07 Achieving British Standard BS18477 for Inclusive Service Provision, which it proposes to include. It is therefore proposing removing 'AR05 Customers Recommending Priority	Intervention required. The definition of the proposed new performance commitment is appropriate and well evidenced. The proposed removal of 'AR05 Customers Recommending Priority Services' is discussed in TMS.OC.A38.	We are intervening to change the stretch of the performance commitment level to compliance with the standard throughout the 2020-25 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
			Institution (BSI) standard for fair, flexible and inclusive services for all and maintaining it throughout the 2020 to 2025 period.		Services' from its plans. The company states that this has been discussed with the Customer Challenge Group. The company states that the two performance commitments have the same purpose (to provide support to customers in vulnerable circumstances) so it has removed Customers Recommending Priority Services from its plan. The company targets attaining accreditation for water services in the first year of the price control period, and sewerage services in the second year of the period. The company proposes the outcome delivery incentive type to be reputational, arguing that the performance commitment is not suited to a financial incentive.	The company proposes a performance commitment level of attaining accreditation for water services in the first year of the price control period, and sewerage services in the second year of the period. We do not consider this to be sufficiently stretching. Other companies have proposed more stretching performance commitment levels, achieving accreditation throughout the 2020-25 period. We are intervening to set a more stretching performance commitment level. This is a reputation-only performance commitment. Our IAP action stated that this should be non-financial, and the company supports this with good reasons why this performance commitment is not suited to a financial incentive.	
Affordability and vulnerability	TMS.AV.A2	Affordability and vulnerability	Thames Water has proposed a reputational performance commitment on Priority Services Register (PSR) growth, 'Number of customers on the priority services register' (PR19TMS_AR04). It is proposing to increase its PSR reach from 0.8% in 2019/20 to 2.5% of customers in 2024/25. We consider this to be an insufficiently ambitious target. In addition, it has checked no PSR data over the past two years. We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): Thames Water should adapt its performance commitment on 'Number of customers on the priority services register' (PR19TMS_AR04) to align with the proposed PSR Common Performance Commitment by increase its proposed PSR growth 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	Thames Water adopts all three features of our common performance commitment by proposing a non-financial performance commitment and committing to reach 7% of households and data checking for 90% of customers.	Intervention required. The company adopts all three elements of our common performance commitment. We consider that it has met the proposal we set out. However we are amending the performance commitment levels for all companies, and so intervention is required.	We are intervening to amend the performance commitment levels for this common performance commitment for all companies and will split the current data checking target into two, splitting out attempted and actual contacts. More information on this common performance commitment can be found in our guidance document titled 'Common performance commitment outline for the Priority Service Register ("PSR")'. (https://www.ofwat.gov.uk/publication/common-performance-commitment-outline-for-the-priority-service-register/).

Table 3 – Interventions not directly related to IAP actions

Intervention reference	Our assessment and rationale	Interventions
TMS.OC.C1 PR19TMS_ES03 Sludge treated before disposal Outcome delivery incentive type	Intervention required. This performance commitment has been assessed horizontally against comparable performance commitments proposed by other companies. This assessment finds the performance commitment to not be stretching as it, "relates to just treating sludge through any means, and does not target 100%,"	We are intervening to remove outperformance payments from this measure.
TMS.OC.C2 PR19TMS_DW03 Strategic regional solution development Performance commitment removal	Intervention required. This is a newly proposed performance commitment by the company in its April Business plan. We do not consider the outcome delivery incentive framework to be the best mechanism to manage this strategic resilience scheme. We consider an end-of-period reconciliation for development costs is a more appropriate mechanism. Further explanation is provided in document: PR19 draft determinations: Strategic regional water resource solutions appendix.	We are intervening to remove this performance commitment.
TMS.OC.C3 PR19TMS_ET06 Maximising the value of land sales Performance commitment addition	Intervention required. As we set out in our response to actions TMS.OC.A72 to TMS.OC.A76, we are intervening to replace performance commitment PR19TMS_ET03 ('Timely return to customers from land sales') to instead focus incentives on the value of land sales relating to the Thames Tideway Tunnel. Under the company's proposed performance commitment, we are concerned about the lack of incentives for the company to maximise the value of land sales, which would mean lower returns to customers should the company dispose of land below its acquired value. According to its business plan, the company forecasts a net loss of £25m which would wholly impact customers without intervention. A performance commitment based on the net profits at the relevant sites incentivises the company to delay sales to the next period where it is in the interests of customers, and we intend to replicate this mechanism in the next price review to continue to support this approach.	We are intervening to set a performance commitment defined as the net profits made on the actual sale of the 12 sites scheduled to be sold in the 2020-25 period. For simplicity, this will not account for inflation or the time value of money. We are setting a performance commitment with the following characteristics: Sets the performance commitment level to zero for each year, so that combined with outperformance and underperformance payments the company effectively shares in any net profit or loss made during the period. This means the company has an incentive to minimise losses and maximise profits, which will be shared with customers via this outcome delivery incentive Sets the outperformance and underperformance rates at £0.2m and -£0.2m respectively per £1m of net profit, so that the company shares in 20% of the net profit or loss by the end of the period, with customers receiving 80%. The outcome delivery incentive is end-of-period only and has no cap or collar.
TMS.OC.C4 PR19TMS_DWS02 SEMD – Securing our sites Stretch	Intervention required. The company does not propose a performance level for every year. There is no reason that performance cannot be measured each year and greater benefits will be realised if delivered more quickly.	We are intervening to set performance commitment levels for earlier years. We have set in reference to the company's proposed totex profile. The resulting service levels are: 2020-21 = 45.0 2021-22 = 80.0 2022-23 = 87.5 2023-24 = 93.5 2024-25 = 100.0 The financial incentive still only applies for service delivery in 2024-25 as the performance commitment is cumulative and as underperformance reflects the recovery of totex it should only be applied once.

Intervention reference	Our assessment and rationale	Interventions
TMS.OC.C5 PR19TMS_DWS03 SEMD - Securing our sites (legacy projects) Performance commitment addition	Intervention required. The company has under delivered in the 2015-20 period. As a consequence we consider a performance commitment incentivising delivery of legacy Security and Emergency Measures Direction (SEMD) projects is necessary to protect customers. The approach to calculate under performance rates where we have no other reliable evidence of customer benefits from delivery of a performance commitment is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to add a performance commitment with the following characteristics: Service level of 100.0% delivery each year as these projects should already be delivered. An underperformance only outcome delivery incentive. A unit rate of -£0.381m per percentage of the 2015-20 programme not delivered by 31 March 2025 to reflect the detriment to customers of five years of delayed delivery by 2024-25. The outcome delivery incentive applies in 2024-25 only, is end-of-period and has no underperformance collar.
TMS.OC.C6 PR19TMS_CS04 Clearance of blockages Outcome delivery incentive rates	Intervention required. The outcome delivery incentive rate proposed by the company (normalised by number of households) is at the lower bound of the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. However, the company also has comparatively poor performance. As a consequence, we are intervening to increase the underperformance rate to the average of the reasonable range as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix' to ensure the company is appropriately incentivised to improve 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'.	We are intervening to change the company's underperformance rate to -£0.0035 million due to the company having poor comparative performance.
TMS.OC.C7 PR19TMS_CS04 Clearance of blockages Caps, collars, and 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 collar levels as follows: 2020-21 = 145,000 2021-22 = 145,000 2022-23 = 145,000 2023-24 = 145,000 2024-25 = 145,000 Units: number of consumer contacts received per 1,000 population per calendar year. We are intervening to set collar levels as follows: 2020-21 = 68,788 2021-22 = 63,788 2022-23 = 63,788 2023-24 = 63,788 2024-25 = 58,788 Units: number of consumer contacts received per 1,000 population per calendar year

Intervention reference	Our assessment and rationale	Interventions
TMS.OC.C8 PR19TMS_BW08 Acceptability of water to customers Outcome delivery incentive rates	Intervention required. The company's proposed rates are the lowest in the industry (on a normalised basis) and materially below the industry average, as defined by the reasonable range set out in 'Technical appendix 1: Delivering outcomes for customers'. We have identified concerns with the company's use of its triangulated marginal benefit value in deriving its outcome delivery incentive rate (which is subject to inappropriate or unsupported downward adjustments). The combined impact of these adjustments is a lower outcome delivery incentive rate than implied by the output of the companies' valuation research. 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 set the underperformance rate at the rate implied by company's marginal benefit value after the removal of inappropriate adjustments 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). We have removed the outperformance rate. See TMS.OC.A47. The resulting underperformance rate is -£8.353m per number of customer contacts per 1,000 population, respectively.
TMS.OC.C9 PR19TMS_EWS01 Enhancing biodiversity Caps, collars and deadbands	The company does not propose to include a cap for this measure. As we did not raise an action at IAP regarding caps for this performance commitment, the company has not provided any additional evidence to support its proposals. We consider that a cap is necessary, because the measure is relatively new and there is a significant degree of uncertainty associated with the performance commitment levels. Our standard approach to setting caps and collars is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix '.	We are intervening to set the cap to: 2024-25 = 4,167
TMS.OC.C10 PR19TMS_DS01 Risk of sewer flooding in a storm Stretch	I Intervention required. The understanding of the scope and definition of this common performance commitment has been improved by both ourselves and the companies following our IAP. We are intervening so that companies confirm that they will be updating their approach to flooding resilience in line with the revised definition.	We are intervening to set out that the company should confirm that it is: using the updated parameters in the catchment vulnerability assessment (And setting out any additional criteria that they intend to use); reporting the extent to which they use 2d or simpler modelling; and adopting FEH13 rainfall as standard and if not with immediate effect then when it expects to do so.
TMS.OC.C11 PR19TMS_AWS02 Proactive customer engagement Stretch	Intervention required. The company does not propose a performance level for every year. There is no reason that performance cannot be measured each year and greater benefits will be realised if delivered more quickly. We have based this on equal improvement each year. The company could propose a different profile if it has evidence it is more appropriate, but still stretching.	We are intervening to set performance commitment levels for earlier years. We have assumed a straight line improvement over the period. The resulting service levels are: 2020-21 = 80,000 2021-22 = 160,000 2022-23 = 240,000 2023-24 = 320,000 2024-25 = 400,000
TMS.OC.C12 PR19TMS_DS02 Surface water management Stretch	Intervention required. The company does not propose a performance level for every year. There is no reason that performance cannot be measured each year and greater benefits will be realised if delivered more quickly. A straight line	We are intervening to set performance commitment levels for earlier years. We have assumed a straight line improvement over the period. The resulting service levels are: 2020-21 = 5 2021-22 = 10

Intervention reference	Our assessment and rationale	Interventions
	assumption is not unreasonable and the We have based this on equal improvement each year. The company could propose a different profile if it has evidence it is more appropriate, but still stretching.	2022-23 = 20 2023-24 = 40 2024-25 = 65 The financial incentive applies for service delivery only in 2024-25 as the performance commitment is cumulative and underperformance or outperformance should be applied only once.
TMS.OC.C13 PR19TMS_EWS01 Enhancing biodiversity Stretch	Intervention required. The company does not propose a performance level for every year. There is no reason that performance cannot be measured each year and greater benefits will be realised if delivered more quickly. We have based this on equal improvement each year. The company could propose a different profile if it has evidence it is more appropriate, but still stretching.	We are intervening to set performance commitment levels for earlier years. The resulting service levels are: 2020-21 = 491 2021-22 = 982 2022-23 = 1,473 2023-24 = 1,964 2024-25 = 2,455 The financial incentive still only applies for service delivery in 2024-25 as the performance commitment is cumulative and underperformance or outperformance should only be applied once.
TMS.OC.C14 PR19TMS_EWS04 Natural capital accounting Stretch	Intervention required. The company does not propose a performance level for every year. There is no reason that performance cannot be measured each year and greater benefits will be realised if delivered more quickly. We have based this on equal improvement each year. The company could propose a different profile if it has evidence it is more appropriate, but still stretching.	We are intervening to set performance commitment levels for earlier years. The resulting service levels are: 2020-21 = 20 2021-22 = 40 2022-23 = 60 2023-24 = 80 2024-25 = 100
TMS.OC.C15 PR19TMS_BW06a Compliance Risk Index Stretch	Intervention required. We are intervening to remove the two bespoke Compliance Risk Index measures and applying the common Compliance Risk Index performance commitment only. As a result, we need to set the performance commitment level. As for the rest of the industry, we set a performance commitment level of zero for all years – that is, full compliance.	We are intervening to set the common performance commitment level at the same level as other companies as follows: 2020-21 = 0 2021-22 = 0 2022-23 = 0 2023-24 = 0 2024-25 = 0 Units: Compliance Risk Index score.
TMS.OC.C17 PR19TMS_M01 Installing new smart meters in London Performance commitment addition	Intervention required. The company has not proposed a performance commitment to report on and incentivise its delivery of installing new smart meters in the London water resource zone from 1 April 2020. As part of our draft determinations we have allowed the company's cost adjustment claim on its proposed smart meter delivery programme. A performance commitment and associated outcome delivery incentive is appropriate to ensure the company is incentivised and customers can recover the costs if the programme is not fully delivered.	We are intervening to set a performance commitment with the following characteristics: Set the performance commitment to measure the total number of smart meters installed annually at properties that either previously paid unmetered charges or the installation of small bulk meters that provide additional benefit to meters already installed.

Intervention reference	Our assessment and rationale	Interventions
	We are intervening to include a performance commitment to protect customers from under delivery of the smart meter programme. This performance commitment excludes the replacement of existing basic meters with smart meters which is covered in the company's performance commitment PR19TMS_M02.	Sets the performance commitment level in each year to the following: 2020-21: 90,000, 2021-22: 180,000, 2022-23: 270,000, 2023-24: 360,000, 2024-25: 455,168. Units are cumulative number of smart meters installed. Sets an underperformance only outcome delivery incentive. The unit rate is set to -£0.000268. The rate is based on our totex allowance multiplied by a cost sharing factor of 50% per unit. The underperformance payment will only apply in the final year of the period in order to return unspent cost allowance to customers. The outcome delivery incentive is end-of-period and has no collar.
TMS.OC.C18 PR19TMS_M02 Replacing existing meters with smart meters in London Performance commitment addition	Intervention required. The company has not proposed a performance commitment to report on and incentivise its delivery of replacing existing installed meters with smart meters in the London water resource zone from 1 April 2020. As part of our draft determinations we have allowed the company's cost adjustment claim on its proposed smart meter delivery programme. A performance commitment and associated outcome delivery incentive is appropriate to ensure the company is incentivised and customers can recover the costs if the programme is not fully delivered. We are intervening to include a performance commitment to protect customers from under delivery of the smart meter programme. This performance commitment only applies to residential customers' meters where the existing installed meter is replaced with smart meters.	We are intervening to set a performance commitment with the following characteristics: Set the performance commitment in each year to the following: 2020-21: 26,000, 2021-22: 52,000, 2022-23: 78,000, 2023-24: 104,000, 2024-25: 130,000. Units are cumulative number of smart meters installed. Sets an underperformance only outcome delivery incentive. The unit rate is set to £0.000035m per meter. The rate is based on our totex allowance multiplied by a cost sharing factor of 50% per unit. The underperformance payment will only apply in the final year of the period in order to return unspent cost allowance to customers. The outcome delivery incentive is end-of-period and has no collar.
TMS.OC.C19 PR19TMS_DWS01 Power resilience Stretch	Intervention required. The company submitted an enhancement cost claim to improve the resilience of 47 sites, however this performance commitment only covers 42 sites. As such we consider it is necessary to intervene to amend the performance commitment level to 47 sites by 2024-25. Given we are allowing the company's enhancement cost claim, there is a need to protect customers from non-delivery of these resilience schemes through underperformance payments.	We are intervening to set the performance commitment level to 47 by 2024-25, to reflect the enhancement cost allowance we have approved.
TMS.OC.C20 PR19TMS_DWS01 Power resilience Stretch	Intervention required. The company does not propose a performance level for every year. There is no reason that performance cannot be measured each year and greater benefits will be realised if delivered more quickly. We have based this on equal improvement each year. The company could propose a different profile if it has evidence it is more appropriate, but still stretching.	We are intervening to set performance commitment levels for earlier years. The resulting service levels are: 2020-21 = 9 2021-22 = 18 2022-23 = 27 2023-24 = 36 2024-25 = 47 The financial incentive applies for service delivery only in 2024-25 as the performance commitment is cumulative and underperformance should be applied only once.

Intervention reference	Our assessment and rationale	Interventions
TMS.OC.C21 PR19TMS_DWS01 Power resilience Outcome delivery incentive rates	Intervention required. The company submitted an enhancement cost claim to improve the resilience of 47 sites, which we are allowing. Given we are allowing the company's enhancement cost claim, there is a need to protect customers from non-delivery of these resilience schemes through underperformance payments. Underperformance payments should at least return the costs for schemes not delivered that are not returned through cost sharing. The company has provided insufficient evidence that the outperformance rate would reflect the benefit to customers from a lower risk or that it has customer support for bills to increase in response to outperformance.	We are intervening to remove outperformance payments. We are also intervening to strengthen customer protections by amending the underperformance rate to £0.321 million per undelivered scheme by 2024-25 so as to return allowed funding to customers (based on the unit cost of the schemes, and assuming a cost sharing rate of 50%).
TMS.OC.C22 PR19TMS_ET05 Establish an effective system operator for the London Tideway Tunnels (LTT) Other intervention	Intervention required. The company proposes that one component of the new "Critical asset readiness for the London Tideway Tunnels" measure is de-linked from outcome delivery incentive payments and becomes reputational only. This appears in line with feedback that the measure could, otherwise, distract from achieving the primary objective and does not guarantee commissioning readiness. This explanation is considered sufficient. To make this approach as simple and transparent as possible, we are splitting the reputational element into this separate performance commitment, "Establish an effective system operator for the London Tideway Tunnels (LTT)".	We are intervening to separate out the reputational elements of the company's performance commitment into a new reputational performance commitment, "PR19TMS_ET05 Establish an effective system operator for the London Tideway Tunnels (LTT)", that largely replicates the performance commitment in the company's September 2018 submission. The performance commitment is defined in full in the company's performance commitment appendix.
TMS.OC.C23 PR19TMS_BW01 Asset Health Mains Bursts (no.) per 1000km Caps, collars, and 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 collar levels as follows: 2020-21 = 347.0 2021-22 = 347.0 2022-23 = 347.0 2023-24 = 347.0 2024-25 = 347.0 Units: incidents per 10,000km We are intervening to set cap levels as follows: 2020-21 = 178.3 2021-22 = 178.3 2022-23 = 178.3 2023-24 = 178.3 2024-25 = 178.3 Units: incidents per 10,000km
TMS.OC.C24 PR19TMS_BW03 Interruptions to supply Caps, collars, and deadbands	Intervention required. 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. However, we consider that the proposed collars were not set at levels that would provide appropriate incentives for the company as the underperformance payments would apply was too small to provide sufficient incentive. The company had proposed caps that were worse than the performance commitment and so we need to intervene.	We are intervening to set collar levels as follows: 2020-21 = 00:21:36 2021-22 = 00:21:36 2022-23 = 00:21:36 2023-24 = 00:21:36

Intervention reference	Our assessment and rationale	Interventions
	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.'	2024-25 = 00:21:36 Units: hours:minutes:seconds We are intervening to set cap levels as follows: 2020-21 = 00:04:59 2021-22 = 00:04:20 2022-23 = 00:03:46 2023-24 = 00:03:10 2024-25 = 00:02:43 Units: hours:minutes:seconds
TMS.OC.C25 PR19TMS_BW04 Leakage Caps, collars, and 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.' The performance of the company has been particularly poor. To rectify this we have given the company the highest percentage reduction to achieve by 2025. To appropriately incentivise the company we have set the collar at a 10% reduction to the 2019-20 baseline. This is a change to our standard approach and provides a higher level of financial exposure to ensure the company is appropriately incentivised to improve performance.	We are intervening to set collar levels as follows: 2020-21 = -10.0% 2021-22 = -10.0% 2022-23 = -10.0% 2023-24 = -10.0% 2024-25 = -10.0% Units: percentage reduction in leakage from initial levels on a three-year average basis. We are intervening to set cap levels as follows: 2020-21 = 7.3% 2021-22 = 14.8% 2022-23 = 21.9% 2023-24 = 25.9% 2024-25 = 29.6% Units: percentage reduction in leakage from initial levels on a three-year average basis.
TMS.OC.C26 PR19TMS_BW05 Per capita consumption Cps, collars, and 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 collar levels as follows: 2020-21 = -8.8% 2021-22 = -8.8% 2022-23 = -8.8% 2023-24 = -8.8% 2024-25 = -8.8%

Intervention reference	Our assessment and rationale	Interventions
		Units: percentage reduction in per capita consumption from initial level on a three-year average basis. We are intervening to set cap levels as follows: 2020-21 = 4.6% 2021-22 = 5.7% 2022-23 = 6.9% 2023-24 = 7.9% 2024-25 = 9.7% Units: percentage reduction in per capita consumption from initial level on a three-year average basis.
TMS.OC.C27 PR19TMS_CS03 Internal sewer flooding incidents (including severe weather) C	Intervention required. 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. However, we consider that the proposed collars were not set at levels that would provide appropriate incentives for the company as the underperformance payments would apply was too small to provide sufficient incentive. 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 collar levels as follows: 2020-21 = 3.35 2021-22 = 3.35 2022-23 = 3.35 2023-24 = 3.35 2024-25 = 3.35 Units: number of incidents per 10,000 sewer connections The cap levels are as follows: 2020-21 = 1.43 2021-22 = 1.35 2022-23 = 1.28 2023-24 = 1.20 2024-25 = 1.13 Units: number of incidents per 10,000 sewer connections
TMS.OC.C28 PR19TMS_NEP01: WINEP Delivery – Performance commitment addition	We are also intervening to add a reputational performance commitment that measures whether the company has met all of its water industry national environment programme requirements in each reporting year. The performance commitment will use the latest water industry national environment programme from the Environment Agency at the end of the reporting year. This will allow the inclusion of any changes to the water industry national environment programme between now and the end of 2025.	We are intervening to add an additional reputation performance commitment that measures whether the company has met all of its water industry national environment programme requirements in each reporting year.
TMS.OC.C29 PR19TMS_EWS03 Renewable energy produced Caps, collars, and deadbands	Intervention required. The company does not propose to include a cap and a collar. As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals.	We are intervening to set the collars to: 2020-21 = 453 2021-22 = 461 2022-23 = 468

Intervention reference	Our assessment and rationale	Interventions
	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 '.	2023-24 = 471 2024-25 = 475 We are intervening to set the caps to: 2020-21 = 533 2021-22 = 542 2022-23 = 551 2023-24 = 554 2024-25 = 559 Units: gigawatt hours.
TMS.OC.C30 PR19TMS_BW06a Water quality compliance Other Intervention	Intervention required We are intervening to remove the two sub-measures associated with performance commitment, "PR19TMS_BW06", and their respective outcome delivery incentives and impose the common performance commitment, "PR19TMS_BW06a". As such, we need to set the price control allocation for this new measure.	We are intervening to set the price control for this performance commitment to 98% water network plus and 2% water resources based on the company's, "Water Quality Compliance: CRI Other" measure.
TMS.OC.C31 PR19TMS_ER02 Empty household properties PC Stretch	This aspect of the performance commitment was not actioned at IAP but has been reviewed in depth and in context with the rest of the industry following the addition of outperformance payments. The company forecasts a household void rate of 3.9% in 2019-20 according to data it submitted in its business plan. We have compared this to data obtained from the Ministry of Housing, Communities and Local Government on empty dwellings that we assess are within the area served by the company – this suggests a rate of empty properties of approximately 2.1% in 2017-18. In addition to this, the company forecasts reductions through the period of approximately 6.6% which is much lower than the industry average reduction and results in a forecast of 3.7% in 2024-25. As a consequence, we do not consider the company's proposed performance commitment levels to be sufficiently stretching and there may be more it should do to identify unbilled properties that are using services. However, we recognise there may be valid reasons that the number of properties that correctly do not receive a bill from the company is different to the rate of empty dwellings in the Ministry of Housing, Communities and Local Government data, though it seems unlikely that such reasons could account for the entire differential, particularly considering the lower level of stretch proposed compared to other companies. To take this into account we are setting performance commitment levels between those proposed by the company and those suggested by the Ministry of Housing, Communities and Local Government data	We are intervening to set the performance commitment levels to reduce the percentage of voids (as a percent of total households) by equal amounts from 2019/20 to 2024/25: 2020-21 = 3.66% 2021-22 = 3.50% 2022-23 = 3.33% 2023-24 = 3.17% 2024-25 = 3.00% Units: percentage of properties unbilled.

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

Performance commitment reference	Company's response	Our assessment and rationale	Interventions
TMS.OC.D1 PR19TMS_EWS05: Financial transparency Performance commitment removal	The company proposes removing this performance commitment. The company argues that this measure was not fully understood by customers or the customer challenge group, so has been removed. The company stated in its Business Plan that customers did not specifically mention financial transparency when sharing their views on how the company plans for the future.	No intervention required. We do not have any concerns with the removal of this performance commitment. The company sufficiently demonstrates a lack of customer support for the performance commitment.	NA
TMS.OC.D2 PR19TMS_EWS06: Driving cultural change through employee engagement Performance commitment removal	The company proposes removing this performance commitment. The company argues that this is an important internal metric but there were mixed views from customers as to whether it should be included as a performance commitment. The company states that the customer challenge group felt that it should be removed and so it has been removed.	No intervention required. We do not have any concerns with the removal of this performance commitment. The company sufficiently demonstrates a lack of customer support for the performance commitment.	NA
TMS.OC.D3 PR19TMS _EWS07 Financial resilience Performance commitment removal	The company proposes removing this performance commitment. The company states that there were mixed views from customers about this performance commitment, and the customer challenge group felt that it should be removed and so it has been removed.	No intervention required. We do not have any concerns with the removal of this performance commitment. The company sufficiently demonstrates a lack of customer support for the performance commitment.	NA

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

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