

Ofwat webinar: Delivering outcomes for customers

24 July 2019 11:00am – 12:00 noon

Q and A

Areas covered:

- Delivering outcomes for customers

Webinar slides are available [on our website](#).

Question and answer session

Q: Are you planning to provide companies with the P10 and P90 levels as adjusted? A spreadsheet would be really helpful.

A: We are planning to provide a further spreadsheet that shows the ratios of p90 to performance commitment levels that we used to identify and adjust outlier p90 values.

Q: Can you confirm that the ODI RORE ranges provided in yesterday's [23/07/2019] webinar are in the same format (i.e. additive or probabilistic) for all companies?

A: The RoRE ranges provided in yesterday's risk and return webinar are scaled according to company estimates, as explained in the presentation, to produce estimates of the overall probabilistic values.

Q: Why should the P10 and P90 change because you've changed the target? The P10 and P90 are a probability of hitting a certain value. The target is not a P50 level and so it's not clear that they should be linked.

A: We think all of the performance commitment levels we set are achievable and are at the centre of the P90-P10 range, based on a notionally efficient company. Therefore it is appropriate to adjust P10 and P90 levels in this way.

Q: Can you confirm then, that you believe all targets to be a P50?

A: We think all of the performance commitment levels we set are achievable and are at the centre of the P90-P10 range, based on a notionally efficient company.

Q: Will the Outcomes representation template replace App1? Can you give us any clues on when shortly will be?

A: We are asking companies to report:

- only report changes they propose to the draft determinations as explained in their representations;
- the company view of the p10s and p90s on the basis of the draft determination for each performance commitment and also the overall value for outcome delivery incentives;
- a revised company view of the p10s and p90s again after taking account of any changes that would result from their representations; and
- 2018-19 actual performance for bespoke performance commitments according to the draft determination definitions.

Q: Can Ofwat supply a spreadsheet showing the data and calculation that was used for good and medium performance for asset health?

A: We are planning to publish this, in addition, there is an example of what we did on mains repairs is in an annex to these slides.

Q: Did Ofwat assess whether the three best years in companies' performance were driven by weather?

A: In our assessment we used three out of the last seven years and consider three years provides a good balance between appropriately challenging companies to continue to achieve their best performance and to not be unrealistic e.g. significantly affected by weather.

Q: Is the 19/20 baseline based on a three-year average (i.e. an average of 17/18, 18/19 and 19/20 performance) or on an annual declaration (i.e. 19/20 performance only)?

A: The 19/20 baseline is based on a three-year average.