

December 2019

# PR19 final determinations

**Accounting for past delivery  
technical appendix**

## **PR19 final determinations: Accounting for past delivery technical appendix**

## Contents

1.	Introduction	3
2.	PR14 reconciliations	4
3.	PR14 service incentive mechanisms	14
4.	Deliverability assessment	31

# 1 Introduction

This technical appendix provides an overview of the two parts of past delivery: the reconciliations of PR14 incentives – including the service incentive mechanism (SIM) – and our assessment of deliverability.

The reconciliation of PR14 incentives is necessary to ensure that customers only pay for the service that they received and so to make sure that we hold companies to account for their 2015-20 performance. It is therefore a vital part of ensuring that companies are properly incentivised to deliver for customers at PR19 and beyond.

The deliverability assessment allows us to look at past performance, and the companies' evidence of lessons learnt and measures put in place to address performance, to assess the risks around the companies' ability to deliver their plans for 2020-25. It is therefore an important tool for helping to protect customers against the risk that companies fail to deliver their plan for customers.

Our decisions take into account the representations made on all our draft determinations, responses from companies to our queries and the additional information provided following further engagement with companies and other stakeholders as part of the final determination process. In the interest of brevity, where no representations were made on our draft determination proposals, we do not necessarily repeat our reasoning. Please see the [PR19 draft determinations](#) for further details.

This document proceeds as follows:

- section 2 provides an overview of the PR14 incentive mechanisms reconciliations;
- section 3 sets out our approach to implementing the out and under performance payments relating to the PR14 service incentive mechanisms; and
- section 4 presents our final conclusions on the additional evidence provided in response to actions we set at the initial assessment of business plans relating to deliverability.

## 2 PR14 reconciliations

In PR14, we set mechanisms to incentivise companies to do the right thing for their customers. These financial incentives cover cost efficiency, outcomes performance, revenue forecasting, customer service, water trading and land sales. In setting the 2019 final determinations, we are applying reconciliation adjustments to revenues for the 2020 to 2025 period and to the regulatory capital value (RCV) to take account of these incentive mechanisms. We are also applying adjustments to reflect performance in the final year of the 2010 to 2015 period, which could not be fully taken into account in PR14 as the outturn data for 2014-15 was not available at the time of the PR14 final determinations.

To complete the reconciliations, we are following the '[PR14 reconciliation rulebook](#)' (the 'reconciliation rulebook'), which we originally published in 2015 and subsequently updated. The reconciliation rulebook sets out the methodology companies should use to calculate these adjustments. It describes the approach to the reconciliation of the mechanisms setting out how we treat inflation, tax, the time value of money and mechanism specific issues. We list the mechanisms in Table 2.1 noting whether each mechanism is reconciled through an adjustment to the RCV or allowed revenue.

**Table 2.1: PR14 reconciliation rulebook mechanisms**

Incentive mechanism	Purpose	Revenue or RCV
Outcome delivery incentives	Outcome delivery incentives provide outperformance payments for companies that exceed their stretching performance commitment levels, and underperformance payments for companies if performance is below their performance commitment levels. This provides incentives for companies to do the right thing for customers, the environment and wider society. We published ' <a href="#">Information Notice IN 16/07</a> ' about the limited circumstances in which companies can change their outcomes.	Revenue or RCV as defined by each performance commitment
Wholesale total expenditure (totex) sharing	Where a company over- or under-performed on its totex allowance, this mechanism shares the over- or underspend with customers.	Revenue and RCV
Wholesale revenue forecasting incentive mechanism (WRFIM)	This mechanism provides financial incentives for companies to make accurate forecasts for wholesale revenue, ensuring under- and over-recovery is reconciled.	Revenue
Water trading incentive	This mechanism provides financial incentive payments to encourage new water trades to start in the 2015-20 period.	Revenue
Residential retail revenue	This mechanism adjusts the total revenue allowance to reflect actual customer numbers so that companies can recover their allowed costs per customer for residential retail.	Revenue
2010-15 reconciliation	Further adjustments for performance against the PR09 incentive mechanisms, to reflect the update for actual 2014-15 performance as published in ' <a href="#">PR14 reconciliation rulebook</a> '. This also includes the RCV adjustment in respect of correcting the treatment of inflation in the PR09 capital expenditure incentive scheme.	Revenue and RCV
Land sales	This mechanism adjusts the RCV to share any proceeds from disposals of interest in land equally with customers.	RCV
Residential retail service incentive mechanism	This is a financial incentive to incentivise good customer service performance relative to other companies in the sector.	Revenue
Business retail service incentive mechanism	This is a financial incentive to incentivise good customer service performance relative to other companies in the sector.	Revenue

The '[PR14 reconciliation rulebook](#)' does not cover how the residential retail or business service incentive mechanisms are reconciled for PR19. We consulted on

how the residential retail service incentive mechanism would be reconciled in '[PR19 draft determinations: Accounting for past delivery technical appendix](#)'. We consulted on how the business retail service incentive mechanism would be reconciled in '[Reconciling the business retail service incentive mechanism consultation](#)'.

## 2.1 Reconciliation of PR14 incentives

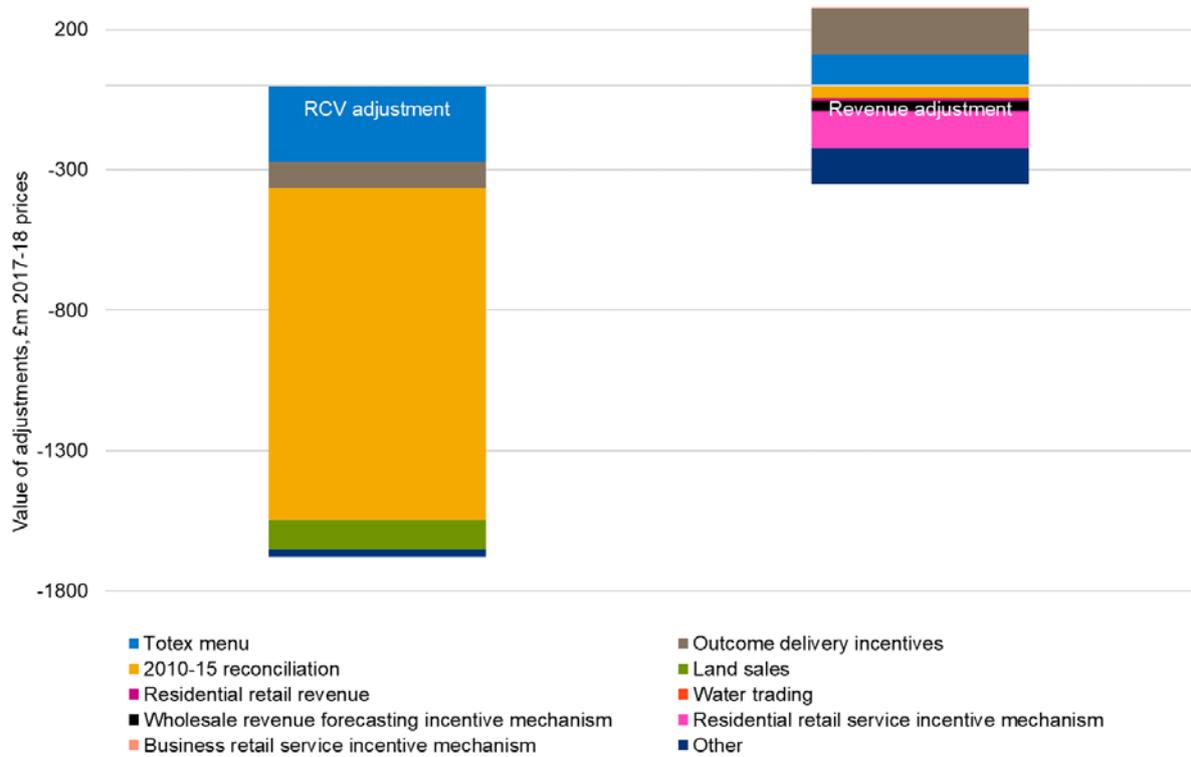
We use information from companies' 15 July 2019 submissions for calculating the PR14 reconciliation adjustments. This submission is taken as the company view of PR14 reconciliations throughout the accounting for past delivery documentation. Where companies have made representations on the draft determinations subsequent to this, including those submitted on the 30 August 2019, we present these as changes to the 15 July 2019 companies' views.

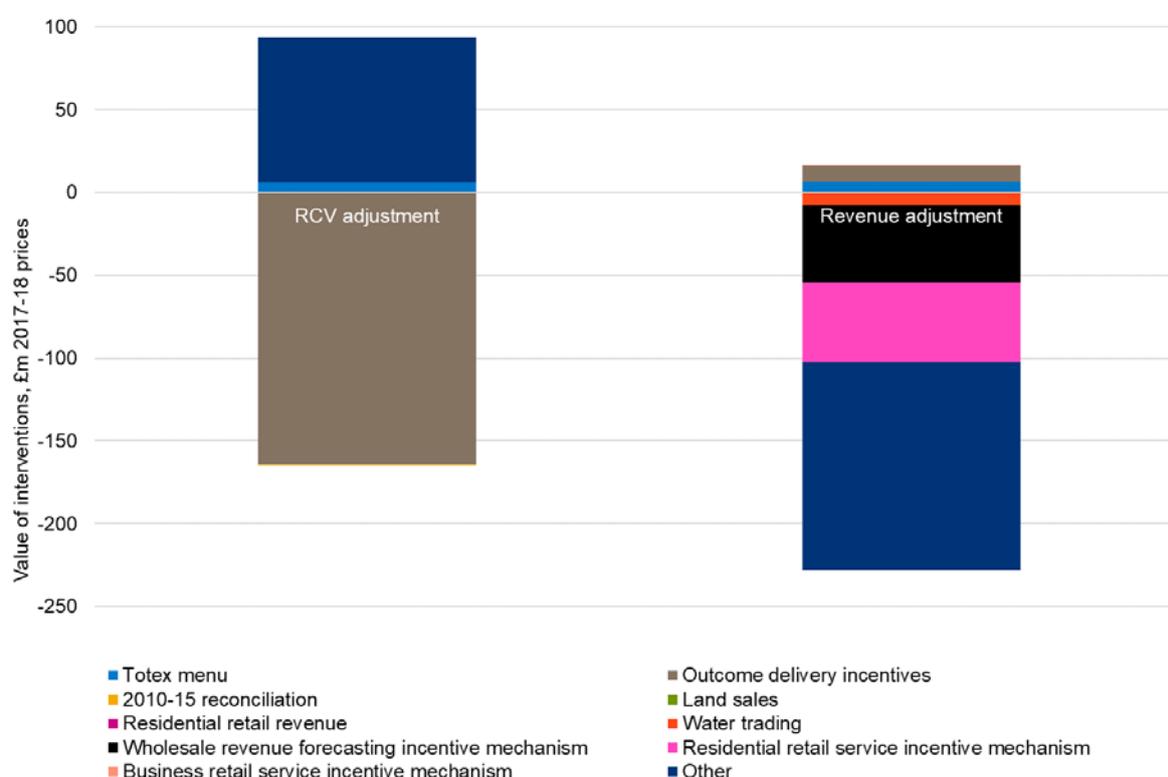
Companies generally undertake the reconciliations consistently with the methodology in the reconciliation rulebook and provide sufficient and convincing evidence to support their proposed reconciliation adjustments. However, there are some differences between the companies' proposed reconciliations and the final determination. Figures 2.1 and 2.2 illustrate the value of the reconciliation adjustments and the interventions we are making at the industry level. The key interventions for each company are set out in Table 2.2. These interventions are relative to the companies' 15 July 2019 PR14 reconciliation data submissions.

We provide further detail including the reasons for our interventions in the 'Accounting for past delivery final decisions' company documents. For we discuss Where there are key company specific issues we provide further explanation of our decisions in company specific 'Accounting for past delivery additional information' documents. These cover:

- Dŵr Cymru – Loughor estuary project totex reconciliation;
- Thames Water – Counters Creek outcome delivery incentive and totex reconciliations;
- Yorkshire Water – wholesale revenue forecasting incentive mechanism reconciliation;
- Affinity Water – wholesale revenue forecasting incentive mechanism reconciliation;
- Portsmouth Water – wholesale revenue forecasting incentive mechanism reconciliation; and
- South Staffs Water – wholesale revenue forecasting incentive mechanism reconciliation.

**Figure 2.1: Ofwat’s view of the value of PR14 reconciliation adjustments for final determinations (net for sector, all companies)**



**Figure 2.2: Value of our interventions in PR14 reconciliations for final determinations (net for sector, all companies)****Table 2.2: Reconciliation of PR14 incentives, key interventions**

Company	Key interventions
Anglian Water	<p>We are intervening to reduce net PR14 reconciliation RCV by £26 million and reduce net PR14 reconciliation revenue by £5 million.</p> <p>The reduction in RCV is driven by the reconciliation of totex in which we are accept, for the purpose of the PR14 reconciliation, the company's updated actual totex and third party services capex in 2018-19 and its updated forecast totex figures for 2019-20 which are lower than expected (-£26 million).</p> <p>The reduction in revenue is from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (-£8 million) and accepting the company's updated totex mentioned above (-£1 million). These reductions in revenue are partially offset by an increase in revenue from performance in outcome delivery incentives (+£4 million). We are including the company's in period outcome delivery incentive relating to 2018-19 and 2019-20 performance in the reconciliation of outperformance payments for its W-D4 Leakage performance commitment, to maintain consistency with other companies' treatment of in period outcome delivery incentives.</p>
Dŵr Cymru	<p>We are intervening to increase net PR14 reconciliation RCV by £20 million and increase net PR14 reconciliation revenue by £2 million.</p> <p>These increases are driven by an increase in totex arising from the intervention to include Loughor estuary expenditure incurred in the 2015-19 period in the reconciliation of totex (+£20 million RCV, +£3 million revenue). We are also</p>

Company	Key interventions
	<p>rejecting the alternative transformation of Loughor estuary expenditure for 2015-19 that the company proposes in its representation to recover the full costs through the cost sharing mechanism as this would result in over recovery of revenue. We are not including Lougher Estuary expenditure forecast in 2019-20, as we are allowing this expenditure under the transition programme as part of its PR19 allowance.</p> <p>The increase in revenue includes £0.7 million from the business retail service incentive mechanism but is partially offset by a reduction in revenue from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (-£1.0 million) and small movements in other reconciliations.<sup>1</sup></p>
Hafren Dyfrdwy	<p>We are intervening to reduce net PR14 reconciliation revenue by £0.3 million and we are not intervening in PR14 reconciliation RCV.</p> <p>The reduction in revenue is from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (-£0.3 million)<sup>2</sup> and small reductions in the reconciliation of totex (-£0.08 million) and for outcome delivery performance (-£0.02 million). This is partially offset by an increase in revenue from the business retail service incentive mechanism (£0.1 million)<sup>1</sup>.</p>
Northumbrian Water	<p>We are intervening to reduce net PR14 reconciliation revenue by £11 million and reduce net PR14 reconciliation RCV by £0.1 million.</p> <p>The reduction in revenue is driven by the disallowance of the proposed water trading incentive for the reduction in the existing trade with Thames Water (-£7 million) which we rejected at draft determinations. We consider neither Northumbrian Water nor Thames Water present any new evidence in their representations on this issue. The reduction in revenue is also from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (-£4 million).</p> <p>The small reduction in RCV is from the reconciliation of totex.</p>
Severn Trent Water	<p>We are intervening to reduce net PR14 reconciliation revenue by £9 million and are not intervening in PR14 reconciliation RCV.</p> <p>The reduction in revenue is driven by the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (-£16 million). This is partially offset by an increase in revenue for outcome delivery performance (£7 million) relative to the company's view. This is mainly due to the inclusion of an outperformance payment of £6 million (2012-13 prices) in 2019-20 for performance commitment S-C5 (sustainable sewage treatment). Severn Trent Water provides sufficient evidence that it has delivered an innovative scheme using a technology that the company believes is a first in the UK water industry, which has avoided future investment to accommodate growth.</p>
South West Water	<p>We are intervening to increase net PR14 reconciliation RCV by £4 million and increase net PR14 reconciliation revenue by £0.6 million.</p> <p>The increase in RCV is driven by an increase in the reconciliation of totex.</p>

<sup>1</sup> Dŵr Cymru and Hafren Dyfrdwy have two service incentive mechanisms – one for residential retail customers and one for business retail customers that consume less than 50MI of water a year. For all other companies, there is only one service incentive mechanism – for residential retail customers, as these companies' business retail customers can choose their retailer.

<sup>2</sup> Our draft determination financial modelling included an adjustment for the residential retail service incentive mechanism of £0.0 million. The total adjustment should have been - £0.2 million as confirmed in Table 3.1 in the 'Hafren Dyfrdwy draft determination'. Our final determination corrects this inconsistency.

Company	Key interventions
	<p>The increase in revenue is driven by the totex reconciliation (+£3.4 million) and a small increase from the wholesale revenue forecasting incentive mechanism (+£0.2 million). These are partially offset by a reduction in revenue from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (-£3.0 million).</p>
Southern Water	<p>We are intervening to reduce net PR14 reconciliation revenue by £117 million and reduce net PR14 reconciliation RCV by £1 million.</p> <p>The reduction in revenue is driven by the adjustment of £126 million (£123 million rebased to 2017-18 FYA CPIH prices) associated with the enforcement penalty notice imposed on Southern Water for misreporting performance of its wastewater treatment sites. This is partially offset by an increase in revenue from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (+£9 million).</p> <p>In '<a href="#">Ofwat's final decision to impose a financial penalty on Southern Water Services Limited</a>,' we published our decision to impose an enforcement penalty against Southern Water. Our decision was that a penalty of £37.7 million is appropriate. This has been reduced to £3 million in the light of undertakings provided by Southern Water, including providing redress, valued at £34.7million, to customers in lieu of a penalty.</p> <p>Southern Water paid the £3 million penalty to us on 15 November 2019 which we repaid to the Consolidated Fund held by HM Treasury as required by the Water Industry Act 1991 on 21 November 2019. This penalty is therefore not considered in the reconciliations.</p> <p>The undertakings from Southern Water have three elements. The first element is to address the price review underperformance payments that Southern Water avoided paying as a consequence of its misreporting performance of its wastewater treatment sites and which it is now incurring based on restated performance data. This amounts to £91.2 million (2017-18 RPI prices) and will be returned to customers via bill rebates over the next five years. The second element is a payment to customers, in lieu of a penalty, for the company's failure to meet its legal obligations. This amounts to £31.7 million (2017-18 RPI prices) and will also be paid to customers via bill rebates over the next five year period. The third element to the company's undertakings is a package of measures that Southern Water has and is putting in place. This includes investment in treatment works, and new operational and governance arrangements. The company will report to us regularly to demonstrate that the corrective actions it is taking are working and the company's reports to us will be independently assured.</p> <p>We are implementing the financial penalties as "other wastewater revenue adjustments" in the final determination. The restated performance data covered by the penalty notice is included in this final determination within the outcome delivery incentive reconciliation and the other revenue adjustment.</p> <p>The reduction in RCV is driven by the reconciliation of totex (-£1 million).</p>
Thames Water	<p>We are intervening to reduce net PR14 reconciliation RCV by £61 million and reduce net PR14 reconciliation revenue by £5 million.</p> <p>The reduction in RCV is driven by an adjustment for the Counters Creek sewer flooding programme which we consider cancelled (-£149 million). This is partially offset by our removal of the downward RCV adjustment of £87 million Thames Water makes to its wastewater RCV for non-delivery of its Counters Creek performance commitment. We are doing this to avoid double-counting.</p> <p>The reduction in revenue is from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (-£4 million). There is</p>

Company	Key interventions
	<p>also a disallowance of water trading incentive for the reduction of an existing trade with Northumbrian Water (-£0.4 million) as we consider neither Northumbrian Water nor Thames Water present any new evidence in their representations on this issue.</p> <p>Thames Water is also subject to a reduction in revenue (-£48 million) to implement its s19 commitment to return inefficient leakage spend and a reduction in revenue (-£7 million) to implement its s19 commitment for ex-gratia payment as part of the s37 leakage case. These are included correctly in the company's modelling and in the final determination with no intervention.</p>
United Utilities	<p>We are intervening to reduce net PR14 reconciliation revenue by £9 million and increase net PR14 reconciliation RCV by £5 million.</p> <p>The reduction in revenue is from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (-£9 million).</p> <p>The increase in RCV is driven by outcome delivery performance (+£5 million) where we are intervening on the 2019-20 forecast performance for performance commitment S-D2 (maintaining wastewater treatment works) as it is overly pessimistic. This removes the company's underperformance payment of - £4.387 million in 2019-20 (2012-13 prices). We are also intervening to reduce the outperformance payment for the performance commitment on 'contribution to rivers improved – wastewater' by £0.4 million to ensure that the definition is followed correctly.</p>
Wessex Water	<p>We are intervening to reduce net PR14 reconciliation revenue by £4 million and are not intervening in PR14 reconciliation RCV.</p> <p>The reduction in revenue is from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (-£3.7 million) and outcome delivery performance (-£0.4 million) to correct a company calculation error in relation to performance commitment D3 (water supply interruptions &gt; 3 hours), consistent with the company's view in its representation.</p>
Yorkshire Water	<p>We are intervening to reduce net PR14 reconciliation revenue by £27 million and reduce net PR14 reconciliation RCV by £12 million.</p> <p>The reduction in revenue is driven by the wholesale revenue forecasting incentive mechanism where we are excluding the company's claim for additional revenue to correct errors it made in completing the PR14 business plan (-£23 million). We are also reducing revenue from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (-£6 million). These reductions are partially offset by an increase in revenue from the reconciliation of totex (+£2 million).</p> <p>The reduction in RCV is due to our application of the drinking water contacts outcome delivery incentive underperformance payment as an RCV adjustment, as the company provides insufficient evidence that the adjustment it proposed will better achieve the desire of customers to see reinvestment (-£20 million). This is partially offset by an increase in RCV from the reconciliation of totex (+£7.5 million) that corrects the company's proposed treatment of this underperformance in the totex sharing mechanism.</p>
Affinity Water	<p>We are intervening to reduce net PR14 reconciliation revenue by £15 million and are not intervening in PR14 reconciliation RCV.</p> <p>The reduction in revenue is driven by the wholesale revenue forecasting incentive mechanism (-£12 million) where we are including the amount of the company's revenue claim in respect of higher revenue from new connections covered by the Mayor of London housing zones and the help to buy scheme only. We are</p>

Company	Key interventions
	<p>excluding the additional revenue claimed in relation to the remainder of the increase in new connections and infrastructure charges.</p> <p>We are also reducing revenue from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (-£3 million).</p>
Bristol Water	<p>We are intervening to increase net PR14 reconciliation RCV by £0.3 million and increase net PR14 reconciliation revenue by £0.2 million.</p> <p>The increase in RCV is driven by an increase in the reconciliation of totex (+£0.3 million).</p> <p>The increase in revenue is driven by increases in revenue for the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (+£0.1 million) and outcome delivery outperformance (+£0.1 million).</p>
Portsmouth Water	<p>We are intervening to reduce net PR14 reconciliation revenue by £5 million and are not intervening in PR14 reconciliation RCV.</p> <p>The reduction in revenue is driven by the wholesale revenue forecasting incentive mechanism where we are excluding the company's claim for additional revenue to correct the error it made in completing the PR14 business plan (-£4 million).</p> <p>It is also driven by a reduction in revenue from outcome delivery performance resulting from removing the company's outperformance payment for the residential retail service incentive mechanism, as this is reconciled in a separate model (-£1.2 million). These reductions are partially offset by an increase in revenue from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (+£0.2 million).</p>
South East Water	<p>We are intervening to reduce net PR14 reconciliation revenue by £0.4 million and increase net PR14 reconciliation RCV by £0.1 million.</p> <p>The reduction in revenue is from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (-£0.5 million) and partially offset by small movements in other reconciliations.</p> <p>The increase in RCV is driven by the reconciliation of totex (+£0.2 million) and small movements in PR09 blind year reconciliations.</p>
South Staffs Water	<p>We are intervening to reduce net PR14 reconciliation revenue by £5 million and are not intervening in PR14 reconciliation RCV.</p> <p>The reduction in revenue is driven by the wholesale revenue forecasting incentive mechanism (-£7 million) where we are including the elements of South Staffs Water's claim related to the demand for new connection and the cost of connections consistent with the updated value provided in the company's representation. We are excluding the elements of the claim not related to the variance in the volume of new connections that are outside the mechanism's scope.</p> <p>The reduction is partially offset by an increase in revenue from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (+£2 million).</p>
SES Water	<p>We are intervening to reduce net PR14 reconciliation revenue by £1.4 million and are not intervening in PR14 reconciliation RCV.</p> <p>The reduction in revenue is from the residential retail service incentive mechanism relative to the company's estimate of the mechanism's impact (-£1.4 million).</p>

The reconciliations in these final determinations are based on actual performance data for the four years 2015-19 and forecast performance for the final year 2019-20 provided in the 15 July data submissions and take account of representations on our interventions in the draft determinations.

## **2.2 Reconciliations for PR19**

Because of the changes to our approach for PR19, there are more mechanisms to reconcile within and at the end of the 2020-25 period. To enable companies to understand our proposed approach, we published a number of illustrative models alongside the draft determinations in April 2019, and again in July 2019, to show how the reconciliation might work. We have taken stakeholders' feedback on the policy and the models on board and are publishing updated illustrative models on the [PR19 final determinations models](#) webpage.

We will formally consult on a PR19 reconciliation rulebook early in 2020. We plan to assess companies' PR19 blind year adjustments after outturn figures for 2019-20 are published in July 2020. There is merit in applying the PR19 blind year adjustments as soon as practicably possible, that is, over the remaining years of the 2020-25 period. Therefore, we have provided for a blind year adjustment in the revenue forecasting incentive (RFI) formula set out in the notifications of companies' final determinations of price controls. We will consult on how we should go about applying the PR19 blind year adjustments in our forthcoming PR19 reconciliation rulebook.

## 3 PR14 service incentive mechanisms

### 3.1 Introduction

The residential retail and business retail service incentive mechanisms are regulatory incentive mechanisms that encourage companies to:

- provide high-quality customer service;
- reduce customer complaints; and
- get things right first time.

The residential retail service incentive mechanism was first used in the price review for 2010-15 (PR09), when it successfully incentivised improvements in companies' retail customer service performance. Consequently, as set out in the '[PR14 final determinations](#)', we therefore retained a form of the service incentive mechanism as a required household retail service outcome delivery incentive for all companies in 2015-20.

The business retail SIM applies to only the business customers for companies whose areas are wholly or mainly in Wales. For those companies we confirmed that two SIMs would apply – one for residential customers on the same basis for all companies, and one for business customers.

### 3.2 Residential retail service incentive mechanism

In '[Setting price controls for 2015-20 – final methodology and expectations for companies' business plans](#)' we confirmed that we would use the service incentive mechanism as a sector-wide incentive for customer service for 2015-20. We also confirmed that its likely scale and scope would be similar to the PR09 service incentive mechanism.

We incentivise companies to improve their performance by calculating a comparable measure of performance (the 'SIM score') which we then use to conduct a relative assessment by ranking companies in the sector against each other. This creates a strong reputational incentive. In addition, we use the scores to set a financial incentive of between -12% to +6% of residential retail revenue for 2015-20<sup>3</sup>.

SIM scores are made up of two components: a qualitative and a quantitative measure of the level of service provided to customers. The qualitative component is derived from surveys of the satisfaction of water customers that have contacted their

---

<sup>3</sup>Calculated to be approximately financially equivalent to the PR09 SIM financial incentive of -1.0% to +0.5% of total company revenues.

water company. The quantitative component is derived from the number of written complaints and unwanted phone contacts (if the phone contact is unwanted from the customer's point of view). The qualitative component contributes 75% to the overall score, the quantitative component 25%.

The quantitative component uses a weighted average calculation of the numbers of unwanted telephone contacts, written complaints, escalated written complaints, and escalated complaints to CCWater. The result is converted to a score out of 25 using a simple, proportional calculation.

### **Contact score calculation**

$$\frac{[(\text{unwanted phone contacts} \times 1) + (\text{written complaints} \times 5) + (\text{escalated written complaints} \times 100) + (\text{CCWater investigated complaints} \times 1000)]}{(\text{connected household properties} / 1000)}$$

### **Quantitative component calculation**

$$\{1 - [(C - CL) / (CH - CL)]\} \times WC$$

where:

C = total annual contact score (see above)

CL = contact score minimum (set at 0)

CH = contact score maximum (set at 500)

WC = contact score weighting (set at 25)

The qualitative component uses the four satisfaction survey scores for each company during the year, averages these, and expresses this number (which is out of 5) as a score out of 75 using a simple, proportional conversion<sup>4</sup>.

The two elements are summed to arrive at the aggregate SIM score, out of a maximum of 100.

---

<sup>4</sup>For example, if a company averaged 4.00 out of 5.00, this is the equivalent of 60 out of 75 ( $4.00 / 5.00 \times 75 = 60$ ).

### 3.3 What we said in our PR19 final methodology about the residential retail SIM

In ‘[Delivering Water 2020: Our final methodology for the 2019 price review](#)’ (the ‘PR19 final methodology’) we concluded that:

- the SIM scores from the four years 2015-16 to 2018-19 will be used to calculate the financial incentives;
- revenue adjustments at PR19 will be in the range of -12% (underperformance payments) to +6% (outperformance payments) of residential retail revenues in 2017-18, and apply to each of the five years between 2020-21 and 2024-25; and
- payments will be based on companies’ performance relative to each other.

The PR19 final methodology set out our decision to introduce a new incentive mechanism at PR19 to incentivise water companies to provide an excellent customer experience to residential customers. This measure is called the customer measure of experience (C-MeX).

The approach for C-MeX is different to that for the service incentive mechanism. C-MeX is being reconciled each year and so the reconciliation methodology needs to be clear and mechanical, whereas for SIM we have been able to understand relative performance across the sector before confirming the reconciliation. The SIM methodology has evolved over time. The 2010-15 SIM reconciliation was less mechanistic than the 2015-20 SIM reconciliation, as we used regulatory judgement to set it not to apply the whole incentive range. The 2015-20 SIM is in turn arguably less mechanistic than C-MeX, as we are setting out the mechanism for applying the reconciliation of C-MeX in advance. Up front certainty on the approach to reconciliation creates clearer incentive properties, which we expect will stimulate even better delivery for customers than under the SIM.

C-MeX also differs from the SIM as it will be reconciled in period for each year. This will increase the immediate influence it has on behaviour, and so it will have stronger incentive properties. C-MeX is measured each year and we expect companies to respond to the annual incentives and improve throughout the period. If a company has the lowest underperformance payment in one year we would expect it to respond so that it improves its performance in subsequent years.

We confirmed in the PR19 final methodology that the SIM will not operate in 2019-20; instead we will run C-MeX in shadow form that year. Some companies have bespoke performance commitments with reputational outcome delivery incentives for the service incentive mechanism in 2019-20. We will use the contact survey part of C-MeX to proxy the qualitative part of the service incentive mechanism, and complaints data for the quantitative part of the service incentive mechanism. This will enable companies and their stakeholders to assess whether they had met their performance commitments relating to the service incentive mechanism in 2019-20.

No financial incentives for the service incentive mechanism or C-MeX will apply for this shadow year.

### 3.4 Stakeholders' representations, our assessment and reasons on residential retail SIM

We have considered the representations from all companies on their draft determinations when developing our SIM calculation methodology. A summary of these representations and our response to them is given in the table below.

**Table 3.1: Stakeholder representations on the residential retail SIM reconciliation**

Company	Representation	Response
Northumbrian Water	The company queries the score of Yorkshire Water in our draft determination and asks that we review our calculations.	We agree that there was an error in our draft determination calculation. For the final determination, we are correcting the error so that it now uses the correct input data for Yorkshire Water. No other company was affected.
South East Water	<p>The company considers that in order to retain certainty and stability in the way that incentives are set for performance commitments where the methodology is set out in advance and payments calculated later, we should include a no payment zone to the calculation of the SIM payments for 2015/16 to 2018/19. The company states that doing so would mean that it would not incur a payment as its score is just above the mid score (84.8) and would be within a no payment zone that adopted the logic of the C-MeX methodology.</p> <p>The company also considers that we should use the same methodology as PR14 for calculating and allocating payments.</p>	<p>We do not consider the use of deadbands for the SIM is appropriate. Introducing deadbands would reduce the extent to which the SIM results in customers paying, or being compensated, for the service that they received – to the detriment of customers. We therefore have not included deadbands. Further, our C-MeX policy in the final determination does not include deadbands and therefore not using them for SIM is consistent with C-MeX.</p> <p>We consider that our PR19 SIM methodology is appropriate as it is consistent with our overall PR19 methodology and therefore offers regulatory certainty. We stated in our methodology that we would retain a financial incentive based on relative performance for the SIM, but did not state that the methodology would be exactly the same as PR14.</p> <p>We consider that our PR19 approach is more appropriate than rolling forward the PR14 approach. The PR19 approach requires less regulatory judgement as the payments are allocated purely mechanistically based</p>

Company	Representation	Response
		<p>on a formula. Also, the PR19 approach uses the full incentive range, whereas the PR14 approach did not, and we consider this is appropriate given the significant spread of performance across the sector. We do not consider that applying the PR14 approach would have resulted in appropriate out and under performance payments for the best and worst performers.</p> <p>We consider that our methodology is broadly consistent with our C-MeX policy, and is relatively simple to administer as it does not involve regulatory judgement but instead uses a mechanistic, transparent approach to allocate payments.</p>
Severn Trent Water	<p>The company considers that our PR19 SIM methodology is not appropriate as it does not reflect current performance, and uses four years of performance (2015-16 to 2018-19) to set payments based on five years of revenue.</p>	<p>It is important that the incentive payment reflects performance for as much of the relevant period as possible – in this case 2015-16 to 2018-19 – to ensure that companies are incentivised to deliver for customers over the whole of the period, and not just the end. We therefore consider that using performance for 2015-16 to 2018-2019 to set the SIM is appropriate.</p> <p>We set the size of the SIM incentive in PR14 based on revenue for the 2015-20 period to incentivise improved customer service. Using only 2015-19 revenues would diminish the financial and hence incentive impact of the SIM, and so undermine the regulatory commitment to improve customer service. We therefore consider it most appropriate to set the incentives based on revenue for the 2015-20 period.</p>
South West Water	<p>The company proposes that we should use the PR14 SIM methodology for calculating and allocating payments.</p> <p>The company considers that Ofwat should continue to apply the methodology first established at PR14 for calculating under and outperformance payments due to companies under SIM, which is also the approach Ofwat will apply to calculating the C-MeX incentive rate in each year.</p>	<p>We consider that our PR19 SIM methodology is appropriate as it is consistent with our overall PR19 methodology (therefore offers regulatory certainty), is broadly consistent with our C-MeX policy in the final determination, and is relatively simple to administer.</p> <p>We consider that our PR19 approach is more appropriate than rolling forward the PR14 approach, as it requires less</p>

Company	Representation	Response
	<p>The company considers that it seems inconsistent to change the methodology for SIM reconciliation and then return to C-MeX methodology for AMP7 which is similar to PR14.</p> <p>The company considers that the methodology Ofwat is minded to use for the calculation for the PR19 SIM reconciliation differs to that used at PR14 and what has been used as a comparative measure throughout this AMP. It also considers that Ofwat has also confirmed that for the C-MeX measure a company's C-MeX incentive rate in each year will depend on how far its C-MeX score is from the average C-MeX score in that year (in technical terms how many standard deviations the company's score is above or below the mean).</p>	<p>regulatory judgement and it uses the full incentive range, which we consider is appropriate given the spread of performance across the sector.</p> <p>Our C-MeX policy does not include deadbands and therefore not using them for SIM is consistent with C-MeX.</p>
<p>United Utilities</p>	<p>The company considers that we should use the methodology used to reconcile the 2010-15 SIM for calculating and allocating payments, or exclude companies that it considers to be outliers.</p> <p>The company considers that the change in methodology results in many outperforming companies receiving limited outperformance payments and underperforming companies receiving limited underperformance payments. This significantly reduces the extent to which Ofwat's system of financial incentives reflect the performance of companies on this critical measure of customer service.</p> <p>The company considers that the methodology used to reconcile the 2010-15 SIM has the effect of ensuring outperforming companies get an outperformance payment, and underperforming companies receive an underperformance payment. Under the new methodology this is no longer true, with companies receiving penalties even where they have outperformed the dynamic industry average.</p> <p>The company considers that Ofwat's proposed methodology only considers the performance of the single highest</p>	<p>We consider that our PR19 SIM methodology is appropriate as it is consistent with our overall PR19 methodology (therefore offers regulatory certainty), is broadly consistent with our C-MeX policy in the final determination, and is relatively simple to administer. We consider that our PR19 approach is more appropriate than rolling forward the PR14 approach, as it requires less regulatory judgement and it uses the full incentive range, which we consider is appropriate given the spread of performance across the sector.</p> <p>We do not consider it is appropriate to exclude outlier companies. We consider that the outlier companies' scores reflect genuine differences in performance, as the measurement approach to SIM is now mature. Excluding outliers would reduce the extent to which the SIM results in customers paying for or being compensated for the service that they received relative to other companies' customers, to the detriment of customers. We therefore have not excluded outliers.</p> <p>Giving multiple companies the maximum outperformance payment for different levels of performance would</p>

Company	Representation	Response
	<p>scoring company and single lowest scoring company when establishing an out/under performance payment range. Under this method only one company can achieve the maximum outperformance payment, and one company receives the maximum underperformance payment. Under such an approach it is vital that there is robust analysis of the suitability of using the highest and lowest performing companies as benchmarks for the rest of the industry.</p>	<p>reduce the extent to which the SIM results in customers paying for the service that they received - to the detriment of customers. We therefore only give the maximum outperformance payment to the best performing company. Our C-MeX policy for allocating payments is to measure each company's performance based on where the company places relative to the median company, and either the highest or lowest performing company. In this way, our SIM methodology is broadly consistent with C-MeX.</p>
Wessex Water	<p>The company considers that the proposed approach to calculating SIM payments is not in line with expectations, and represents a material change from the implementation of SIM for 2010-15 and C-MeX.</p> <p>The company proposes that we should revert to a calculation similar to that used at PR14, where companies that are one standard deviation above the mean level of performance receive the full reward of 6% of retail revenues, with a linearly increasing reward up to that level.</p>	<p>We consider that our PR19 SIM methodology is appropriate as it is consistent with our overall PR19 methodology (therefore offers regulatory certainty), is broadly consistent with our C-MeX policy in the final determination, and is relatively simple to administer.</p> <p>We consider that our PR19 approach is more appropriate than rolling forward the PR14 approach, as it requires less regulatory judgement and it uses the full incentive range, which we consider is appropriate given the spread of performance across the sector.</p> <p>Giving multiple companies the maximum outperformance payment for different levels of performance would reduce the extent to which the SIM results in customers paying for the service that they received - to the detriment of customers. We therefore only give the maximum outperformance payment to the best performing company. Our C-MeX policy for allocating payments is to measure each company's performance based on where the company places relative to the median company, and either the highest or lowest performing company.</p>

### **3.5 Our final determination decisions on residential retail SIM payments**

We are using the full range of -12% (underperformance payment) to +6% (outperformance payment) of residential retail revenues to calculate SIM payments. We consider that there is a sufficient distribution of scores across the industry to warrant using the full range. While there is some clustering of companies, there is a clear distinction between the top cluster of companies and the top performing company - Portsmouth Water. There is an even clearer distinction between the majority of companies and the bottom four companies – SES Water, Affinity Water, Thames Water and Southern Water.

No scores are identical and distinctions can be drawn between all companies. To assign payments we have determined the percentage out or under performance payment for each company based on its relative distance to the top performer – Portsmouth Water – and the worst performer – Southern Water, who are awarded the maximum out and under performance payment respectively. We have multiplied these percentages by residential retail revenue to give the SIM payments. We set this process out in the following four steps.

Step 1: Calculate the four year average SIM score for each company.

Step 2: Calculate the relative distance for each company between the top and bottom performer and calculate the percentage performance payment using this, allocating a +6% outperformance payment for the best performing company's score, and a -12% underperformance payment for the worst performing company's score. See below for a graphical representation.

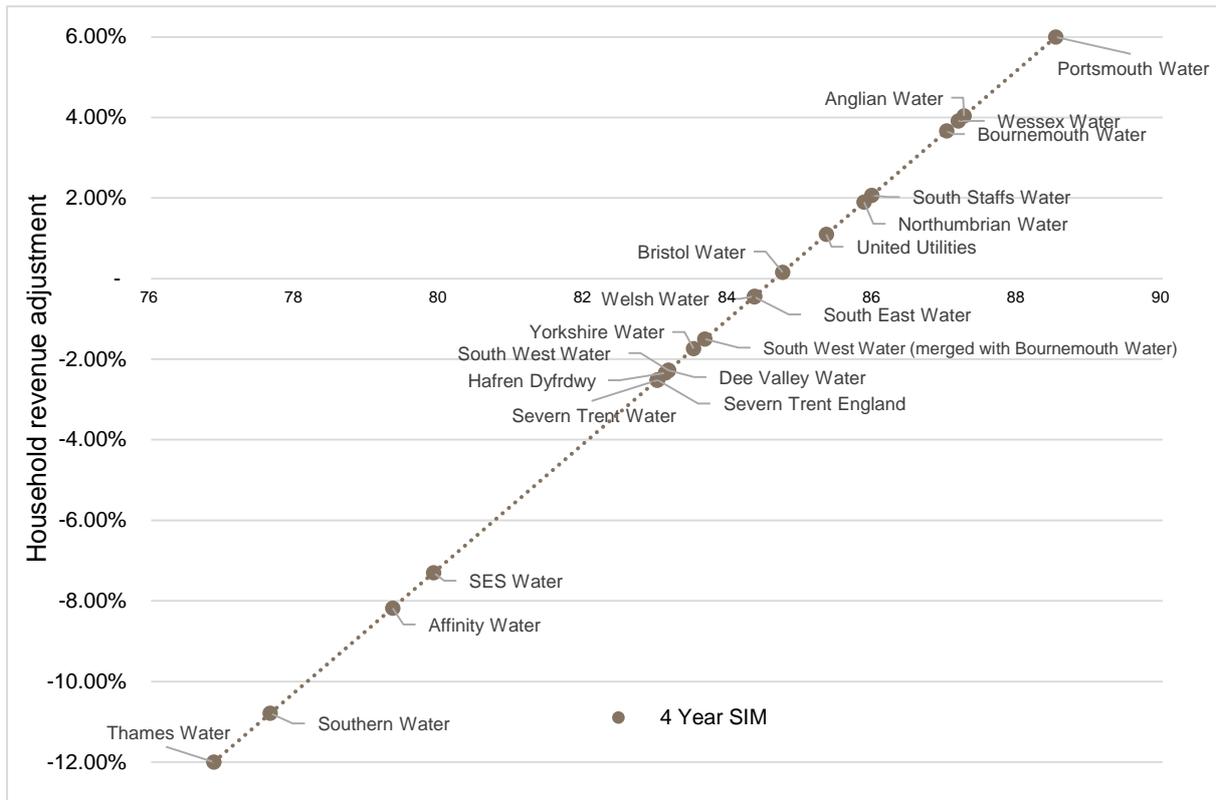
Step 3: Apply the company-specific percentage to each company's 2017-18 reported residential retail revenue.

Step 4: Multiply the results by five to produce results for five years in £ million.

The results are presented in Figure 3.1 and Table 3.1 below.

We are using a different approach for the reconciliation of the residential retail SIM to that for the implementation of the new service incentive, C-MeX. We explain why this is the case in 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.

**Figure 3.1: Four year average SIM scores and % retail revenue adjustments**



**Table 3.2: Residential retail SIM scores and calculation of revenue adjustments**

<b>Company</b>	<b>Step 1 (score out of 100)</b>	<b>Step 2 (%)</b>	<b>Step 3 (£m)</b>	<b>Step 4 (£m)</b>
Portsmouth Water	88.52	6.00%	0.28	1.4
Anglian Water	87.25	4.04%	3.65	18.2
Wessex Water	87.17	3.91%	1.42	7.1
Bournemouth Water	87.01	3.67%	0.19	0.9
South Staffs Water	85.97	2.07%	0.32	1.6
Northumbrian Water	85.87	1.90%	1.12	5.6
United Utilities	85.35	1.10%	1.23	6.1
Bristol Water	84.74	0.16%	0.02	0.1
Dŵr Cymru	84.35	-0.44%	-0.20	-1.0
South East Water	84.35	-0.45%	-0.10	-0.5
Yorkshire Water	83.51	-1.74%	-1.11	-5.5
South West Water	83.16	-2.28%	-0.77	-3.8
Dee Valley Water	83.16	-2.28%	-0.07	-0.3
Hafren Dyfrdwy	83.12	-2.34%	-0.05	-0.3
Severn Trent England	83.01	-2.52%	-3.07	-15.3
Severn Trent Water	83.01	-2.52%	-3.05	-15.3
SES Water	79.91	-7.30%	-0.44	-2.2
Affinity Water	79.34	-8.18%	-2.24	-11.2
Southern Water	77.65	-10.79%	-6.47	-32.4
Thames Water	76.87	-12.00%	-20.19	-101.0

### **3.6 What we said in our PR19 final methodology about the business retail SIM**

We stated that only the residential retail SIM would apply to companies whose areas are wholly or mainly in England – and that this would exclude business retail customers. For those companies whose areas are wholly or mainly in Wales, we confirmed that two SIMs would apply – one for residential customers on the same basis as for all other companies, and an additional SIM for business retail customers. This is set out in the ‘[PR14 final determinations](#)’ for Dee Valley Water and Dŵr Cymru. Further details of both SIMs were published in ‘[Service incentive mechanism](#)’

– [guidance for collating customer service information for calculating the SIM score.](#) and [‘Service incentive mechanism \(SIM\) for 2015 onwards – conclusions.’](#)

We proposed that the reconciliation of the non-household SIM would follow a similar approach to the household SIM as discussed above. The primary differences would be that:

- the non-household SIM score would be based only on customer complaints data, as set out in [‘Service incentive mechanism – guidance for collating customer service information for calculating the SIM score.’](#);
- all business retailers in England and Wales would be used as comparator companies for the non-household SIM as far as is practicable; and
- the non-household SIM would only apply to Dŵr Cymru and Hafren Dyfrdwy.

The incentive payment range for the non-household SIM is +6% to -12% of business retail revenue. For Dŵr Cymru this is a range of £2.6 million to £-5.2 million (total revenue adjustment over five years) based on one year’s non-household retail revenue of £8.6 million (for 2017-18), and for Hafren Dyfrdwy £0.1 million to £-0.2 million based on £0.4 million (for 2017-18).

### **3.7 Stakeholders’ representations and responses to our consultation on business retail SIM, our assessment and reasons**

In the [‘Reconciling the business retail service incentive mechanism consultation’](#) we set out our proposed approach to reconciling the business retail SIM so that business customers’ bills would reflect the service that they have received. We set out our proposals for how we will use the performance data for 2015-16 to 2018-19 to set the performance payments due to the relevant companies under the business retail SIM.

The table below summarises the consultation responses and our responses to them.

**Table 3.3: Stakeholder representations on the business retail SIM reconciliation**

Company / stakeholder	Consultation response	Our response
Dŵr Cymru	<p>The company supports our draft determination methodology and has a few minor points on application...</p> <p>The company queries our 2016-17 and 2018-19 figures in the model. For 2016-17 it cannot reconcile to our figure, and for 2018-19 it states that it provided to CCWater an updated number of supply point IDs (SPIDs) which changes its score by 0.01...</p>	<p>We consider that we should not adjust for 2016-17 as we have checked our data against the company's annual performance report (for non-household complaints) and CCWater's annual report (for supply point IDs) and both are correct.</p> <p>We have adjusted for the update to SPIDs in 2018-19 which has a very minor impact on the score but does not affect the size of the adjustment due to rounding.</p>
Hafren Dyfrdwy	The company has not responded to our consultation...	N/A
CCWater	CCWater supports our methodology and has raised no concerns with it.	N/A

### 3.8 Our final determination decision on business retail SIM payments

We are setting the business retail SIM following a similar process to the residential retail SIM, but with an extra fifth step to make the adjustment consistent with the way the business retail price control is set. This process is as follows.

Step 1: Calculate the average business retail SIM score for each company for the years data is available for each company.

Step 2: Calculate the relative distance for each company between the top and bottom performer and calculate the percentage performance payment using this, allocating a +6% outperformance payment for the best performing company's score, and a -12% underperformance payment for the worst performing company's score.

Step 3: Apply the company-specific percentage to each company's 2017-18 reported business retail revenue for relevant customers (water customers using less than 50MI per year, and all wastewater customers).

Step 4: Multiply the results by five to produce results for five years (2020-25) in £ million, and adjust for the share of Dee Valley Water's business retail performance commitments due to Hafren Dyfrdwy.

Step 5: Convert the £ million adjustment into a £ per customer adjustment for each relevant customer type. The £ per customer adjustments are what we are setting as the price control impact.

As stated in the '[Reconciling the business retail service incentive mechanism consultation](#)', we are calculating the business retail SIM score as a quantitative measure based on:

- written complaints; and
- CCWater investigations.

We are not including escalated complaints as a separate measure in the calculation of the business retail SIM scores. This data has not been collected for all business retailers in England since retail market opening. We consider that requesting this data from all companies would not be proportionate. The number of escalated complaints is included in the total number of complaints used in the calculation, and so will still be reflected in the overall business retail SIM scores, but with a lower weighting than originally envisaged.

We are calculating the business retail SIM contact score using a weighted average of these two components as follows:

Business retail SIM contact score =  $[(5 \times \text{number of written complaints}) + (1,000 \times \text{number of CCWater investigations})] / [\text{number of business retail supply point IDs} / 1,000]$

This produces a figure for business retail written complaints per business retail connection. This allows a comparison between Dŵr Cymru's and Hafren Dyfrdwy's performance, and the performance of companies in the business retail market in England, in terms of business retail written complaints per business retail connection.

The resulting business retail SIM score is calculated by converting the SIM contact score into a number out of 100 and then the score in each year is averaged over the years for which data is available for each company.

For the purposes of these calculations, we are treating Hafren Dyfrdwy and Dee Valley Water as being the same company. Hafren Dyfrdwy's business retail SIM score is therefore calculated as the average of the score for Dee Valley Water in 2015-16, 2016-17 and 2017-18, and Hafren Dyfrdwy's in 2018-19. This is consistent

with the calculation of the residential retail SIM. Dŵr Cymru has existed for all four relevant years, and so also uses a four year average.

In the '[Reconciling the business retail service incentive mechanism consultation](#)' we noted that some of the retailers in the business retail market in England are very small relative to Hafren Dyfrdwy and Dŵr Cymru, with low numbers of connections and few or no complaints. Using these companies as comparators would skew the results and lead to less robust results. We are therefore only including companies that we consider are large enough to provide statistically robust comparisons in our analysis. We consider that a company with 2,000 SPIDs is of sufficient size to provide a robust comparator.

We are therefore using data on all ex-incumbent water companies for 2015-16 and 2016-17, and all business retail market competitors in England with at least 2,000 supply point IDs (SPIDs – a measure of the number of service connections) for 2017-18 and 2018-19 as comparators.

The business retail SIM scores for Dŵr Cymru and Hafren Dyfrdwy, and the resulting adjustments as a % of revenue (steps 1 and 2) are set out in the table 3.2 below.

**Table 3.4: Business retail SIM scores and calculation of revenue adjustments (as % of revenue)**

Company	Business retail SIM score	Notional business retail SIM adjustment	Actual business retail SIM adjustment
SES Water	99.3	6.00%	N/A
<b>Hafren Dyfrdwy / Dee Valley Water</b>	<b>98.7</b>	<b>5.53%</b>	<b>5.53%</b>
Portsmouth Water	98.4	5.31%	N/A
Wessex Water	98.2	5.17%	N/A
SES Business Water	98.0	5.00%	N/A
South East Water	97.9	4.90%	N/A
South Staffs Cambridge	97.9	4.88%	N/A
Water2business	97.2	4.33%	N/A
South East Water Choice	97.0	4.18%	N/A

Company	Business retail SIM score	Notional business retail SIM adjustment	Actual business retail SIM adjustment
Bournemouth Water	97.0	4.16%	N/A
Bristol Water	96.9	4.03%	N/A
Affinity for Business	96.8	3.95%	N/A
Affinity Water	96.7	3.91%	N/A
Business Stream	95.6	2.96%	N/A
Severn Trent Water	95.4	2.84%	N/A
Thames Water	94.9	2.45%	N/A
<b>Dŵr Cymru Welsh Water</b>	<b>94.1</b>	<b>1.77%</b>	<b>1.77%</b>
Northumbrian Water	93.6	1.31%	N/A
Yorkshire Water	93.5	1.31%	N/A
South West Water	93.5	1.30%	N/A
Yorkshire Water Business Services	93.3	1.11%	N/A
Clear Business Water	93.3	1.10%	N/A
Castle Water	91.8	-0.09%	N/A
Southern Water	91.5	-0.38%	N/A
Anglian Water	90.7	-1.05%	N/A
Pennon	90.4	-1.26%	N/A
Wave	89.6	-1.93%	N/A
Water Plus	87.8	-3.41%	N/A
United Utilities	85.2	-5.55%	N/A

Company	Business retail SIM score	Notional business retail SIM adjustment	Actual business retail SIM adjustment
Everflow	77.3	-12.00%	N/A

Note that these are indicative scores for all companies except for Dŵr Cymru and Hafren Dyfrdwy, which are the only two companies subject to the business retail SIM.

Table 3.3 gives the £ million value of the adjustment following steps 3 and 4. The revenue used for this calculation is the 2017-18 reported business retail revenue for water customers using less than 50MI per year, and all wastewater customers (referred to as ‘customer group one’ in ‘Dŵr Cymru – final determination summary’ and ‘Hafren Dyfrdwy – final determination summary’). Business retail customers using 50MI per year or more are excluded because these customers are not covered by the business retail SIM.

As we proposed in the ‘[Reconciling the business retail service incentive mechanism consultation](#)’ Hafren Dyfrdwy is receiving 69.15% of the calculated business retail SIM incentive payment, consistent with the proposals set out in the ‘[Consultation under section 13 of the Water Industry Act 1991 on proposed modification of Severn Trent Water Limited’s \(Severn Trent Water\) licence to include the Powys Site and proposed modification of Dee Valley Water Limited’s \(Dee Valley Water\) licence to include the Chester site](#)’. This is reflected in tables 3.3 and 3.4 below. As Severn Trent Water has exited the business retail market, the remaining 30.85% will not be applied to Severn Trent Water.

**Table 3.5: Business retail SIM adjustments in £ million (nominal prices)**

Company	£ million value of adjustment (2020-25 total)
Dŵr Cymru	0.651
Hafren Dyfrdwy	0.094

Finally, in step 5, we convert these figures into a £ per customer flat charge for each customer type. This is necessary as the price controls for business retail are set as average costs per customer plus net margin for each customer type. We consider this to be a proportionate approach to implementing the reconciliation of the business retail SIM, which balances the complexity of the approach against the impact on customers of different sizes. The final adjustments are set out in table 3.4 below.

**Table 3.6: Business retail SIM adjustments in £ per customer (nominal prices)**

<b>Company</b>	<b>Customer type</b>	<b>£ per customer</b>
Dŵr Cymru	Water supplies less than 50 MI	0.77
	Water supplies 50 MI and over	0.00
	Wastewater	1.02
Hafren Dyfrdwy	Water: Unmeasured and 0-5 MI/a	2.69
	Water: 5-50 MI/a	9.54
	Water: 50+ MI/a	0.00
	Waste Water: Unmeasured and 0-5 MI/a	2.37
	Waste Water: 5-50 MI/a	10.23
	Waste Water: 50+ MI/a	3.27

## 4 Deliverability assessment

To maintain trust and confidence, it is important that companies not only have high-quality business plans but also that customers have confidence that those business plans will be delivered. This confidence will come in part from how companies have performed in the past. In our deliverability assessment we consider what companies have learnt from their 2015-20 performance and whether they have appropriate measures in their business plans to improve performance where necessary so that they can deliver for their customers, environment and wider society in the future.

In our initial assessment of business plans, we therefore reviewed the deliverability of companies' business plans for 2020-25 taking account of their past performance in four areas:

- customer complaints handling;
- costs;
- major incidents handles; and
- outcomes.

Where we had concerns around companies' deliverability in any of our assessment areas, in order to protect customers, we required companies to submit additional evidence of their deliverability, and an action plan for continuous performance monitoring and improvement for 2020-25. We placed these actions in two categories – required actions and advised actions – depending on the level of our concern with the evidence provided on deliverability.

At the draft determinations we assessed the required action plans provided by companies, and intervened to strengthen incentives where we still had concerns with deliverability. We are maintaining these interventions for final determinations.

Bristol Water was given an action at the draft determination to provide further evidence to demonstrate its ability to deliver improved customer complaints performance. As part of its representations, the company provides further evidence and proposes a new performance commitment on customer complaints. We are including this performance commitment as the company proposes in its final determination – for more information, see 'Bristol Water – Delivering outcomes for customers final decisions'.

We have not made any further interventions following the submission of action plans in response to the advised actions given to the companies at the initial assessment of business plans. We expect companies to implement these action plans to provide confidence that they can deliver for customers in the future.

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales.

Ofwat  
Centre City Tower  
7 Hill Street  
Birmingham B5 4UA

Phone: 0121 644 7500  
Fax: 0121 644 7533  
Website: [www.ofwat.gov.uk](http://www.ofwat.gov.uk)  
Email: [mailbox@ofwat.gov.uk](mailto:mailbox@ofwat.gov.uk)

December 2019

© Crown copyright 2019

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit [nationalarchives.gov.uk/doc/open-government-licence/version/3](http://nationalarchives.gov.uk/doc/open-government-licence/version/3).

Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

This document is also available from our website at [www.ofwat.gov.uk](http://www.ofwat.gov.uk).

Any enquiries regarding this publication should be sent to us at [mailbox@ofwat.gov.uk](mailto:mailbox@ofwat.gov.uk).

