

December 2019

PR19 final determinations

**Dŵr Cymru – Delivering outcomes for
customers final decisions**

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PR19 Final Determinations: Dŵr Cymru – Delivering outcomes for customers final decisions

In our draft determinations we published the ‘[Delivering outcomes for customers actions and interventions](#)’ document for each company. This document set out the actions from our initial assessment of plans, a summary of the company’s response to the action, our assessment of the company’s response, and the interventions we made as part of the draft determination. It also set out any interventions that did not result from an initial assessment of plans action, which we made as part of the draft determination.

This final determination document sets out the decisions we make for the final determination in response to representations received on our draft determinations and any other changes for the final determination.

Table 1 below sets out the draft determination decisions on performance commitments that were the subject of representations from the company, a summary of the company representation, our assessment and rationale for the final determination decision and our decisions for the final determination. Table 2 sets out the draft determination decisions on performance commitments that were the subject of representations from other stakeholders, a summary of the other stakeholder representations, our assessment and rationale for the final determination decision and our decisions for the final determination. Table 3 sets out any changes for the final determinations that are not resulting from representations received relating to the company.

Each performance commitment has a unique reference. The prefix ‘PR19WSH’ denotes Dŵr Cymru.

For all other documents related to the Dŵr Cymru’s final determination, please see the [final determinations webpage](#).

Our ‘Outcomes performance commitment appendix’ for the company is published alongside this document. These documents are intended to be fully consistent. In the event of any inconsistency, then the ‘Outcomes performance commitment appendix’ takes precedence in all instances.

Table 1: Dŵr Cymru - Representations in response to the draft determination

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
Overarching methodology	ODI rates	N/A	<p>The company disagrees with our approach to assessing ODI rates using industry comparisons. It states that this overwrites the views of its customers.</p> <p>It states that deriving ODI rates bottom-up using willingness to pay and cost information has recognised weaknesses and that a top-down sense check is necessary to ensure that undue weight is not given to a few performance commitments (as is currently the case with supply interruptions, internal and external sewer flooding).</p> <p>The company also comments on our ‘selective’ approach to triangulation in setting ODI rates,</p>	<p>No change for the final determination.</p> <p>For our detailed response to the methodology points raised by the company see our ‘Delivering outcomes for customers policy appendix’. For our response to this methodology proposal for specific performance commitments, see the relevant rows in this table.</p>	N/A

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			<p>claiming there is no discernible process (a 'pick-n-mix' approach).</p> <p>The company comments on our use of 2015-20 rates. It claims that, for the 2015-20 period, there were many more deadbands and thus higher rates, and that PR19 rates based on these should be adjusted downwards.</p> <p>The company sets out its approach to revising its ODI rates. It proposes to reset its ODI rates using evidence from its willingness to pay research, industry data and a 'top down' sense check, equally weighting its bottom-up rates and industry data. It also proposes using its willingness to pay research (10% weight) and measure of service customer research (40%) from its September 2018 business plan, the lower bound of industry rates from PR19 (40%) and its 2015-20 relevant ODI rates (10%). It states these rates are based on expert judgement.</p>		
<p>Water Quality Compliance (Compliance Risk Index)</p> <p>PR19WSH_Wt1</p>	<p>Caps, collars and deadbands</p>	<p>The intervention we made at draft determinations was to set a standard deadband which all companies were expected to adopt. The deadband profile for the Compliance Risk Index:</p> <p>2020-21 = 2.00 2021-22 = 2.00 2022-23 = 1.50 2023-24 = 1.50 2024-25 = 1.50</p> <p>Unit = Compliance Risk Index Score</p>	<p>The company proposes different deadband levels to the draft determination, it proposes a deadband level at 'top third' of industry performance, though it does not provide a numerical value.</p> <p>The company maintains that a Compliance Risk Index (CRI) score of 1.50 (2.00 in the first two years of 2020-25 period) does not represent a justified and reasonable level for the deadband on this measure. It states that we have not addressed the detailed arguments made as part of its initial assessment of plans (IAP) response (and those of other companies) on this point.</p> <p>The company accepts that, having analysed the latest set of data to be published, there is limited evidence that the measure itself in terms of average industry performance is volatile. However, the point about volatility is that a) there will inherently be a wide range of outcomes owing to the nature of the measure, driven partly by the size of companies, such that it is unrealistic to expect all companies to achieve an 'upper quartile' score such as 1.50, and</p>	<p>Change for the final determination.</p> <p>We amend the deadband on the Compliance Risk Index (CRI) to a score of 2.00 throughout the period reducing the risk of underperformance payments in the last three years of the 2020-25. This allows more flexibility in performance to take into account the uncertainty created by the ban on the use of metaldehyde being overturned by the High Court and also aligns with the median level of current company performance.</p> <p>Analysis of the company data from 2016, 2017 and 2018 shows that the median for all companies for these years respectively is 2.83, 2.31 and 2.09. This suggests that a deadband of 2.0 is appropriate and the data suggests an improving trend. A deadband set at the levels we are proposing allows for some fluctuation in performance, whilst providing a strong incentive to minimise compliance failures.</p> <p>Please refer to the 'Delivering outcomes for customers policy appendix' for more detail on this sector wide change.</p> <p>The CRI definition was set in collaboration with the industry and the Drinking Water Inspectorate (DWI), with no exceptions being</p>	<p>The following is a sector wide change for the final determination.</p> <p>We set a revised standard deadband for all companies. The deadband profile for the Compliance Risk Index is:</p> <p>2020-21 = 2.00 2021-22 = 2.00 2022-23 = 2.00 2023-24 = 2.00 2024-25 = 2.00</p> <p>Unit = Compliance Risk Index Score</p>

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			<p>b) that smaller companies are vulnerable to having ‘volatile’ scores, i.e. doing particularly well or particularly badly on CRI, and that this makes using an upper quartile approach to setting the deadband inappropriate.</p> <p>The company points out the volatility faced by smaller companies owning a small number of larger treatment works, should they fail, contributes more to the CRI score; whereas larger companies with a high number treatment works serving smaller population proportionally will not have the same volatility.</p> <p>The company considers that the best scoring (i.e. upper quartile) companies on CRI will in most cases be represented by a subsection of the smaller companies. It will always be more difficult for larger companies to consistently achieve this level (while smaller companies are more likely to achieve it in good years, but fail spectacularly in poor years).</p> <p>It also states that the measure is also ‘volatile’ in that the scores can fluctuate due to a wide range of issues outside management control; due to future changes in the Drinking Water Directive, and due to the ability to prove the root cause of failures, particularly on property specific issues. The influence of these variables, which are overlaid on the company’s actual ‘performance’, make Ofwat’s methodology in defining a deadband of 1.50 unduly harsh.</p> <p>It states that the Drinking Water Inspectorate (DWI), who has developed the measure and understands the complex dynamics underlying the scoring, has itself recommended that companies should be aiming to achieve an ‘industry average’ score annually, which is significantly above the proposed deadband values.</p> <p>It notes that a number of other companies have proposed deadband values at 3.00 or above. It considers an ‘upper third’ deadband would</p>	<p>identified as affecting a particular company for any aspects outside of the company’s management control.</p> <p>Companies with a higher number of smaller assets will experience a diversity of issues and challenges (operational and asset maintenance) compared to companies owning a smaller number of larger assets, where the uniformity of operational conditions makes it relatively smooth for them to comply with regulations. Compliance Risk Index identifies which part of water supply chain or asset the companies should focus on more.</p> <p>We consider that it would not be appropriate to set deadband levels on the potential new changes to the Drinking Water Directives. The Drinking Water Directives are not yet final and so its potential impacts and the implementation date are uncertain. On the same basis it would not be appropriate to set the deadband based on unknown risks and trends, which in most cases will be within management control.</p> <p>The DWI’s response to our PR19 methodology is over two years old. We have been in consultation with the DWI throughout all phases of PR19 and therefore we consider that this is not a relevant comparison. The DWI considers that a standard deadband level of 2.00 for all companies is appropriate.</p>	

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			incentivise consistent improvements across the industry, while allowing for the particular characteristics of the measure.		
Mains repairs PR19WSH_Wt4	Caps, collars and deadbands	<p>Our intervention at draft determination was to set collar levels as follows:</p> <p>2020-21 = 190.1 2021-22 = 190.1 2022-23 = 190.1 2023-24 = 190.1 2024-25 = 190.1</p> <p>Units: Number of mains repairs per 1,000km of mains</p>	<p>The company states that the number of mains repairs is significantly driven by factors beyond management control, such as severe weather events. Any deviation beyond proposed collars will be due to factors beyond management control and therefore any incremental underperformance payments will not provide any additional incentives to management.</p> <p>The company considers that it is unclear how we have derived the multiplier for each performance commitment. It considers we should change to be in line with its April 2019 revised business plan value, which was based on the P10 level of performance derived in turn from monthly data.</p>	<p>Change for the final determination.</p> <p>The company does not provide sufficient evidence that all the factors driving increased mains repairs are outside management control. We provide further explanation on mains repairs in the 'Delivering outcomes for customers policy appendix'.</p> <p>As we explain in the 'Delivering outcomes for customers policy appendix' we have continued our approach to setting underperformance collars and explain how we have derived multipliers. We have changed the multiplier that we use to set collars for the mains repairs common performance commitment.</p> <p>The company's resulting collar levels have changed because of the change in performance commitment levels and also the change in the multiplier.</p>	<p>We set collars to the following levels:</p> <p>2020-21 = 194.5 2021-22 = 194.5 2022-23 = 194.5 2023-24 = 194.5 2024-25 = 194.5</p> <p>Units: Number of mains repairs per 1,000km of mains</p>
Water Supply Interruptions PR19WSH_Wt2 Internal sewer flooding PR19WSH_Rt1 Pollution Incidents PR19WSH_En3	Performance commitment levels	<p>We intervened at draft determination to set common levels for Supply Interruptions, Internal Sewer flooding and Pollution incidents.</p> <p>This assessment relates to a general methodology challenge Dŵr Cymru has made to the methodology of setting common levels for these performance commitments.</p> <p>Performance commitment specific challenges and our assessment are provided in separate rows.</p>	<p>The company states that it is inappropriate to utilise an upper quartile performance commitment level, based on business plan submissions, to derive a common upper quartile performance commitment level for all companies. The company states that these are not individual performance forecasts, having set guidance for companies requiring them to set stretching performance commitment levels on the basis of their own forecasts of upper quartile industry performance. The company indicates that there is an asymmetry built into these forecasts because:</p> <p>(i) We set a formal expectation that companies forecast the industry upper quartile performance and then set their performance commitment levels at 'at least' this level;</p> <p>(ii) There was an incentive mechanism for Business Plans that would reward companies for meeting their expectations and potentially penalising those that did not (through the initial assessment of plans (IAP) process). This 'biased' companies towards meeting their</p>	<p>No change for the final determination.</p> <p>We ask companies to set their performance commitment levels based on the upper quartile level. We then use the upper quartile of these levels to set the standard performance commitment levels, however all companies provide different values and many do not provide upper quartile values at all. The company does not provide an alternative methodology other than to use individual company performance to set performance commitment levels and not comparative analysis. While there are other methodological options, we consider the upper quartile approach takes into account that there is information asymmetry between us and companies. We also consider the following factors when assessing whether the performance commitment levels that the methodology resulted in were stretching yet achievable for an efficient company:</p> <ul style="list-style-type: none"> the sector's past performance against PR14 levels; the scale of improvement over time (both in PR14 and in previous periods where historical, comparable data was available); the improvement required to reach the forecast upper quartile level both in the first four years of the period and in 	N/A

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			<p>expectations rather than determining performance commitment levels that had an above average chance of being delivered. Some companies made explicit the distinction between their Business Plan performance commitment levels and their expected performance, either by setting deadbands (in the case of Yorkshire Water for supply interruptions – setting a 06:00 minute deadband against their 02:00 ‘target’), or by simply stating that there was a difference between their industry upper quartile forecast and their ‘anticipated performance’ (in the case of United Utilities for sewer flooding);</p> <p>(iii) Many companies set their performance commitment levels on the basis of expenditure in their Business Plans that they considered to be necessary in order to achieve their performance commitment levels. In most cases this expenditure has been disallowed.</p> <p>As a result of the above the company states that the performance commitment levels are much more likely to be ‘too high’ than ‘too low’.</p>	<p>the final year 2024-25. This includes looking at the “overnight” or first year change from 2019-20 forecast levels to the forecast upper quartile level in 2020-21. At final determination we use new data on 2018-19 performance from shadow reporting which was not available to us at draft determination.</p> <p>As a result of the extensive analysis that we conduct regarding the achievability of the upper quartile levels, we adjust the performance commitment levels for supply interruptions.</p> <p>In September 2018 business plans, companies were asked to propose performance commitment levels in their plans which they considered to be forecast sector upper quartile performance. Many companies then set deadbands. Once we had set the actual upper quartile level values those companies removed the deadbands.</p> <p>In our PR19 methodology we made it clear that we do not expect stretching service to come at cost to customers. We continue to consider that we should set performance commitment levels for companies that do not cost customers more than the efficient base costs we allow.</p> <p>On balance, we consider that the company does not provide sufficient or convincing evidence and we identify no other reason to make a change to our use of the upper quartile methodology.</p> <p>Please refer to the ‘Delivering outcomes for customers policy appendix’ for more detail on this sector wide change.</p>	
<p>Water Supply Interruptions</p> <p>PR19WSH_Wt2</p>	<p>Performance commitment levels</p>	<p>The intervention we made was to set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels were:</p> <p>2020-21 = 00:05:24 2021-22 = 00:04:48 2022-23 = 00:04:12 2023-24 = 00:03:36 2024-25 = 00:03:00</p>	<p>The company proposes different performance commitment levels compared to the draft determination. These levels are:</p> <p>2020-21 = 00:11.12 2021-22 = 00:10.24 2022-23 = 00:09:36 2023-24 = 00:08:48 2024-25 = 00:08:00</p>	<p>Change for the final determination.</p> <p>We consider that there are benefits of setting a common level across all companies in terms of moving the sector to providing a common service to customers.</p> <p>The company provides no additional evidence in support of these company specific factors. We assess that the company itself states it is not unique to these factors and based on the evidence the company provides and its own historical performance, we do not consider Dŵr Cymru to be an outlier on this performance commitment compared to other companies. At draft determination, we considered that the evidence to</p>	<p>The following is a sector wide change for the final determination.</p> <p>We set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels are:</p> <p>2020-21 = 00:06:30 2021-22 = 00:06:08 2022-23 = 00:05:45 2023-24 = 00:05:23</p>

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		<p>Units: Hours:minutes:seconds (HH:MM:SS) per property per year</p>	<p>Units: Hours:minutes:seconds (HH:MM:SS) per property per year</p> <p>In addition to the general methodological challenges described above, the company does not consider it appropriate to expect all companies by default to achieve the same absolute performance levels for supply interruptions. It accepts that companies should be striving to achieve upper quartile performance on performance commitments in principle. But the absolute level of performance constituting the performance commitment level should be adjusted to take into account differences between companies' operating environment. For Dŵr Cymru, it states that the factors include:</p> <ul style="list-style-type: none"> • the relative lack of network connectivity in its region; • topography of area; and • sparse region; <p>It also states that it does not consider the forecast data to be reliable and the common performance commitment levels are not deliverable.</p>	<p>demonstrate company specific circumstances was not sufficient because the company was not able to quantify the impact on the interruption time relative to the upper quartile levels. The company states that in the absence of a common benchmark for such factors as network connectivity and population distribution, it is not able to robustly quantify the impact on the interruption time relative to the upper quartile levels. While the company may not be able to quantify the impact in this manner, it provides no further evidence to support its position, thus on balance, we consider that there is still not sufficient convincing evidence for us to apply different performance commitment levels to the rest of the sector.</p> <p>We revise our performance commitment levels for all companies; we adjust the water supply interruptions 2024-25 level to five minutes, with an amended glidepath in the first four years, taking account of wider evidence to calibrate stretch of performance commitment for an efficient company.</p> <p>The points around deliverability and data reliability are related to the methodology points which we detail above. After our final determination adjustment to the performance commitment levels, we now consider the levels are more deliverable than those set at the draft determination.</p> <p>Please refer to the 'Delivering outcomes for customers policy appendix' for more detail on our approach to water supply interruptions and this sector wide change.</p>	<p>2024-25 = 00:05:00</p> <p>Units: Hours:minutes:seconds (HH:MM:SS) per property per year</p>
<p>Water Supply Interruptions</p> <p>PR19WSH_Wt2</p>	<p>ODI rates</p>	<p>At draft determination we re-triangulated the underperformance rate across its two points of customer research and the industry average and set outperformance rate equal to underperformance rate/1.2 according to our standard approach. This resulted in underperformance and outperformance rates of -£0.745m and £0.621m per minute per property respectively. The company had proposed lower</p>	<p>The company rejects our intervention on its incentive rates, and proposes revised rates of - £0.33m and £0.3m per minute per property which are within our reasonable range. It does not provide detailed rationale for disagreeing with our intervention, other than it considers its revised approach to better reflect customer preferences for low incentives in general, and that there are weaknesses and limitations to any willingness to pay research.</p> <p>The company's approach to setting its revised rates take account of four inputs with different weightings: Ofwat PR19 lower bound (40%); its 2015-20 period adjusted rate to take account of</p>	<p>Change for the final determination.</p> <p>In assessing the company's representation, we still consider that it was inappropriate for the company to set its incentive rates at the industry lower bound as this has no relation to its customer research.</p> <p>We have additional concerns that the company's revised approach to triangulation in its representation places so little weight on its customer willingness to pay results (10%), and so much weight (40%) on its measures of service research (this is a ranking exercise of service levels for each performance commitment and the average bill impacts associated with customers' menu choices, and cannot derive robust estimates of maximum willingness to pay). We also have concerns with the</p>	<p>We change the underperformance payment rate to -£0.610m per minute per property, and the outperformance payment rate to £0.610m per minute per property.</p>

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		<p>rates, based on the lower bound of our reasonable range.</p>	<p>deadbands (10%); measures of service research (40%); willingness to pay research (10%). The willingness to pay research was a stated preference 'MaxDiff' exercise, and the measures of service research was an ordinal preference ranking exercise.</p>	<p>inclusion of its 'adjusted' PR14 rate – this was adjusted downwards to account for the removal of deadbands, but we consider this adjustment inappropriate as the rate applies to an incremental change in performance, regardless of the range over which the performance incurs the underperformance payment. We do not agree with the use of the industry lower bound as an input to triangulation - we consider additional inputs necessary where the quality of the customer research is in doubt, and in that case consider the industry average the more suitable input as it represents a broad view of customer preferences.</p> <p>We therefore do not consider the company's new proposed incentive rates to be more appropriate than those it proposed in its April 2019 revised business plan or the rates we set at draft determination. We consider our approach of triangulating its rates implied by the two points of its customer research and the industry average appropriate as this places more reasonable weight on the company's willingness to pay research, and also includes an external value to account for concerns with the robustness of the measures of service research in generating willingness to pay values.</p> <p>We update the outperformance rate from £0.621m to £0.610m per minute per property, to reflect the most up to date available data.</p> <p>When considering the performance commitment package as a whole, we consider whether the balance of incentives for particular performance commitments is appropriate at both an industry and company level. We set all companies' underperformance rates symmetrically to outperformance rates to provide a more balanced spread of incentives and risk on water supply interruptions. For further details on our approach to sector wide interventions on ODI rates see our 'Delivering outcomes for customers policy appendix'.</p>	
<p>Water supply interruptions</p> <p>PR19WSH_Wt2</p>	<p>Caps, collars and deadbands</p>	<p>Our intervention at draft determination was to set collars at the following levels:</p> <p>2020-21 = 00:31:00 2021-22 = 00:31:00 2022-23 = 00:31:00</p>	<p>Dŵr Cymru notes that Bristol Water and Affinity Water have a lower collar but have a worse or similar historical performance. It notes that the figure we quoted for performance in 2016-17 was incorrect. It proposes we change the underperformance collar to be the same as other companies</p>	<p>Change for the final determination.</p> <p>We agree that the figure we quoted was incorrect, but it was the case that before 2015 the company performed above this level. However, we agree with the company assessment that its more recent performance has been better and there is no need for it to have an underperformance collar that is different to all other</p>	<p>We set collars to the following levels:</p> <p>2020-21 = 00:22:45 2021-22 = 00:22:45 2022-23 = 00:22:45 2023-24 = 00:22:45</p>

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		<p>2023-24 = 00:31:00 2024-25 = 00:31:00</p> <p>Units: Hours:minutes:seconds (HH:MM:SS) per property per year</p> <p>We also intervened to set a cap at the following levels:</p> <p>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</p> <p>Units: Hours:minutes:seconds (HH:MM:SS) per property per year</p>		<p>companies. As we explain in the ‘Delivering outcomes for customers policy appendix’ we consider that all companies should have caps and collars for supply interruptions. In the appendix we also explain how we set the level of caps and collars in the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in ‘Delivering outcomes for customers policy appendix’. Our approach has led to estimates of P90 performance level that are more optimistic than most companies but decline slightly over the period. While we consider these estimates in the round to be suitable for use in our return on regulated equity analysis, we consider the collars at draft determination more appropriate levels for outperformance caps and have not changed them.</p>	<p>2024-25 = 00:22:45</p> <p>Units: Hours:minutes:seconds (HH:MM:SS) per property per year</p>
<p>Internal sewer flooding</p> <p>PR19WSH_R11</p>	Performance commitment levels	<p>The intervention we made at draft determination was to set performance commitment levels that are consistent with the industry upper quartile for internal sewer flooding. These were:</p> <p>2020-21 = 1.68 2021-22 = 1.63 2022-23 = 1.58 2023-24 = 1.44 2024-25 = 1.34</p> <p>Units: internal sewer flooding incidents per 10,000 properties.</p>	<p>The company proposes different performance commitment levels compared to the draft determination. The values are:</p> <p>2020-21 = 1.86 2021-22 = 1.81 2022-23 = 1.77 2023-24 = 1.72 2024-25 = 1.67</p> <p>Units: internal sewer flooding incidents per 10,000 properties.</p> <p>In addition to the general methodology challenges set out above, the company provides the following representations specific to this performance commitment:</p> <p>The company states that it found no grounds to change its view that its original Business Plan performance commitment levels are in the best</p>	<p>No change for the final determination.</p> <p>The company provides a new Met Office Report to evident its claim of company specific differences. While the report indicates that the company generally experiences the wettest conditions in England and Wales, our assessment of the report separates the companies into two cohorts; one cohort is Dŵr Cymru, United Utilities and South West Water, the other cohort is all other companies. Based on the rainfall data presented, we consider that these three companies experience similar conditions. Both United Utilities and South West Water are mid-sector performers on internal sewer flooding and have accepted the upper quartile performance commitment levels for internal sewer flooding.</p> <p>The report seeks to identify what triggers sewer flooding incidents for the company. The report finds that 2-day rainfall totals exceeding 20mm are likely to trigger events, so this is the analysis that is presented. However, for higher thresholds (30mm, 40mm) the evidence seems less convincing and the report summarises that overall it is difficult to identify a correlation between monthly rainfall and monthly totals of</p>	N/A

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			<p>interest of its customers given a) the change in the definition to include severe weather events and b) the company's operating environment is particularly affected by severe weather events.</p> <p>The company considers that it is not appropriate to expect all companies to default to achieve the same absolute performance levels, these should be adjusted to take into account differences between the companies operating areas. The company provides new evidence from the Met Office on rainfall patterns and forecasts. The company states that this new evidence shows that its operating area is more frequently affected by flood causing weather events compared with other companies and that this risk is increasing over time. The company indicates that our draft determination failed to understand the connection between blockages and rainfall, after we pointed out that most of the company's sewer flooding incidents are caused by 'other causes' (mostly blockages). The company notes that in wet weather the blockage is sufficient to cause flooding.</p> <p>The company states that the applicable performance commitment levels cannot reliably be derived by taking the upper quartile of the forecasts of future industry upper quartile performance that companies included in their Business Plans.</p>	<p>flooding events; there are many flooding events that do not coincide with rainfall events and vice versa.</p> <p>On balance, we consider that the evidence the company provides in the Met Office report is not sufficient or convincing to apply operating circumstances to the company's performance commitment levels.</p> <p>The company indicates that the draft determination fails to recognise the connection between blockages and rainfall, it provides a chart to show the trend, however there are drier months (e.g. April and May) when the number of 'other causes' (mostly blockages) appears high also. This relationship is not clear; drier periods can impact flooding as well as wet due to the impact of dried material in sewers. The management of blockages is somewhat within management control through targeting jetting and surveying. The company also fails to recognise it has the worst blockage performance in the sector.</p> <p>Our assessment of the company's past 2017-2018 performance level and its forecast performance levels (2018-2019 and 2019-2020) determines that the company's performance on internal sewer flooding is in line with other companies and does not suggest the company to be an outlier on this performance commitment level.</p> <p>In line with our PR19 sewer flooding guidance, severe weather events are included in the performance commitment definition for all companies, so this is reflected in the forecast upper quartile.</p> <p>On balance, the evidence the company provides is not sufficient or convincing to support its proposal and we can identify no other reason why we should make a change.</p>	
<p>Internal sewer flooding</p> <p>PR19WSH_Rt1</p>	<p>ODI rates</p>	<p>We intervened to set the outperformance rate by re-triangulating across the company's willingness to pay values, the lower bound of the industry average, as defined by the reasonable range set out in PR19 draft determinations: Delivering outcomes for</p>	<p>The company disagrees with our interventions based on our assessment that its proposed rates were significantly below the industry average. It states its customers do not want large financial incentives on ODIs. The company states the following changes should be made to our draft determination calculation:</p>	<p>Change for the final determination.</p> <p>We calculated our draft determination outperformance intervention by triangulating equally across the Initial Assessment of Plans (IAP) reasonable range lower bound (£2.9m), the equivalent 2015-20 rate for the company (£9m) and the company's willingness to pay value (£1.8m per incident per 10,000 connections). The underperformance rate is calculated</p>	<p>We change the outperformance payment rate to £4.273m and the underperformance payment rate to -£4.273m per incident per 10,000 connections.</p>

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		<p>customers policy appendix', and the company's equivalent 2015-20 outcome delivery incentive rate. We intervened to set the outperformance rate at the underperformance rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' September 2018 business plans</p>	<ol style="list-style-type: none"> 1. Its Measures of Service customer valuation (£0.8m) to be included in the calculation 2. The 2015-20 rate to be adjusted downward to reflect that we are no longer using deadbands for this performance commitment 3. A reweighting across the triangulation (40% PR19 reasonable range, 10% PR14, 40% Measures of Service research, 10% willingness to pay research) 4. Using the same approach for the underperformance rate, rather than the 1.2 multiplier. 5. The company also proposes a different value for the lower bound of the reasonable range. It is not clear how it has calculated the alternative value and it does not provide any explanation for the figure. <p>It proposes new rates based on amendments to the values and weightings used in our triangulation:</p> <ul style="list-style-type: none"> • Under: -£3.64m per incident per 10,000 connections • Out: £2.44m per incident per 10,000 connections. 	<p>by multiplying this by 1.2. This gives an outperformance rate of £4.57m and an underperformance rate of -£5.48m.</p> <p>The result of the company's proposed changes is an outperformance rate of £2.44m and an underperformance rate of -£3.64m per incident per 10,000 connections. Taking each statement in turn:</p> <ol style="list-style-type: none"> 1. We agree that the company's measures of service customer research valuation should be included in the calculation of the company value to include in triangulation, as we did not identify any issues with this research. 2. We do not consider that the 2015-20 rates require adjustment. The rate applies to an incremental change in performance, it is only the range over which the performance incurs the underperformance payment that differs. In the interests of simplicity, we also do not adjust the 2015-20 rate for inflation. 3. The company proposes using the average of its research and the other values. It is not clear why this split is preferable to the draft determination weighting. It cites 'expert judgement' for its weighting between its two types of research, though does not give further explanation. It proposes the relatively low weight for the 2015-20 value on the grounds that the PR19 work is more recent and the framework has changed. Whilst we agree that the second research source should be included (see point 1), we do not consider the other arguments to be sufficient for changing the weighting. The two pieces of research are both valid data points with no strong reason to prefer one over the other. Our methodology at draft determination treated 2015-20 values as having equal weighting to other values used in the triangulation, as there is no strong evidence that customers have changed their underlying views on the value of services in recent years. 4. We do not consider amending the approach to the underperformance rate to be necessary. The company does not present any evidence that our use of the 1.2 multiplier is inappropriate. The multiplier is based on underlying customer preferences and reflects the ratio of under/outperformance rates proposed by companies in September 2018 business plans for customer facing performance commitments. 	

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
				<p>5. The company's alternative calculation of the lower bound of the reasonable range is not transparent.</p> <p>We amend the company's PR19 research value to £1.3m (a 50% weighting of each of the two research values) for our triangulation. We also update our normalised lower bound to reflect data updates, raising it to £3.5m. The changes result in an outperformance payment of £4.273m/ incident per 10,000 connections.</p> <p>When considering the performance commitment package as a whole, we consider whether the balance of incentives for particular performance commitments is appropriate at both an industry and company level. We set all companies' underperformance rates symmetrically to outperformance rates to provide a more balanced spread of incentives and risk on internal sewer flooding. For further details on our approach to sector wide interventions on ODI rates see our 'Delivering outcomes for customers policy appendix'.</p>	
<p>Internal sewer flooding</p> <p>PR19WSH_Rt1</p>	Caps, collars and deadbands	<p>Our intervention at draft determinations was to set collar levels as follows:</p> <p>2020-21 = 3.35 2021-22 = 3.35 2022-23 = 3.35 2023-24 = 3.35 2024-25 = 3.35</p> <p>Units: incidents per 10,000 sewer connections.</p>	<p>The company states that the draft determination places a significant proportion of the financial impact of ODIs at the P10 level on three measures: supply interruptions, internal sewer flooding and external sewer flooding. It states that whilst internal sewer flooding is not itself an outlier, it is highly correlated with external sewer flooding.</p> <p>It considers that since the measure now does not exclude severe weather, an outcome of more than 315 incidents in a year would be overwhelmingly due to severe weather events, which it considers impacts its area disproportionately. In these circumstances, the incremental penalties do not provide any meaningful incentive on management and merely penalise a company for factors beyond its control.</p> <p>The company considers the presentation of new data from the Met Office evidences the disproportionately high impact of severe rainfall in its area. It proposes that the underperformance collar is changed to be in line with the original business plan</p>	<p>No change for final determination.</p> <p>As we explain in the 'Delivering outcomes for customers policy appendix' we consider that all companies should have caps and collars for internal sewer flooding. In the appendix we also explain how we set the level of caps and collars in the final determination – including the multiplier we use to set the collar.</p> <p>The company does not provide evidence that if there are more than 315 incidents it will be due to factors beyond management control, or indeed that there is any event where it is unable to reduce the risk of flooding in some way. Therefore we consider the incentive has a purpose. We comment on the Met Office data on rainfall in response to the representation on the internal and external sewer flooding performance commitment levels.</p> <p>The company provides insufficient evidence that there is a strong correlation between reported internal sewer flooding incidents and external sewer flooding incidents. While we would expect there to be a correlation between internal and external flooding, in the available consistent data we could not find a strong correlation between the reported incidents. Possibly this may be because external sewer flooding is less likely to be</p>	N/A

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			value, which was based on the P10 level of performance, derived in turn from monthly data.	reported in heavy rainfall as it is not seen to have a detrimental impact.	
Pollution Incidents PR19WSH_En3	Performance commitment definition	No intervention at draft determination on the performance commitment definition.	<p>The company is content with the definition but suggests adding some further information for clarification.</p> <p>The company proposes adding the following text to the section of the definition section 'Additional detail on measurement units'.</p> <p>'The total number of pollution incidents (Category 1 – 3 pollution incidents in England or High and Low impact incidents in Wales) in a calendar year emanating from a discharge or escape of a contaminant from a company sewerage asset affecting the water environment. This does not include incidents impacting on air or land. Incidents affecting amenity of the water environment, e.g. bathing Waters, are included. Pollution incidents from transferred/adopted private pumping stations or transferred/adopted private rising mains (transferred in 2016) will be included from 1st January 2021. Pollution incidents attributed to the clean water distribution system and water treatment works are not included in this total pollution incidents sewerage definition.</p> <p>Sewer length refers to the length of wastewater network reported in the most recent Annual Performance Report.'</p> <p>The company also proposes adding links to relevant documentation from ourselves, the Environment Agency and Natural Resources Wales to the section of the definition 'Links to relevant external documents'</p>	<p>Change for the final determination.</p> <p>We consider that the first paragraph suggested by the company is verbatim to the Environment Agency's Environmental Performance Assessment (EPA v3) guidelines, and so does not change the definition in any way.</p> <p>We consider that the sewer lengths should be aligned to the length used within the Environment Agency's Environmental Performance Assessment reporting for companies operating in England, or the Annual Performance Report for Wales.</p> <p>We consider that the links the company has suggested already form part of the guidance.</p>	<p>We add further clarification to definitional guidance by including the following text:</p> <p>'The total number of pollution incidents (Category 1 – 3 pollution incidents in England or High and Low impact incidents in Wales) in a calendar year emanating from a discharge or escape of a contaminant from a company sewerage asset affecting the water environment. This does not include incidents impacting on air or land. Incidents affecting amenity of the water environment, e.g. bathing Waters, are included. Pollution incidents from transferred/adopted private pumping stations or transferred/adopted private rising mains (transferred in 2016) will be included from 1st January 2021. Pollution incidents attributed to the clean water distribution system and water treatment works are not included in this total pollution incidents sewerage definition.</p> <p>Sewer length refers to the length of wastewater network reported within the Environment Agency's Environmental Performance Assessment for companies operating in England, or the Annual Performance Report for Wales.'</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
<p>Pollution Incidents</p> <p>PR19WSH_En3</p>	<p>Performance commitment levels</p>	<p>The intervention we made at draft determination was to set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels are:</p> <p>2020-21 = 24.51 2021-22 = 23.74 2022-23 = 23.00 2023-24 = 22.40 2024-25 = 19.50</p> <p>Units: incidents per 10,000 km of sewer.</p>	<p>The company proposes different performance commitment levels compared to the draft determination. The values are:</p> <p>2020-21 = 25 2021-22 = 24 2022-23 = 23 2023-24 = 22 2024-25 = 21</p> <p>Units: incidents per 10,000 km of sewer.</p> <p>In addition to the general methodology challenges set out above, the company provides the following representations specific to this performance commitment.</p> <p>While the company accepts that the methodology of 'normalising by km of sewers' is appropriate for public reporting, the company does not accept this methodology for the purpose of setting fair and stretching performance commitment levels across companies, and deriving an upper quartile level of performance as a benchmark. Reasons the company gives for this are; differences in companies' operating environments, the use of forecast upper quartile and deliverability vs cost allowance. The company considers that the performance commitment level should be set on the basis of the asset data available to enable an accurate comparison across companies based on a more sophisticated modelling approach. The company proposes a methodology taking into account the numbers of treatment works, pumping stations and other relevant assets, as well as length of sewer. The performance of each asset is evaluated by examining the number of pollution incidents from a given asset relative to the number of those assets.</p>	<p>No change for the determination.</p> <p>Our approach to measuring this performance commitment is aligned to the Environment Agency on the Environmental Performance Assessment and the Natural Resources Wales measures. We value consistency with the Environment Agency and Natural Resources Wales and consider normalising by km of sewers a suitable method for setting fair and stretching performance commitment levels. We understand that the Environmental Performance Assessment is currently being reviewed but is unlikely to change to a multi-asset approach, as such we consider the current definition suitable for PR19. We consider that the reporting of pollution incidents has a history, which makes it relatively transparent and easy for customers to understand. Changing the methodology will reduce transparency.</p> <p>The company indicates that the current approach favours those companies with a small number of assets and the current approach is unfavourable for those companies with a large number of assets. Other companies highlighted in the company's representation as having a relatively large asset base, specifically Anglian Water and South West Water, accept our performance commitment levels and have not made representation on our methodology at draft determination.</p> <p>The methodology the company proposes calculates performance scores by comparing the upper quartile performance commitment level of incidents and the actual number of incidents. When compared to our draft determination methodology, the methodology the company proposes indicates: improvement for four companies, deterioration for four companies and no change for two companies, when comparing 2017 pollution incident data. Our assessment on this is that the proposed methodology does not deliver better performance for the sector and the methodology is less transparent for customers to understand, as such, there are limited benefits to either the sector or customers in changing our draft determination methodology.</p> <p>Analysis of historical performance on pollution incidents across the sector indicates that foul sewers account for the largest</p>	<p>N/A</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
				<p>number of pollution incidents, we assess that this gives suitable reason to normalise with the length of sewer.</p> <p>On balance, the evidence is not convincing to support the proposal and we can identify no other reason why we should make a change.</p>	
<p>Per Capita Consumption (PCC)</p> <p>PR19WSH_En5</p>	Performance commitment levels	<p>The intervention we made at draft determination was to set the performance commitment percentage reduction levels to the following values:</p> <p>2020-21 = 1.0%</p> <p>2021-22 = 2.0%</p> <p>2022-23 = 3.0%</p> <p>2023-24 = 4.6%</p> <p>2024-25 = 6.3%</p> <p>Units: Percentage reduction from 2019-20 baseline on a three-year average basis (%).</p>	<p>The company proposes different performance commitment levels compared to the draft determination. The reduction levels are:</p> <p>2020-21 = 0.7%</p> <p>2021-22 = 1.4%</p> <p>2022-23 = 2.1%</p> <p>2023-24 = 3.4%</p> <p>2024-25 = 4.8%</p> <p>Units: percentage reduction in per capita consumption from initial level on a three-year average basis (%).</p> <p>The company considers that while its customers' per capita consumption level is greater than the industry average, it is not an outlier, and the difference is not a concern given its supply demand position.</p> <p>The company considers that while we state that 'company-specific factors are also relevant', in its case these factors have been ignored and the performance commitment level has been determined on the basis of cross industry comparison of percentage reductions. The company states it is unclear why the lack of supply demand balance deficits, except in two small supply zones, forms part of a rationale for intervening at a company level, imposing unnecessary costs on the business and its customers. The company considers that a lower level of per capita consumption does not unambiguously constitute a better outcome for customers and the environment, given that consuming water is part of the service provided to customers. The company considers that intervening simply in order to ensure 'stretching' performance</p>	<p>No change for the final determination.</p> <p>Our PR19 methodology identified comparative analysis as part of our approach to setting performance commitment levels. This is because this performance commitment measures the same performance and uses a common methodology to assess it and we consider that a comparative analysis is one of the drivers of performance improvements.</p> <p>We include company specific factors in our methodology; these include, not exclusively, the companies' own Water Resources Management Plan per capita consumption forecasts, consistency of a company's proposed levels with neighbouring or similar companies, a supply/demand position, metering penetration.</p> <p>We do not require all companies to reach the same performance level but are considering both the absolute level and percentage reduction to promote changes and assess what is a stretching performance commitment level.</p> <p>Supply-demand balance deficit is a relevant factor to take into account when setting per capita consumption levels because companies with supply-demand balance deficit issues should adopt a twin-track approach for closing the deficit, which would involve reducing per capita consumption. We therefore assume that any supply-demand balance deficit in any water resource zone in the company region will require some action from that company. We consider that the company has limited supply demand balance issues.</p> <p>We consider there are valid reasons for differences between Water Resources Management Plans and our performance commitment levels. This is because per capita consumption forecasts in Water Resources Management Plans are developed for planning purposes and are based on forecast dry year annual average demand, when demand for water is at its</p>	N/A

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			<p>commitment levels in the case of per capita consumption does not have the same validity for per capita consumption as it does for other service focused performance commitments.</p> <p>The company continues to reject appropriateness of a cross industry comparison and believes a number of significant factors, e.g. metering, should be taken into account when making comparisons with the rest of Europe.</p> <p>The company believes that there is onus on us to justify a deviation from the company's Water Resources Management Plan agreed performance commitment level, on a more robust basis than simply applying an upper quartile industry comparison.</p>	<p>highest before water use restrictions are imposed. In contrast, our per capita consumption guidance is for reporting purposes and is based on a different methodology which accounts for weather variations through annual reporting of three year average values. As such we typically expect the actual reported performance to be lower than the corresponding Water Resources Management Plan values for per capita consumption as on average not all three consecutive years will be dry years and some can reasonably be expected to be normal years. The uplift factors from a normal to dry year are considered by individual companies when developing their Water Resources Management Plans and they vary but are typically in the 1% to 5% range.</p> <p>Dŵr Cymru's uplift factor from normal to dry year is 1.8% (Water Resources Management Plan, p72). This equates to per capita consumption of 135.5 l/p/d in normal year (2024-25). Our draft determination performance commitment level is 135.9 l/p/d, we therefore consider that our performance commitment level represents a stretching performance commitment level for the company and which does not go significantly beyond its Water Resources Management Plan.</p> <p>We acknowledge that consuming water is part of the service provided to customers but companies have statutory obligations to promote water efficiency and sustainable water use practices. Overall we do not consider that there is sufficient and convincing evidence to change the performance commitment levels.</p>	
Per capita consumption PR19WSH_En5	ODI type	The intervention we made at draft determination was to set an underperformance rate at the industry average (on a normalised basis). The resulting underperformance rate was -£0.296m per litre per head per day.	The company undertook further customer engagement in April 2019 to understand its customers' views on the use of a financial incentive. The research showed that only 35% of customers thought that the company should have outperformance and underperformance financial incentives (the company did not test underperformance only). Accordingly, in its April 2019 revised business plan submission the company did not apply financial ODIs on this measure.	<p>No change for the final determination.</p> <p>We noted in the draft determination that the company does not provide the underlying detail for the customer research, and intervened to set the ODI type to financial underperformance only incentives. Whilst the company remains of the view that financial ODIs are not appropriate for per capita consumption, it accepts our draft determination on this point. The company does not provide new evidence that would support us changing our position.</p>	N/A
Per capita consumption PR19WSH_En5	ODI rate	We intervened at draft determination to set the underperformance rate at the industry average of -£0.296m as	The company disagrees with the financial incentive we applied (it originally proposed a non-financial incentive). It proposes to set the underperformance rate at our reasonable range lower bound (-£0.135m	Change for the final determination.	We set an underperformance rate of -£0.135m per litre per person per day.

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		the company did not propose a financial ODI.	<p>per unit). It states that there is little customer support for this measure and the less relevant supply-demand issue in its area compared to most other companies.</p> <p>The company challenges our concern that it is a 'comparatively poor performer', stating that this is not relevant, as a lower level of water consumption does not unambiguously equate to improved customer outcomes.</p>	<p>At draft determination the company was judged to have minor supply-demand balance issues (localised to one zone).</p> <p>We consider that the company's arguments about its lack of supply-demand balance issue and the benefits of reducing water consumption does suggest a lower customer marginal benefit from performance improvements for the company compared to some others. Dŵr Cymru's underperformance rate (normalised) now ranks fourth highest. This could be considered disproportionate given that the reason it did not propose a rate was due to its low customer research in favour of financial incentives.</p> <p>We therefore consider it appropriate to set the rate at the lower bound of our September industry reasonable range.</p>	
<p>Risk of sewer flooding in a storm</p> <p>PR19WSH_Ft2</p>	Performance commitment levels	<p>At draft determination we intervened to set out that the company should confirm that it is:</p> <ul style="list-style-type: none"> (i) using the updated parameters in the catchment vulnerability assessment (and setting out any additional criteria that it intends to use); (ii) reporting the extent to which it uses 2D or simpler modelling; and (iii) adopting FEH13 rainfall as standard, and if not, when it expects to do so. 	<p>The company provides additional clarification and information:</p> <ul style="list-style-type: none"> (i) It confirms it is adopting our vulnerability criteria. (ii) The company will incorporate FEH13 over the 2020-25 period on a rolling basis as it updates models for greater efficiency. (iii) It is using the simpler 2D approach for all modelled catchments (but many smaller catchments are not modelled). 	<p>No change for the final determination.</p> <p>The company provides sufficient evidence to demonstrate it intends to have a high model coverage by the start of the 2020-25 period, which we consider is likely to have involved significant effort given the company's previously reported model coverage was around 40%. We welcome the improved model coverage in readiness for the 2020-25 period and accept the downward risk profile in this context. The company provides sufficient information as requested and its approach appears in line with the guidance therefore we retain the draft determination performance commitment levels.</p>	N/A
<p>Sewer flooding on customer property (external)</p> <p>PR19WSH_Rt2</p>	Performance commitment levels	<p>The intervention we made at draft determination was to set performance commitment levels, based on the industry upper quartile percentage improvements. These were as follows:</p> <p>2020-21 = 26.70 2021-22 = 25.29</p>	<p>The company proposes different performance commitment levels compared to the draft determination. The values are:</p> <p>2020-21 = 27.50 2021-22 = 26.90 2022-23 = 26.30 2023-24 = 25.70 2024-25 = 25.10</p>	<p>No change for the final determination.</p> <p>The company provides a new Met Office Report to evidence its claim of company specific differences (similar to internal sewer flooding). While the report indicates that the company generally experiences the wettest conditions in England and Wales, our assessment of the report separates the companies into two cohorts; one cohort is Dŵr Cymru, United Utilities and South West Water, the other cohort is all other companies. Based on the rainfall data presented, we consider that these three companies experience similar conditions. South West Water</p>	NA

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
		<p>2022-23 = 23.89 2023-24 = 22.48 2024-25 = 21.08</p> <p>Units: incidents per 10,000 sewer connections.</p>	<p>Units: incidents per 10,000 sewer connections.</p> <p>The company provides evidence to demonstrate that it has higher than average rainfall in its area, which it states impacts external sewer flooding from 'other causes' and 'hydraulic overload'. In its representation, the company explains that 'other causes' incidents are often attributable to partial blockages which do not lead to flooding in dry weather but do result in an incident in rainy weather. The company states that we did not consider the impact of rainfall on 'other causes' incidents, e.g. blockages. See Internal sewer flooding in this table for more detail on the additional evidence provided.</p>	<p>proposes a stretching improvement of 37.9% (based on a 2019-20 baseline) and United Utilities proposes a 2024-25 performance commitment level of 10.11 incidents per 10,000 sewer connections, compared with the upper quartile value of 14.55 incidents per 10,000 sewer connections. As such this does not support the company's position.</p> <p>The report seeks to identify what triggers sewer flooding incidents for the company. The report finds that 2-day rainfall totals exceeding 20mm are likely to trigger events, so this is the analysis that is presented. However, for higher thresholds (30mm, 40mm) the evidence seems less convincing and the report summarises that overall it is difficult to identify a correlation between monthly rainfall and monthly totals of flooding events; there are many flooding events that do not coincide with rainfall events and vice versa.</p> <p>The company indicates that the draft determination fails to recognise the connection between blockages and rainfall, it provides a chart to show the trend. However there are drier months (e.g. April and May) when the number of 'other causes' (mostly blockages) appears high also. This relationship is not clear; drier periods can impact flooding as well as wet due to the impact of dried material in sewers. The management of blockages is somewhat within management control through targeting jetting and surveying. The company also fails to recognise it has the worst blockage performance in the sector.</p> <p>We consider that the evidence the company provides in the Met Office report is not sufficient or convincing to apply operating circumstances to the company's performance commitment levels.</p> <p>While severe weather events are included in the performance commitment definition, as outlined in our assessment of evidence above, the company does not provide sufficient convincing evidence to support that the company is disadvantaged because of this.</p> <p>On balance, the evidence the company provides is not sufficient or convincing to support its proposal and we can identify no other reason why we should make a change.</p>	

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<p>Sewer flooding on customer property (external)</p> <p>PR19WSH_Rt2</p>	<p>ODI rates</p>	<p>We intervened at draft determination due the company's poor performance and because the company's proposed ODI rate was outside of the reasonable range without a convincing explanation. We set an outperformance rate of £1.051m and an underperformance rate of -£1.261m per incident per 10,000 connections.</p>	<p>The company disagrees with our intervention on its rates, arguing that our underperformance and outperformance rates are substantially higher than its willingness to pay values.</p> <p>The company states that internal sewer flooding is highly correlated with external sewer flooding. These two ODIs currently have the second and third largest potential ODI underperformance payment associated with them. This puts a disproportionate incentive on these measures relative to the other performance commitments that are of equal or higher level of importance to customers. It states that these two measures are also significantly influenced by incidents of heavy rainfall which is beyond management control and which the new Met Office data supplied in its draft determination responses has a disproportionate impact in its area.</p> <p>The company provides revised rates based on its approach:</p> <p>Under: -£0.52m per unit</p> <p>Out: £0.37m per unit</p> <p>The company notes an error in the information provided in the Initial Assessment of Plans which it corrects in the representation.</p>	<p>Change for the final determination.</p> <p>Whilst we note that customers have additional priorities, we consider sewer flooding to be a high priority for customers and hence important to appropriately incentivise. We note that the company's performance is broadly in line with the industry on internal sewer flooding in the 2015-20 period. We note that its external sewer flooding performance is poor compared to the rest of the industry, and its forecast improvement for 2020-25 is comparatively poor (and so it continues to fail the performance test set out in the 'Delivering outcomes for customers policy appendix' for customer facing comparable performance commitments). The company does not provide any additional explanation as to why its customers' valuations deviate so far from the industry average (and so it continues to fail the 'horizontal' tests as set out in the 'Delivering outcomes for customers policy appendix' for customer facing comparable performance commitments). We also note that the company does not provide any direct arguments against our use of the ratio between its customer valuations of internal and external sewer flooding to set external sewer flooding ODI rates. It is hence not clear why its proposed alternative use of triangulation is appropriate.</p> <p>However, we accept the company including its Measure of Service research in our triangulation for internal sewer flooding. To be consistent, we also include this research when taking the marginal benefits ratio between internal and external sewer flooding. This changes the ratio between the values placed on the two performance commitments by the company's customers from 0.2297 to 0.24296. We also change the internal sewer flooding outperformance rate to £4.27m.</p> <p>We consider the company's ODI package as a whole and whether the balance of particular performance commitments is appropriate at a company level. We consider that this performance commitment is an outlier compared to the wider industry and the company's wider package of ODIs. We therefore change our triangulation approach for final determination to include the industry lower bound of the reasonable range when setting the company's outperformance rate. We set the underperformance rate at a multiple of 1.2 of the outperformance rate.</p>	<p>We change the outperformance payment rate to £0.750m per incident per 10,000 connections, and the underperformance rate to -£0.899m per incident per 10,000 connections.</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
<p>Sewer flooding on customer property (external)</p> <p>PR19WSH_Rt2</p>	Caps, collars and deadbands.	<p>Our intervention at draft determination was to set collar levels as follows:</p> <p>2020-21 = 40.05 2021-22 = 40.05 2022-23 = 40.05 2023-24 = 40.05 2024-25 = 40.05</p> <p>Units: incidents per 10,000 sewer connections.</p>	<p>The company states that the draft determination places a significant proportion of the financial impact of ODIs at the P10 level on three measures: supply interruptions, internal sewer flooding and external sewer flooding. The draft determination ODI package places the second largest financial incentive on external sewer flooding, which is considered as only of medium importance to customers in our customer engagement.</p> <p>It considers that since the measure now does not exclude severe weather, an outcome of more than 315 incidents in a year would be overwhelmingly due to severe weather events, which it considers impacts its area disproportionately. In these circumstances, the incremental penalties do not provide any meaningful incentive on management and merely penalise a company for factors beyond its control.</p> <p>It considers the presentation of new data from the Met Office evidences the disproportionately high impact of severe rainfall in its area. It proposes that the underperformance collar is changed to be in line with the original business plan value, which was based on the P10 level of performance, derived in turn from monthly data.</p>	<p>No change for final determination.</p> <p>As we explain in the 'Delivering outcomes for customers policy appendix' we consider that all companies should have caps and collars for external sewer flooding. In the appendix we also explain how we set the level of caps and collars in the final determination – including the multiplier we use to set the collar.</p> <p>The company does not provide evidence that if there are more than 4447 incidents it will be due to factors beyond management control, or indeed that there is any event where it is unable to reduce the risk of flooding in some way. Therefore we consider the incentive has a purpose. We comment on the Met Office data in response to the representation on the sewer flooding performance level.</p> <p>The company does not provide sufficient evidence that there is a strong correlation between reported internal sewer flooding incidents and external sewer flooding incidents. While we would expect there to be a correlation between internal and external flooding, in the available consistent data we could not find a strong correlation between the reported incidents. Possibly this may be because external sewer flooding is less likely to be reported in heavy rainfall as it is not seen to have a detrimental impact.</p>	N/A
<p>Lead pipes replaced</p> <p>PR19WSH_Wt8</p>	Performance commitment definition	The intervention we made at draft determination was to include an expectation on the company to report and monitor customer refusals in the definition of this performance commitment.	<p>The company proposes a minor wording change to clarify the definition of this performance commitment. The performance commitment definition at draft determination states:</p> <p>'The company owned communication pipe and customer owned supply pipe are not counted separately. Both pipes need to be replaced to count towards this measure. Only in the case where the company can demonstrate that customers have refused to have their supply pipes changed can the replacement of a communication pipe alone at a property count towards this measure.'</p> <p>The company states that replacement of communication pipes has been more widespread</p>	<p>Change for the final determination.</p> <p>We note that the proposed change does not have any impact on the performance commitment cost allowance. The company has in fact reduced its requested cost to match our allowance at draft determination.</p> <p>We note that the proposed revision increases the applicability of the definition to cases where communication pipes have already been replaced under a separate programme.</p>	We change the wording of the performance commitment definition.

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			<p>than replacement of supply pipes. As a result, it anticipates cases where only supply pipes are replaced as communication pipes have already been replaced. It is noted that where communications pipes are identified to be lead-based, these will be replaced. Accordingly, the company proposes to alter the wording of the definition to state:</p> <p>‘The company owned communication pipe and customer owned supply pipe are not counted separately. Where both the supply pipe and the communications pipe are replaced, this will count as one replacement, not two.</p> <p>For communication pipe only replacements: only in the case where the company can demonstrate that customers have refused to have their supply pipes changed, or where the customer supply pipe has been identified as not being made of lead, can the replacement of a communication pipe alone at a property count towards this measure.</p> <p>For supply pipe only replacements: Only in the case where the company can demonstrate that the communication pipe is not made of lead can the replacement of a supply pipe alone at a property count towards this measure.’</p>		
<p>Total complaints PR19WSH_Rt4</p>	<p>Performance commitment definition and levels</p>	<p>Our intervention at draft determination was to set our definition to align with CCWater’s definition.</p>	<p>The company agrees with our decision at draft determination to set the definition to align with the CCWater definition. However, it proposes two changes.</p> <p>Firstly, the company states that the definition should be updated to reflect the latest 2019-20 CCWater definition, rather than the 2018-19 definition for which we have historical information. The company states this would exclude unwanted contacts which it states are not ‘complaints’ and instead are any telephone contact not invited by the company. The company states that the number of minor ‘unwanted contacts’ will swamp the level of genuine complaints</p>	<p>Change for the final determination.</p> <p>We agree that aligning the definition to the latest 2019-20 CCWater definition is desirable and clearer for customers.</p> <p>A change in definition limits the extent to which we can use historical data to set stretching performance commitment levels for this performance commitment. Without comparative information to be confident that the performance commitments are stretching it would not be in customers interests to allow outperformance payments that might just be for ‘doing the day job’.</p> <p>The company does not clearly explain how it has calculated the 66% proportion used to adjust historical data to remove</p>	<p>We revise the performance commitment definition to align with the new CCWater definition. We also change the level of stretch to be upper quartile based on the previous years data, as keeping to one definition will provide greater transparency for customers and having a dynamic performance commitment level addresses the lack of historical data and ensures it is stretching so that any outperformance will be for clear benefits to customers.</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			<p>from customers, rendering the performance commitment largely meaningless.</p> <p>Secondly, the company states that since water and sewerage companies are providers of two services whilst water only companies are providers of only one service, water and sewerage companies will attract more complaints per property and that we should take account of this when calculating upper quartile performance. The company considers that we should normalise per service rather than per connection.</p> <p>The company suggests that performance commitments that deliver a 10% improvement from its current level under this revised definition would be more stretching than if we set a measure using a similar approach to draft determinations, but took into account the number of services. In completing this comparison it has increased the industry upper quartile by 85% reflecting the number of its customers that receive two services and further adjusted by 66%, reflecting the proportion of unwanted contacts in the most recent year's data.</p>	<p>unwanted contacts and if this is based on its own or industry data.</p> <p>We instead propose to set levels similar to Bristol Water's proposed performance commitment that includes dynamic upper quartile performance commitment levels based on industry reporting in the previous year which addresses the problem of the lack of historical information. Dynamic upper quartile refers to setting performance commitment levels in terms of the upper quartile of published information, making it a dynamic measure.</p> <p>We consider that setting the performance commitment levels as the upper quartile based on the previous year's data will address the issues that we have with the company proposal and provide stretching performance that will warrant outperformance payments if exceeded.</p> <p>We do not agree that a company offering two services will double the number of complaints as the majority of customer contacts are for billing that uses the same underlying data to calculate bills for both services. This is consistent with the CCWater metric which is on a per connected property basis. There is no systematic bias in water only companies doing better than water and sewerage companies and we consider no basis to make an adjustment.</p> <p>We consider that the company provides sufficient and convincing evidence to change the definition to align with the 2019-20 CCWater definition, but we are changing how we set performance commitment levels to overcome the lack of past data.</p>	<p>We change the performance commitment levels on this performance commitment to equal the upper quartile of the previous year's data.</p>
<p>Asset resilience PR19WSH_Ft5-9</p>	<p>Performance commitment definition</p>	<p>Our intervention at draft determination was to amend the access scoring criteria, setting the highest level of resilience as having a plan to access a given site within one hour in all circumstances.</p>	<p>The company states that it cannot accept the amendment proposed by us relating to its access scoring criteria. The company states that, due to the rural nature of its operating area, there are many locations that cannot be accessed within an hour (particularly reservoir assets).</p> <p>The company states that it would not be able to reach its long-term performance commitment levels without unnecessarily relocating operators, which it states would be highly inefficient. The company proposes that the water (below ground) access</p>	<p>Change for the final determination.</p> <p>We were concerned that in the company's initial representation it did not include sufficient customer protection in the proposed access scoring criteria. The company's revised scoring criteria, following our discussions, address this by including the condition that 'there is sufficient mitigation within the network or at the asset to prevent customer service failure'.</p> <p>We consider that the company provides sufficient and convincing evidence for us to update the scoring criteria for this performance commitment.</p>	<p>We revise the scoring criteria to that suggested by the company.</p>

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			<p>resilience criteria is set to its original proposal. The company said that the original proposal would be consistent with waste (below ground), which was not changed in the draft determination.</p> <p>It proposes revised criteria for its three other performance commitments:</p> <ul style="list-style-type: none"> • Reservoirs; • Water (above ground); and • Waste (above ground). <p>This is that it significantly increases the time it can reach its assets and access scoring criteria can be assessed with a high percentage – that is good resilience.</p> <p>It subsequently provides revised criteria following discussion.</p>		
<p>Asset resilience PR19WSH_Ft5-9</p>	<p>Performance commitment definition</p>	<p>No intervention at draft determination.</p>	<p>The company makes the following minor comments on the performance commitment definitions:</p> <ul style="list-style-type: none"> • Ft5 – Asset resilience (reservoirs): In all but one of the definitions the statement 'Critical assets are reviewed on an annual basis and added/removed from the list if they meet/do not meet the criteria.' The company requests that this is also included in the definition relating to reservoirs. • Ft8 - Asset resilience (waste network + above ground): The Security and Emergency Measures Direction criteria are missing the statement '0% is applied if the site fails to meet any of these criteria.' • Ft9 - Asset resilience (waste network + below ground): The criteria for control resilience are missing from the table. 	<p>Change for the final determination.</p> <p>We make these corrections as the company proposes.</p>	<p>We revise the performance commitment definitions as per the company's proposed revisions.</p>
<p>Asset resilience</p>	<p>ODI type</p>	<p>Our intervention at draft determination was to set all five asset resilience performance</p>	<p>The company states that removing financial incentives due to concerns around the need to prove the measures and around the need for</p>	<p>No change for the final determination.</p>	<p>N/A</p>

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PR19WSH_Ft5-9		commitments to reputational outcome delivery incentives (ODIs), with no financial incentives. We have also removed from the scoring some elements for which the criteria was unclear and made changes to other aspects to increase the clarity of the measurement.	<p>transparency and external assurance are not justified. The company states the new measures are disaggregated versions of the current 2015-20 measures.</p> <p>The company states that it has shown it is able to report robustly and transparently on these measures.</p> <p>The company also states that it believes that the customer views on the asset resilience measures as a whole can be applied to individual measures and therefore its customer research is sufficient to retain financial ODIs on these measures.</p>	<p>Our approach to PR19 recognised that some performance commitments that were set at PR14 were not sufficiently transparent. While the company has reported against this measure the PR14 definition does not provide a basis for us to challenge how the company reports on this performance commitment. We are reliant on the company assurance process implementing what was set out in its business plan.</p> <p>The difficulty of assessing stretching performance levels is emphasised by the error identified in the level of stretch for water network + below ground resilience performance commitment. As such, there is a risk to allowing financial incentives for a performance commitment that could conceivably not be as stretching as we would generally expect for a performance commitment for the 2020-25 period.</p> <p>The company does not provide any additional evidence of customer support for financial payments on this specific performance commitment.</p> <p>We do not consider that the company provides sufficient and convincing evidence for us to restore the financial ODI. We maintain the outcome delivery incentive type as reputational.</p>	
<p>Asset resilience (water network + below ground)</p> <p>PR19WSH_Ft7</p>	Performance commitment level	No intervention at draft determination.	<p>The company states that it has identified an error in its calculation of business plan performance commitment levels for its asset resilience (water network + below ground) measure. The company proposes new performance commitment levels for each year to correct for this error. The original and revised performance commitment levels are:</p> <p>2020-21 = 68 2021-22 = 68 2022-23 = 70 2023-24 = 71 2024-25 = 73</p> <p>Units: Percentage (%), score averaged across critical assets in the area.</p>	<p>Change for the final determination.</p> <p>The company states that it has identified an error in its calculation of its business plan performance commitment levels, however does not provide any detail about the error or how it has corrected it. The company sets out new performance commitment levels that are more stretching than its performance commitment levels in its draft determination.</p> <p>We revise the performance commitment levels at the levels proposed in the company representation as they are more stretching than those in the draft determination.</p>	<p>We revise the performance commitment levels as follows:</p> <p>2020-21 = 68 2021-22 = 68 2022-23 = 70 2023-24 = 71 2024-25 = 73</p> <p>Units: Percentage (%), score averaged across critical assets in the area</p>

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<p>Worst served customers (water)</p> <p>PR19WSH_Rt5</p>	<p>Performance commitment definition and level</p>	<p>At draft determination we intervened to set the performance commitment definition to 'properties that have had their water supply repeatedly interrupted over a three year period'. We did not change the performance commitment levels proposed by the company.</p>	<p>The company states that the performance commitment definition of 'properties that have had their water supply repeatedly interrupted over a three year period' in the draft determination has an impact on its view of performance commitment levels. The company states that the change in definition approximately doubles the number of customers counted in this measure.</p> <p>The company proposes to either revert to its original definition or revise its performance commitment levels. The company does not initially provide revised performance levels and states that it needs more time to robustly calculate the applicable performance commitment level. In response to a query from us regarding the performance commitment definition and its proposed performance commitment levels, the company provided the key points set out in the paragraphs below.</p> <p>The company points out differences between the 2015-20 definition and the PR19 definition to make the case that a continuation of 2015-20 definition (as we had intended, which is stated in the query) is not appropriate. It is noted that the 2015-20 definition was based on number of customers who contact the company about interruptions, whereas the PR19 measure is based on all customers affected by interruptions. This will include affected customers who do not contact the company (for example, because neighbours have already made contact). Although this increases the number of customers captured in this performance commitment, the company states that this is a more appropriate definition of worst served customers.</p> <p>The company notes that it cannot provide historical information as its method of data reporting changed to a more detailed approach in 2016. As this is from 3 years ago, the company can only report the current position of the register.</p>	<p>Change for the final determination.</p> <p>We agree with the company's position that the PR19 definition for worst served customers is more appropriate than the 2015-20 performance commitment definition, which only captured customers that contacted the company regarding supply interruptions. We note that, based on this, the draft determination definition is not a continuation of the 2015-20 definition. We also agree that the change in definition is likely to have an impact on the performance commitment levels.</p> <p>We consider that the company provides sufficient and convincing evidence for us to update the performance commitment levels (rather than revert to the original performance commitment definition), based on the definition we set at draft determination.</p>	<p>We revise the performance commitment levels for the performance commitment following the company's representation:</p> <p>2020-21 = 2,148 2021-22 = 2,025 2022-23 = 1,901 2023-24 = 1,778 2024-25 = 1,654</p> <p>Unit: Number of properties</p>

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			<p>The revised performance commitment limits proposed by the company based on the performance commitment definition we set in our draft determination are:</p> <p>2020-21 = 2148 2021-22 = 2025 2022-23 = 1901 2023-24 = 1778 2024-25 = 1654</p> <p>Unit: Number of properties who have had their water supply repeatedly interrupted over a three year period.</p>		
<p>Worst served customers (wastewater)</p> <p>PR19WSH_Rt6</p>	<p>Performance commitment definition</p>	<p>At draft determination we updated the definition to include the following clause: 'The modelling assumptions and standards used for this measure will be at least compliant with the latest CIWEM Urban Drainage Group (UDG) Code of Practice for the Hydraulic Modelling of Urban Drainage Systems and for the representation of antecedent conditions, the CIWEM UDG (2016) Rainfall Guide. Model runs will be at least 1, 5, 10, 20, 30 and 50 years and include relevant durations including at least 60 and 1440 minutes. Runs will be completed for both summer and winter scenario.'</p>	<p>The company proposes two changes to its definition from draft determination.</p> <p>The company states that the current definition would require it to undertake hydraulic modelling for any downgrading of flood risk and that this is not always required since the performance commitment also includes flooding due to other causes. It also states that while model runs for higher return periods would be used in scheme design, they would not be required to verify hydraulic protection above a five year standard.</p> <p>The company also states that the current definition in relation to the requirements for the downgrading of risk only allow it to downgrade risk through physical schemes. It states there are other mechanisms whereby properties can be downgraded in risk, for example through better information (investigations) or being 'timed out' (if the property has not flooded for 11 years). The company states that removing only through physical schemes risks incentivising the delivery of nominal schemes that are not required in order to achieve performance commitment levels.</p>	<p>Change for the final determination.</p> <p>The purpose of our intervention was to implement a common standard for hydraulic modelling. Downgrading risk through physical schemes only was a requirement we had on a similar performance commitments elsewhere and was carried across for consistency. However, we recognise that in this case, including timing out and better information for downgrading risk are appropriate options.</p> <p>The company provides a convincing argument that the full modelling requirements, as defined by the performance commitment, may not be suitable for all circumstances.</p> <p>We note that there is a precedent for downgrading risk based on better information (June Return 2011 reporting requirements). We agree that this is an appropriate option for: Properties recorded as being at active risk of flooding internally due to hydraulic overload in the 2-in-10 year risk category; and properties recorded as being of active risk of Serious External Flooding due to hydraulic overload in the 2-in-10 year risk category.</p> <p>The company's proposal to remove properties that have not met the criteria for worst served customers in a period of over ten years is compliant with the performance commitment definition and consistent with our approach for the worst served customers (water) performance commitment. Downgrading of risk through</p>	<p>We revise the performance commitment definition to remove the 20, 30, and 50 year scenarios from the modelling requirements. We also revise the definition to make clear that better information and timing out are appropriate methods for downgrading risk.</p>

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				<p>timing out will only apply to: properties which have flooded internally more than once in the ten years prior to 31 March in the reporting year due to 'other causes'; properties which have suffered, on average, more than one Serious External Flooding due to 'other causes' in the three years prior to 31 March in the reporting year.</p> <p>We do not consider the company's proposed wording for the modelling requirements to be appropriate as we have not seen the modelling specifications to which it refers.</p> <p>We consider that the company provides sufficient and convincing evidence that 20, 30, and 50 year scenarios are not appropriate as they are not relevant to identifying worst served customers, as defined in this performance commitment (properties recorded as being at active risk of flooding internally due to hydraulic overload in the 2-in-10 year risk category, properties recorded as being at active risk of Serious External Flooding due to hydraulic overload in the 2-in-10 year risk category).</p>	
<p>Water catchments improved</p> <p>PR19WSH_Wt7</p>	<p>Performance commitment level.</p>	<p>Our intervention at draft determination was to set performance commitment levels to:</p> <p>2020-21 = 22 2021-22 = 21 2022-23 = 20 2023-24 = 19 2024-25 = 18</p> <p>Units: Number of water treatment works.</p>	<p>The company states that the intervention to change its performance commitment level profile is inappropriate. The company states that while it measures progress each year, the definition of the commitment is tied to the regulatory designation of safeguard zones which is lengthier. The company states that the timetable it sets out shows that although it will be working in several catchments at once, the formal sign-off that benefits have been delivered and safeguard zone status can be removed will take until the final year of the period. The timetable provided is:</p> <p>Year 1 & 2: Identify and agree catchment measures and develop the action plans.</p> <p>Year 3 - 5: Deliver actions (annual review of progress against measures, undertaken in Q4 of each year). Measure benefits (recognising that there is usually a lag between delivery and environmental improvement).</p>	<p>Change for the final determination.</p> <p>The company's timetable for complying with the regulatory requirements for delivering actions and obtaining formal sign-off indicates that removal of safeguard zone status is a multi-year process. Based on this, we agree that performance commitment levels for equal improvement each year are not appropriate.</p> <p>We consider that the company provides sufficient and convincing evidence for us to revise the delivery profile for this performance commitment.</p>	<p>We revise the performance commitment levels to:</p> <p>2020-21 = 23 2021-22 = 23 2022-23 = 23 2023-24 = 23 2024-25 = 18</p> <p>Units: Number of water treatment works.</p> <p>As a result of this change we also update the performance commitment definition, see table 3.</p>

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			<p>Year 5/End of 2025: Sign-off of schemes as 'completed'.</p> <p>The proposed performance commitment levels are:</p> <p>2020-21 = 23 2021-22 = 23 2022-23 = 23 2023-24 = 23 2024-25 = 18</p> <p>Units: Number of water treatment works.</p>		
<p>Visitors to recreational facilities</p> <p>PR19WSH_Ft11</p>	<p>ODI type and rate</p>	<p>Our decision to intervene at draft determination was to change the ODI type to reputational.</p>	<p>The company does not agree with our decision to change the outcome delivery incentive type to reputational. The company states that its customer research showed a strong level of support for the use of financial incentives for this performance commitment. It maintains its position that a financial ODI should be used for this measure.</p> <p>The company maintains its position on the size of its under/outperformance payments (£4m over five years). It states that, relative to other performance commitments, it is appropriate given the relative level of customer support on this measure.</p> <p>The company proposes the following ODI rates:</p> <p>Underperformance rate: -0.000002 £/unit</p> <p>Outperformance rate: 0.000002 £/unit</p>	<p>Change for the final determination.</p> <p>As set out in the methodology outperformance payments are only appropriate if the company can demonstrate the three relevant tests are met.</p> <p>Assessing the company's representation for each component of the tests:</p> <p>The company provides sufficient and convincing evidence that the current commitment is stretching. In particular, the company is anticipating an increase in the number of children and adults attending company's visitor centre from the forecast 2019-20 level of 480,000 to 830,000 by 2024-25. This is an increase of more than 70% which is a strong indication that the company is carrying out more than the 'day job'.</p> <p>For our final determinations we make an allowance of £5m for the company to deliver a visitor centre. We make this allowance because we consider that the company's representation and subsequent discussions demonstrates that the project has a significant public value. We consider that there are clear benefits to customers for improved performance in the number of visitors to recreational facilities.</p> <p>Finally, the company states that the customer research indicates that a financial ODI should be used for this measure. Although the customer research ranks this performance commitment one of the lowest in term of importance for having underperformance and outperformance payments, it indicates an average score of</p>	<p>We change the ODI type from non-financial to financial.</p> <p>We set the underperformance payment rate to -£0.000002m per person, and the outperformance payment rate to £0.000001m per person.</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
				<p>6.04 out of 10 for customer support for outperformance and underperformance payments, which demonstrate the existence of some support. Further, 59% of customers gave a score of 6 or above in terms of importance of performance commitment having a financial reward. Overall, we consider that the customer research does show support for financial incentives for this performance commitment.</p> <p>Given the above we consider that the company passes each of the three components of the relevant test for financial incentives. Therefore, we consider that the company should be allowed to have financial under/out performance incentives.</p> <p>However, though we consider that the company's proposed ODI underperformance rates are reasonable, we apply 50% cost sharing ratio to the outperformance rate in line with the approach set out in our methodology that the cost sharing rate should be applied to the marginal benefit.</p>	
<p>Community education PR19WSH_Ft10</p>	<p>ODI type and ODI rates.</p>	<p>At draft determination we intervened to change the ODI type to non-financial.</p>	<p>The company does not agree with our decision to change the ODI type to non-financial. The company states that it has commissioned a report from SIA partners to estimate the material benefits of customer education that concludes that the programme has a net present social value of £2m over the 2020-25 period. The company states on the basis of this finding, and its other customer research, that there is clear value to customers and therefore a financial incentive is appropriate, and it proposes to reinstate its out and underperformance rates.</p>	<p>Change for the final determination.</p> <p>As set out in the PR19 methodology, outperformance payments are only appropriate if the company can demonstrate the three relevant tests are met.</p> <p>Assessing the company's representation for each component of the tests:</p> <p>The company provides convincing and sufficient evidence that under the current commitments the company is sufficiently stretching. The company is anticipating an increase in the number of children and adults attending the educational programmes from the current level of 67,000 to 75,000 by 2024-2025 is stretching. This will result in 8,000 additional children and adults in 2024-2025 attending the event and an increase of around 12% from the current level. We consider that this shows the company is ensuring to put effort in expanding the community education programs.</p> <p>The company provides evidence on the benefits to customers from improved performance. In particular, the company commissioned a report from SIA partners to estimate the material benefits of customer education. The analysis is based on an earlier UKWIR project assessing the value of water</p>	<p>We revise the ODI type from reputational to financial. We set the following ODI rates:</p> <p>Underperformance rate: - 0.000004m £/per person</p> <p>Outperformance rate: 0.000002 £/per person.</p> <p>As a result of this change we also update the performance commitment definition, see table 3.</p>

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				<p>efficiency education initiatives. The study concludes that the programme has a net present social value of £2 million over a five year period, using the baseline figures for the effectiveness of engagement. The average savings on the household water bill of all pupils were shown to range from £1.68 per annum to £11.33 per annum. Therefore, we conclude that the report shows that there is evidence regarding the long term benefits of the educational program.</p> <p>Finally, the company provides evidence of improved performance or customers' support or willingness to pay for ODIs for this performance commitment. The company shows that the customer research indicates that a financial ODI should be used for this measure. Although the customer research ranks this performance commitment one of the lowest in term of importance for having outperformance and underperformance payments, it indicates an average score of 6.49 out of 10 for customer support for outperformance and underperformance payments, which demonstrate the existence of some support. Further, 65% of customers gave a score of 6 or above in terms of the importance of the performance commitment having a financial reward. Overall, we consider that the customer research does show support for financial incentives for this performance commitment.</p> <p>Given the above we consider that the company passes each of the three components of the relevant test for financial incentives. Therefore, we consider that the performance commitment should have financial under/out performance incentives.</p> <p>For its similar performance commitment, South Staffs Water have proposed to only count individuals who receive a minimum of 60 minutes education in a session. To ensure the quality of education is appropriate for each person participating, we have amended the definition. Taking into account that Dŵr Cymru expect to reach a greater share of its population, we have specified that individuals will only be counted if they have received a minimum of 15 minutes receiving education in a session.</p> <p>We consider the outperformance and underperformance rates the company proposes of £27 per person for both underperformance and outperformance are excessive. This compares with South Staffs Water that propose £8 per person</p>	

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				for underperformance and £4 for outperformance. Taking into account the difference in quality as specified as time we consider that the financial incentives should be one quarter of these.	
Change in average household bill PR19WSH_BI1	Performance commitment definition	No intervention at draft determination.	The company proposes that we make a minor addition to this performance commitment definition, specifying how inflation and household bills will be calculated by including 'The average household bill numbers will be the figures calculated at the time the scheme of changes are published, that is, in the February preceding the relevant charging year. The inflation measure is the change in CPIH from November 2018 (106.9) to the November CPIH used to set the charges in the average household bill calculation.'	Change for the final determination. The amendment put forward by the company gives more detail on how inflation will be calculated but does not change any aspect of the performance commitment. The changes make the commitment easier to understand for customers and other stakeholders.	We revise the performance commitment definition to include the following information on how inflation and household bills are calculated: 'The average household bill numbers will be the figures calculated at the time the scheme of charges are published, that is, in the February preceding the relevant charging year. The inflation measure is the change in CPIH from November 2018 (106.9) to the November CPIH used to set the charges in the average household bill calculation.'
Vulnerable customers on social tariffs PR19WSH_BI2	Performance commitment level and definition.	Our intervention at draft determination was to set performance commitment levels to: 2020-21 = 146,412 2021-22 = 151,312 2022-23 = 154,312 2023-24 = 157,312 2024-25 = 160,312 Units: Number of customers benefitting from the company's social tariffs.	The company explains the discrepancy we identified in the data it submitted on the performance commitment level for its social tariffs and WaterSure. The company suggests an amended definition to make the calculation clearer. The company also states that it is no longer able to commit to a level for this performance commitment as it needs to wait until its final determination to assess the financeability of any performance commitment level. The company asks for a change to the definition of its performance commitment, which will remove duplicates from the performance commitment level at draft determination and ensure that only the correct schemes are counted toward the overall total. The company states that it needs an uplift to its Regulated Capital Value run-off to sufficiently cover the cost of providing social tariffs to the number of customers who currently receive them. The company further states that it cannot commit to a	Change for the final determination. We allow the company an increase to Regulated Capital Value run-off rates equating to £11 million per annum to maintain its social tariff at the current level. The additional allowed revenue compensates for revenue the company will not collect from its social tariff customers as the company does not have customer support to increase the level of cross-subsidy which is already the highest in the sector. The company commits to not collect the additional revenue, therefore being a 'company contribution' through reduced Regulated Capital Value that reducing bills for all future customers. The company further commits to spending any outperformance to further increase provision through its social tariff. We consider that the company provides sufficient and convincing evidence to add extra detail to the performance commitment definition, which includes the date at which the	We revise the performance commitment levels to: 2020-21 = 133,000 2021-22 = 133,000 2022-23 = 133,000 2023-24 = 133,000 2024-25 = 133,000 Units: Number of customers benefitting from the company's social tariffs. We amend the performance commitment definition as proposed by the company, although the company must seek our approval, in accordance with the procedures for changing performance commitments set out in Annex 2 of 'Dŵr Cymru – Outcomes performance

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			<p>performance commitment level for the associated performance commitment in lieu of seeing the stretch in its final determination.</p> <p>See table 2 for comments by CCWater on this representation.</p>	<p>performance commitment level is taken each year, which removes duplicates from the performance commitment level. It also states the schemes excluded from the calculation which ensure only the correct schemes are included in the performance commitment level.</p> <p>Although the company's evidence to revise the definition to add any new social tariffs to the definition is convincing, we add to the definition that the company should seek our approval before adding any social tariff to the performance commitment definition. This is to ensure that any new tariffs involve a direct financial contribution to customers. The proposals provide more clarity on the calculation of the performance commitment levels.</p> <p>We consider the company provides sufficient and convincing evidence to set the performance commitment levels as per its attainment in the last regulatory period.</p>	<p>commitment appendix', if it considers that a new social tariff should be incorporated in the performance commitment definition.</p>
<p>Km of river improved PR19WSH_En6</p>	<p>Performance commitment level and definition</p>	<p>At draft determination, we amended the definition to exclude amber schemes and to include underperformance payments only, using our standard approach to setting cost-based delay rates set out in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. This is in line with decisions made on other companies' river quality improved measures which are limited to green schemes.</p>	<p>The company proposes that the definition of this performance commitment be changed to reflect the definition as presented in its September 2018 business plan. It does not consider that our definition included in the draft determination is aligned with the way the National Environment Programme (NEP) is managed in Wales. The company states that there is a commitment between it and Natural Resources Wales that any efficiency through delivery of NEP schemes in 2020-25 period will mean that confirmed schemes for the 2025-30 period will be brought forward. The company states that the definition set out in the draft determination will not allow it to recognise the additional schemes in the performance commitment. The company also states that the two exclusions outlined in the draft determination relating to amber schemes not confirmed and NEP schemes covered by the company's other performance commitments should be removed. The company states that it believes the measure should show the outcome achieved by the company, not based on inclusions or exclusion of outputs. It proposes that the definition is changed at final determination to reflect the definition as presented in Section 5.3 PR19 Performance Commitment definitions, September 2018. The</p>	<p>Change for the final determination.</p> <p>We consider that the company provides sufficient evidence that there are clear benefits to customers and the environment in bringing forward schemes programmed for the 2025-30 period. Any changes will have to be agreed by Natural Resources Wales. Outperformance will be as a result of delivering more length of river improvement than the performance commitment level by bringing forward schemes. We do not amending the performance commitment levels.</p> <p>We consider that the removal of the exclusions is reasonable, including that relating to combined sewer schemes as the company explains that it accepts the risk of double counting on underperformance incentives for these linked measures elsewhere in its representations.</p> <p>We consider that the company's proposals will simplify reporting and assurance of performance with Natural Resources Wales.</p>	<p>We change the company's performance commitment definition to allow the company to bring forward schemes, update the performance commitment levels, and remove the exclusions.</p> <p>We set the performance commitment levels to the following:</p> <p>2020-21 = 0 2021-22 = 5 2022-23 = 25 2023-24 = 25 2024-25 = 418</p> <p>Units: Cumulative number of kilometres improved</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			company also proposes to retain the performance commitment levels set out in its business plan to be consistent with its representation on the definition.		
Km of river improved PR19WSH_En6	ODI rates	At draft determination, we included underperformance payments only, using our standard approach to setting cost-based delay rates set out in the ' PR19 draft determinations: Delivering outcomes for customers policy appendix '. This was in line with decisions made on other companies' river quality improved measures which are limited to green schemes. The underperformance incentive rate at draft determination was -£0.00296m per km.	The company proposes to change the ODI type to include outperformance payments. It also states that the draft determination outcome delivery incentive rates for this measure are significantly smaller than the rate proposed in its business plan. The company states that it does not constitute an effective incentive and therefore proposes reverting to its proposal in its September 2018 business plan. The company proposes an underperformance rate of -£0.217m per km of river	Change for the final determination. The company provides evidence of customer support for outperformance payments which we consider to be of good quality. However, we do not agree with how it calculated its ODI rates. The company provides two pieces of evidence with very different customer valuations. We change the underperformance and outperformance rates for the final determination using an average of the company's customer valuations from its September 2018 business plan, using our standard methodology. We assume in doing this that marginal cost is equal to marginal benefit.	We set an underperformance payment rate of -£0.018933m per kilometre of river improved, and an outperformance payment rate of £0.018933m per kilometre of river improved.
Km of river improved PR19WSH_En6	ODI timing	At draft determination, we amended the definition to exclude amber schemes and to include underperformance payments only, using our standard approach to setting cost-based delay rates set out in the ' PR19 draft determinations: Delivering outcomes for customers policy appendix '. This is in line with decisions made on other companies' river quality improved measures which are limited to green schemes.	The company proposes to change its outcome delivery incentive back to end-of-period. The company states that this is more appropriate in view of the cumulative nature of the measure and the fact that the phasing of delivery may change as a result of ongoing consultations with its regulators.	Change for the final determination. The company provides sufficient and convincing evidence for its proposals. At draft determination the majority of the river improvement benefits were programmed for 2024-25; however there is scope for this to change significantly, due to the commitment with Natural Resources Wales to bring schemes forward from the 2025-30 period in case of any efficiencies in the delivery programme for the 2020-25 period. We consider that this incentivises the company sufficiently to outperform on its annual cumulative performance commitment levels. This is different to companies in England who will have fixed performance commitment levels for the 2020-25 period and are incentivised against delays.	We change the ODI timing to end of period.
Km of river improved PR19WSH_En6	Caps, collars and deadbands	Our intervention for draft determination was to remove the cap and collar for this performance commitment.	The company proposes to change the flat profile proposed in the draft determination and therefore change the caps and collars to reflect these changes. The company proposes to reinstate its original target, ODI type (end of period), ODI rate, and cap and collar (see above for full assessments on all).	Change for the final determination. We consider that the company has discretion to increase delivery and there is potential uncertainty for customers. As set out in the 'Delivering outcomes for customers policy appendix' we consider that it is appropriate to have an outperformance cap to provide protection for customers	We set an outperformance caps at the following levels 2020-21 = 5 2021-22 = 50 2022-23 = 100 2023-24 = 250 2024-25 = 478

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			The company proposes a, a collar of 358 km and cap of 478 km in 2024-25.	<p>As we explain in the 'Delivering outcomes for customers policy appendix' we are not setting collars where the performance commitment relates to specific enhancement costs as if the enhancement is not delivered then all costs should be recovered for customers.</p> <p>To estimate P90 performance levels, we apply our standard methodology for the 2024-25 P90 level, leaving this unchanged from the company's business plan data as the performance commitment levels are also unchanged. Since the company does not provide P90 performance levels for the years 2020-24 in any of its submissions, we estimate P90 performance levels for this year based on reasonable judgement.</p>	Units: The cumulative length of river with improved water quality, as a result of company action reported to the nearest kilometre
Business customer satisfaction PR19WSH_Sv4	Performance commitment definition	We set a bespoke performance commitment for business customer satisfaction for the company. This included in the definition a methodology to convert the score out of five given by the customer to a percentage.	The company proposes removing wording from the definition that states the score is divided by five to convert to a satisfaction score multiplied by 100 and reported to the nearest whole percentage. The company states the unit of measure is 'numeric score out of five to one decimal place'.	<p>Change for the final determination.</p> <p>The company's justification for removing wording from the draft determination that converts the average score into a percentage of the maximum score (i.e. 5) is compelling given the units of this performance commitment are numerical score out of 5. Therefore, we are removing the wording from the definition.</p> <p>Because Hafren Dyfrdwy has the same definition for its equivalent performance commitment, we also apply this change to Hafren Dyfrdwy. Hafren Dyfrdwy does not comment on its performance commitment.</p>	We amend the performance commitment definition as proposed by the company.
Business customer satisfaction PR19WSH_Sv4	Performance commitment level	We intervened in our draft determination to increase the performance commitment level to a score of 4.5.	The company states that it does not accept the change in its performance commitment level to 4.5 from 4.4. The company states that although it has achieved a score of 4.5 in two of the last four years, the percentage customer satisfaction scores were in fact 89% not 90% (which gives a score of 4.45 rounded to 4.5). The company states that it believes a satisfaction score of 90% represents best practice and industry leading performance, and is therefore deserving of a financial reward. The company proposes to revert to its performance commitment level of 4.4.	<p>No change for the final determination.</p> <p>The percentage satisfaction score referenced by the company in its representation is the company's average numerical score out of 5, expressed as a percentage of the maximum score (5). The equivalent performance commitment in 2015-20 was based on the percentage score, however the performance commitment levels for PR19 are based on the average numerical score out of 5.</p> <p>We do not consider the company's proposal is sufficiently stretching and note that the company has achieved a performance level of 4.5 in 2 of the last 4 years when rounded to one decimal place. The company's proposed performance commitment level of 4.4 could lead to a situation where the company could meet its performance commitment level with 87% customer satisfaction, despite the fact this level of</p>	N/A

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
				<p>performance is below all but one of its 2015-20 performance commitment levels for the equivalent performance commitment.</p> <p>Given we expect companies to round to the nearest number of decimal places as set out in performance commitment definitions, and we do not propose to increase the number of decimal places from one, we consider the company's argument is not convincing.</p> <p>We aim to set stretching performance commitment levels to ensure companies earn outperformance payments only for exceptional performance, therefore we retain the performance levels set out in our draft determination and reject the company's proposals.</p>	
<p>Combined Sewer Overflow Storage</p> <p>PR19WSH_En9</p>	Performance commitment levels	<p>The intervention we made at draft determination was to include a performance commitment to protect customers from partial or non-delivery of the combined sewer overflows schemes.</p> <p>We set the performance commitment levels as follows:</p> <p>2020-21 = 5,000 2021-22 = 10,000 2022-23 = 15,000 2023-24 = 20,000 2024-25 = 27,049</p> <p>Units: cubic meters (m3)</p>	<p>The company states that the delivery profile in the draft determinations does not match the agreement reached with Natural Resources Wales on how it will develop and deliver its 2020-25 programme. The company states that it intends to deliver the schemes only in the last 2 years of the period.</p> <p>The company proposes the following delivery profile:</p> <p>2020-21 = 0 2021-22 = 0 2022-23 = 0 2023-24 = 13,500 2024-25 = 27,049</p> <p>Units: cubic meters (m3)</p>	<p>Change for the final determination.</p> <p>Over the first three years, the company expects to agree a prioritised list of sites with Natural Resources Wales and develop solutions designs. The delivery of the schemes will follow over the following two years. The company's proposed profile is based on this plan. We consider that the proposed delivery is appropriate based on the company's agreed delivery plan with Natural Resources Wales.</p>	<p>We set the performance commitment levels to the following values:</p> <p>2020-21 = 0 2021-22 = 0 2022-23 = 0 2023-24 = 13,500 2024-25 = 27,049</p> <p>Units: cubic meters (m3)</p>
<p>Surface water removed from sewers</p> <p>PR19WSH_Ft4</p>	Performance commitment level and definition	<p>The intervention we made at draft determination was to set annual performance commitment levels rather than cumulative levels and have expressed these in cubic metres (m³).</p> <p>We set performance levels as follows:</p>	<p>The company proposes to remove the exclusion of National Environmental Programme delivery requirements from this measure. It states that it accepts the risk of double underperformance payments should it fail to deliver its National Environment Programme schemes. The company notes that measuring the total amount of surface water removed is an important measure for itself and its stakeholders.</p>	<p>Change for the final determination.</p> <p>We excluded delivery of schemes under National Environment Programme from this performance commitment in our draft determination as we were concerned that there would be an overlap with another performance commitment (PR19WSH_En9 - combined sewer overflow storage systems).</p> <p>We note that that while there is this overlap between this performance commitment and PR19WSH_En9, they are</p>	<p>We include the National Environmental Programme delivery requirements towards this performance commitment target. We set the performance commitment levels to the following values:</p> <p>2020-21 = 141,900 2021-22 = 141,900</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
		2020-21 = 430,000 2021-22 = 430,000 2022-23 = 430,000 2023-24 = 430,000 2024-25 = 430,000 Units: Reduction in volume (m ³) of surface water cubic metres (m ³) of water removed from sewers per year.	<p>The company also proposes to change the current flat profile proposed in the draft determination to a profile that reflects its latest view on delivery. The company states that it wishes to change the profile to align the delivery of the combined sewer overflow storage programme given that a significant proportion of the performance will consist of the delivery of these National Environment Programme requirements. The company notes that if the proposal to remove the exclusion set out in its definition representation is not accepted, the performance commitment level will need to be reduced significantly.</p> <p>The company's proposed delivery profile for total delivery is:</p> 2020-21 = 141,900 2021-22 = 141,900 2022-23 = 141,900 2023-24 = 862,150 2024-25 = 862,150 Units: cubic metres (m ³) of water removed from sewers per year.	<p>distinct measures as the latter tracks delivery of National Environment Programme schemes specifically and the former tracks surface water removed across company activities.</p> <p>There are no risks of double outperformance payments, as PR19WSH_En9 is underperformance only. We note that the company accepts the risk of double underperformance payments.</p> <p>The company provides sufficient evidence, as such we change the final determination performance commitment levels to the company's revised delivery profile, which is in line with the National Environment Programme delivery timeline.</p>	2022-23 = 141,900 2023-24 = 862,150 2024-25 = 862,150 Units: Reduction in volume (m ³) of surface water cubic metres (m ³) of water removed from sewers per year.
Surface water removed from sewers PR19WSH_Ft4	Caps, collars and deadbands	No intervention at draft determination.	<p>The company is proposing to change the profile of the delivery, to align to the combined sewer overflows (CSO) storage programme, given that a significant proportion of the programme will consist of the delivery of these National Environment Programme (NEP) requirements. It proposes corresponding profiles for caps and collars.</p>	<p>Change for final determination.</p> <p>We change the profile of the performance commitment levels and therefore the adjustments the company proposes are required to the caps and collars.</p>	<p>We set the following underperformance collars:</p> 2020-21 = 117,810 2021-22 = 117,810 2022-23 = 117,810 2023-24 = 715,785 2024-25 = 715,785 Units: cubic metres (m ³) of water removed from sewers per year. <p>We set the following outperformance caps:</p> 2020-21 = 165,990

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
					2021-22 = 165,990 2022-23 = 165,990 2023-24 = 1,008,515 2024-25 = 1,008,515 Units: cubic metres (m ³) of water removed from sewers per year.
Delivery of our reservoirs enhancement programme PR19WSH_B16	Performance commitment level and definition	<p>The intervention we made at draft determination was to change the performance commitment definition so that it aligns to the total number of reservoirs to be enhanced and to specify that the company should provide external assurance of the expenditure and outputs delivered each year of the 2020-25 period and publish the performance in its Annual Performance Report.</p> <p>We intervened to set performance commitment levels aligned to the delivery profile of the 26 proposed schemes which fall within the 2020-25 period, excluding the three schemes that we made a cost allowance for but with a completion date of December 2025.</p>	<p>The company has two representations on the definition of this performance commitment.</p> <p>1) The company proposes to update the delivery profile for this performance commitment while maintaining the overall level of cumulative stretch (26 schemes) for 2020-25 from the draft determination. The company states that their articulation of the delivery profile prior to draft determination was expressed in calendar years and not financial years leading to an incorrect delivery profile being assigned. The company's revised cumulative delivery profile, based on calendar years, targets 26 schemes in 2020-25, as per our draft determination, but the first year has no schemes due for completion.</p> <p>Draft determination profile:</p> <p>2020-21 = 8 2021-22 = 13 2022-23 = 17 2023-24 = 26 2024-25 = 26</p> <p>Units: Number of schemes complete</p> <p>Proposed The profile the company proposes:</p> <p>2020-21 = 0 2021-22 = 8 2022-23 = 13 2023-24 = 17</p>	<p>Change for the final determination.</p> <p>We assess that the company's proposed profile is a reflection of the reporting year only and at draft determination we intervened on this performance commitment to change the measurement units from expenditure to 'number of schemes' in order to increase the transparency of the measure and ensure the company delivers all of the schemes where it identified reservoir risks.</p> <p>We also intervene to set annual performance commitment levels aligned to the delivery profile of the 26 proposed schemes that fell within the 2020-25 period. We exclude three schemes from the 2020-25 delivery profile where we made a cost allowance but completion was not due until December 2025.</p> <p>The overall cumulative level of stretch for the 2020-25 period is unchanged and the company's revised profile is a reflection of the reporting year only from our draft determination levels. The revised proposed profile still commits the company to deliver continuously throughout the period, albeit no schemes are signed-off as achieving full completion in year one. Given the enabling work required and the rigorous completion and assurance process, we consider there to be minimal risk to customers of the company's revised delivery profile.</p> <p>Our draft determination definition stipulates a requirement for a certified 'All Reservoirs Panel Engineer' to assure scheme delivery, risk reduction and the number of schemes delivered. The company does commit to get any changes to the list of sites agreed with Natural Resources Wales and there are strict sign-off requirements in the definition.</p> <p>However, in line with our policy on Water Industry National Environment Programme (WINEP) and the National</p>	<p>We change the performance commitment levels to the following values:</p> <p>2020-21 = 0 2021-22 = 8 2022-23 = 13 2023-24 = 17 2024-25 = 26</p> <p>Units: Cumulative number of schemes complete</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			<p>2024-25 = 26</p> <p>Units: Number of schemes complete</p> <p>In both the draft determination profile and the company's proposed profile, three schemes are scheduled for completion in calendar year 2025 bringing the cumulative total to 29 schemes.</p> <p>2) The company is proposing that the wording in the performance commitment definition is updated to reflect that a change in scheme priorities could occur within the 2020-25 period. The company notes that the list of highest priority reservoirs to be addressed is the result of the statutory Section 10 inspections and the defined Portfolio Risk Assessment (PRA) process. It states that these processes could result to a change in priorities (e.g. if a new urgent need becomes clear). In these instances, the company states it will agree any changes to the list of schemes with the responsible regulator (Natural Resources Wales). The company also commits to maintaining a list of the approved 29 schemes on its website rather than a separate document included in the final determination.</p>	<p>Environment Programme (NEP) we consider that stable performance commitment levels promote transparency, maximise benefits delivered and focus company activity and behaviours on delivering the commitments customers agreed to. While this performance commitment is focused on reservoir safety rather than the National Environment Programme, the company is still proposing to use discussions with the relevant environmental regulator to potentially change key components of the performance commitment definition.</p> <p>We address how changes to performance commitments will be managed going forward in annex 2 of the 'Dŵr Cymru outcomes performance commitment appendix.'</p> <p>We consider that the company provides sufficient evidence to demonstrate that the overall level of stretch remains unchanged and that the company is still required to deliver throughout the period in order to protect customers. Therefore, we change the performance commitment levels to the company's proposal.</p>	
<p>Delivery of our South Wales Grid water supply resilience scheme</p> <p>PR19WSH_BI10</p>	<p>New performance commitment</p> <p>ODI type and rates</p>	<p>N/A</p>	<p>The company proposes a new performance commitment to incentivise it to deliver a scheme to improve the resilience of its water supply or to return the expenditure in full to customers.</p> <p>The performance commitment will measure whether or not the company delivers the project to provide a bi-directional transfer of 30 mega litres per day (MI/d) between the West (TCUS) and East (SEWCUS) conjunctive use systems in the company's operational region.</p> <p>The company states that the supply system in South Wales will become more resilient against low probability events, reducing the risk of interruptions to supply to over 50,000 customers in the western Cardiff area.</p>	<p>Change for the final determination.</p> <p>Customer protection is required and the company's proposed cost recovery incentive rate calculation is in line with our PR19 methodology. However, we consider that the company does not provide sufficient and convincing evidence in some areas.</p> <p>The company does not propose delay underperformance payments and does not explain why these would not be appropriate. We consider that customers should also be protected from delay, and in line with other companies' similar outcome delivery incentives.</p> <p>The company does not propose in-period incentives and milestones and does not explain why these would not be appropriate.</p>	<p>We adopt the company's proposals for a new performance commitment.</p> <p>We apply our standard approach for setting incentive rates for delay and non-delivery. This results in an underperformance delay rate of £-0.0112m and a non-delivery rate of £-0.0645m.</p> <p>We amend the performance commitment definition to include the specific milestones that the company is required to report against and to include details of the assurance and governance</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			<p>The company proposes an end of period underperformance only outcome delivery incentive based on the total expenditure and a 50% cost sharing rate.</p> <p>We sent a query to the company for it to provide an implementation programme for the scheme with defined milestones. The company provides the following profile:</p> <p>March 2021= 3% (Detailed Feasibility)</p> <p>March 2022=10% (Detailed Design)</p> <p>March 2024= 95% (Construction)</p> <p>March 2025= 100% (Commissioning)</p> <p>Units: Percentage completion of the scheme (%)</p> <p>Further in response to our query, the company clarifies that 'delivered' for the scheme means that the assets have been commissioned and it has the ability to transfer 30 MI/d in both directions. It proposes that the assurance and governance process for delivery will follow three stages:</p> <ol style="list-style-type: none"> 1. The delivery process Gateway 5: Commit to Handover will involve its Water Assets team signing off that the benefits have been achieved and include a review of the delivery report completed at commissioning. (March 2025) 2. Through the company's annual performance reporting audit process its independent reporter will review the evidence that the scheme has been delivered and that Gateway 5 has been achieved. (March – May 2025) <p>The evidence from stage 1 and stage 2 will be reviewed by its Executive team and Board Audit Committee as part of its governance process for the Annual Performance Report. (June 2025) for</p>	<p>For its 'delivery of our water network improvement programme' performance commitment, we set the definition to include specific milestones that the company is required to report annually against. The company does not follow this approach and does not provide any evidence why it has not done so. From its associated cost adjustment claim and its response to our initial assessment of business plans, it appears that the scheme involves installation of a new 12 kilometre long main from Cefn Hirgoed to Llantrisant, four kilometres of a polyethylene pipe from Port Talbot to Margam and new pumps at Cefn Hirgoed pumping station. We sent a query to the company for it to provide an implementation programme for the scheme with defined milestones. This allows us to set the performance commitment levels and to calculate a delay delivery outcome delivery incentive rates. The company provides a profile, which we consider to be credible based on our knowledge of similar schemes.</p>	<p>around delivery that it will put in place.</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			publication in the Annual Performance Report 2024-25.		
<p>Delivery of a new visitor centre</p> <p>PR19WSH_VIS01</p>	New performance commitment, ODI type and ODI rates	N/A	<p>The company proposes a new performance commitment to incentivise it to deliver a scheme to construct a new visitor centre with the following characteristics:</p> <p>Definition: Has the company delivered the project to construct a new visitor centre at the Llanishen / Lisvane reservoirs site.</p> <p>Reporting: No specific requirements</p> <p>Incentive form: Revenues</p> <p>Incentive Type: Underperformance Payment</p> <p>Timing of underperformance and outperformance payments: End of period</p> <p>Performance Commitment Level: Visitor centre delivered by 2024-25</p> <p>ODI: Based on the total expenditure and a 50% sharing ratio</p> <p>Underperformance rate: -£6.150m</p> <p>The purpose of this is to incentivise the company to deliver a scheme to construct a new visitor centre. The benefit is that more people are able to benefit from access to recreational facilities.</p> <p>3.</p>	<p>Change for the final determination.</p> <p>In our final determination, we make an allowance for the delivery of the visitor centre because we consider that the company's program will be of significant public value.</p> <p>We consider that a financial underperformance payment is necessary to incentivise the company to deliver the scheme and to protect consumers against the risk of under delivery</p>	<p>We make an allowance for the delivery of the visitor centre. We set an underperformance performance commitment to ensure consumers are protected against non-delivery. This results in an underperformance payment of -£2.1185m in the event of non-delivery.</p>
<p>Delivery of our water network improvement programme</p> <p>PR19WSH_BI8</p>	Performance commitment definition	The intervention we made at draft determination was to change the performance commitment definition so that it aligns to the	The company proposes a small change to the definition to provide greater clarity. The company states that it wishes to change the wording from '17 notices served by the Drinking Water Inspectorate in 2017-18' (as per the draft determination performance commitment definition) to 'served by	<p>Change for the final determination.</p> <p>At draft determination, we were concerned that the company did not present the performance commitment definition in sufficient detail and did not sufficiently clarify the interlinkage with PR19WSH_Wt3 'Acceptability of drinking</p>	We change the performance commitment definition to the company's proposed revision: 'served by the Drinking Water

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
		total number of notices served by the Drinking Water Inspectorate.	the Drinking Water Inspectorate in force as at 1 April 2020'.	<p>water' performance commitment. We intervened to change the performance commitment definition so that it aligns to the total number of notices served by the Drinking Water Inspectorate.</p> <p>We consider that the company's proposed definition wording change provides additional clarity.</p> <p>As the ODI rate relates to non-delivery at the end of the period, we provide clarity in the performance commitment definition that underperformance payments apply to performance in 2024-25 only.</p>	<p>Inspectorate in force as at 1 April 2020'.</p> <p>We provide clarity in the performance commitment definition that underperformance payments apply to performance in 2024-25 only.</p>
<p>Delivery of our Hereford water supply resilience scheme</p> <p>PR19WSH_BI9</p>	New performance commitment	N/A	The company proposes a new performance commitment to incentivise it to deliver a scheme to improve the resilience of the water supply or to return the expenditure in full to customers. The company proposes an underperformance payment only outcome delivery incentive which is based on the total expenditure and a 50% cost sharing rate.	<p>No change for the final determination.</p> <p>We do not make a cost allowance for the proposed investment, therefore customer protection is not required. We remove the performance commitment and the associated outcome delivery incentive.</p>	N/A
<p>Priority services for customers in vulnerable circumstances</p> <p>PR19WSH_Sv5</p>	Performance commitment definition	We intervened at draft determination to change the definition of the performance commitment by splitting the measure into 'attempted' (i.e. an outbound contact that has not received a response) and 'actual' contacts (i.e. updates to data based on contact with the customer).	<p>The company states that a proportion of its priority services registered customers are on the register via a data sharing arrangement. It states it can only validate customers on the register where the company is the source of the registration. In other cases it states that the source company is responsible for the validation under the 'tell us once' principle.</p> <p>The company proposes to report these measures as the percentage of households on the register where the company is the source of the registration that the company has contacted or attempted to contact.</p>	<p>No change for the final determination.</p> <p>Our approach is not inconsistent with the 'tell us once' principle as our reporting guidance states companies can get third parties to fulfil the data checking measure. However we consider that companies need to take responsibility for ensuring the target is met and for reporting against the target, taking steps to assure themselves of processes and policies of third parties should they be involved and reporting their performance alongside its own.</p>	N/A
<p>Direct Procurement for Customers: Cwm Taf Water supply strategy scheme</p> <p>PR19WSH_DPC01 (underperformance)</p>	ODI rates	We are setting outperformance and underperformance financial incentives relating to the delivery of Cwm Taf Water supply strategy scheme.	All representations from companies and other stakeholders regarding Direct Procurement for Customers are summarised and assessed in the 'Delivering customer value in large projects'.	All representations from companies and other stakeholders regarding Direct Procurement for Customers are summarised and assessed in the 'Delivering customer value in large projects'.	'Delivering customer value in large projects'.

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
PR19WSH_DPC02 (outperformance)					
Customer measure of experience (C-MeX) PR19WSH_Sv1	All	We set a common performance commitment for all companies regarding residential customer satisfaction.	All representations from companies and other stakeholders are summarised and assessed in the 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.	All representations from companies and other stakeholders are summarised and assessed in the 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.	See 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.
Developer services measure of experience (D-MeX) PR19WSH_Sv2	All	We set a common performance commitment for all companies regarding developer services customer satisfaction.	All representations from companies and other stakeholders are summarised and assessed in the 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.	All representations from companies and other stakeholders are summarised and assessed in the 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.	See 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.

Table 2: Dŵr Cymru - Representations from other stakeholders

Stakeholder	Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
CCWater	Non-performance commitment specific	Outcome delivery incentive	No intervention at draft determination.	<p>CCWater has conducted additional customer research, finding that 79% of Dŵr Cymru's customers found the potential impact of ODIs on their water bills over the period to be acceptable. It notes this is a lower level of acceptability than that achieved by the 'base' plan.</p> <p>It states there is a lack of clear evidence from the company's research for customer support of outperformance incentives on ODIs.</p>	<p>No change for the final determination.</p> <p>We note the results of CCWater's research, which shows that the majority of customers support the bill impacts of our draft determinations including ODIs. As discussed in our assessment of methodology representations, we have assessed support for outperformance payments at a performance commitment-specific level, to most accurately reflect customer preferences.</p>	N/A
CCWater	All performance commitments	Performance commitment levels	N/A	<p>CCWater notes how the tightening of performance commitment levels was in line with its response to the business plan, although it informs us that Dŵr Cymru had indicated that 'in some cases [Dŵr Cymru] now could be at unachievable levels due to additional expenditure being disallowed'. CCWater indicates that it could not give further information on this, but noted concern on how unachievable performance commitment levels may impact customer's trust with the company.</p>	<p>No change for the final determination.</p> <p>We note the concern CCWater raises with regards to unachievable performance commitment levels. As a result of the detailed assessments we have carried out (as set out in the 'Delivering outcomes for customers policy appendix'), we consider that the performance commitment levels set are achievable for an efficient company.</p>	N/A
Welsh Government	Per Capita Consumption (PCC) PR19WSH_En5	Performance commitment levels	<p>The intervention we made at draft determination was to set the performance commitment percentage reduction levels to the following values:</p> <p>2020-21 = 1.0% 2021-22 = 2.0% 2022-23 = 3.0% 2023-24 = 4.6% 2024-25 = 6.3%</p> <p>Units: Percentage reduction from 2019-20 baseline using a three-year average (%)</p>	<p>The Welsh Government is interested in our views in changing the per capita consumption performance commitment levels that had effectively been signed off by the Minister in the company's Water Resources Management Plan. The Welsh Government is of the view is that water efficiency needs to be tackled in the round and that everyone has a part to play but more importantly the customers need to understand and accept why they need to reduce consumption.</p> <p>The Government recognises that per capita consumption is too high in Wales, but needs to make sure the package of work doesn't conflict and will support objectives overall. All</p>	<p>No change for the final determination.</p> <p>We consider there are valid reasons for differences between Water Resources Management Plans and our performance commitment levels. This is because per capita consumption forecasts in Water Resources Management Plans are developed for planning purposes and are based on forecast dry year annual average demand, when demand for water is at its highest before water use restrictions are imposed. In contrast, our per capita consumption guidance is for reporting purposes and is based on a different methodology which accounts for weather variations through annual reporting of three year average values. As such we typically expect the actual reported performance to be lower than the corresponding Water Resources Management Plan values for per capita consumption as on average not all</p>	N/A

Stakeholder	Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
				stakeholders who have a role to play in water efficiency do so within an agreed framework.	<p>three consecutive years will be dry years and some can reasonably be expected to be normal years. The uplift factors from a normal to dry year are considered by individual companies when developing their Water Resources Management Plans and they vary but are typically in the 1% to 5% range.</p> <p>Dŵr Cymru's uplift factor from normal to dry year is 1.8% (Water Resources Management Plan, p72). This equates to per capita consumption of 135.5 l/p/d in normal year (2024-25). Our draft determination performance commitment level is 135.9 l/p/d, we therefore consider that our performance commitment level represents a stretching performance commitment level for the company and which does not go significantly beyond its Water Resources Management Plan.</p>	
Dŵr Cymru's Customer Challenge Group	Per capita consumption PR19WSH_En5	ODI type	We intervened to set the ODI type to underperformance only.	The Customer Challenge Group specifically highlights the later customer research on delivery incentives (April 2019) commissioned following the Initial Assessment of Plans. The further research indicated that customers did not support financial incentives for per capita consumption. The Customer Challenge Group hopes that the final determination would reflect consideration of this customer evidence as part of the proposed changes to performance commitments.	<p>No change for the final determination.</p> <p>In our draft determination we set this performance commitment to underperformance only incentives. The company states that whilst it remains of the view that financial ODIs are not appropriate for per capita consumption, it has decided to accept the common requirement to apply a financial ODI. To remove the underperformance ODI rate would reduce customer protection unnecessarily. At draft determination we noted only 44% of customers agreed with a non-financial incentive for this performance commitment – this is not sufficient evidence of customer support for non-financial incentives (this is the research cited by the Customer Challenge Group). This is reinforced by the fact that the company is a comparatively poor performer with forecast service levels below upper quartile.</p>	N/A
CCWater	Per capita consumption PR19WSH_En5	ODI type	We intervened to set an underperformance rate at the industry average (on a normalised basis). The resulting underperformance rate is -£0.296 million per litre per head per day.	On common performance commitments, CCWater states it cannot see conclusive customer support for financial incentives on per capita consumption.	<p>No change for the final determination.</p> <p>Our methodology is clear that our default is underperformance-only financial incentives. Non-financial incentives require customer support. At draft determination we noted only 44% of customers agreed with a non-financial incentive – this is not sufficient evidence of customer support for non-financial incentives. This is reinforced by the fact that the company is a</p>	N/A

Stakeholder	Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
					comparatively poor performer with forecast service levels below upper quartile.	
CCWater	Vulnerable customers on social tariffs PR19WSH_BI2	Performance commitment levels and definition	Our intervention at draft determination was to set performance commitment levels to: 2020-21 = 146,412 2021-22 = 151,312 2022-23 = 154,312 2023-24 = 157,312 2024-25 = 160,312 Units: Number of customers benefitting from the company's social tariffs.	CCWater states that the company plans to significantly increase the affordability support it gives to customers. It further states the importance of this performance commitment level not being jeopardised by the final determination. CCWater cautions against focusing on this performance commitment level without ensuring the company has sufficient funds to deliver it, as this could serve to dilute the effectiveness of the help on offer by spreading funds more thinly than intended.	No change for the final determination. We note the comments from CCWater and consider them in conjunction with the company's representation on this performance commitment detailed in table 1.	N/A (table 1)

Table 3: Dŵr Cymru- Changes to the draft determination not due to a representation

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
N/A	ODI rates	We intervened on some ODI rates at draft determination.	<p>Change for the final determination</p> <p>For final determinations we revise some ODI rates on which we have previously intervened due to updates in the underlying data used to calculate the ODI rates. In particular, we update the data on the number of connections to reflect the latest information available. In most cases this has only a small impact on the ODI rates.</p> <p>We update all ODI rates where we calculate a ‘delay’ or ‘cost-recovery’ rate using the weighted average cost of capital and/or other regulatory parameters to reflect the values we are using in our final determination.</p> <p>In particular we amend the ODI rates:</p> <p>For ‘Delivery of our reservoirs enhancement programme’ we amend the delay underperformance rate from the draft determination value of -£0.1990m to the final determination value of -£0.1961m. We also amend the non-delivery underperformance rate from the draft determination value of -£1.302m to the final determination value of -£1.111m.</p> <p>For ‘Delivery of our water network improvement programme’ we amend the non-delivery underperformance rate from the draft determination value of -£1.7350m to the final determination value of -£2.4308m.</p> <p>For ‘Lead pipes replaced’ we amend the underperformance rate from the draft determination value of -£0.0010m to the final determination value of -£0.0009. We also amend the outperformance rate from the draft determination value of -£0.0010m to the final determination value of £0.0011.</p> <p>For ‘ Combined sewer overflow storage systems’ we amend the underperformance rate from the draft determination value of -£0.000610m to the final determination value of -£0.000760.</p> <p>We also make a small number of corrections for where we identify errors in our draft determination calculations. The final ODI rates are specified in Dŵr Cymru – Outcomes performance commitment appendix.</p>	We change ODI rates where the underlying data used to calculate the rate has been updated, or an error has been identified.

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
Leakage PR19WSH_En4	Performance commitment definition	No intervention at draft determination.	Change for the final determination. To avoid any misinterpretation regarding the value for the company's 2019-20 leakage target, we amend the performance commitment definition to clarify the requirement for all companies.	We amend the wording of the performance commitment definition to the following: 'As a minimum, if, using the PR14 calculation of leakage set out in the PR14 performance commitment, a company does not meet its 2019-20 leakage performance commitment level (specified in our PR14 final determinations), the company's actual level for 2019-20 will, for the purposes of setting the baseline for the 2020-25 period, be adjusted downwards by one third of the difference between the value derived from the PR14 2019-20 performance commitment level and the actual level for 2019-20. For PR14 performance commitments set on a three or five year average basis, we assume the 2019-20 annual performance commitment level is equal to the average level specified in the PR14 performance commitment.'
Leakage PR19WSH_En4	Caps, collars and deadbands	Our intervention at draft determination was to set cap levels as follows: 2020-21 = 4.2% 2021-22 = 6.5% 2022-23 = 9.6% 2023-24 = 12.6% 2024-25 = 15.7% Units: Percentage reduction from 2019-20 baseline using three-year average basis (%).	Change for final determination. At draft determinations we set the outperformance cap based on the estimates of P90 performance. We note that in its April 2019 revised business plan the company propose an outperformance cap at a more ambitious level. We consider that the estimate of P90 performance is pessimistic and would lead to a cap where there is little scope for outperformance. We therefore increase the cap to be equal to the cap the company propose in its April 2019 revised business plan. We estimate P90 performance levels using our standard methodology, which involves adjusting the P90 performance levels provided in the company's business plan for changes in performance commitment levels between business plan submission and final determination.	We set outperformance caps at the following levels: 2020-21 = 11.5% 2021-22 = 13.7% 2022-23 = 16.5% 2023-24 = 19.3% 2024-25 = 22.1% Units: Percentage reduction from 2019-20 baseline using three-year average basis (%).
Mains Repairs PR19WSH_Wt4	Performance commitment levels	The intervention we made at draft determination was to set the performance commitment levels to the following values: 2020-21 = 126.7 2021-22 = 126.7 2022-23 = 126.7 2023-24 = 126.7	Change for the final determination. We increase the performance commitment levels for mains repairs by a reducing percentage, for all companies, in all years, making it easier to achieve. The aim is to allow all companies the flexibility to deliver the improvement in leakage reduction, allowing more flexibility in the earlier years to use proactive mains repairs to reduce leakage. We acknowledge that using a wider range of years would give a more representative figure for setting the performance commitment levels	The following is a sector wide change for the final determination. We set the performance commitment levels to the following values: 2020-21 = 138.9 2021-22 = 137.0 2022-23 = 135.1

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
		<p>2024-25 = 126.7</p> <p>Units: Number of mains repairs per 1,000km</p>	<p>going forward. Therefore, we amend the base levels of mains repairs (before the leakage allowance is added) to an average of the best five years performance. We now consider the use of best five historical years to set the forward looking base level provides a more representative performance commitment level (than three years) and ensures companies maintain good performance to improve the overall health of the assets over the longer-term.</p> <p>Please refer to our 'Delivering outcomes for customers policy appendix' for further information.</p>	<p>2023-24 = 133.1</p> <p>2024-25 = 131.2</p> <p>Units: Number of mains repairs per 1,000km</p>
<p>Mains repairs</p> <p>PR19WSH_Wt4</p>	ODI rates	No intervention at draft determination.	<p>Change for the final determination.</p> <p>When considering the performance commitment package as a whole, we consider whether the balance of incentives for particular performance commitments is appropriate at both an industry and company level. We set all companies' underperformance rates at the normalised (per household) industry average on mains repair to provide a more balanced spread of incentives and risks across the company's performance commitments. This will ensure the company does not overly focus on mains repairs to the detriment of other performance commitments which will benefit its customers. For further details on our approach to sector wide interventions on ODI rates see our 'Delivering outcomes for customers policy appendix'.</p>	We change the underperformance payment to - £0.102m per mains repairs per 1,000km mains.
<p>Unplanned Outage</p> <p>PR19WSH_Wt5</p>	Performance commitment levels	No intervention at draft determination.	<p>Change for the final determination.</p> <p>We consider that a standard performance level in 2024-25 is appropriate for this measure. We consider this an appropriate approach for unplanned outage as it recognises the current maturity of the metric and the limited historical dataset in which to set stretching levels for. A standard level for 2024-25 is not suitable for any other asset health performance commitment as this would allow deterioration of performance for many companies, which is counter to our methodology requirement for companies to improve performance.</p> <p>All companies that forecast performance (2019-20 or actual 2018-19) better than 2.34% will be set performance commitments levels at 2.34% in all years. All companies that forecast performance (2019-20 or actual 2018-19) worse than 2.34% will be set profiles from their forecast 2019-20 (or actual 2018-19) value to 2.34%. The only exception to this is Southern Water which proposes worse performance commitment levels</p>	<p>The following is a sector wide change for the final determination.</p> <p>We set the performance commitment levels to the following values:</p> <p>2020-21 = 2.34</p> <p>2021-22 = 2.34</p> <p>2022-23 = 2.34</p> <p>2023-24 = 2.34</p> <p>2024-25 = 2.34</p> <p>Units: Percentage of peak week production capacity (%)</p>

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			<p>but a significant improvement from their current levels, therefore we have allowed Southern Water a different 2024-25 level.</p> <p>As Dŵr Cymru's 2018-19 actual and 2019-20 forecast performance is better than 2.34%, we set the performance commitments levels at 2.34% in all years.</p> <p>Please refer to our 'Delivering outcomes for customers policy appendix' for further information.</p>	
Unplanned outage PR19WSH_Wt5	P10 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p> <p>To estimate P10 performance levels in this case, we use the company's P10 performance levels that it proposed in its representations (table OC1, August 2019). We take this approach because P10 performance levels were not provided in the company's April business plan submission.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 4.00 2021-22 = 4.00 2022-23 = 4.00 2023-24 = 4.00 2024-25 = 4.00</p> <p>Units: Percentage of peak week production capacity, reported to two decimal places.</p>
Unplanned Outage PR19WSH_Wt5	Caps, collars and deadbands	We did not set a collar in the draft determination.	<p>Change for the final determination.</p> <p>The company does not make a representation regarding the collar for this performance commitment. We explain in the 'Delivering outcomes for customers policy appendix' that we apply caps and collars for all companies and how we set these levels. For unplanned outages we set the collar at 2 times the 2020-21 performance commitment level for all companies (except those with enhanced ODIs).</p>	<p>We set collar levels to:</p> <p>2020-21 = 4.68 2021-22 = 4.68 2022-23 = 4.68 2023-24 = 4.68 2024-25 = 4.68</p> <p>Units: Percentage of peak week production capacity (%)</p>
Unbilled Properties PR19WSH_BI4	ODI rates	Our intervention at draft determination was to introduce outperformance and underperformance payments for this performance commitment. These are calculated using the company's wholesale customer bill for the marginal benefit and an estimate of the efficient marginal cost of identifying a void.	<p>Change for the final determination.</p> <p>As we explain in the 'Delivering outcomes for customers policy appendix', we revise our methodology for performance commitments concerning 'void properties'. We remove the cost sharing factor, as there is no cost sharing for the retail price control. We also calculate the financial incentive based on a weighted incentive rate based on the number of customers between single and dual services to more accurately align incentives to the customer benefit.</p>	<p>We revise the ODI rates to:</p> <p>Underperformance: -£2.614m per 1%.</p> <p>Outperformance: £2.614m per 1%.</p>

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
		<p>Assuming an average wholesale bill of £400, marginal costs of £30 and a cost sharing factor of 50%. We set the ODI rates to:</p> <p>Underperformance: -£5.018m per 1%.</p> <p>Outperformance: £2.607m per 1%.</p>	<p>We also apply a symmetric 50% sharing ratio to protect customers against the impact of macroeconomic factors. This is applied symmetrically to underperformance and outperformance payments. The change in methodology is due to representations from a number of companies, we consider that together the arguments and evidence provided are sufficient and convincing for us to change the voids ODI rate methodology to share the risk between the company and customers.</p>	
<p>Unbilled Properties</p> <p>PR19WSH_BI4</p>	<p>Caps, collars and deadbands</p>	<p>We did not set a collar or cap in the draft determination.</p>	<p>Change for the final determination.</p> <p>As we explain in the ‘Delivering outcomes for customers policy appendix’ we consider that performance commitments that measure the percentage of void properties are uncertain and all companies should have caps and collars. In the appendix we explain how we set the level of caps and collars.</p>	<p>We set collar levels to:</p> <p>2020-21 = 4.40 2021-22 = 4.30 2022-23 = 4.28 2023-24 = 4.28 2024-25 = 4.28</p> <p>Units: Percentage (%)</p> <p>We set cap levels to:</p> <p>2020-21 = 3.40 2021-22 = 3.30 2022-23 = 3.12 2023-24 = 2.92 2024-25 = 2.72</p> <p>Units: Percentage (%)</p>
<p>Delivery of Drainage and Wastewater Management Plans (DWMPs)</p> <p>PR19WSH_DWMP</p>	<p>New performance commitment</p>	<p>N/A</p>	<p>Change for the final determination.</p> <p>We allow a cost allowance in relation to the development of the company’s Drainage Water Management Plans (DWMPs).</p> <p>To provide transparency of delivery and ensure that the company shares any learning from its investment in this area, we set a new performance commitment with reputational incentives.</p> <p>We design this performance commitment to incentivise companies to develop voluntary drainage and wastewater management plans in accordance with the Drainage and Wastewater Management Plan framework developed by Water UK, to support the government plans of</p>	<p>We set a new performance commitment with reputational incentives.</p> <p>The performance commitment will measure the cumulative percentage of catchments in which the company implements the Level 1 water company drainage and wastewater management plan, in accordance with the drainage and wastewater management plan framework guidelines.</p>

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			making the drainage and wastewater management plans a statutory obligation for the wastewater and sewerage companies.	
Water catchments improved PR19WSH_Wt7	Performance commitment definition	N/A	Change for the final determination. We consider that as a result of changing ODI rates and ODI type for this performance commitment we deem it appropriate to update the performance commitment definition.	We consider that progress and environmental benefits must be measured each year for this performance commitment. We amend the performance commitment definition to make this clear.
Community education PR19WSH_Ft10	Performance commitment definition	N/A	Change for the final determination. We consider that as a result of changing ODI rates and ODI type for this performance commitment we deem it appropriate to update the performance commitment definition.	We revise the performance commitment definition to ensure quality of engagement, by adding a clause that states that to be counted a person needs at least 15 minutes of learning.
Community education PR19WSH_Ft10	Caps, collars and deadbands	No intervention at draft determination.	Change for the final determination. For the final determination we are adding an outperformance incentive. We consider that the company has discretion in this area and there is potential uncertainty for customers. As set out in the 'Delivering outcomes for customers policy appendix' we consider that it is appropriate to have an outperformance caps and underperformance collars to provide protection for customers. To set the cap and collar we have used the company's P10 and P90 performance levels that it proposed in its representation (table OC 2.1, August 2019).	We set underperformance collars to the following levels: 2020-21 = 42,000 2021-22 = 43,200 2022-23 = 43,800 2023-24 = 44,400 2024-25 = 45,000 Units: The total number of children and adults who have participated in the company's educational activities. We set outperformance caps to the following levels: 2020-21 = 98,000 2021-22 = 100,800 2022-23 = 102,200 2023-24 = 103,600 2024-25 = 105,000 Units: The total number of children and adults who have participated in the company's educational activities.

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
<p>Visitors to recreational facilities</p> <p>PR19WSH_Ft11</p>	Caps, collars and deadbands	No intervention at draft determination.	<p>Change for the final determination.</p> <p>For the final determination we are adding an outperformance incentive. We consider that as a new performance commitment there is potential uncertainty for customers. As set out in the 'Delivering outcomes for customers policy appendix' we consider that it is appropriate to have an outperformance cap and underperformance collar to provide protection for customers.</p> <p>To set the cap and collar we have used the company's P10 and P90 performance levels that it proposed in its representation (table OC 2.1, August 2019).</p>	<p>We set underperformance collars to the following levels:</p> <p>2020-21 = 230,000 2021-22 = 332,000 2022-23 = 361,000 2023-24 = 406,000 2024-25 = 450,000</p> <p>Units: Number of visitors to recreational facilities.</p> <p>We set outperformance caps to the following levels:</p> <p>2020-21 = 890,000 2021-22 = 1,018,000 2022-23 = 1,079,000 2023-24 = 1,144,000 2024-25 = 1,210,000</p> <p>Units: Number of visitors to recreational facilities.</p>
<p>Lead pipes replaced</p> <p>PR19WSH_Wt8</p>	Caps, collars and deadbands	Our intervention at draft determination was to remove caps and collars from this performance commitment.	<p>Change for the final determination.</p> <p>As we explain in the 'Delivering outcomes for customers policy appendix' we consider that caps and collars should be applied to performance commitments which are financially material and we set caps at the P90 performance level (the level of performance that is expected to be reached in 90% of cases). While the P90 level was material it was at a low level compared to companies with similar performance commitments. We consider there is no reason that the company has reduced chances of outperforming on this performance commitment and consider a more appropriate P90 performance level is twice the 2024-25 performance level in line with the estimates of other companies. We change the outperformance caps to this level.</p>	<p>We set outperformance caps to the following levels:</p> <p>2020-21 = N/A 2021-22 = N/A 2022-23 = N/A 2023-24 = N/A 2024-25 = 14,000</p> <p>Units: Cumulative number of customers' lead supply and communication pipes replaced</p>
<p>Acceptability of drinking water</p> <p>PR19WSH_Wt3</p>	Caps, collars and deadbands	<p>At draft determination we set collars levels to:</p> <p>2020-21 = 4.48 2021-22 = 4.48 2022-23 = 4.48 2023-24 = 4.48</p>	<p>Change for the final determination.</p> <p>The company does not make a representation regarding the collar for this performance commitment.</p> <p>The levels for the outperformance cap are based on estimates of the P90 performance, which has changed. Our approach to adjusting the</p>	<p>We set collar levels to:</p> <p>2020-21 = 4.48 2021-22 = 4.48 2022-23 = 4.48 2023-24 = 4.48</p>

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
		<p>2024-25 = 4.48</p> <p>Units: contacts per 1,000 population</p> <p>At draft determination we set caps levels to:</p> <p>2020-21 = 1.16 2021-22 = 1.12 2022-23 = 1.08 2023-24 = 1.04 2024-25 = 1.00</p> <p>Units: contacts per 1,000 population</p>	<p>estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p>	<p>2024-25 = 4.48</p> <p>Units: Contacts per 1,000 population</p> <p>We set cap levels to:</p> <p>2020-21 = 1.08 2021-22 = 0.95 2022-23 = 0.83 2023-24 = 0.71 2024-25 = 0.58</p> <p>Units: Contacts per 1,000 population</p>
<p>Pollution incidents</p> <p>PR19WSH_En3</p>	<p>Caps, collars and deadbands</p>	<p>At draft determination we set cap levels to:</p> <p>2020-21 = 19.00 2021-22 = 15.00 2022-23 = 14.00 2023-24 = 12.00 2024-25 = 12.00</p> <p>Units = Number of pollution incidents per 10,000 km of the wastewater network</p>	<p>Change for the final determination.</p> <p>The levels for the outperformance cap are based on estimates of the P90 performance, which has changed. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p>	<p>We set cap levels to:</p> <p>2020-21 = 18.51 2021-22 = 14.74 2022-23 = 14.00 2023-24 = 12.40 2024-25 = 10.50</p> <p>Units = Number of pollution incidents per 10,000 km of the wastewater network</p>
<p>Internal sewer flooding</p> <p>PR19WSH_Rt1</p>	<p>Caps, collars and deadbands</p>	<p>At draft determination we set cap levels to:</p> <p>2020-21 = 1.40 2021-22 = 1.36 2022-23 = 1.30 2023-24 = 1.23 2024-25 = 1.20</p> <p>Units = Number of incidents per 10,000 sewer connections</p>	<p>Change for the final determination.</p> <p>The levels for the outperformance cap are based on estimates of the P90 performance, which has changed. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p>	<p>We set cap levels to:</p> <p>2020-21 = 1.21 2021-22 = 1.17 2022-23 = 1.11 2023-24 = 0.95 2024-25 = 0.87</p> <p>Units = Number of incidents per 10,000 sewer connections</p>
<p>Sewer flooding on customer property (external)</p> <p>PR19WSH_Rt2</p>	<p>Caps, collars and deadbands.</p>	<p>N/A</p>	<p>Change for the final determination.</p> <p>The levels for the outperformance cap are based on estimates of the P90 performance, which has changed. Our approach to adjusting the</p>	<p>We set cap levels to:</p> <p>2020-21 = 22.40 2021-22 = 20.99</p>

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.	2022-23 = 19.59 2023-24 = 18.28 2024-25 = 16.88 Units = Number of incidents per 10,000 sewer connections
Priority services for customers in vulnerable circumstances PR19WSH_Sv5	Performance commitment level	Our intervention at draft determination was to change the definition of the performance commitment by splitting the measure into 'attempted' (i.e. an outbound contact that has not received a response) and 'actual' contacts (i.e. updates to data based on contact with the customer).	Change for the final determination. The company does not make a representation regarding the performance commitment level. However, we receive a number of representations from companies and other stakeholders. Based on the compelling evidence set out in these representations, we revise the performance commitment levels for the actual contacts element of the performance commitment.	The following is a sector-wide change for the final determination. We revise the performance commitment levels for the actual contacts to: 2020-21 = 17.5 2021-22 = 35.0 2022-23 = 35.0 2023-24 = 35.0 2024-25 = 35.0 Unit: Percentage of priority services customers that the company has made actual contact with.
Delivery of our South Wales Grid water supply resilience scheme PR19WSH_B110	P10 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 performance levels in this case, we use the performance commitment levels set at final determination. We take this approach because this performance commitment reflects delivery of a planned scheme, and we consider that the experience in the water industry is that planned schemes are delivered in most cases. It would be a scenario that would occur in less than 10% of cases that the company would not deliver its performance commitment.	We estimate P10 performance levels as: 2020-21 = 0 2021-22 = 3 2022-23 = 10 2023-24 = 95 2024-25 = 100 Units: Cumulative proportion of total expenditure
Per capita consumption (PCC) PR19WSH_En5	P10 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 performance levels in this case, we use the company's P10 performance levels that it proposed in its representations (table	We estimate P10 performance levels as: 2020-21 = -2.5% 2021-22 = -1.5% 2022-23 = -0.5% 2023-24 = 1.2% 2024-25 = 2.9%

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			OC1, August 2019). We take this approach because P10 performance levels were not provided in the company's April business plan submission.	Units: Percentage reduction from 2019-20 baseline using 3 year average (%)
Km of river improved PR19WSH_En6	P10 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 performance levels in this case, we use the company's P10 performance levels that it proposed in its representations (table OC1, August 2019). We take this approach because a full set of P10 performance levels was not provided in the company's April business plan submission.	We estimate P10 performance levels as: 2020-21 = 0 2021-22 = 0 2022-23 = 15 2023-24 = 15 2024-25 = 322 Units: Cumulative number of kilometres improved Units: Km
Delivery of our reservoirs enhancement programme PR19WSH_BI6	P10 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 performance levels in this case, we use the performance commitment levels set at final determination. We take this approach because this performance commitment reflects delivery of a planned scheme, and we consider that the experience in the water industry is that planned schemes are delivered in most cases. It would be a scenario that would occur in less than 10% of cases that the company would not deliver its performance commitment.	We estimate P10 performance levels as: 2020-21 = 0 2021-22 = 8 2022-23 = 13 2023-24 = 17 2024-25 = 26 Units: The cumulative number of schemes completed in each year
Delivery of our water network improvement programme PR19WSH_BI8	P10 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 performance levels in this case, we use the performance commitment levels set at final determination. We take this approach because this performance commitment reflects delivery of a planned scheme, and we consider that the experience in the water industry is that planned schemes are delivered in most cases. It would be a scenario that would occur in less than 10% of cases that the company would not deliver its performance commitment.	We estimate P10 performance levels as: 2020-21 = 0 2021-22 = 0 2022-23 = 0 2023-24 = 0 2024-25 = 17 Units: Cumulative number of schemes

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
<p>Combined sewer overflow storage systems</p> <p>PR19WSH_En9</p>	P10 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in ‘Delivering outcomes for customers policy appendix’.</p> <p>To estimate P10 performance levels in this case, we use the performance commitment levels set at final determination. We take this approach because this performance commitment reflects delivery of a planned scheme, and we consider that the experience in the water industry is that planned schemes are delivered in most cases. It would be a scenario that would occur in less than 10% of cases that the company would not deliver its performance commitment.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 0 2021-22 = 0 2022-23 = 0 2023-24 = 13,500 2024-25 = 27,049</p> <p>Units: Cubic metres of equivalent storage volume</p>
<p>Delivery of a new visitor centre</p> <p>PR19WSH_VIS01</p>	P10 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in ‘Delivering outcomes for customers policy appendix’.</p> <p>To estimate P10 performance levels in this case, we use the performance commitment levels set at final determination. We take this approach because this performance commitment reflects delivery of a planned scheme, and we consider that the experience in the water industry is that planned schemes are delivered in most cases. It would be a scenario that would occur in less than 10% of cases that the company would not deliver its performance commitment.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = N/A 2021-22 = N/A 2022-23 = N/A 2023-24 = N/A 2024-25 = Delivered</p> <p>Units: Text stating either “delivered” or “not delivered”.</p>
<p>Direct procurement for customers: Cwm Taf Water supply strategy scheme (underperformance)</p> <p>PR19WSH_DPC01</p>	P10 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in ‘Delivering outcomes for customers policy appendix’.</p> <p>To estimate P10 performance levels in this case, we use the performance commitment levels set at final determination. We take this approach because this performance commitment reflects delivery of a direct procurement process, and we would expect the company to avoid late delivery of control points in a P10 performance scenario.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = £0 underperformance 2021-22 = £0 underperformance 2022-23 = £0 underperformance 2023-24 = £0 underperformance 2024-25 = £0 underperformance</p> <p>Units: Pounds</p>
<p>Direct procurement for customers: Cwm Taf Water supply strategy scheme (outperformance)</p> <p>PR19WSH_DPC02</p>	P90 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in ‘Delivering outcomes for customers policy appendix’.</p> <p>To estimate P90 performance levels in this case, we use the performance commitment levels set at final determination.</p>	<p>We estimate P90 performance levels as:</p> <p>2020-21 = £0 outperformance 2021-22 = £0 outperformance 2022-23 = £0 outperformance 2023-24 = £0 outperformance</p>

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
				2024-25 = £0 outperformance Units: Pounds

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
Email: mailbox@ofwat.gov.uk

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

