

December 2019

# PR19 final determinations

**Severn Trent Water – Delivering outcomes for customers final decisions**

**ofwat**

[www.ofwat.gov.uk](http://www.ofwat.gov.uk)

## PR19 final determinations: Severn Trent Water – 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 ‘PR19SVE’ denotes Severn Trent Water.

For all other documents related to the Severn Trent Water’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: Severn Trent Water - 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
Water Quality Compliance (Compliance Risk Index)  PR19SVE_H01	Caps, collars and deadbands	To achieve fast-track status at the initial assessment of plans Severn Trent Water agreed to a series of actions on its performance commitments. These resulted in increases in the stretch on some key performance commitment levels including Compliance Risk Index. Specifically, the company agreed that it should set a deadband at 1.50 and collar at 9.50 for each year of the 2020-25 period.  Unit = Compliance Risk Index Score	The company considers that the deadband should be revised to align with the industry’s average performance of 4.34.  The company raises its concerns regarding distorting incentives with too strong a focus on underperformance payments that does little to encourage continuous improvement in risk management, innovation and sustained change.  It questions the basis and the fairness of defining the deadband so close to zero given that:  (i) it appears inconsistent with the Drinking Water Inspectorate’s PR19 methodology response;	Change for the final determination.  We amend the deadband on the Compliance Risk Index to a score of 2.00 throughout the period reducing the risk of underperformance payments in the last three years of the 2020-2025 period. 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. Please refer to the ‘Delivering outcomes for customers policy appendix’ for more detail on this sector wide change.  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	The following is a sector wide change to the final determination.  We set a revised standard deadband for all companies. The deadband profile for the Compliance Risk Index is:  2020-21 = 2.00 2021-22 = 2.00 2022-23 = 2.00 2023-24 = 2.00 2024-25 = 2.00  Unit = Compliance Risk Index Score

		<p>However, because the company opted out of the early certainty principle in relation to deadbands for CRI, our subsequent slow track and significant scrutiny draft determinations on these deadbands implied changes to Severn Trent Water’s draft determination, as we set a standard deadband which all companies were expected to adopt.</p> <p>The intervention we made at slow track and significant scrutiny draft determinations set performance commitment levels at:</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>	<ul style="list-style-type: none"> <li>(ii) industry standards are likely to tighten early on in the 2020-25 period, making the measure even more stretching;</li> <li>(iii) the potential risks are ever changing;</li> <li>(iv) the deadband is too restrictive to enable emerging trends to be observed;</li> <li>(v) it doesn’t take account of the variable risk exposure across the industry; and</li> <li>(vi) there are some factors which are beyond its immediate control and alone would account for the current deadband.</li> </ul>	<p>fluctuation in performance, whilst providing a strong incentive to minimise compliance failures.</p> <p>The Compliance Risk Index is a statutory measure, therefore the requirement is for 100% compliance (or a score of zero), and because of this the focus of the incentive is for companies not to fail, so it is not possible for companies to outperform in this area.</p> <p>The response referred to is the Drinking Water Inspectorate’s (DWI) response to our PR19 methodology. This is over two years old and we have been in consultation with the Drinking Water Inspectorate throughout all phases of PR19. Therefore this is not a relevant comparison. The DWI considers that a standard deadband level of 2.00 for all companies is appropriate.</p> <p>We consider that it is reasonable to set the deadband levels based on present data. It would not be appropriate to set deadband levels on possible pollutants entering the system in the future, due to insufficient evidence to make reasonable assessment. On the same basis it would not be appropriate to set the deadband based on unknown standards, risks and emerging trends, which in many cases will be within management control. If the company considers there are factors outside of its control that may impact performance, then it should have mitigation plans in place to minimise their occurrence and plans in place to ensure that performance is recovered as soon as possible if they do occur.</p> <p>We do not consider the evidence the company provides to be sufficient or convincing for the company’s proposed alternative deadband, however, as discussed above we set a sector wide deadband at 2.00 (Compliance Risk Index score) for all years during the period 2020- 25.</p>	
<p>Water Quality Compliance (CRI) PR19SVE_H01</p>	<p>ODI rates</p>	<p>To achieve fast-track status at the initial assessment of plans Severn Trent Water agreed to a series of actions on its outcome delivery incentives package, including Compliance Risk Index. Specifically, the company agreed that it should add an outcome delivery incentive underperformance rate of £1.260m/index point.</p>	<p>The company states that our draft determination increases its underperformance rate from -£1.26m to -£1.9m in line with the sector average, due to poor performance. The company claims that this makes it the third strongest ODI, and it ‘could easily incur’ £50m in underperformance payments over the 2020-25 period. It proposes returning to -£1.26m.</p> <p>The company states that the draft determination level of incentive is inappropriate for two reasons.</p>	<p>Change for the final determination.</p> <p>Our PR19 final methodology discussed the use of Compliance Risk Index as a robust measure to base financial incentives on, including the concerns around the subjectivity of the assessment as well as the effect additional sampling by large companies could have on the measure. At the time companies responded with views similar to the company’s representation, including the points of subjectivity and the effect on large companies. Our final methodology noted that we had detailed discussions with the Drinking Water Inspectorate regarding companies’ comments. The final methodology retained Compliance Risk Index as a</p>	<p>We set the company’s underperformance payment rate at -£1.961m.</p>

		<p>However, because the company chose to opt out of the early certainty principle on CRI, our subsequent slow track and significant scrutiny draft determinations on this performance commitment implied changes to Severn Trent Water’s draft determination, which we highlighted in those determinations. For CRI, applying our methodology for asset health performance commitments implied an intervention to increase the company’s ODI underperformance rate as the company has poor comparative performance on this measure compared to the rest of the industry. The increase would be to the average of the reasonable range, increasing the company’s underperformance rate from - £1.260m to £1.96m</p>	<p>First, it states that the measure is new, and the scoring includes subjective components which are unaudited. The company presents evidence of a lack of correlation between the assessment of the taste and odour of the measure (stated preference) compared to customer complaints on taste and odour (revealed preference), and states that this raises questions about the consistency of how the taste and odour failures are being measured. It reasons that the underlying drivers for both measures are very similar, but there is no correlation in the datasets. It concludes that measures with subjective components should have less confidence and therefore financial incentives placed upon them. The company also notes several process issues that need to be addressed, such as the fact that the process is not time bound, so performance from prior years can affect scores for multiple years moving forward. The companies do not have performance updates until the year is mostly over and therefore cannot respond to incentive in-period, and furthermore there is no external assurance process by an independent party.</p> <p>Second, it provides additional historic data from 2014 onwards demonstrating that its performance has improved over the duration of the period. It claims this is evidence of good, not poor, performance. It also notes this occurred despite there being no financial incentives on the measure, as Drinking Water Inspectorate enforcement incentives are sufficiently strong. The company also states its performance on Mean Zonal Compliance, the predecessor measure to the Compliance Risk Index, demonstrated no pattern of consistent underperformance over the last five years, either being within the deadband or triggering small underperformance payments. It also states its performance has been consistent with the industry average over the same period.</p>	<p>common measure and addressed companies’ concerns around the measure stating that the DWI had developed Compliance Risk Index through industry collaboration and trains its inspectors to ensure consistency. The company’s evidence outlines the case that Compliance Risk Index should not be a ‘supercharged ODI penalty’ with the company stating it is the third most powerful ODI. The company does not provide new evidence, and we have addressed the points raised from previously submitted evidence in the final PR19 methodology. The company’s argument that Compliance Risk Index is not appropriate for high ODI underperformance incentives is more about whether the ODI type should be financial or reputational, rather than about the rate itself. We do not support this argument for reducing the company’s rate to the lower bound.</p> <p>The company challenges our application of the past performance test at draft determination. It states that its performance has been consistently improving and presents evidence of its Compliance Risk Index level from 2014-2019 using data provided to the company by the Drinking Water Inspectorate. However, the stated improvement the company sets out is from a poor level of performance, with the company’s starting level in 2014 equal to over 14 index points (the performance commitment level is zero). The company also uses its performance on mean zonal compliance to evidence the fact it has not performed poorly in the past. We use mean zonal compliance as a proxy to assess past performance on Compliance Risk Index as the measure pre-dated the Compliance Risk Index measure and is a subset of the measurements used to calculate Compliance Risk Index. The company did not meet its performance commitment level in all years between 2015-16 and 2018-19, despite remaining within its deadband for 2 of the years and therefore not incurring underperformance payments.</p> <p>The company is also a comparatively poor performer on this metric, its 2019-20 forecast and proposed 2024-25 performance commitment level are the worst forecast by any company.</p> <p>The company does not provide sufficient evidence to prove that it is a good performer. Given the company’s poor comparative performance we retain our draft determination for intervention. The company does not provide convincing evidence of a need to reduce underperformance rates due to the maturity of the CRI measure. Companies have been reporting against CRI for three</p>	
--	--	--	--	---	--

				<p>years and we consider it is a robust enough measure for financial incentives.</p> <p>As such, we consider it is appropriate to implement the results of applying our draft determination methodology, and so set the company's underperformance rate at £-1.961m.</p>	
<p>Water Supply Interruptions</p> <p>PR19SVE_G01</p>	<p>Performance commitment levels</p>	<p>To achieve fast-track status at the initial assessment of plans Severn Trent Water agreed to a series of actions on its outcome delivery incentives package, including water supply interruptions. Specifically, the company agreed to set its performance commitment levels to the September 2018 upper quartile submission values.</p> <p>At the slow track and significant scrutiny draft determinations, we highlighted the implications if the decisions from our draft determinations for slow track and significant scrutiny companies were applied to fast-track companies. The intervention we made at slow track and significant scrutiny draft determination was to set performance commitment levels that were 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>Unit = Hours:minutes:seconds (HH:MM:SS) per property per year</p>	<p>The company rejects the draft determination performance commitment levels and instead proposes a new profile at:</p> <p>2020-21 = 00:06:46 2021-22 = 00:06:10 2022-23 = 00:05:34 2023-24 = 00:04:58 2024-25 = 00:04:22</p> <p>Unit = Hours:minutes:seconds (HH:MM:SS) per property per year</p> <p>While the company supports the concept of the upper quartile ambition and the need for the sector to continuously push forward the standards of service that it delivers to customers, it states that our approach of setting the upper quartile results in an unachievable level. The company states that the September 2018 business plan data used for setting the upper quartile level suffers from optimism bias. For example, the levels achieved in 2018-19 are worse than forecast, by around 20% (on average). It states that the performance commitment levels should be uplifted to consider the optimism bias.</p>	<p>Change for the final determination.</p> <p>Whilst we recognise that 2018-19 performance was in general worse than expected across the sector, we do not consider this sufficient or convincing evidence of 'optimism bias' such that the upper quartile forecasts of companies for supply interruptions are unreasonable. The claim of optimism bias is based on a single year of data, in which performance was impacted by the after-effects of the freeze/thaw event followed by the dry summer, both of which could be considered atypical events</p> <p>However, we have also considered the levels we have derived from company forecasts, the forward looking upper quartile, to take into account wider evidence such as historical improvement. Based on the assessment of evidence from 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>Please refer to the 'Delivery outcomes for customers policy appendix' for more detail on this sector wide change.</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 2024-25 = 00:05:00</p> <p>Unit = Hours:minutes:seconds (HH:MM:SS) per property per year</p>
<p>Water Supply Interruptions</p>	<p>Caps, collars and deadbands</p>	<p>To achieve fast-track status at the initial assessment of plans Severn Trent Water agreed to a series of</p>	<p>The company states that a more consistent underperformance collar should be applied, given the significantly higher levels of risk (this would be</p>	<p>Change for the final determination.</p>	<p>We set the underperformance collar to the following levels:</p>

<p>PR19SVE_G01</p>		<p>actions on its outcome delivery incentives package, including water supply interruptions. Specifically, the company agreed to set a collar at the industry average level (00:14:40) and a cap at its estimated P90 performance level.</p>	<p>consistent to CRI). In the draft determination, its underperformance collar has been set above the collar put forward by a number of other companies, meaning they face significantly less risk. This position has been exacerbated by revisions to slow track plans whereby the majority of companies would now face significantly less risk than the three fast tracked companies (as defined by the difference between the target and the collar).</p> <p>It states that, given the significant variations between companies' targets and collars, the collars should be standardised to ensure that companies have not put forward stretching ambition with a corresponding low risk of underperformance payments. Assuming the target doesn't change for other companies, this would involve setting the collar at the upper quartile of the revised submissions – which is 12:30 (minutes:seconds). If the targets do change then it proposes that the collar should be set to deliver a consistent level of risk (i.e. the same difference between target and the collar).</p> <p>These changes would allow incentives applied in a way that better facilitates the innovative effort required to achieve and sustain service improvements for customers in this price control period and going forward.</p>	<p>Severn Trent Water opted out of early certainty for its supply interruptions performance commitment.</p> <p>As we explain in the 'Delivery 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. This provides a consistent collar, but at a higher level than the company proposes. The collar is different for companies with enhanced ODIs as these companies face a higher level of downside risk to balance the higher level of upside that they can achieve for industry leading performance.</p> <p>Our estimate of P90 performance has changed due to the change in the performance target and so have the outperformance caps that we apply at this level.</p>	<p>2020-21 = 00:22:45 2021-22 = 00:22:45 2022-23 = 00:22:45 2023-24 = 00:22:45 2024-25 = 00:22:45</p> <p>Unit = Hours:minutes:seconds (HH:MM:SS) per property per year</p> <p>We set the outperformance cap to the following levels:</p> <p>2020-21 = 00:03:30 2021-22 = 00:03:21 2022-23 = 00:03:11 2023-24 = 00:03:02 2024-25 = 00:02:54</p> <p>Unit = Hours:minutes:seconds (HH:MM:SS) per property per year</p>
<p>Mains Repairs PR19SVE_G04</p>	<p>Performance commitment levels</p>	<p>The intervention we made in the company's fast track draft determination was to reduce the number of repairs from the level proposed by the company.</p> <p>We set a performance commitment level based on service levels remaining at the average of recent historical performance between 2015-16 and 2017-18, as follows:</p> <p>2020-21 = 112.0 2021-22 = 112.0 2022-23 = 112.0 2023-24 = 112.0</p>	<p>The company proposes a performance commitment level profile of 120 mains repairs per 1,000km in all years.</p> <p>The company states that following fast track draft determination it set out the empirical data that demonstrates the historic relationship between leakage and burst and the impact this relationship would be expected to have in the 2020-25 period. The company continues that following the slow track/significant scrutiny determination, it is clear that it is not going to be able to set out sufficient evidence that reducing leakage requires it to have higher levels of mains repairs. Nevertheless, it considers that the current performance commitment level should be reconsidered to ensure that the</p>	<p>Change for the final determination.</p> <p>At draft determination the upper quartile level was shown for illustration, but was not used to set the performance commitment levels. These were set using the company's own historical performance. We used the 'good' level to identify outliers (i.e. if a company's 2024-25 performance commitment level proposal was worse than the 'good' level). The company forecasts deterioration in its performance which we do not consider stretching. Based on the data and evidence provided by several companies, our conclusion is that there is a link between increasing pro-active mains repairs and reducing leakage. However, the data is too inconsistent and inconclusive on reducing reactive repairs to enable quantification of the future impact on leakage levels by conducting additional mains repairs. Therefore we increase the performance commitment levels for mains repairs by a reducing percentage, for all companies, in all</p>	<p>The following is part of a sector wide change to our performance commitment level methodology for mains repairs.</p> <p>We set the performance commitment levels to the following values:</p> <p>2020-21 = 123.5 2021-22 = 121.8 2022-23 = 120.1 2023-24 = 118.4 2024-25 = 116.7</p>

		<p>2024-25 = 112.0</p> <p>Units: Number of repairs per 1000km of mains</p>	<p>interventions are proportionate and fair when compared to the slow track companies.</p> <p>The company states that just three companies have had interventions that move performance commitment level to the upper quartile level (including Severn Trent Water). In contrast there are seven other companies where the interventions are not even tightening the performance commitment level to the 'good' level. Given that it is a fast track company with very good historic performance, the company thinks it is fair that its performance commitment levels are revised to the good performance level of 120 repairs.</p>	<p>years, reducing the stretch. The aim is to allow all companies the flexibility to deliver an improvement in leakage reduction, allowing more flexibility in the earlier years to use proactive mains repairs to reduce leakage.</p> <p>At final determination, 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 the 'Delivery outcomes for customers policy appendix' for more detail on this sector wide change.</p>	<p>Units: Number of repairs per 1000km of mains</p>
<p>Mains Repairs PR19SVE_G04</p>	<p>Caps, collars and deadbands</p>	<p>To achieve fast-track status at the initial assessment of plans Severn Trent Water agreed to a series of actions on its outcome delivery incentives package, including mains repairs. Specifically, the company agreed to set a collar at its estimated P10 performance level and a cap at its estimated P90 performance level.</p>	<p>The company proposes to introduce an outperformance deadband at a level of 112 mains repairs per 1,000km in all years.</p> <p>It explains that it has introduced a deadband to prevent undue outperformance payments. It provides no other explanation.</p>	<p>No change for the final determination.</p> <p>The company does not provide sufficient evidence to support the use of an outperformance deadband. We consider that for the majority of performance commitments the use of deadbands for both under and outperformance reduces the incentives. Therefore we retain the draft determination position of no outperformance deadband for this performance commitment.</p>	<p>NA</p>
<p>Mains Repairs PR19SVE_G04</p>	<p>ODI rates</p>	<p>We did not intervene at fast track draft determination. The company complied with our action to set the company's outperformance rate to align with the industry median given the company had not provided sufficient evidence to justify the high outperformance ODI rate.</p>	<p>The company states it agreed to the underperformance rate in its draft determination, when the performance commitment level was set at 'a more reasonable level'. However it now states the underperformance rate is inappropriate in light of the more stretching performance commitment level that is implied by the slow track draft determinations.</p> <p>It notes it originally proposed symmetric underperformance and outperformance rates of £0.561m/burst per 1,000km. Our draft determination revised the outperformance rate downward, based on our reasonable range, but left the underperformance rate unchanged. The company states that its underperformance rate (on a per household basis) is outside of the reasonable range as calculated for slow-track draft determinations. It notes several examples from our slow track draft determinations where we revised underperformance</p>	<p>No change for the final determination.</p> <p>The company has early certainty on this performance commitment.</p> <p>The company's outperformance rate was set to align with the industry median at fast track draft determination. The company references examples where we have revised underperformance rates downward as a result of our intervention on outperformance rates. We do not use this methodology on non-customer facing ODIs and do not move underperformance rates to align with outperformance rates</p> <p>Our methodology for non-customer facing performance commitments does not include a requirement for companies' underperformance rates to sit within our reasonable range and we did not test if underperformance rates were larger than the reasonable range given this implies a high level of customer protection. The examples of other company's interventions on</p>	<p>N/A</p>

			<p>rates downward where they were outside of the reasonable range. The company states that its underperformance rate should be changed to align to the intervention on its outperformance rate and so that it is within the reasonable range.</p> <p>It presents statistical analysis (based on correlating ODI rates per 1,000km and the number of households) suggesting its underperformance rate is 70% higher than its number of households suggests it should be. As a consequence it proposes reducing the underperformance rate to -£0.332m per burst per 1,000km, in line with the trend it identifies.</p>	<p>underperformance rates outside of our range stated by the company are customer facing performance commitments which were assessed using a different methodology which we set out in the 'Delivering outcomes for customers policy appendix'.</p> <p>The company's proposed ODI underperformance rate in its representation is based on its analysis of the trend between ODI rates and customer numbers (see company representation for output of the company's analysis). The company states that this analysis shows its underperformance rate set out at draft determination is 70% higher than the rate calculated for a company of its size. It therefore proposes to adjust its underperformance rate to -£0.332m which is the rate implied by the trend line. This rate would sit within our reasonable range, above average but below the lower bound. Estimating a trend line that implies the level of ODI rate for a given company's customer numbers from the rates set out in companies' draft determination does not take into account other variables that could be affecting companies' ODI rates. These include company variations in customer preferences, marginal cost, or the interventions we have made as a consequence of companies failing our tests set out in the draft determination policy appendix. Therefore we do not consider this to be sufficiently convincing evidence to revise the rates set out in our draft determination.</p> <p>We retain the rate we set in the company's fast track draft determination. We do not use the reasonable range deterministically in our methodology and the company has early certainty on its mains repairs ODI rates.</p>	
<p>Unplanned Outage PR19SVE_G05</p>	<p>Performance commitment levels</p>	<p>No intervention at fast track draft determination.</p> <p>At the slow track and significant scrutiny draft determinations, we highlighted the implications if the decisions from our draft determinations for slow track and significant scrutiny companies were applied to fast-track companies. The implications for the performance commitment levels for Severn Trent Water would be:</p> <p>2020-21 = 2.34</p>	<p>The company rejects the performance commitment levels for four out of the five years; it provides a new reducing profile from its proposed 2019-20 value to the industry median value of 2.34% in 2024-25.</p> <p>It states that all other companies were allowed a reducing profile in order to achieve the industry median level, but they were not. It considers that the intervention seems to be inconsistent with the underlying rule [of allowing a reducing profile] and position taken for a number of slow track companies.</p> <p>It states that we may have taken a view of applying 2.34% every year based on its better performance during 2015-20, however, as noted in its Annual</p>	<p>Change for the final determination.</p> <p>Following the company's May 2019 submission, we consider that the company will be compliant with the unplanned outage definition by 2020.</p> <p>We acknowledge the company is in the process of making further improvements to achieve full compliance and we recognise there is limited historical data available. However, the company provides two years' worth of shadow reporting data that is better than the median level. The company does not provide sufficient evidence of how its new reporting process affects the previously achieved levels and we can identify no other reason why we should make a change from the implied level from the slow track draft determination.</p>	<p>We set the following performance commitment levels:</p> <p>2020-21 = 2.34 2021-22 = 2.34 2022-23 = 2.34 2023-24 = 2.34 2024-25 = 2.34</p> <p>Units: Percentage of peak week production capacity (%)</p>

		<p>2021-22 = 2.34 2022-23 = 2.34 2023-24 = 2.34 2024-25 = 2.34</p> <p>Units: Percentage of peak week production capacity (%)</p>	<p>Performance Report 2018, its business plans, and this representation, it is still making improvements in its reporting processes and a number will not take full impact until 2019-20.</p> <p>In its May 2019 submission, the company confirms that it has the necessary plans in place to achieve compliance with sub-components of the unplanned outage convergence measure.</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 value to 2.34%. The only exception to this is Southern Water which proposes worse performance commitment levels but a significant improvement from their current levels, therefore we have allowed Southern Water a different 2024-25 level.</p> <p>Please refer to the 'Delivery outcomes for customers policy appendix' for further information.</p>	
<p>Unplanned outage PR19SVE_G05</p>	<p>Caps, collars and deadbands</p>	<p>No intervention at fast track draft determination.</p>	<p>In addition to the performance commitment levels, Severn Trent Water states there is a need for further consideration of its ODI collar, to ensure it reflects a balanced exposure on risk. It considers that this is because it has had a very large underperformance-only incentive applied without any corresponding collar, and this position contrasts with that of other companies. To prevent a procedural disadvantage and provide some protection for extreme events under a new measure with immature data, the company is proposing a collar that is set identically to that of the other fast track company, South West Water.</p>	<p>Change for the final determination.</p> <p>As we explain in the 'Delivery outcomes for customers policy appendix' we consider that unplanned outage is uncertain and all companies should have a collar set in line with our standard approach. In the appendix we also explain how we set the level of the collar in the final determination.</p>	<p>We set the underperformance collar to the following level:</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 (%) outage compared to company peak week production capacity (PWPC).</p>
<p>Risk of severe restrictions in a drought PR19SVE_G06</p>	<p>Performance commitment level</p>	<p>No intervention at draft determination for fast track companies.</p>	<p>The company revises its performance commitment levels based on its final Water Resources Management Plan as opposed to its draft Water Resources Management Plan. The company provides the methodology to the intermediate calculations. The company confirms that the performance commitment levels align with its Water Resources Management Plan, and the programmes of work and schemes that impact its forecast of</p>	<p>Change for the final determination.</p> <p>We consider that the performance commitment level changes reflect alignment with the company's final Water Resources Management Plan. While the company does not propose improvement over the 2020-25 period, the company does propose improvement to zero by 2030. Since this is a long term performance commitment, we consider 2030-31 is an appropriate date for schemes to be in place by.</p>	<p>We revise the performance commitment levels to align to the company's final Water Resources Management Plan. These are:</p> <p>2020-21 = 56.2 2021-22 = 56.2 2022-23 = 56.2 2023-24 = 56.2</p>

			drought risk are an integral part of its final Water Resources Management Plan.		2024-25 = 56.2  Units: Percentage of population at risk (%)
Risk of sewer flooding in a storm  PR19SVE_F04	Performance commitment levels	At slow track/significant scrutiny draft determination we queried companies to confirm that they are:  (i) using the updated parameters in the catchment vulnerability assessment; (And setting out any additional criteria that they intend to use) (ii) reporting the extent to which they use 2d or simpler modelling; and (iii) adopting FEH13 rainfall as standard and if not when it expects to do so.	The company provides the necessary information as part of its Annual Performance Reporting and September 2018 business plan submission.  The company provides evidence to show that it:  (i) uses FEH13 rainfall parameters for assessments. It uses a single parameter based on the centre of each catchment. In accordance with the guidance no uplift has been applied for climate change. (ii) has full coverage of all catchments with appropriately validated hydraulic models. These models are considered fit for use for the purposes of this assessment which means 100% of catchments have been assessed under Option 1b. (iii) used both the 1D and 2D modelling approaches and reported against both to highlight the differences.	No change for the final determination.  The company provides sufficient and convincing evidence to show that it has high model coverage and a low percentage of its population at risk. We retain our draft determination performance commitment levels.	N/A
Sewer Collapses  PR19SVE_F03	Performance commitment levels	No intervention at fast track draft determination.	The company rejects the fast track draft determination performance commitment level and proposes to change it to 8.83 in all years. It states that its fast track draft determination value of 5.1 was based on 2017-18 performance which it stated in its September business plan used the old definition. The new levels are based on reporting against the revised definition from April 2019.	Change for the final determination.  We re-assess our calculation of the 'good level' for this performance commitment, based on new data submissions by companies following the performance commitment definition changes in April 2019. As a result of these changes, we consider that using the historical dataset is not sufficiently robust and we assess that it would be more suitable to use the median value to set our 'good level' for all companies. The median value is 8 collapses per 1,000km (based on April 2019 revised business plan and resubmitted data). Please refer to the 'Delivery outcomes for customers policy appendix' for further information.  We consider that the company provides sufficient evidence to explain its re-submitted data and that it complies with the revised definition. The company's revised performance commitment levels are worse than our calculated 'good level', as such we revise the performance commitment levels for the company to	We set the performance commitment levels to the following values:  2020-21 = 8.00 2021-22 = 8.00 2022-23 = 8.00 2023-24 = 8.00 2024-25 = 8.00  Units: Number of collapses per 1000km of sewer

				apply the median level in each year, as we consider this level of stretch both appropriate and achievable for the company.	
Protecting our schools from lead  PR19SVE_H04	Performance commitment definition	No intervention at fast track draft determination.	<p>The company proposes amending the performance commitment's definition to make clear it will not work on customer's assets. At draft determination we sought to clarify the company text 'the company will support schools with service pipe replacement'. We considered it meant 'The company will offer all necessary action to minimise the risk from lead including replacing the communication pipe, service pipe and plumbing where there is a risk from lead such as lead solder.' The company does not agree.</p> <p>The company proposes this is amended to 'The company will offer all necessary action to minimise the risk from lead including replacing the communication pipe and raising the risk to school/nursery alongside bringing to notice information from public domain to schools on how the school/nursery could reduce its risk, on service pipes and plumbing.' The company states that this ensures it is compliant with wider competition law guidance covering assets it does not own.</p>	<p>Change for the final determination.</p> <p>If schools do not replace their own assets that have lead, then water in schools will still have lead even if the communication pipe is replaced.</p> <p>Companies replace customer supply pipes in other contexts, such as for leakage, and so we do not consider that replacing customer assets would necessarily lead to competition concerns.</p> <p>The clarification at draft determination was not intended to be an intervention.</p> <p>We encourage the company to consider how it can work with schools, and where necessary go beyond the requirements of the performance commitment, to ensure that water in schools is free of lead.</p>	We revise the performance commitment definition to incorporate the company's proposals.
Abstraction incentive mechanism  PR19SVE_G09	Performance commitment definition	No intervention at fast track draft determination.	<p>The company suggests re-wording the definition for clarity. The draft determination definition states 'The target for this performance commitment is to have 0 MI/day abstracted from both sites whenever the trigger threshold is crossed.' The company notes the 0 MI/day target is relative to a baseline rather than being absolute, and suggests this is made clear in the definition. It also notes this will reduce the risk of customers misunderstanding the definition; the company is still able to abstract when the AIM is 'on'.</p> <p>The company suggests revised wording: 'The target for this performance commitment is to abstract no more than our baseline daily average abstraction quantity of 2.05 MI/d at Dunhampton and 5 MI/d at Highgate whenever their trigger thresholds are crossed. The trigger threshold for Dunhampton is 61mAOD and 132mAOD for Highgate'.</p>	<p>Change for the final determination.</p> <p>We consider that the proposed wording adds clarity to the definition of the performance commitment and it is consistent with the PR19 methodology.</p> <p>There is sufficient and convincing evidence that the changes will improve the clarity of the performance commitment.</p>	We revise the performance commitment definition to incorporate the company's proposals.

<p>Abstraction incentive mechanism</p> <p>PR19SVE_G09</p>	<p>Performance commitment definition (benefits)</p>	<p>No intervention at fast track draft determination.</p>	<p>The company suggests re-wording the 'benefits' section of the performance commitment definition for clarity. The draft determination definition suggests there will be no abstraction from abstraction incentive mechanism sites during periods of low levels of flow. The company notes that the PR19 final methodology states that the purpose of the abstraction incentive mechanism is to 'reduce the environmental impact of abstracting water' and proposes changing the wording to 'reducing water abstraction' during low levels of flow.</p>	<p>Change for the final determination.</p> <p>The company's justification is sufficient and convincing.</p> <p>We consider that the proposed wording adds clarity to the benefit of the performance commitment.</p> <p>As this representation was received before our July draft determinations we were able to use the proposed wording for all companies in our July draft determinations for abstraction incentive mechanism performance commitments.</p> <p>There is sufficient and convincing evidence that the changes will improve the clarity of the performance commitment.</p>	<p>We revise the performance commitment definition to incorporate the company's proposals.</p>
<p>Abstraction incentive mechanism</p> <p>PR19SVE_G09</p>	<p>ODI rates</p>	<p>No intervention at fast track draft determination.</p>	<p>The company states that the incentive rate of £0.0012m we published at draft determination applies to only one site (Highgate) and should not also apply to the second site (Dunhampton). The company states that each AIM site should be considered separately since they are in separate water resource zones. The incentive rate it proposes in its April 2019 revised business plan for Dunhampton is £0.000136m.</p>	<p>Changed for the final determination.</p> <p>The clarification at draft determination was not intended to be an intervention.</p> <p>The ODI rates in the April 2019 revised business plan are site-specific and calculated in line with our abstraction incentive mechanism methodology. The performance commitment definition should have included separate incentive rates.</p> <p>There is sufficient and convincing evidence that the changes will provide more targeted, site-specific incentives.</p>	<p>We revise the performance commitment definition so that there is an incentive rate for each of the company's sites. These rates are £0.00120m (Highgate) and £0.000136m (Dunhampton) for both outperformance and underperformance ODI rates.</p>
<p>Number of water meters installed</p> <p>PR19SVE_G13</p>	<p>Performance commitment definition</p>	<p>No intervention at fast track draft determination.</p>	<p>The company proposes a change so that it can count meters that are installed but not used for billing. At the draft determination we included a clause in the performance commitment definition 'the property status should change following the installation from unmetered to metered charging.' The company proposes that we remove any reference to 'property status' from the definition. The company also suggests we update the purpose of the performance commitment to make clear that the benefits are both in terms of customer demand and to control leakage: 'providing customers with meters improves demand management (through leakage and customer demand).'</p>	<p>Change for the final determination.</p> <p>Providing meters to residential customers can help to quantify and detect leakage even if the meter is not used for billing.</p> <p>The drafting included at draft determination would disincentivise installing meters before either requested by a customer or a property changes occupancy. Other companies install meters before they are able to be billed.</p> <p>While meters that are not used for billing will deliver lower benefits, it can be more efficient than fitting meters on an ad-hoc basis and it means that the meter can be used quickly on change of occupancy, helping to increase metering.</p>	<p>We revise the performance commitment definition to incorporate the company's proposals.</p>
<p>Number of water meters installed</p> <p>PR19SVE_G13</p>	<p>Aggregate cap</p>	<p>No intervention at fast track draft determination.</p>	<p>The company proposes that we add an explanation of how the aggregate outperformance cap applies for the performance commitment. The draft determination simply stated a cap for 2024-25 of</p>	<p>Change for the final determination.</p> <p>It is not clear in the draft determination drafting that the cap is intended to be an aggregate cap over the five years as opposed</p>	<p>We remove the aggregate cap as we do not consider there is a clear benefit for customers in keeping it.</p>

			<p>493,765, which is the cumulative cap, whereas the performance commitment level is an annual number of meters for each year. There is no explanation of this in the draft determination definition. The company proposes adding ‘If the company reaches the aggregate outperformance cap early in AMP7 then no penalties will apply in subsequent years if the company does not install further meters.’</p>	<p>to a single cap for 2024-25 and we agree that this needs to change.</p> <p>However, if the company installed meters early it would earn outperformance payments over and above allowed costs. The ODI calculation is on the basis that costs are required in later years to deliver meters. If it did not deliver any meters in later years and no underperformance payments were made, these additional costs (already recovered by the company through ODIs) would not be corrected and the company would be paid twice.</p> <p>While underperformance in future years should not be seen negatively if the company delivers early in the 2020-25 period, underperformance payments are still necessary to ensure customers only pay once for meters.</p> <p>In reviewing this we are unable to identify the benefit to customers of the aggregate cap, and the company does not provide any such evidence either. As such, we consider removing the aggregate cap to be appropriate.</p>	
<p>Speed of response to visible leaks</p> <p>PR19SVE_G07</p>	<p>Performance commitment definition</p> <p>Performance commitment levels</p>	<p>No intervention at fast track draft determination.</p>	<p>The company proposes two updates to the definition of this performance commitment.</p> <p>The company states that the draft determination performance commitment definition utilises an ‘arithmetic average’ as the mean time to fix all leaks that are included in this measure and that its original definition was based on a median value.</p> <p>The company also states that it needs to take account of the removal of barriers and traffic management within the time to fix and reinstate the leak area. It proposes to update the 2019-20 shadow reporting values and the 2020-25 committed levels for this performance commitment. The company states that the overall percentage improvement remains unchanged.</p>	<p>No change for the final determination.</p> <p>The company's September 2018 business plan states ‘Furthermore, we have changed the definition to the average time taken to fix and reinstate leaks. By taking the average time, our performance will reflect a more representative repair time experienced by our customers, and it also encourages us to fix all leaks as fast as possible, as every leak will impact our target. We have also elected to include reinstatement in this time constraint, as we are aware of the inconvenience caused to our customers by the presence of barriers and traffic management.’ (A3: Designing performance commitments, p121)</p> <p>Not all leaks would necessarily impact the calculation of the average if a median was taken, whereas this is true for the mean average. Using the mean average is therefore consistent with the September 2018 business plan.</p> <p>The company also clearly included restatement in the September 2018 business plan.</p> <p>The draft determination correctly articulated the company proposed performance commitment and the proposed changes would make the performance commitments less stretching and so are not in customers’ interests.</p>	<p>N/A</p>

<p>Increasing water supply capacity</p> <p>PR19SVE_G12</p>	<p>Performance commitment definition</p>	<p>No intervention at fast track draft determination.</p>	<p>The company proposes that we clarify a date in the definition and change the names of schemes.</p> <p>The draft determination definition refers to delivery of schemes by 31 March 2025 and beneficial use available by 1 April 2025. The company states this may confuse customers and proposes moving the date of beneficial use (of 68.5 Ml/day) to 31 March 2025. It states that 'this negates the need for a delivery milestone in 2023-24.'</p> <p>It also proposes revisions to the sub-schemes' names included within this performance commitment for clarity purposes. It notes it will be helpful and more outcomes-focused if the reference is to the area receiving benefits instead of the name used for internal purposes.</p> <p>The company also notes that for security purposes the company currently does not name these sensitive sites publicly on its website.</p>	<p>Change for the final determination.</p> <p>The performance commitment states that 'the delivery milestone is the company's target in 2023/24', but does not state what it is. This is superfluous as in any case the performance commitment requires 'An independent report will be provided in July 2024 setting out the expected beneficial use available from 31 March 2025.'</p> <p>There is no impact on the level of stretch as a result of this change.</p> <p>There is no consequence to customers of changing the names of schemes.</p> <p>We consider that the company provides sufficient and convincing evidence to change the delivery date of realised deployable output of new water resource benefit.</p>	<p>We revise the date of the new water resource benefit scheme to 31 March 2025, removing reference to a delivery milestone in 2023-24, and changing the names of schemes.</p>
<p>Public sewer flooding</p> <p>PR19SVE_F07</p>	<p>Performance commitment definition</p>	<p>No intervention at fast track draft determination.</p>	<p>The company proposes a change to the definition of a single incident. It notes that we clarified this at draft determination by adding 'Each 5 metre stretch of highway or footpath that is flooded will be counted as a separate incident.'</p> <p>The company agrees that clarification was required from the definition it provided but proposes that the performance commitment definition should be updated to the detailed one used for current reporting to the Consumer Council for Water and consistent with the historic June Return definition.</p>	<p>Change for the final determination.</p> <p>We consider it is better to use an existing definition rather than create a new definition and that we should reduce inconsistency if possible when reporting on similar issues.</p>	<p>We update the performance commitment definition to include 'Each 5 metre stretch of highway or footpath that is flooded will be counted as a separate incident.'</p>
<p>Value for money</p> <p>PR19SVE_A04</p>	<p>Performance commitment definition</p>	<p>No intervention at fast track draft determination.</p>	<p>The company proposes that the definition does not specify the exact question to be used for the survey as it is reviewing customer understandability of the questions it uses.</p>	<p>Change for the final determination.</p> <p>We consider it to be in customers' interests that the company ensures the question that is asked to inform this performance commitment is understood.</p> <p>In our slow track draft determinations we allow some survey-based performance commitments without an exact wording for the question.</p>	<p>We revise the performance commitment definition but we include a description of what the question should elicit and a reference of the need to follow social research best practice.</p>

<p>Reducing Residential Void Properties</p> <p>PR19SVE_A01</p>	<p>Performance commitment definition</p>	<p>The intervention we made at fast track draft determination was to change the performance commitment definition to: 'A void property is defined as one connected for services that is thought to be unoccupied and therefore billed. The number of voids is reassessed on an annual basis for each reporting year (1April– 31 March).'</p>	<p>The company notes that for this performance commitment, it had proposed a definition that focused on properties served for water or combined water and wastewater therefore excluding waste only properties. The company further notes that the precision about the definition was to reflect the fact that its waste only customers are typically billed by other water companies (predominantly South Staffs Water). Including waste customers would mean the company benefits from South Staffs bringing customers into charge.</p> <p>The company states that In our draft determination we remove this detailed definition and replaced it with connected properties. The company wants to ensure that the definition is in line with the performance commitment level t has set and notes that it may be beneficial to provide extra clarity in the definition (e.g. 'a property connected for water services').</p>	<p>Change for the final determination.</p> <p>We note that in its May 2019 performance commitments definitions submission, the company specifies that a void should be referred as water supply property therefore excluding waste only properties. We consider that a more detailed definition is necessary to avoid confusion.</p> <p>We consider that the company provides sufficient and convincing evidence that a more detailed definition should be used in the performance commitment to avoid confusion.</p>	<p>We revise the performance commitment definition to: 'A void property is defined as one connected for water supply services that is thought to be unoccupied and therefore billed. The number of voids is reassessed on an annual basis for each reporting year (1April– 31 March).'</p>
<p>Customer measure of experience (C-MeX)</p> <p>PR19SVE_D01</p>	<p>All</p>	<p>We set a common performance commitment for all companies regarding residential customer satisfaction.</p>	<p>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'.</p>	<p>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'.</p>	<p>See 'PR19 final determinations - Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.</p>
<p>Developer services measure of experience (D-MeX)</p> <p>PR19SVE_D02</p>	<p>All</p>	<p>We set a common performance commitment for all companies regarding developer services customer satisfaction.</p>	<p>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'.</p>	<p>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'.</p>	<p>See 'PR19 final determinations - Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.</p>

**Table 2: Severn Trent Water - 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
Business Stream	Smart metering performance commitments	Performance commitment definition	<p>We set a bespoke performance commitment relating to delivering smart meters for several companies. We allow a substantial enhancement expenditure allowance to some companies, beyond their base maintenance allowance, for this programme of work in our final determinations.</p> <p>These performance commitments ensure that these enhancement costs will be recovered for customers if a company does not deliver or partially delivers the programme.</p>	<p>One retailer stakeholder (Business Stream) proposes extending the scope of smart metering performance commitments to include business properties. It argues that this could potentially contribute towards addressing the current shortage of metering capacity in the business retail market.</p>	<p>No change for the final determination.</p> <p>The inclusion of smart metering programmes in business plans is a result of the water resources management planning process, which identify options to increase supply and reduce demand. This will have included consideration of both business and residential smart metering options. It is important that both the funding and performance commitment definitions for these programmes are aligned to their scope. We do not consider it to be feasible in this specific case to amend the performance commitments without a corresponding change to cost adjustment claims because they are so linked for this performance commitment.</p> <p>The company has told us that its smart metering programme will be focused on residential retail customers. As such, we do not consider there is sufficient and convincing evidence to change the performance commitment definition.</p>	N/A
Business Stream, UK Water Retailer Council	Non-household void sites	Performance commitment definition	<p>We set a bespoke performance commitment for some companies (Severn Trent Water, SES Water, South East Water, Thames Water, and United Utilities) regarding non-household void sites. We set a bespoke performance commitment for some companies (Severn Trent Water, Northumbrian Water, United Utilities, and Wessex Water) regarding non-household gap sites</p>	<p>Two retailer stakeholders (Business Stream, UK Retailer Water Council) welcome incentives to reduce non-household void and gap properties but said it significantly increases the likelihood of wholesalers unilaterally activating charges on retailers for void properties, introducing unmanageable cost and risk for retailers. They also note data quality issues in the market database.</p> <p>They also state that void and gap performance commitments are inconsistent in process, design and incentive rates. One representation proposes that we temporarily suspend the introduction of the PR19 incentives and charges for vacant properties until an industry-wide solution is agreed.</p> <p>They state that wholesalers might not share financial incentives with retailers, despite the</p>	<p>Change for the final determination.</p> <p>With regards to the concerns raised in relation to the charging levels that wholesalers could apply to vacant properties and data quality issues, we are considering this point as part of our ongoing review of incumbent water company support for the development of effective markets. While we cannot require companies to share outperformance payments with retailers, we would expect this to be considered by companies given the joint role both play in identifying and reducing the level of gaps and void sites in the market.</p> <p>Retailers may deal with multiple wholesalers and so bespoke performance commitments can risk exacerbating market frictions from cumbersome wholesaler-retailer interactions. The Retailer Wholesaler Group (RWG) is developing a set of consistent processes for implementing financial incentives relating to business gaps sites and voids by April 2020. In April 2020 we will ask each of the</p>	<p>We include a clause for all relevant performance commitments which confirms that we will take into account the financial consequences of any retail market mechanism which may be developed, for example, under the Market Performance Framework, when making in-period determinations.</p>

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
				<p>costs of bringing vacant sites into charging potentially being incurred by retailers. One of the stakeholders proposes a consistent scheme for sharing payments with retailers.</p>	<p>six wholesalers with bespoke performance commitments on gaps or voids to set out the steps they have taken to ensure that the introduction of these bespoke performance commitments will not exacerbate problems associated with wholesaler-retailer interactions.</p> <p>It is possible that, at some time during the 2020-25 period, a common financial incentive on gaps and/or voids is developed by market participants (for example this could be developed at part of the reform of the Market Performance Framework). If industry was planning to introduce a common financial incentive on business voids, we would consider, with those companies which have bespoke performance commitments on business retail gaps and voids, the appropriate way to take such a measure into account in their future in-period determinations. For performance commitments relating to non-household gaps or void sites, we therefore include a clause which confirms that we will take into account the financial consequences of any retail market mechanism which may be developed, for example, under the Market Performance Framework, when making in-period determinations.</p> <p>We said in the PR19 methodology that, in order to maintain the integrity of the regulatory framework, we would retain the flexibility to make changes, in exceptional circumstances, to specified components of outcomes which are subject to the early certainty principle. This represents such an exception because it protects the company's customers from paying twice for the same service through outperformance payments in the event that a retail market mechanism comes into effect during the 2020-25 period.</p> <p>We discuss this topic in more detail in 'Business retail market representations'.</p>	

**Table 3: Severn Trent Water - 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 have updated 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>We also make a small number of corrections for where we have identified errors in our draft determination calculations. The final ODI rates are specified in Severn Trent Water – Outcomes performance commitment appendix.</p>	We change ODI rates where the underlying data used to calculate the rate has been updated (except where early certainty applies), or an error has been identified.
Leakage PR19SVE_G02	Performance commitment definition	No intervention at draft determination.	<p>Change for the final determination.</p> <p>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.</p>	<p>We amend the wording of the performance commitment definition to the following:</p> <p>'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.'</p>
Leakage PR19SVE_G02	P90 performance levels	N/A	Change for the final determination.	<p>We estimate P90 performance levels as:</p> <p>2020-21 = 3.2</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>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 conduct reasonable range analysis on the ratio of P90 performance levels to performance commitment levels set at draft determination, and we determine that the P90 performance level outside the reasonable range. We therefore increase the stretch of the P90 performance levels to align them to the reasonable range outer bound one standard deviation away from the mean. Our final step is to further adjust the P90 performance levels for any changes in the performance commitment levels between draft determination and final determination.</p>	<p>2021-22 = 4.6 2022-23 = 7.4 2023-24 = 12.0 2024-25 = 15.1</p> <p>Units: Percentage reduction from 2019-20 baseline, reported to one decimal place.</p>
Internal sewer flooding PR19SVE_F01	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 first adjust the P90 performance levels for changes in the performance commitment levels between business plan submission and final determination. We then adjust the P90 performance levels to increase linearly from the 2020-21 level up to the level of the enhanced outperformance threshold by 2024-25. This approach is taken because the company's P90 performance level for 2024-25 prior to this adjustment was inferior to the enhanced threshold.</p>	<p>We estimate setting P90 performance levels as:</p> <p>2020-21 = 1.17 2021-22 = 1.06 2022-23 = 0.96 2023-24 = 0.85 2024-25 = 0.74</p> <p>Units: Number of incidents per 10,000 sewer connections, reported to two decimal places.</p>
Internal sewer flooding PR19SVE_F01	Enhanced ODI thresholds	To achieve fast-track status at the initial assessment of plans the company agreed to a series of actions on its performance commitments. This resulted in increases in the stretch of its enhanced outperformance thresholds for this performance commitment. At slow track draft determination we took a single industry view for each performance commitment of the threshold level of performance beyond which companies should receive enhanced outperformance payments. We also maintained our view that the actual lower quartile of performance should be used to calculate the enhanced underperformance threshold for each performance commitment. Our slow track draft determination had implications for the company's enhanced ODI thresholds on this performance commitment.	<p>Change for the final determination.</p> <p>We make amendments to our methodology for calculating enhanced outperformance thresholds for the final determination, details of which can be found in the 'Delivering outcomes for customers policy appendix'. We also change outperformance thresholds if we have found errors in our draft determination calculations. We therefore update the enhanced outperformance thresholds for this performance commitment.</p> <p>We retain the same methodology used at draft determination to set enhanced underperformance thresholds, however we update enhanced underperformance thresholds to align with the lower quartile of the latest year of actual performance (2018-19). This is in line with our approach detailed in the '<a href="#">PR19 draft determination: Delivery outcomes for customer's policy appendix</a>'. Further details can be found in the 'Delivering outcomes for customers policy appendix'.</p>	<p>We change the company's enhanced underperformance threshold on this performance commitment to the following:</p> <p>2020-21 = 2.56 2021-22 = 2.56 2022-23 = 2.56 2023-24 = 2.56 2024-25 = 2.56</p> <p>Units: Incidents per 10,000 connections.</p> <p>We change the company's enhanced outperformance threshold on this performance commitment to the following:</p> <p>2020-21 = 0.93 2021-22 = 0.91 2022-23 = 0.87 2023-24 = 0.80</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 = 0.74  Units: Incidents per 10,000 connections.
Reducing residential void properties  PR19SVE_A01	P90 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 P90 performance levels in this case, we form our own estimates of P90 performance based on judgement. This approach is taken because neither the company's business plan data, provided in April 2019, nor its representations data, provided in August 2019, included P90 performance levels for this performance commitment.	We estimate P90 performance levels as:  2020-21 = 159650 2021-22 = 159491 2022-23 = 159330 2023-24 = 159171 2024-25 = 159011  Units: Number of void household properties to zero decimal places
Reducing business void and gap site supply points  PR19SVE_A03	P90 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 P90 performance levels in this case, we form our own estimates of P90 performance based on judgement. This approach is taken because neither the company's business plan data, provided in April 2019, nor its representations data, provided in August 2019, included P90 performance levels for this performance commitment.	We estimate P90 performance levels as:  2020-21 = 55 2021-22 = 55 2022-23 = 55 2023-24 = 55 2024-25 = 55  Units: Number of business properties brought into billing annually to zero decimal places.
Treatment works compliance  PR19SVE_C01	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 form our own estimates of P10 performance based on judgement. This approach is taken because neither the company's business plan data, provided in April 2019, nor its representations data, provided in August 2019, included P10 performance levels for this performance commitment.	We estimate P10 performance levels as:  2020-21 = 96.72 2021-22 = 96.72 2022-23 = 96.75 2023-24 = 96.75 2024-25 = 96.75  Units: Percentage compliance, reported to two decimal places.
Improvements in WFD criteria  PR19SVE_C02	P10 and P90 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'.	We estimate P10 performance levels as:  2020-21 = NA 2021-22 = NA 2022-23 = NA

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			To estimate P10 and P90 performance levels in this case, we form our own estimates of P10 and P90 performance based on judgement. This approach is taken because neither the company's business plan data, provided in April 2019, nor its representations data, provided in August 2019, included P10 or P90 performance levels for this performance commitment.	2023-24 = NA 2024-25 = 190  We estimate p90 performance levels as:  2020-21 = NA 2021-22 = NA 2022-23 = NA 2023-24 = NA 2024-25 = 232  Units: Number of improvement points, reported to zero decimal places.
Satisfactory sludge use and disposal  PR19SVE_C05	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 form our own estimates of P10 performance based on judgement. This approach is taken because neither the company's business plan data, provided in April 2019, nor its representations data, provided in August 2019, included P10 performance levels for this performance commitment.	We estimate P10 performance levels as:  2020-21 = 95.80 2021-22 = 96.00 2022-23 = 96.00 2023-24 = 96.00 2024-25 = 96.00  Units: Percentage compliance reported to two decimal places.
Sewer blockages  PR19SVE_F06	P90 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'.  We conduct reasonable range analysis on the ratio of P90 performance levels to performance commitment levels set at draft determination, and we determine that the P90 performance level is outside the reasonable range. We therefore increase the stretch of the P90 performance levels to align them to the reasonable range outer bound one standard deviation away from the mean. Our final step is to further adjust the P90 performance levels for any changes in the performance commitment levels between draft determination and final determination.	We estimate P90 performance levels as:  2020-21 = 40,761 2021-22 = 39,976 2022-23 = 39,809 2023-24 = 39,423 2024-25 = 39,423  Units: Number of blockages to zero decimal places
Per capita consumption  PR19SVE_G03	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'.	We estimate P10 performance levels as:  2020-21 = -18.6 2021-22 = -12.5 2022-23 = -11.5 2023-24 = -10.4

Performance commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			To estimate P10 performance levels, we first adjust the P10 performance levels for changes in the performance commitment levels between business plan submission and final determination. We then conduct reasonable range analysis on the ratio of P10 performance levels to performance commitment levels, and we determine that the P10 performance level is outside the reasonable range. We therefore increase the stretch of the P10 performance levels to align them to the reasonable range outer bound one standard deviation away from the mean.	2024-25 = -10.5  Units: Percentage reduction from 2019-20 baseline, reported to one decimal place.
Mains Repairs PR19SVE_G04	P10 and 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 P10 performance levels, we first adjust the P10 performance levels for changes in the performance commitment levels between business plan submission and final determination. We then conduct reasonable range analysis on the ratio of P10 performance levels to performance commitment levels, and we determine that the P10 performance level is outside the reasonable range. We therefore increase the stretch of the P10 performance levels to align them to the reasonable range outer bound one standard deviation away from the mean.</p> <p>To estimate P90 performance levels in this case, we apply our standard approach, which is to use the P90 performance levels set out in the company's April 2019 revised business plan submission and adjust these for changes in the performance commitment levels between business plan submission and final determination.</p> <p>It should however be noted that our ODI Return on Regulatory Equity (RoRE) calculations do not incorporate P90 performance levels for this performance commitment. We do not consider that this would have led to any change to our decisions.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 160.1 2021-22 = 158.5 2022-23 = 156.9 2023-24 = 155.3 2024-25 = 154.0</p> <p>We estimate P90 performance levels as:</p> <p>2020-21 = 108.2 2021-22 = 106.5 2022-23 = 104.9 2023-24 = 103.2 2024-25 = 101.5</p> <p>Units: Number of repairs per 1000km of mains, reported to one decimal place.</p>
Resilient supplies PR19SVE_G10	P10 and 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 P10 and P90 performance levels in this case, we formed our own estimates of P10 and P90 performance based on judgement. This approach was taken because neither the company's business plan data, provided in April 2019, nor its representations data, provided in August 2019, included P10 or P90 performance levels for this 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 = 94.0</p> <p>We estimate P90 performance levels as:</p> <p>2020-21 = N/A 2021-22 = N/A 2022-23 = N/A 2023-24 = N/A</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 = 100.0</p> <p>Units: Percentage (%) of customers whose supply can be restored within 24 hours, reported to one decimal place.</p>
<p>Number of water meters installed</p> <p>PR19SVE_G13</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 form our own estimates of P10 performance based on judgement. This approach is taken because neither the company's business plan data, provided in April 2019, nor its representations data, provided in August 2019, included P10 performance levels for this performance commitment. In this case, we set P10 performance levels equal to the performance commitment levels set at final determination, because we consider that the company should be able to meet its performance targets in a P10 scenario based on historical evidence.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 41,131                  2021-22 = 56,686                  2022-23 = 62,868                  2023-24 = 74,145                  2024-25 = 90,169</p> <p>Units: Number of water meters to zero decimal places</p>
<p>Priority services for customers in vulnerable circumstances</p> <p>PR19SVE_E02</p>	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).	<p>Change for the final determination.</p> <p>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 evidence set out in these representations, we revise the performance commitment levels for the actual contacts element of the performance commitment.</p>	<p>The following is a sector-wide change for the final determination.</p> <p>We revise the performance commitment levels for the actual contacts to:</p> <p>2020-21 = 17.5                  2021-22 = 35.0                  2022-23 = 35.0                  2023-24 = 35.0                  2024-25 = 35.0</p> <p>Unit: Percentage of priority services customers that the company has made actual contact with</p>

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

Ofwat  
Centre City Tower  
7 Hill Street  
Birmingham B5 4UA

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

December 2019

© Crown copyright 2019

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

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

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

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

