

December 2019

PR19 final determinations

**South Staffs Water – Delivering outcomes
for customers final decisions appendix**

PR19 Final determinations: South Staffs 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 ‘PR19SSC’ denotes South Staffs Water.

For all other documents related to the South Staffs 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: South Staffs 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 |
|------------------------|------------|---|--|---|---------------------------------------|
| Company Level | ODI timing | At draft determination, we intervened to make all of the company’s outcome delivery incentives in-period. | <p>In its business plan, the company proposes end-of-period outcome delivery incentives, based on evidence that its customers preferred a flat nominal bill over the period. The company states that bill volatility caused by in-period outcome delivery incentives goes against customer preferences and therefore proposed end-of-period ODIs for seven performance commitments that it stated were susceptible to volatility, including leakage, per capita consumption, water supply interruptions, compliance risk index (CRI), mains repairs and unplanned outages.</p> <p>The company states that it researched its flat nominal bill approach extensively and that we recognised this as an example of best practice innovation. The company states that it finds this incongruous, but reluctantly accepts our decision to</p> | <p>No change for the final determination.</p> <p>Although the company provides high quality customer engagement evidence in support of flat bills, the evidence on customer support for end-of-period ODIs as a way of managing this is more mixed (with 66% of customers appearing to support a bill profile that implies in-period ODI adjustments). We do not consider that bill smoothing is a legitimate reason for end-of-period ODIs, because the company will be able to smooth bills over the period, through its in-period adjustments, if there are excessive changes in bills as a result of its ODI under or over-payments. The company does not submit any additional evidence in its representation to support its claim that its customers’ preferences of a flat and stable bill support end-of-period incentives for the majority of its common and comparable performance commitments.</p> <p>We note that the company accepts our draft determination intervention and we are retaining it for our final determination.</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 |
|---|-----------|--|---|--|---------------------------------------|
| | | | override its customer's preferences for a flat and stable bill in favour of in-period incentives. | | |
| Company level | ODI rates | N/A | The company states that our interventions on incentive rates for compliance risk index, mains bursts, customer contact about water quality and supply interruptions go against the results of its customer research and triangulation activity. The company claims that our rates are 'industry triangulated' and thus do not reflect its customers' preferences. The company states that it is not appropriate to triangulate incentive rates across companies without having confidence that those different research activities are compatible. This would require an extensive review of each company's research, including examining how the questions were asked, and the performance range specified. | <p>No change for the final determination.</p> <p>We do not consider varying ODI rates to be inherently problematic. However, company research may be detailed but still yield valuations that differ from underlying customer preferences due to the research methodological approaches used – this is manifested in the range of ODI rates we observe proposed by companies, and the differences to 2015-20 rates based on similar research on the same customer base. Further, where the company has performance issues, or credible incentives to overstate/understate its rates, it is appropriate for us to adjust proposed rates to ensure that the company has suitable incentives to be a good performer. As such, we use a range of tests as articulated in our 'Delivering outcomes for customers policy appendix'.</p> | N/A |
| <p>Water Quality Compliance (Compliance Risk Index)</p> <p>PR19SSC_D1</p> | ODI rates | At draft determination we intervened to set the company's outcome delivery incentive rate based on the lower bound of our reasonable range. We set the underperformance rate at - £0.267m per index score. | <p>The company states that due to its asset configuration it has a disproportionately large underperformance payment on this performance commitment. It claims the issue lies with the way in which the CRI scores are normalised by total company volume. The company claims this distorts the score where the number of treatment works is low. The company does not consider it is appropriate for its CRI performance commitment to be penalised so heavily and disproportionately given that it is investing to solve the existing problems with these two works, and that its legacy configuration is outside of management control and will not change.</p> <p>It suggests we should descale the underperformance payment rate so that it achieves the same average risk range as other companies, as a percentage of regulated equity. It claims that the average return on regulated equity range for all companies (excluding Southern Water and South Staffs Water) is 0.3%, compared with its 1.2%, and thus a descaling factor of 4 should be applied to the underperformance payment rate. Alternatively, we should exclude Hampton Loade and Seedy Mill from</p> | <p>No change for the final determination.</p> <p>The company states that the way CRI normalises scores by total company volume distorts the score where the number of treatment works is low. The CRI definition has been set by DWI in collaboration with the whole industry, and the final definition and its measure did not identify any exceptions. It is not clear that the company's configuration is a disadvantage. The company may have some slight advantage over other companies, as it has to deal with a smaller variety of issues and can focus on 2 main sites. Other companies have more sites and raw water quality issues affecting performance. We do not find the company's statement regarding legacy configuration outside of management control as sufficient evidence to change the company's ODI rate on this performance commitment. The company has known about the issues for many years. Its customers continue to suffer from a higher risk of poor water quality than the customers of other companies. The company is able to take mitigating actions to improve performance during the DWI notice periods, as noted in the DWI notice (Section A of the notice). As such we do not consider that there is a need to adjust the performance commitment or ODI rate during the notice period or remove any of the company sites from the score for the purposes of the underperformance payment calculation.</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 |
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| | | | <p>the calculation of the underperformance payments until the notice periods are completed.</p> | <p>The company's proposed ODI underperformance rate was not developed with willingness to pay data and the company has provided no additional evidence of customer support for its proposed ODI rates. Its underperformance rate is (on a per household basis) below the reasonable range for this performance commitment.</p> <p>We do not find the company's representation to be sufficient and therefore do not change the intervention at draft determination on the basis of customer protection.</p> <p>We set out our assessment in further detail in the 'South Staffs Water - Delivering outcomes for customers additional information appendix'</p> | |
| <p>Water supply interruptions</p> <p>PR19SSC_D2</p> | <p>ODI rates</p> | <p>We intervened at draft determination to set the underperformance and outperformance payment rates to -£0.237 million and £0.197 million per minute per property, respectively.</p> | <p>The company states that our interventions in incentive rates for water supply interruptions are inappropriate and do not align with the results of its customer research and triangulation activity. The company claims that the draft determination rates are 'industry triangulated' and thus do not reflect its customers' preferences.</p> <p>The company states that our rates at draft determination are 2-3 times higher than those generated by its customer research. This has resulted in a disproportionate impact on its overall risk.</p> | <p>Change for the final determination.</p> <p>We address the company's statement that our ODI rates interventions does not align with company's customer's valuations in the company level ODI rate representation above and in our 'Delivering outcomes for customers policy appendix'.</p> <p>We retain our view that using the industry reasonable range is appropriate as a benchmark for assessing the validity of companies' proposed rates. At draft determination we used the lower bound as a triangulation point in recognition of the fact that the company's rate reflects materially lower willingness to pay than other companies' customers. The key driver of the rates uplift at draft determination was the triangulation with the company's equivalent rate from the 2015-20 period. We consider this a valid input in the re-triangulation as it reflects customer's preferences, and we are concerned that not to do so will result in a materially lower level of customer protection compared to the previous period. The company does not provide reasons for why its 2020-25 proposed rate is significantly lower than its 2015-2020 rate.</p> <p>However, 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</p> | <p>We change the company's underperformance payment rate to -£0.197m per minute per property.</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 |
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| | | | | details on our approach to sector wide interventions on ODI rates see our 'Delivering outcomes for customers policy appendix'. | |
| Leakage PR19SSC_C1 (South Staffs Region) | Performance commitment levels | No intervention at draft determination. | <p>The company states that we have made assumptions about leakage reduction funding that the evidence does not support and considers it cannot deliver its proposed 23% combined regions leakage reduction without the funding it put forward in its business plan.</p> <p>The company states we have made a policy transition to a comparative benchmarking approach, resulting in a significant step change in leakage reduction targets, and that it understands and agrees with the overall rationale but the scale of the change is unprecedented.</p> | <p>Change for the final determination.</p> <p>Our approach is consistent with PR19 methodology which sets out that we will use a comparative analysis. This is because this performance commitment measures the same performance and uses a common methodology to assess it. We consider that cross-company comparisons are valuable to identify company performance levels that are outliers, enabling us to set performance commitment levels which can appropriately incentivise performance improvements. We expect ambition in companies' proposals because we are concerned that the Sustainable Economic Levels of Leakage (SELL) approach used previously to set reduction targets has not driven sufficient improvements in recent years. We note that on a 3 year average basis three companies (Anglian Water, Severn Trent Water and Dŵr Cymru) have historically achieved double-digit reductions over a 5 year time-frame period.</p> <p>We are setting a performance commitment level of 15% leakage reduction (2024-25) on a three year average basis since we consider this is stretching and consistent with the wider sector challenge to reduce leakage with base cost allowances. The company can earn outcome delivery incentives if it improves performance beyond these stretching levels to fund further service improvement including Water Resource Management Plan levels where these go beyond the performance commitment level. We amend the performance commitment levels by proportionally following the company's own profile to a 15% reduction in 2024-25 (percentage reduction from 2019-20 baseline using 3 year average).</p> <p>Please refer to the 'Delivering outcomes for customers policy appendix' for further detail.</p> | <p>We revise the performance commitment levels to result in a 15% reduction in 2024-25, the values are as follows:</p> <p>2020-21 = 1.8 2021-22 = 4.2 2022-23 = 7.8 2023-24 = 11.4 2024-25 = 15.0</p> <p>Unit = Percentage reduction from 2019-20 baseline using 3 year average (%)</p> |
| Mains Repairs PR19SSC_D4 | ODI rates | At our draft determination we intervened to set the company's underperformance rate in line with our view of the industry average (-£0.056m). | The company states that Ofwat's interventions in incentive rates for mains repairs are inappropriate and do not align with the results of its customer research and triangulation activity. The company claims that our rates are 'industry triangulated' and thus do not reflect its customers' preferences. | <p>No change for the final determination.</p> <p>We stated at draft determination that there are significant challenges with obtaining accurate customer valuations of asset health measures. There is also a likely the likely diminishing return of service improvement. Therefore, the company's approach to calculating its underperformance rate by setting it</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 |
|--|-------------------------------|--|---|---|---------------------------------------|
| | | | The company states that its research determined which measures were most important to customers, covered targets with reference to sector comparisons and elicited willingness to pay information used to calculate its proposed ODI rates. It states our rates at draft determination are 2-3 times higher than those generated by its customer research and has had a disproportionate impact on its overall risk. | equal to the outperformance rate could underestimate the underperformance rate. It is therefore a concern that the company's rate sits outside of our reasonable range. We address the company's statement that our ODI rates interventions does not align with company's customer's valuations in the company level ODI rate representation above and in our 'Delivering outcomes for customers policy appendix'. | |
| Risk of severe restrictions in a drought PR19SSC_D3 | Performance commitment levels | The intervention we made at draft determination was a sector wide action: The company should provide a full set of intermediate calculations (at a zonal level), for the underlying risk calculation (both baseline levels and performance commitment). The company should confirm that its performance commitment levels are reflective of their water resources management plan position. This should include the potential that they will have access to drought orders and permits. The company should confirm which programmes of work and schemes will impact its risk profile forecasts. | The company confirms that its performance commitment levels are reflective of the position set out in its Water Resources Management Plan and include the potential access to drought permits and drought orders. The company states that intermediate calculations at a water resource zone (WRZ) level and a company-wide level have received independent assurance from Jacobs. The main demand-side programmes of work that affects the company's forecast are the leakage reduction, metering and water efficiency programmes. The main programme that affects drought resilience forecasts is the sustainability reductions/Water Framework Directive (WFD) programme, although climate change will also influence future levels of resilience. The selected supply-side scheme for the South Staffs region is Somerford-Slade Heath and for the Cambridge region are the re-commissioning of St Ives, Croydon and Kingston. | No change for the final determination. We consider that the performance commitment levels are consistent with the company's water resources management plan and that zero risk is appropriate given the evidence provided. The company provides sufficient evidence and we retain our draft determination performance commitment levels. | N/A |
| Customer contact about water quality PR19SSC_6 | ODI rates | We intervened at draft determination to set the underperformance rate at - £1.094m per contact per 1,000 population by triangulating between the company's April business plan proposal and the industry average. We set the outperformance rate at the underperformance rate divided by | The company states that our interventions in incentive rates for water quality contacts are not consistent with the results of its customer research and its triangulation activity. The company requests that we reverse our interventions and accept the rates in the company's April business plan. The company does not provide any additional evidence to support its proposals. | No change for the final determination. We address the company's statement that our ODI rates interventions do not align with company's customer's valuations in the company level ODI rate representation above and in our 'Delivering outcomes for customers policy appendix'. We intervened at draft determination as the company's rates were significantly below the reasonable range and it has poor | 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 |
|---|-----------------------------------|--|--|---|--|
| | | 1.2. We set the outperformance rate at £0.912m per contact per 1,000 population. | | past performance as well as a forecast net underperformance payment for the 2015-2022 period giving it an incentive to understate its rates on this performance commitment. The company does not provide sufficient evidence to change its ODI rates back the rates set out in its April business plan. We retain our view that it is appropriate to triangulate the company's April incentive rate with the industry average given our concerns about past performance. | |
| Priority services for customers in vulnerable circumstances PR19SSC_B4 | 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). | The company states that is not clear on whether it is permissible to include customers who are receiving support as part of affordability schemes as counting toward its household target. | No change to the final determination. While we understand the benefits to companies of having internal lists for priority services/affordability schemes managed on the same basis, this performance commitment is intended to measure customers registered for non-financial vulnerability support. The two types of support target different populations, therefore it is in customers' interests for companies to report and consider their interests separately. | N/A |
| C-MeX PR19SSC_A1 | 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'. |
| D-MeX PR19SSC_A2 | 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'. |

Table 2: South Staffs 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 |
|--|--|-------------------------------|---|--|--|---------------------------------------|
| CCWater | Non-performance commitment specific | ODI type | N/A | <p>CCWater conducts additional customer research, finding that 88% Cambridge Water's customers, and 76% of South Staffs Water'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. It further notes the company found that only 27% of customers surveyed by the company supported the use of these incentives in its business plan research.</p> <p>It also notes customers consider leakage to be a high priority, and so welcomes our rebalancing of ODI financial incentives relating to leakage in both regions.</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. Whilst there is a lower level of support than for our baseline draft determination, it is still a clear majority. As discussed in our assessment of methodology representations, we assess outperformance payments at a performance commitment-specific level, to most accurately reflect customer preferences.</p> <p>We note CCWater's support for our draft determination regarding the company's leakage financial incentives.</p> | N/A |
| South Staffordshire and Cambridge Water Customer Panel | Water Quality Compliance (Compliance Risk Index) PR19SSC_D1 | ODI rates | At draft determination we intervened to set the company's outcome delivery incentive rate to -£0.267m per index point. | The Customer Panel states that our proposed underperformance financial incentives for the Compliance Risk Index require further consideration to take account of the scale of two treatment works which have been the subject of DWI actions. It suggests its preferred option is to not implement underperformance payments for this performance commitment until investment work at the two sites is completed. | <p>No change for the final determination.</p> <p>We note the Customer Panel's comments on this performance commitment. Setting an ODI rate that excludes the impact of the companies' two biggest sites would require substantial amendments to our framework and would be inconsistent with our overall approach to outcome delivery incentives.</p> <p>Our assessment of the appropriateness of this ODI rate is set out in Table 1 of this document.</p> | N/A |
| South Staffordshire and Cambridge Water Customer Panel | Per Capita Consumption (PCC) PR19SSC_C4 | Performance commitment levels | <p>The intervention we made at draft determination was for the company's Cambridge region. We set the performance commitment levels to the following values, in terms of reduction to the 2019-20 baseline:</p> <p>2020-21 = 1.2% 2021-22 = 2.5% 2022-23 = 3.7%</p> | South Staffordshire and Cambridge Water Customer Panel states that the per capita consumption reduction set by us in our draft determination (144 l/p/d in 2020 to 135 l/p/d in 2025) is not aligned to the company's Water Resources Management Plan (131.9 l/p/d by 2025) and that the supply demand balance is based on achieving this reduction. The Customer Panel considers that the average per capita consumption has shown an increase since 2014/15, and that there is a potential risk | <p>No change for the final determination.</p> <p>The Water Resources Management Plan performance commitment level of 131.9 l/p/d is an annual value and our performance commitment level of 135 l/p/d is a three-year average. If both values are compared on a like for like three-year average basis then the values are 133.4 l/p/d and 134.6 l/p/d respectively. The company can earn outcome delivery incentives if it improves performance beyond these stretching levels to fund further service improvement including Water Resource Management</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 |
|----------------------------|--|-------------------------------|---|---|--|---------------------------------------|
| | | | <p>2023-24 = 5.0% 2024-25 = 6.3%</p> <p>Units: percentage reduction in per capita consumption from initial level on a three-year average basis.</p> | <p>to supply if Cambridge Water is not able to achieve the reduction that it plans.</p> <p>The Customer Panel reminds us that in its report of September 2018, it expressed anxiety about the over-dependence of a supply/demand deficit in the Cambridge area on assumptions about factors outside the company's control, especially population growth, and per capita consumption. The latter is at least subject to influence by the company, but demographic or economic factors like population growth are entirely external.</p> <p>The Customer Panel states that in its demand forecast the company correctly followed the method set out in the Water Resources Management Plan guidance and notes that in the draft determination, we adopted different growth forecasts, taken from the Office of National Statistics. The Customer Panel's previous concerns about supply/demand balance in Cambridge are exacerbated by both the surprisingly low Office of National Statistics prediction and the use of inconsistent data between Water Resources Management Plan and business Plan.</p> | <p>Plan levels where these go beyond the performance commitment level.</p> <p>We did not carry out an independent population or demand forecast exercise for the purpose of setting per capita consumption performance commitment levels and our assessment. We therefore do not consider that the company's Water Resources Management Plan and our final determination are based on inconsistent data.</p> | |
| Consumer Council for Water | <p>Per Capita Consumption (PCC)</p> <p>PR19SSC_C2</p> <p>Water supply interruptions</p> <p>PR19SSC_D2</p> <p>Mains Repairs</p> <p>PR19SSC_D4</p> | Performance commitment levels | N/A | CCWater supports the performance commitment levels for per capita consumption, supply interruptions and burst mains. | <p>No change for the final determination.</p> <p>We welcome CCWater's views.</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 |
|--|--|---|--|--|---|---------------------------------------|
| South Staffordshire and Cambridge Water Customer Panel | Company level | Outcome delivery incentive timing | At draft determination, we intervened to make seven of the company's outcome delivery incentives in-period | The Customer Panel states that the research undertaken by the company in its April plan reinforces the evidence that its customers prefer end-of-period adjustments, even after the benefits of in-period payments have been explained to them. The Customer Panel states that, as a customer facing body, it believes the greater weight should be given to customer views than to the economic theory of in-period payments. | <p>No change for the final determination.</p> <p>We note the Customer Panel's representation that greater weight should be given to customer priorities in this instance and the argument that we should revert the company's ODIs to end-of-period. We consider that, where the company's in-period outperformance payments and underperformance payment have significant impacts on customers' bills, the company will be able smooth bills over the period through its in-period adjustments to prevent significant bill volatility. We do not consider that the company's research on bill smoothing is sufficient to accept the company's use of end end-of-period incentives for its common and comparable outcome delivery incentives.</p> | N/A |
| Consumer Council for Water | Protecting wildlife, plants, habitats and catchments PR19SSC_C7 | Performance commitment level and definition | We did not intervene on stretch or definition for this performance commitment at draft determination. | CCWater states that it is concerned that 'amber' schemes for the company have not been included in the draft determination definition for this performance commitment. CCWater states that it continues to urge us to ensure that schemes that are included in the programme are based on robust evidence of water company environmental impacts and demonstrate value for money for customers. | <p>No change for the final determination.</p> <p>The company states in a response to our query in 2018 that within its Water Industry National Environment Programme, there are nine amber schemes. It did not include these in the business plan as they were too uncertain for it to develop scope and costs. It states that it will continue to engage with the Environment Agency on these requirements and look to develop low cost solutions in the short term, and defer any major investment needs to future business plans when it has sufficient information to develop reliable scopes and costs. We have however included these schemes in the reputational Water Industry National Environment Programme delivery performance commitment at draft determination. There is therefore no need to make a change to our draft determination.</p> | N/A |

Table 3: South Staffs 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 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>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 South Staffs Water – Outcomes performance commitment appendix. In particular for per capita consumption, we incorrectly intervened on the underperformance rate, setting it to -£0.181m per litre per person per day. We did not intend to adjust this rate. For final determination we revert to the company's proposed April business plan rate, -£0.169m per litre per person per day.</p> | We change ODI rates where the underlying data used to calculate the rate has been updated, or an error has been identified. |
| Water Quality Compliance (Compliance Risk Index) PR19SSC_D1 | Caps, collars and deadbands | <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 (CRI):</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>Change for the final determination.</p> <p>We amend the deadband on the 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 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.</p> <p>Please refer to the 'Delivering outcomes for customers policy appendix' for more detail on this sector wide change.</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> |
| Water Quality Compliance (Compliance Risk Index) PR19SSC_D1 | Caps, collars and deadbands | At draft determination we set a collar at 9.5 (CRI score) for all years at the draft determination. We did not set a cap. | <p>Change for the final determination.</p> <p>The performance commitment is a material contributor to downside financial risk. When combined with the rest of the outcomes delivery incentive package, we consider the financial exposure to the company resulting from this performance commitment's underperformance would be disproportionate. As such, we intervene to reduce the financial underperformance exposure by adjusting the underperformance collar, compared to our standard approach. We apply a graduated collar so that the risk for the company increases and therefore we</p> | <p>We revise the underperformance collars to the following values:</p> <p>2020-21 = 6.70 2021-22 = 7.40 2022-23 = 8.10 2023-24 = 8.80 2024-25 = 9.50</p> |

| Performance commitment | Type | Our intervention for the draft determination | Our assessment and rationale for the final determination decision | Decisions for the final determination |
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| | | | maintain the incentive to improve as far as possible. Please refer to the 'Delivering outcomes for customers policy appendix' for further information on our approach to considering company risk. | Unit = Compliance Risk Index Score |
| Water supply interruptions PR19SSC_D2 | Performance commitment levels | <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. The following values were set:</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>Units = Hours:minutes:seconds (HH:MM:SS) per property per year</p> | <p>Change for the final determination.</p> <p>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 'Delivering 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 revised performance commitment levels to the following values:</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>Units = Hours:minutes:seconds (HH:MM:SS) per property per year</p> |
| Water supply interruptions PR19SSC_D2 | Caps, collars and deadbands | <p>At the draft determinations we set collar levels to the following:</p> <p>2020-21 = 00:21:36 2021-22 = 00:21:36 2022-23 = 00:21:36 2023-24 = 00:21:36 2024-25 = 00:21:36</p> <p>Units = Hours:minutes:seconds (HH:MM:SS) per property per year</p> <p>At the draft determination we set cap levels to the following:</p> <p>2020-21 = 00:01:52 2021-22 = 00:01:47 2022-23 = 00:01:42 2023-24 = 00:01:36 2024-25 = 00:01:30</p> <p>Units = Hours:minutes:seconds (HH:MM:SS) per property per year</p> | <p>Change for the final determination.</p> <p>The performance commitment is a material contributor to downside financial risk. When combined with the rest of the outcomes delivery incentive package, we consider the financial exposure to the company resulting from this performance commitment's underperformance would be disproportionate. As such, we intervene to reduce the financial underperformance exposure by adjusting the underperformance collar, compared to our standard approach. We apply a graduated collar so that the risk for the company increases and therefore we maintain the incentive to improve as far as possible. Please refer to the 'Delivering outcomes for customers policy appendix' for further information on our approach to considering company risk.</p> <p>The levels for the outperformance cap are based on estimates of the P90 performance, which has changed from the company estimate. 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 the underperformance collars to the following values:</p> <p>2020-21 = 00:10:30 2021-22 = 00:11:00 2022-23 = 00:11:30 2023-24 = 00:12:00 2024-25 = 00:12:30</p> <p>Units = Hours:minutes:seconds (HH:MM:SS) per property per year</p> <p>We set the caps to the following values:</p> <p>2020-21 = 00:04:02 2021-22 = 00:03:40 2022-23 = 00:03:17 2023-24 = 00:02:55 2024-25 = 00:02:32</p> <p>Units = Hours:minutes:seconds (HH:MM:SS) per property per year</p> |

| Performance commitment | Type | Our intervention for the draft determination | Our assessment and rationale for the final determination decision | Decisions for the final determination |
|---|-----------------------------------|---|---|---|
| Leakage PR19SSC_C1 PR19SSC_C2 | 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 (South Staffs region) PR19SSC_C1 | Caps, collars and dedbands | We set a collar at 5% in all years We set the outperformance caps to the following values: 2020-21 = 6.8 2021-22 = 10.0 2022-23 = 14.9 2023-24 = 19.8 2024-25 = 24.8 Units: Percentage reduction from 2019-20 baseline using 3 year average (%). | Change for the final determination. 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 leakage we set the collar at 5% above (i.e. worse than) the 2019-20 baseline performance commitment level for all companies (except those with early certainty, or with enhanced ODIs). The levels for the outperformance cap are based on estimates of the P90 performance, which has changed from the company estimates. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. | We do not change the collar as a percentage of the baseline. We set the outperformance caps to the following values: 2020-21 = 6.0 2021-22 = 8.4 2022-23 = 12.0 2023-24 = 15.6 2024-25 = 19.2 Units: Percentage reduction from 2019-20 baseline using 3 year average (%) |
| Leakage (Cambridge region) PR19SSC_C2 | Caps, collars and dedbands | We did not set caps and collars at the draft determinations | Change for the final determination. 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 leakage we set the collar at 5% above (i.e. worse than) the 2019- | We set the underperformance collars to the following values: 2020-21 = -5.00 2021-22 = -5.00 2022-23 = -5.00 |

| Performance commitment | Type | Our intervention for the draft determination | Our assessment and rationale for the final determination decision | Decisions for the final determination |
|-----------------------------|-------------------------------|---|---|--|
| | | | <p>20 baseline performance commitment level for all companies (except those with early certainty, or with enhanced ODIs).</p> <p>The levels for the outperformance cap are based on estimates of the P90 performance, which has changed from the company estimates. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p> | <p>2023-24 = -5.00 2024-25 = -5.00</p> <p>Unit: Units: Percentage reduction from 2019-20 baseline using 3 year average (%).</p> <p>We are setting the outperformance caps to the following values:</p> <p>2020-21 = 8.6 2021-22 = 10.8 2022-23 = 13.7 2023-24 = 16.6 2024-25 = 19.5</p> <p>Units: Percentage reduction from 2019-20 baseline using 3 year average (%).</p> |
| Mains Repairs PR19SSC_D4 | Performance commitment levels | No intervention at draft determination. | <p>Change for the final determination.</p> <p>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.</p> <p>Please refer to the 'Delivering outcomes for customers policy appendix' for further information.</p> | <p>We set the performance commitment levels to the following values:</p> <p>2020-21 = 129.6 2021-22 = 127.8 2022-23 = 126.0 2023-24 = 124.2 2024-25 = 122.4</p> <p>Units: Mains burst per 1,000km</p> |
| Mains Repairs PR19SSC_D4 | Caps, collars and deadbands | <p>At draft determinations we set the collar levels to the following:</p> <p>2020-21 = 180.0 2021-22 = 180.0 2022-23 = 180.0 2023-24 = 180.0 2024-25 = 180.0</p> <p>Unit: Number of repairs per 1000km of mains.</p> <p>At draft determinations we set the cap levels to the following:</p> | <p>Change for the final determination.</p> <p>The performance commitment is a material contributor to downside financial risk. When combined with the rest of the outcomes delivery incentive package, we consider the financial exposure to the company resulting from this performance commitment's underperformance would be disproportionate. As such, we intervene to reduce the financial underperformance exposure by adjusting the underperformance collar, compared to our standard approach. We apply a graduated collar so that the risk for the company increases and therefore we maintain the incentive to improve as far as possible. Please refer to the 'Delivering outcomes for customers policy appendix' for further information on our approach to considering company risk.</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</p> | <p>We revise the underperformance collars to the following values:</p> <p>2020-21 = 142.0 2021-22 = 144.0 2022-23 = 146.0 2023-24 = 148.0 2024-25 = 150.0</p> <p>Unit: Number of repairs per 1000km of mains.</p> <p>We revise the outperformance caps to the following values:</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>2020-21 = 102.0 2021-22 = 102.0 2022-23 = 102.0 2023-24 = 102.0 2024-25 =102.0</p> <p>Unit: Number of repairs per 1000km of mains.</p> | <p>and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p> | <p>2020-21 = 111.6 2021-22 = 109.8 2022-23 = 108.0 2023-24 = 106.2 2024-25 = 104.4</p> <p>Unit: Number of repairs per 1000km of mains.</p> |
| <p>Unplanned Outage PR19SSC_D5</p> | <p>Performance commitment levels</p> | <p>No intervention at draft determination.</p> | <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 but a significant improvement from their current levels, therefore we have allowed Southern Water a different 2024-25 level.</p> <p>As South Staffs Water's 2018-2019 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> | <p>We set the performance commitment levels to the following values:</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>Unplanned Outage PR19SSC_D5</p> | <p>Caps, collars and deadbands</p> | <p>We did not set caps and collars at draft determinations.</p> | <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 the underperformance collars to the following values:</p> <p>2020-21 = 4.68 2021-22 = 4.68 2022-23 = 4.68 2023-24 = 4.68 2024-25 = 4.68</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>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>Unit: Percentage of peak week production capacity (%)</p> <p>We set the outperformance caps to the following values:</p> <p>2020-21 = 1.64 2021-22 = 1.64 2022-23 = 1.64 2023-24 = 1.64 2024-25 = 1.64</p> <p>Unit: Percentage of peak week production capacity (%)</p> |
| <p>Protecting wildlife, plants, habitats and catchments</p> <p>PR19SSC_C7</p> | <p>P10 performance levels</p> | <p>N/A</p> | <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 = 194.0 2021-22 = 320.0 2022-23 = 451.0 2023-24 = 592.0 2024-25 = 690.0</p> <p>Units: Number of hectares to one decimal place</p> |
| <p>Priority services for customers in vulnerable circumstances</p> <p>PR19SSC_B4</p> | <p>Performance commitment level</p> | <p>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> | <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 compelling 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> |

| Performance commitment | Type | Our intervention for the draft determination | Our assessment and rationale for the final determination decision | Decisions for the final determination |
|---|-------------------------------|--|--|---|
| <p>Water treatment works delivery programme</p> <p>PR19SSC_D8</p> | <p>P10 performance levels</p> | <p>N/A</p> | <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 = 0.0 2021-22 = 0.0 2022-23 = 44.9 2023-24 = 100.0 2024-25 = 100.0</p> <p>Units: Percentage scheme completion to one decimal place</p> |

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

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