

December 2019

PR19 final determinations

Southern Water – Delivering outcomes for customers final decisions

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PR19 final determinations: Southern 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 ‘PRSRN’ denotes Southern Water.

For all other documents related to the Southern 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: Southern 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) PR19SRN_WN02	Caps, collars and deadbands	Our intervention 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): 2020-21 = 2.00 2021-22 = 2.00 2022-23 = 1.50 2023-24 = 1.50 2024-25 = 1.50 Unit = Compliance Risk Index Score	The company proposes different deadband levels compared to those set in the draft determination, the levels it proposes are: 2020-21 = 6.20 2021-22 = 6.17 2022-23 = 5.55 2023-24 = 3.24 2024-25 = 0.95 Unit = Compliance Risk Index Score The company states that setting an industry-wide CRI performance commitment level does not take into account the variability in risk between different regions and different companies. In its case, the company	Change for the final determination. We amend the deadband for 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. Please refer to the ‘Delivering outcomes for customers policy appendix’ for more detail on this sector wide change. The company highlights that the impact from regulatory failures at Testwood Water Supply Works would trigger automatic underperformance payments due to breaching the deadband, but	The following is a sector wide change for the final determination. We revise the 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

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		<p>We also intervened to set a standard collar of 9.5 only for 2024-25. The collar profile for the Compliance Risk Index was:</p> <p>2020-21 = 14.2 2021-22 = 14.17 2022-23 = 13.55 2023-24 = 11.24 2024-25 = 9.5</p> <p>Unit = Compliance Risk Index score</p>	<p>indicates that this would place undue weight on the impact of failures at Testwood Water Supply Works.</p> <p>It emphasises that due to the particular circumstances of Testwood Water Supply Works, rather than incentivising performance our proposed CRI deadband would result in the immediate triggering of underperformance payments. Given the constraints of its current improvement plan at Testwood Water Supply Works this would have no impact on its planned performance and would merely serve to reduce its resilience. It states that due to the triggering of the maximum underperformance payments under this ODI, the level of compliance at its other water supply works would have limited impact on the size of the underperformance payment, meaning that the ODI would not be operating as an incentive mechanism for any other works. The unavoidable underperformance payment under the ODI in these circumstances would be very significant – around £9m. There is also the risk of undermining customer confidence in the agreed improvement plan, as an immediate underperformance payment penalises the company for meeting the terms of an agreement with the Drinking Water Inspectorate (DWI).</p> <p>The company highlights that it would achieve performance within the deadband if its Testwood Water Supply Works is excluded from performance assessment.</p> <p>The company also amends the 2024-25 collar value to 8.95 in its OC2 table.</p>	<p>in its representation the company does not highlight the root cause of the failures that result in the DWI notice and what it is doing to ensure customers are not at higher risk of water compliance issues. The DWI requires all companies with notices at sites to maintain compliance during installation/construction of remedial works at treatment works. 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> <p>Customer confidence is at least partly a matter of good customer engagement, through which customers can be informed of the reasons for failures and what companies are putting in place. We consider that this does not warrant any moderating of the deadbands below which underperformance payments apply and note that this does not allow companies to be in breach of standards since the performance commitment level is zero – full compliance.</p> <p>We consider that the company does not provide sufficient or convincing evidence to set alternative company specific deadbands as suggested in its representation or for the removal of its Testwood Water Supply Works from the Compliance Risk Index score.</p> <p>We apply the same approach to setting collars for all companies, unless there is convincing customer evidence that it should be set at a different level and setting the collar at this level is not detrimental to customers. For CRI, our standard collar level is 9.5 (CRI score). We consider that the company does not provide sufficient convincing evidence for us to set a different level, we therefore amend the company's collar values to 9.5 (CRI score) in all years.</p>	<p>Unit = Compliance Risk Index Score</p> <p>We set a standard collar of 9.5 for all years. The collar profile for the Compliance Risk Index is:</p> <p>2020-21 = 9.5 2021-22 = 9.5 2022-23 = 9.5 2023-24 = 9.5 2024-25 = 9.5</p> <p>Unit = Compliance Risk Index score</p>
<p>Water supply interruptions</p> <p>PR19SRN_WN03</p>	<p>Caps, collars and deadbands</p>	<p>Our intervention at draft determination was to set underperformance collars to the following levels:</p> <p>2020-21 = 00:21:36 2021-22 = 00:21:36 2022-23 = 00:21:36</p>	<p>The company has concerns relating to how the level of the collar has been set. The company proposes collar levels at:</p> <p>2020-21 = 00:09:59 2021-22 = 00:09:23 2022-23 = 00:08:47 2023-24 = 00:08:11</p>	<p>Change for the final determination.</p> <p>We respond to the company's four broad concerns in the 'Delivering outcomes for customers policy appendix' and explain how we set the level of caps and collars in the final determination.</p>	<p>We set the underperformance collar to the following levels:</p> <p>2020-21 = 00:22:45 2021-22 = 00:22:45 2022-23 = 00:22:45 2023-24 = 00:22:45</p>

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		2023-24 = 00:21:36 2024-25 = 00:21:36 Unit = Hours:minutes:seconds (HH:MM:SS) per property per year	2024-25 = 00:07:35 Unit = Hours:minutes:seconds (HH:MM:SS) per property per year The company states four broad concerns: <ul style="list-style-type: none"> • It considers the approach represents a significant change in policy which has not been previously communicated or subject to consultation. The late nature of the change and the lack of transparency has provided limited opportunity for challenge. • It considers the revised approach fails to deliver on the policy objectives and dis-incentivises stretching targets. • It considers the revised approach does not recognise the historic legacy of the sector and implicitly assumes that our assets can be resilient to all events, including severe weather events. Throughout 2010-15 it is aiming to become more resilient but in the event that it experiences a 1 in 100 year storm or worse, this would likely have a significant impact on our assets. • It considers the revised approach results in a significant risk related to low probability high impact events that is, to a large extent, beyond its control. As such it will distort incentives to invest in the areas most valued by customers. In order to address these concerns, the company considers that the approach for setting collars proposed in ' Technical Appendix 1: Delivering Outcomes for Customers ', which was developed to support the initial assessment of plans (IAP) should be upheld. That is, set collars for financially significant ODIs at the P10 level proposed by the company.	The company's resulting collar levels have changed because of the change in performance commitment levels and also the change in the multiplier.	2024-25 = 00:22:45 Unit = Hours:minutes:seconds (HH:MM:SS) per property per year
Mains repairs PR19SRN_WN05	Caps, collars and deadbands	Our intervention at draft determination was to set collars to the following levels: 2020-21= 179.4 2021-22= 179.4 2022-23= 179.4	The company has concerns relating to how the level of the collar has been set. The company proposes collar levels at: 2020-21 = 142.0 2021-22 = 133.5 2022-23 = 125.0	Change for the final determination. We respond to the company's four broad concerns in the 'Delivering outcomes for customers policy appendix' and explain how we set the level of caps and collars in the final determination.	We set the underperformance collar to the following levels: 2020-21= 180.8 2021-22= 180.8 2022-23= 180.8

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= 179.4 2024-25= 179.4</p> <p>Units Number of repairs per 1000km</p> <p>We set cap levels to:</p> <p>2020-21 = 97.2 2021-22 = 88.7 2022-23 = 80.2 2023-24 = 71.7 2024-25 = 64.7</p> <p>Units: Mains repairs per 1,000km</p>	<p>2023-24 = 116.5 2024-25 = 108.0</p> <p>Units: Number of repairs per 1000km</p> <p>The company proposes a change to the 2024-25 cap level of 64.7 (number of repairs per 1000km).</p> <p>The company states four broad concerns:</p> <ul style="list-style-type: none"> • It considers the approach represents a significant change in policy which has not been previously communicated or subject to consultation. The late nature of the change and the lack of transparency has provided limited opportunity for challenge. • It consider the revised approach fails to deliver on the policy objectives and dis-incentivises stretching targets. • It considers the revised approach does not recognise the historic legacy of the sector and implicitly assumes that our assets can be resilient to all events, including severe weather events. Throughout 2010-15 it is aiming to become more resilient but in the event that it experiences a 1 in 100 year storm or worse, this would likely have a significant impact on our assets. • It considers the revised approach results in a significant risk related to low probability high impact events that is, to a large extent, beyond its control. As such it will distort incentives to invest in the areas most valued by customers. <p>In order to address these concerns, the company considers that the approach for setting collars proposed in ‘Technical Appendix 1: Delivering Outcomes for Customers’, which was developed to support the initial assessment of plans (IAP) should be upheld. That is, set collars for financially significant ODIs at the P10 level proposed by the company.</p>	<p>The company’s resulting collar levels have changed because of the change in performance commitment levels and also the change in the multiplier.</p> <p>We set the cap levels based on our P90 estimates that have changed due to the change in the performance commitment levels. Our approach to adjusting P10 and P90 levels is explained in the appendix.</p>	<p>2023-24= 180.8 2024-25= 180.8</p> <p>Units: Number of repairs per 1000km</p> <p>We set cap levels to:</p> <p>2020-21 = 106.7 2021-22 = 95.9 2022-23 = 85.3 2023-24 = 75.0 2024-25 = 64.9</p> <p>Units = Mains repairs per 1,000km</p>
Internal sewer flooding PR19SRN_WWN01	Caps, collars and deadbands	Our intervention at draft determination was to set collars to the following levels to:	The company has concerns relating to how the level of the collar has been set. The company proposes collar levels at:	No change for the final determination.	N/A

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		2020-21 = 3.35 2021-22 = 3.35 2022-23 = 3.35 2023-24 = 3.35 2024-25 = 3.35 Units: Incidents per 10,000 connections	2020-21 = 1.98 2021-22 = 1.93 2022-23 = 1.88 2023-24 = 1.74 2024-25 = 1.64 Units: Incidents per 10,000 connections The company states four broad concerns: <ul style="list-style-type: none"> • It considers the approach represents a significant change in policy which has not been previously communicated or subject to consultation. The late nature of the change and the lack of transparency has provided limited opportunity for challenge. • It consider the revised approach fails to deliver on the policy objectives and dis-incentivises stretching targets. • It considers the revised approach does not recognise the historic legacy of the sector and implicitly assumes that our assets can be resilient to all events, including severe weather events. Throughout 2010-15 it is aiming to become more resilient but in the event that it experiences a 1 in 100 year storm or worse, this would likely have a significant impact on our assets. • It considers the revised approach results in a significant risk related to low probability high impact events that is, to a large extent, beyond its control. As such it will distort incentives to invest in the areas most valued by customers. In order to address these concerns, the company considers that the approach for setting collars proposed in ' Technical Appendix 1: Delivering Outcomes for Customers ', which was developed to support the initial assessment of plans (IAP) should be upheld. That is, set collars for financially significant ODIs at the P10 level proposed by the company.	We respond to the company's points in the 'Delivering outcomes for customers policy appendix' and explain how we set the level of caps and collars in the final determination.	
Pollution incidents PR19SRN_WWN02	Caps, collars and deadbands	Our intervention at draft determination was to set collars at the following levels:	The company states four broad concerns: <ul style="list-style-type: none"> • It considers the approach represents a significant change in policy which has not been previously 	No change for the final determination.	N/A

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		2020-21 = 49.01 2021-22 = 49.01 2022-23 = 49.01 2023-24 = 49.01 2024-25 = 49.01 Units: Incidents 10,000 km sewer	<p>communicated or subject to consultation. The late nature of the change and the lack of transparency has provided limited opportunity for challenge.</p> <ul style="list-style-type: none"> It consider the revised approach fails to deliver on the policy objectives and dis-incentivises stretching targets. It considers the revised approach does not recognise the historic legacy of the sector and implicitly assumes that our assets can be resilient to all events, including severe weather events. Throughout 2010-15 it is aiming to become more resilient but in the event that it experiences a 1 in 100 year storm or worse, this would likely have a significant impact on our assets. It considers the revised approach results in a significant risk related to low probability high impact events that is, to a large extent, beyond its control. As such it will distort incentives to invest in the areas most valued by customers. <p>In order to address these concerns, the company considers that the approach for setting collars proposed in ‘Technical Appendix 1: Delivering Outcomes for Customers’, which was developed to support the initial assessment of plans (IAP) should be upheld. That is, set collars for financially significant ODIs at the P10 level proposed by the company.</p>	<p>We respond to the company’s four broad concerns in the ‘Delivering outcomes for customers policy appendix’ and explain how we set the level of caps and collars in the final determination.</p> <p>As we set out in Ofwat’s final decision to impose a financial penalty on Southern Water Services Limited (October 2019) we cannot rely on the company’s historic reporting of pollution events to us.</p> <p>We therefore consider it appropriate to set the collar at twice the 2020-21 committed performance level for each year in the 2020-25 period to ensure customers are protected. We consider that the circumstances of Southern Water are materially different to other companies due to its misreporting.</p>	
External sewer flooding PR19SRN_WWN08	Caps, collars and deadbands	<p>Our intervention at draft determination was to set collars at the following levels:</p> 2020-21= 6,618 2021-22= 6,618 2022-23= 6,618 2023-24= 6,618 2024-25= 6,618 Units: Number of External flooding incidents	<p>The company states four broad concerns:</p> <ul style="list-style-type: none"> It considers the approach represents a significant change in policy which has not been previously communicated or subject to consultation. The late nature of the change and the lack of transparency has provided limited opportunity for challenge. It consider the revised approach fails to deliver on the policy objectives and dis-incentivises stretching targets. It considers the revised approach does not recognise the historic legacy of the sector and implicitly assumes that our assets can be resilient to all events, including severe weather events. Throughout 2010-15 it is aiming to become more resilient but in the event that it experiences a 1 in 	<p>No change for the final determination.</p> <p>We respond to the company’s points in the ‘Delivering outcomes for customers policy appendix’ and explain how we set the level of caps and collars in the 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
		<p>Our intervention at draft determination was to set caps at the following levels:</p> <p>2020-21= 4,010 2021-22=3,776 2022-23= 3,533 2023-24= 3,348 2024-25= 3,171</p> <p>Units: Number of External flooding incidents</p>	<p>100 year storm or worse, this would likely have a significant impact on our assets.</p> <ul style="list-style-type: none"> It considers the revised approach results in a significant risk related to low probability high impact events that is, to a large extent, beyond its control. As such it will distort incentives to invest in the areas most valued by customers. <p>In order to address these concerns, the company considers that the approach for setting collars proposed in 'Technical Appendix 1: Delivering Outcomes for Customers', which was developed to support the initial assessment of plans (IAP) should be upheld. That is, set collars for financially significant ODIs at the P10 level proposed by the company.</p>		
<p>Risk of severe restrictions in a drought</p> <p>PR19SRN_WR02</p>	<p>Performance commitment levels</p>	<p>No intervention at draft determination.</p> <p>We made the following sector wide action at draft determination:</p> <p>The company should provide a full set of intermediate calculations (at a zonal level), underlying the risk calculation (both baseline levels and performance commitment).</p> <p>The company should confirm that its performance commitment levels are reflective of its water resources management plan position. This should include the potential that it will have access to drought orders and permits.</p> <p>The company should confirm which programmes of work will impact its risk profile forecasts.</p>	<p>The company provides the requested intermediate calculations at a zonal level, these calculations show how the performance commitment is calculated for both baseline forecast and performance commitment forecast.</p> <p>The company confirms that performance commitment levels are reflective of its Water Resources Management Plan; the Water Resources Management Plan solves for a 1:200 year drought event and so there will be zero customers at risk during a 1:200 year drought. The company states that this assumes that it will have access to drought orders and permits.</p>	<p>No change for the final determination.</p> <p>The zonal level intermediate calculations indicate that the company relies upon the use of drought orders and permits in many of its water resources zones, this accounts for the non-zero risk in 2019-20 dropping to a performance commitment level of zero in the first year of the period. Our PR19 guidance sets out that companies may include drought orders and permits where these are likely to be permitted (consistent with their Water Resources Management Plan) and where the benefits reflect those that would be considered reasonable in a 1-in-200 year drought. On this performance commitment we would consider the company to be at higher risk than zero for all years, however, we assess that it is appropriate for the company to use drought permits and orders as part of this performance commitment as this is aligned with the company's Water Resource Management Plan. It is important that the company implements its Water Resource Management Plan schemes on time to mitigate risk for this performance commitment.</p> <p>The company provides sufficient evidence for us to retain our draft determination performance commitment levels.</p>	<p>N/A</p>

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<p>Risk of sewer flooding in a storm</p> <p>PR19SRN_WWN03</p>	Performance commitment levels	<p>At draft determination we intervened to set out that the company should confirm that it is:</p> <ul style="list-style-type: none"> (i) using the updated parameters in the catchment vulnerability assessment (and setting out any additional criteria that it intends to use); (ii) reporting the extent to which it uses 2D or simpler modelling; and (iii) adopting FEH13 rainfall as standard, and if not, when it expects to do so. 	<p>The company provides additional clarification and information:</p> <ul style="list-style-type: none"> (i) It is using our vulnerability parameters; (ii) It is moving to FEH13 in year 1 of AMP7; and (iii) It is using the simpler 1D approach <p>In a recent query, the company states that an incorrect performance commitment level of 0.12% was recorded in our draft determination rather than 12.42%.</p>	<p>Change for the final determination.</p> <p>The company provides sufficient evidence to show that it has high model coverage and a low percentage of its population at risk. The company provides sufficient information as requested and its approach appears in line with the guidance.</p> <p>However, we consider that the 0.12% we stated at draft determination was an error and we amend the performance commitment levels for final determination to 12.42%.</p>	<p>We amend the performance commitment levels for final determination to 12.42% (percentage of population at risk) for all years.</p>
<p>Surface Water Management</p> <p>PR19SRN_WWN06</p>	Performance commitment level	<p>Our intervention at draft determinations was to set the performance commitment level as follows:</p> <p>2020-21 = 182,000 2021-22 = 182,000 2022-23 = 182,000 2023-24 = 182,000 2024-25 = 182,000</p> <p>Units: cubic metres of surface water removed from the combined sewer network.</p>	<p>The company proposes removing the performance commitment following our interventions at draft determination, stating that the performance commitment is no longer fit for purpose.</p> <p>The company's main arguments cover four key points:</p> <p>First, the performance commitment level set by us at draft determination for surface water management is five times higher than that proposed by the company, without an adjustment to the company's funding allowance. They state this would lead to it disproportionately choosing surface water management approaches to manage external sewer flooding, even when there were more cost-effective alternatives.</p> <p>Second, the performance commitment was not intended to drive a direct outcome in itself, but was to support the overall management of external sewer flooding events as part of a range of approaches.</p> <p>Third, the performance commitment levels set at draft determination would directly distort the company's flooding strategy, with a clear negative impact on</p>	<p>Change for the final determination.</p> <p>This performance commitment links to multiple performance commitments in addition to external sewer flooding. Some of these (internal sewer flooding, pollution incidents) have been identified as high priorities by customers according to the company's customer research findings submitted in the September 2018 business plan. External sewer flooding was identified as a medium priority.</p> <p>We accept on further comparisons with other companies that the level set at draft determinations was too high. We consider Dŵr Cymru's, Yorkshire Water's and Thames Water's similar performance commitments and conclude that Southern Water's proposed programme being a fifth of the draft determination levels, while less than Dŵr Cymru's programme (that includes delivery of environmental improvements), is similar in scope to Yorkshire Water's and Thames Water's performance commitment requirements.</p> <p>The company provides the year by year levels of surface water management that it developed based on its customer willingness to pay analysis for the 2020 to 2025 period in a response to a query, and which is a total of 115,385, but this is lower proportionally than proposed by other companies. The company also appears to only consider a narrow set of surface water management at residential properties, but the draft determination</p>	<p>We revise the performance commitment levels to :</p> <p>2020-21 = 23,080 2021-22 = 39,730 2022-23 = 39,730 2023-24 = 39,730 2024-25 = 39,730</p> <p>Units: cubic metres of surface water removed from the combined sewer network.</p>

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			<p>customers, because it would not incentivise it to deliver the most efficient approach.</p> <p>Fourth, the change to the performance commitment level is not linked to a customer priority and now applies two separate ODI underperformance payments to delivery of external flooding outcomes.</p> <p>The company states that the performance commitment was intended as an innovative performance commitment to change customer behaviour by encouraging them to install surface water separation at their properties. This was intended to reduce localised flooding while also benefitting customers, who would ultimately receive a £25.90 discount on their bill associated with the properties' drainage charge.</p>	<p>performance commitment allows a wider range of approaches that include public land and schools that are likely to be appropriate.</p> <p>Further, surface water management is delivered to a greater and lesser extent by all companies, and we encourage sustainable urban drainage as it supports multiple outcomes and supports resilience in the round. Consistent with the approach for companies, we consider it to be appropriate for this performance commitment to have both outperformance and underperformance payments.</p> <p>Based on our benchmark analysis and the information provided by the company, we propose revised performance commitment levels that are a fifth (cumulatively) of the levels set at draft determination.</p> <p>We agree that this performance commitment does not drive a direct outcome in itself. However, in addition to external sewer flooding, it does support several other outcomes such as internal sewer flooding, pollution incidents, and river water quality. We further note that this performance commitment promotes environmental resilience using sustainable urban drainage. This is in line with our PR19 final methodology, where we set out our expectations for companies to make performance commitments specifically on improving resilience to drought and flooding, and to take account of our seven principles of resilience planning (including a naturally resilient sector).</p> <p>The purpose of this performance commitment is to specifically incentivise the company to remove surface water through sustainable urban drainage. This differs from the purpose of the external sewer flooding performance commitment and therefore this performance commitment does not introduce double underperformance payments. Removal of the surface water management performance commitment will remove the incentive for the company to implement sustainable urban drainage, which as noted above, is an approach that supports multiple outcomes and improves resilience in the round.</p> <p>The company states that this performance commitment will distort its flooding strategy and cause it to disproportionately choose surface water management approaches to manage external sewer flooding even when there are more cost-effective solutions. It does not provide any evidence regarding how meeting the performance</p>	

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				<p>commitment levels set would result in disproportionately choosing surface water management over other more cost-effective options (that is, breakdown and appropriateness of methods used to manage external sewer flooding). It also does not provide any evidence on how alternative approaches would be more cost-effective. We further note that some examples of alternative methods provided by the company are not necessarily direct replacements for surface water management (for example, high flow switches within properties is a reactive approach whereas sustainable urban drainage is preventive).</p>	
<p>Void properties PR19SRN_RR03</p>	<p>ODI rates</p>	<p>Our intervention at draft determinations was to adjust the ODI rates based on an average wholesale bill of £394, marginal costs of £30, a cost sharing factor of 50%, and property numbers as provided by the company. We set the rates to:</p> <p>Underperformance: £7.230 million per 1%</p> <p>Outperformance: £3.758 million per 1%</p>	<p>The company considers that our approach for determining the incentive rates for void properties is inappropriate.</p> <p>The company states that the Totex sharing factor has been incorrectly applied to both the under and outperformance payments, as this is not consistent with the PR19 methodology guidance that stated totex sharing would not apply to the retail price control.</p> <p>Further, the company considers that the calculated benefit per void is too high as it does not take account of the difference between single service and dual service customers. The benefit assumed of £394 is correct only for dual service bills. Single service voids have a lower impact on costs passed through to customers, with average bills of £162 for water and £251 for wastewater. Southern Water has the lowest proportion of revenues from dual service customers out of all Water and Sewerage Companies (c.60%). As such, the company considers that our approach has the largest and most disproportionate impact on it.</p> <p>The company suggests two potential fixes:</p> <ol style="list-style-type: none"> 1. Considering single service and dual services customers separately; or 2. Weighted incentive rate based on the number of customers within each service. <p>The company states that taking this approach would result in the following rates: Underperformance</p>	<p>Change for the final determination.</p> <p>Cost sharing: The company provides sufficient and convincing evidence on the fact that the cost sharing mechanism should be removed from the calculation. In our draft determinations, we state that: ‘The cost sharing mechanism will apply for total revenue controls only, namely for water resources, water network plus and wastewater network plus. We will not apply cost sharing in average revenue controls, namely in the retail and bioresources controls. In the average revenue controls, any deviation from our allowed expenditure will be incurred fully by the company’ (PR19 Final Methodology page 142).</p> <p>Marginal benefits: Further, the company provides sufficient and convincing evidence that the calculated benefit per void is too high, as it does not take into account the difference between single service and dual service customers and that, as Southern Water has the lowest proportion of revenues from dual service customers, this has the largest impact on it. The company proposed two options.</p> <p>The first option is to separate incentives for single and dual services as illustrated by the company. We do not consider this to be a desirable approach as would entail having a complex ODI framework disaggregated for type of service. We note that the company includes consideration of marginal costs even though the customer share of costs is zero for this control. We consider that as we are removing the cost sharing ratio, this is irrelevant.</p> <p>The second option proposed by the company is to calculate a weighted incentive rate based on the number of customers within each service. Notwithstanding that this approach (based on averages) will not deliver the precise benefit unless the proportions of the services that the false voids receive is the same as the</p>	<p>We revise ODI rates to:</p> <p>Underperformance: - £1.200m per 1%.</p> <p>Outperformance: £1.200m per 1%.</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			<p>incentive rate: £3,125,526 per 1% of properties; Outperformance incentive rate: £3,165,000 per 1% of properties</p> <p>The company notes that using a weighted average approach would mean that customers with different water and waste companies will be overpaying for incentives from two companies. Therefore, they consider that it would be more appropriate to set the incentives on approach 1 above. Regardless of approach adopted, the company considers that the cost sharing mechanism should be removed from the calculation.</p>	<p>company average, we consider it is more practical and, in any case, will better reflect the likely benefits than the current approach.</p> <p>We consider that the company provides sufficient and convincing evidence for us to update the ODI rates methodology. In particular, we remove the cost sharing factor and calculate the financial incentive based on a weighted incentive rate based on the number of customers between single and dual services.</p> <p>In addition we consider that there should be a 50% risk sharing factor to share the risk between the company and customers as set out in the 'Delivering outcomes for customers policy appendix'.</p>	
River Water Quality PR19SRN_WWN09	Performance commitment definition and levels	<p>We intervened at draft determination to set the performance commitment definition to include only schemes specified as 'Green' by the Environment Agency as of the 1st April 2019.</p> <p>We intervened to set the performance commitment levels to the following:</p> <p>2020-21 = 7.60 2021-22 = 106.60 2022-23 = 134.70 2023-24 = 134.70 2024-25 = 242.20</p> <p>Units: km of river improved</p>	<p>The company states that we have incorrectly calculated the length of river to be improved for this performance commitment. It states that our approach to calculating the length of rivers to be improved in each year included double counting of the same river lengths. The company states this is not an appropriate approach as a river can only be improved to good status once and therefore, only the scheme with the longest river length impact should be included.</p> <p>The company states that we included a water scheme in our calculation of river lengths to be improved, whereas the performance commitment was specifically targeted at wastewater schemes.</p> <p>The company proposes a revised length of river to be improved using the same source file for the April 2019 water industry national environment programme, but with the above corrections.</p> <p>The company proposes the following performance commitment levels:</p> <p>2020-21 = 0 2021-22 = 82.50 2022-23 = 102.70 2023-24 = 102.70 2024-25 = 182.30</p> <p>Units: km of river improved</p>	<p>Change for the final determination.</p> <p>Our estimation of river lengths improved were based on the addition of the lengths listed in the Water Industry National Environment Programme spreadsheet published by Defra, and we accept there is a likelihood of double-counting when using this approach. The company provides, as part of its representation, a spreadsheet detailing how it reconciles the lengths of river improved with transparent calculations. The company provides sufficient evidence that we should change our draft determination performance commitment levels to align with its proposals.</p> <p>The performance commitment definition at draft determination allows for wastewater schemes only therefore we are removing the water scheme (ID: 7SO200207) from the definition.</p>	<p>We change the definition to exclude the water scheme with unique ID: 7SO200207 in the WINEP.</p> <p>We change the performance commitment definition to update the performance commitment levels.</p> <p>2020-21 = 0 2021-22 = 82.50 2022-23 = 102.70 2023-24 = 102.70 2024-25 = 182.30</p> <p>Units: km of river improved</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
Renewable generation PR19SRN_BIO01	Performance commitment definition	No intervention at draft determination.	<p>The company amended its proposed definition slightly in its April 2019 business plan to allow it to include energy generated on its sites through collaboration with third parties.</p> <p>'All renewable energy generated on our sites will contribute towards this performance measure, irrespective of whether it has been generated using assets owned, operated and maintained by us, or on behalf of us by a third party, non-regulated, or subsidiary business unit. In this way performance against the performance commitment level will be intrinsically linked to behaviours incentivised by the market for the purpose of value creation and not restricted by a traditional operating model'</p> <p>The company issued a query in August 2019 to ask if we acknowledged the revised definition the company proposed in its April 2019 business plan and whether it was accepted, rejected or amended. In our response to the company we acknowledged that we did not consider this definitional change at draft determination stage and stated that we would consider the proposed revision to the definition at final determination.</p>	<p>Change for the final determination.</p> <p>We consider it likely that there are benefits to customers from the company increasing the proportion of energy that it generates from renewable energy on its sites and that it should not be prevented from pursuing the most efficient method of delivering this energy, which may be through different contractual arrangements and third parties.</p> <p>We consider that the company provides sufficient and convincing evidence to update the performance commitment definition in line with their proposal. We consider that the proposed definition is transparent to customers and is likely to allow the company to deliver renewable energy more efficiently through collaboration with third parties.</p>	<p>We revise the performance commitment definition to: 'All renewable energy generated on our sites will contribute towards this performance measure, irrespective of whether it has been generated using assets owned, operated and maintained by us, or on behalf of us by a third party, non-regulated, or subsidiary business unit. In this way performance against the performance commitment level will be intrinsically linked to behaviours incentivised by the market for the purpose of value creation and not restricted by a traditional operating model'.</p>
Maintain Bathing waters at 'Excellent' PR19SRN_WWN11	Performance commitment definition	No intervention at draft determination.	<p>The company provides a representation concerning the performance commitment definition. The company states that our definition refers to 57 designated bathing waters that were Excellent in 2017 and it considers this to be erroneous, as there were not 57 bathing waters at Excellent in its region in 2017.</p> <p>The company considers that the performance commitment is based on maintaining the 57 bathing waters that it forecasts to be Excellent at the end of the 2015-20 period (i.e. the 2019 bathing water season).</p>	<p>Change for the final determination.</p> <p>We consider that the company provides sufficient evidence for us to amend the wording in the final determination definition. Neither the performance commitment levels nor how the performance commitment is measured change as a result of the revised wording.</p>	<p>We amend the wording of the performance commitment to the following:</p> <p>'This measures the number of designated bathing waters within the Southern Water region which are assessed as having Excellent bathing water quality at the end of each bathing season. This is based on a four year assessment.'</p>
Improve the number of Bathing waters to at least 'Good' (Cost Adjustment Claim)	Performance commitment definition	No intervention at draft determination.	<p>The company provides a representation concerning the performance commitment definition. The company proposes to swap one of the five bathing waters named in this performance commitment definition.</p>	<p>No change to final determination.</p>	<p>N/A</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
PR19SRN_WWN12			<p>The company states that the performance commitment includes a provision allowing the swapping of a bathing water in-period. Given that the company already knows that it will need to make a substitution, the company considers that it is appropriate to reflect this in the final determination.</p> <p>The company states that the substitution is because, based on its latest understanding, the issues around Littlestone bathing water quality are likely to prove particularly intractable and unlikely to be resolvable in the 2020-25 period. Investigations have shown that contamination enters the bathing water from private infrastructure not from Southern Water Assets. A solution is likely to involve many more householders connecting to the public sewer, which the company does not consider is its control nor achievable within a reasonable level of complexity and costs.</p>	<p>We consider that it is incorrect that the performance commitment includes a provision allowing the swapping of a bathing water in-period; it actually allows for additional beaches to be added.</p> <p>The company's September 2018 business plan includes Bathing Water Ambition Investigations for both Bognor Regis (Aldwick) and Littlestone under WINEP and these are due to be completed by September 2021. As these investigations are yet to be complete, we consider that there is not sufficient evidence to make a conclusion on the cause of contamination.</p> <p>We consider that the company does not provide sufficient evidence for us to remove Littlestone from this performance commitment and we consider that removing this bathing water would not incentivise the solving of the problem. We retain Littlestone in the performance commitment.</p>	
<p>Abstraction Incentive Mechanism (AIM)</p> <p>PR19SRN_WR05</p>	Performance commitment definition	No intervention at draft determination.	<p>The company provides a representation concerning the performance commitment definition.</p> <p>The company states that our definition refers to a September baseline of 1,878 MI, calculated by deducting 15 MI/d from the maximum abstraction for the previous period. The company considers that this incorrectly re-interprets the performance commitment and would not be deliverable.</p> <p>The company states that the commitment in its plan was to maintain abstraction 15 MI/d below the revised licenced abstraction limit, which incorporates the sustainability reductions. This revised abstraction limit is 2,280 MI. The company has committed to maintaining abstraction 15 MI/d below this level i.e. 1,830 MI.</p>	<p>Change for final determination.</p> <p>The company's September 2018 business plan submission indicates that the abstraction limit for September for the 2020-25 period is 2280MI. Reducing this during the 2020-25 period, as a result of sustainability reductions, equates to a baseline for the 2020-25 period of 1,830 MI (15 MI/d x 30 days is 450 MI).</p> <p>We consider that the baseline does change between 2015-20 and 2020-25 periods as the license conditions take place, as such it is not appropriate to use the pervious maximum level. The abstraction limit is the suitable amount to use as a baseline (2280 MI).</p>	<p>We change the wording in our final determination performance commitment definition to the following:</p> <p>'The September abstraction limit for the 2020-25 period is 2280 MI. The company's stated target is to outperform this by 15 MI/d.'</p>
<p>Impounding reservoirs</p> <p>PR19SRN_WR07</p>	Performance commitment definition	<p>The intervention we made at draft determination was to set a performance commitment which has the following characteristics:</p> <p>Measures the completion of the four reservoir safety schemes.</p>	<p>The company provides a representation concerning the performance commitment definition.</p> <p>The company states that since submitting its Business Plan in September 2018 it has been working with industry experts and the Environment Agency to confirm the new safety requirements for its</p>	<p>Change for the final determination.</p> <p>We consider that the date change for the Bewl scheme makes the measure less stretching as the scheme carries the greatest weighting for the performance commitment (48.8%) and would mean that all the works would be delivered in the final year of the period. The company has not provided any evidence of this</p>	<p>We change the basic drawdown standard rate for Powdermill to 0.31 (metres per day at 50 percentile inflow).</p>

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
		<p>Each scheme has been given the following % completion weighting:</p> <p>Bowl = 48.8%</p> <p>Darwell = 14.8%</p> <p>Powdermill = 19.9%</p> <p>Weirwood = 16.5%</p> <p>The performance commitment has an underperformance only outcome delivery incentive.</p> <p>Totex x (WACC + Water resources RCV run-off rate) / 100 = £0.00705m per %.</p> <p>The outcome delivery incentive is in-period and there is no collar.</p> <p>A claw back mechanism has been included to recover costs for any non-delivery of schemes by 2024-25 at the next price review; this has been calculated based on the following calculation: Claw back rate per % non-delivered = Totex x 50%/100 = £0.0347m per % non-delivered.</p>	<p>impounding reservoirs. This work has resulted in the need to update the performance commitment.</p> <p>It states that following completion of Phase 1 of its 'Drawdown Assessment Study', the 'Basic Drawdown standard rates' have been confirmed. It states that the requirement for Powdermill Water Service Reservoir is now 0.31m per day at Q50 inflow. This is expected to reduce the scope of work required at Powdermill Water Service Reservoir.</p> <p>The company states that it has now agreed with the Environment Agency a Section 10 completion date for Bowl SWR of March 2024. This is 30 months earlier than in its September 2018 business plan, but 16 months later than the date it advised (11 November 2022) in response to a query. It states the 2022 date is not achievable.</p> <p>It also highlights the total cost forecast for completion of these four Impounding Reservoir drawdown schemes is £19.9m. At the time of business plan submission (September 2018) these schemes were to be delivered over the 2025-30 and 2030-35 periods, correspondingly £11.5m (58%) of the required £19.9m was allowed for in its plan. The remaining £8.4m (42%) was not in its plan. Now that these schemes are required to be delivered entirely in the 2020-25 period, the company considers that the allowance for Impounding Reservoirs must be increased accordingly.</p>	<p>agreement and we do not there is sufficient evidence to warrant a change.</p> <p>We consider that the change to Powdermill target drawdown capacity would not result in material reduction to costs and has no bearing on stretch. Therefore we make the changes to Powdermill.</p> <p>The company, through a query response, confirmed that it would complete the works in the 2020-25 period and for the allowance made at draft determination. This is not consistent with its other representations and so we do not consider its proposal for an increased allowance to be sufficiently evidenced. We therefore do not make a change to the draft determination ODI rate, apart from those due to changes to input data (including company efficiency challenge, RCV run off rate, weighted average cost of capital).</p>	<p>We change the underperformance ODI rate to -£0.00663m and the</p> <p>In addition we change the rate at which PR24 we will recover allowed costs of any underperformance expected in 2024-25 to £0.0250m per unit.</p>
<p>Water supply resilience</p> <p>PR19SRN_WN10</p>	Performance commitment definition	No intervention at draft determination.	<p>The company provides a representation concerning the performance commitment definition.</p> <p>The company states that 'Water supply resilience' is a new measure for the 2020-25 period and was still in the early stages of development when the company submitted its business plan in September 2018. Since submitting its business plan, it has been continuing to</p>	<p>Change for the final determination.</p> <p>We consider that by eliminating the stressed scenario it makes the measure more transparent. We consider that the revised performance commitment covers a wider area, and so this is overall a better outcome for customers. We change the performance commitment definition to use the 'baseline scenario' scores.</p>	We change the performance commitment definition to use the 'baseline scenario' scores and so revise the performance commitment levels.

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>refine and develop its assessment methodology for resilience. This has resulted in a focus on the 'Baseline Scenario' resilience score rather than the 'Stressed Scenario' resilience score.</p> <p>The 'Baseline Scenario' score is now an integral part of how the company assesses the benefit of asset interventions and compares alternative solution options. The company therefore proposes that the performance commitment is modified to use the 'Baseline Scenario' scores rather than the 'Stressed Scenario' scores. This change will ensure that the performance commitment aligns with its business processes and that inefficiencies associated with additionally calculating 'Stressed Scenario' resilience are not incurred.</p> <p>In addition, the company considers that the draft determination performance commitment targets only represented the data for one of the three zones, Brighton (under the Stressed scenario). This was because the company did not have Stressed data for the Thanet and Isle of Wight zones. Focusing on the baseline scenario allows the company to include all three zones in the target.</p>		
<p>Leakage PR19SRN_WN04</p>	<p>Performance commitment definition</p>	<p>No intervention at draft determination.</p>	<p>The company provides a representation concerning the performance commitment definition.</p> <p>The company states that as per the PR14 final determination, Southern Water does not have a 2019-20 leakage target. Its target is a five-year average, not annual targets. The company assumes therefore that the text that refers to a 2019-20 leakage target can be disregarded in its case. It considers that, for the avoidance of doubt, it may be sensible to delete it from the definition in the final determination.</p> <p>Alternatively, it suggests that the 2019-20 target could be based on the forecast from its PR19 business plan submission (as per Table APP1).</p>	<p>Change for the final determination.</p> <p>We consider that for PR14 performance commitments set on three or five year average basis, the 2019-20 annual target is equal to the average value specified in the PR14 performance commitment. This therefore means that the section of the definition applies to Southern Water. We amend the definition to clarify this in the final determination.</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</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
					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.'
C-MeX PR19SRN_RR01	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 PR19SRN_WN01	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: Southern 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
Consumer Council for Water	Non-performance commitment specific	Performance commitment levels	N/A	CCWater considers 'Southern Water's performance commitments are stretching, reflective of customer priorities and were developed based on extensive evidence of customers' views collected during the development of its business plan.'	No change for the final determination. We welcome the view of CCWater.	N/A
Partnership for South Hampshire	Non-performance commitment specific	Performance commitment levels	N/A	The Partnership for South Hampshire welcomes 'the substantial allowance [Ofwat] made within the draft determination for Southern Water to invest in improvements towards service, resilience and the environment'.	No change for the final determination. We welcome the view of the Partnership for South Hampshire.	N/A
Consumer Council for Water	Non-performance commitment specific	ODIs	N/A	CCWater conducts additional customer research, finding that 70% of the company'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 states that it considers that the company did not test the principle of using ODIs with customers.	No change for the final determination. 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 support for outperformance payments at a performance commitment-specific level, to most accurately reflect customer preferences.	N/A
Consumer Council for Water	Leakage PR19SRN_WN04 Per Capita Consumption (PCC) PR19SRN_WR01	Performance commitment levels	Leakage: No intervention at draft determination. Per capita consumption: Our intervention at draft determination was to set performance commitment level for 2020-21 to achieve 129.1 litres per person per day. This is as follows: 2020-21: 1.0%	CCWater notes that the company is following the commitment to reduce leakage by 15%, and how the company is likely to miss the leakage performance commitment level for 2015-20. CCWater notes the importance of the company delivering in this area, given it is high priority for customers, and the impact which a negative performance in leakage could have. CCWater considers that customers would be willing to reduce their per capita consumption, as long as the company is reducing leakage.	No change for the final determination. We welcome the view from CCWater. Our assessment of past delivery on leakage concluded that the company has a robust plan in place to deliver the 2020-25 stretch and the company's ODI rate (which is within our reasonable range) is sufficient to incentivise this delivery. We also reserve the right to intervene if the company does not clearly explain the reasons for differences or if the forecast 2019-20 service level is not met due to reasons which we consider to be within the company's control. As a minimum, if, using the PR14 calculation of leakage set out in the PR14 performance commitment, the 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-	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
			Units: percentage reduction in per capita consumption from baseline level		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. Therefore we consider that customers are adequately protected.	

Table 3: Southern 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 Southern Water – Outcomes performance commitment appendix.</p> <p>In particular:</p> <ul style="list-style-type: none"> We change the ‘Thanet Sewers’ performance commitment non-delivery underperformance rate from the draft determination value of -£0.2500m to the final determination rate of -£0.1807m (number of months). We change the ‘Long term supply demand schemes’ performance commitment non-delivery underperformance rate from the draft determination value of -£0.979m (per month delay) to the final determination rate of -£0.7043m (per month delay). In addition at PR24, if less than 182.5MI/d is planned to be delivered we will recover allowed costs. We change the additional non-delivery underperformance rate from the draft determination value of -£0.322m (per MI/d) to the final determination rate of -£0.2315m (per MI/d). For ‘Per capita consumption’ the outperformance rate value stated in our draft determination (£0.080m per litre per person per day) does not correctly apply our intended intervention. The corrected value for our final determination is £0.070m per litre per person per day. 	We change ODI rates where the underlying data used to calculate the rate has been updated, or an error has been identified.
Water supply interruptions PR19SRN_WN03	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</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</p>

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
		2023-24 = 00:03:36 2024-25 = 00:03:00 Units = Hours:minutes:seconds (HH:MM:SS) per property per year		2023-24 = 00:05:23 2024-25 = 00:05:00 Units = Hours:minutes:seconds (HH:MM:SS) per property per year
Water supply interruptions PR19SRN_WN03	ODI rates	We did not intervene at draft determination.	Change for the final determination. When considering the performance commitment package as a whole, we consider whether the balance of incentives for particular performance commitments is appropriate at both an industry and company level. We set all companies' underperformance rates symmetrically to outperformance rates to provide a more balanced spread of incentives and risk on water supply interruptions. For further details on our approach to sector wide interventions on ODI rates see our 'Delivering outcomes for customers policy appendix'.	We change the underperformance payment rate to -£0.244m per minute per property.
Water supply interruptions PR19SRN_WN03	Caps, collars and deadbands	At draft determination we set cap levels to: 2020-21 = 00:03:11 2021-22 = 00:02:24 2022-23 = 00:01:38 2023-24 = 00:00:47 2024-25 = 00:00:00 Units: Hours:minutes:seconds (HH:MM:SS) per property per year	Change for the final determination. 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'.	We set cap levels to: 2020-21 = 00:03:30 2021-22 = 00:03:08 2022-23 = 00:02:45 2023-24 = 00:02:23 2024-25 = 00:02:00 Units = Hours:minutes:seconds (HH:MM:SS) per property per year
Mains Repairs PR19SRN_WN05	Performance commitment levels	No intervention at draft determination.	Change for the final determination. We increase the performance commitment levels for mains repairs by a reducing percentage, for all companies, in all years, making it easier to achieve. The aim is to allow all companies the flexibility to deliver the improvement in leakage reduction, allowing more flexibility in the earlier years to use proactive mains repairs to reduce leakage. Please refer to the 'Delivering outcomes for customers policy appendix' for more detail on this sector wide change.	We set the performance commitment levels to the following values: 2020-21 = 129.1 2021-22 = 118.3 2022-23 = 107.7 2023-24 = 97.4 2024-25 = 87.3 Units: Mains repairs per 1,000km
Mains repairs PR19SRN_WN05	ODI rate	We did not intervene at draft determination.	Change for the final determination. 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 make a sector wide intervention to set all companies' underperformance rates at the normalised (per household) industry average on mains repair to provide a more balanced spread of	We change the company's underperformance rate to -£0.084m/ number per 1,000km of sewer.

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			incentives and risks across the company's performance commitments. For the company this will lead to a small increase in its underperformance rate to align it at the normalised industry average. For further details on our approach to sector wide interventions on ODI rates see our 'Delivering outcomes for customers policy appendix'.	
Void properties PR19SRN_RR03	ODI rates	<p>Our intervention at draft determinations was to adjust the ODI rates based on an average wholesale bill of £394, marginal costs of £30, a cost sharing factor of 50%, and property numbers as provided by the company. We set the rates to:</p> <p>Underperformance: £7.230 million per 1%</p> <p>Outperformance: £3.758 million per 1%</p>	<p>Change for the final determination.</p> <p>As we explain in the 'Delivering outcomes for customers policy appendix', we revise our methodology for performance commitments concerning 'void properties' (excluding Severn Trent Water and South West Water who have early certainty, and South Staffs Water, where we did not intervene at draft determination as it already has a low percentage of voids and is proposing to reduce them further). We remove the cost sharing factor, as there is no cost sharing for the retail price control. We also calculate the financial incentive based on a weighted incentive rate based on the number of customers between single and dual services to more accurately align incentives to the customer benefit.</p> <p>We also apply a symmetric 50% sharing ratio to protect customers against the impact of macroeconomic factors. This is applied symmetrically to underperformance and outperformance payments. The change in methodology is due to representations from a number of companies, we consider that together the arguments and evidence provided are sufficient and convincing for us to change the voids ODI rate methodology to share the risk between the company and customers.</p>	<p>We revise ODI rates to:</p> <p>Underperformance: -£1.200m per 1%.</p> <p>Outperformance: £1.200m per 1%.</p>
Void properties PR19SRN_RR03	Caps, collars and deadbands	We did not set a collar or cap in the draft determination.	<p>Change for the final determination.</p> <p>As we explain in the 'Delivering outcomes for customers policy appendix' we consider that performance commitments that measure the percentage of void properties are uncertain and all companies should have caps and collars. We also explain how we set the level of caps and collars.</p> <p>We do not change the company P10 and P90 estimates of performance.</p>	<p>We set collar levels to:</p> <p>2020-21 = 2.88 2021-22 = 2.78 2022-23 = 2.68 2023-24 = 2.62 2024-25 = 2.56</p> <p>Units: %</p> <p>We set cap levels to:</p> <p>2020-21 = 1.88 2021-22 = 1.78 2022-23 = 1.68 2023-24 = 1.62 2024-25 = 1.56</p> <p>Units = %</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>Properties at risk of receiving low pressure</p> <p>PR19SRN_WN11</p>	ODI rate	We intervened at draft determination to change the company's underperformance rate to -£0.00313m which aligns to the industry average, as defined by the reasonable range.	<p>Change for the final determination.</p> <p>We receive representations from several companies stating that the median and interquartile range is a more appropriate basis on which to construct the ODI reasonable range. We use the reasonable range to benchmark companies' proposed ODI rates and as a data input for setting a revised rate where a change to the company proposal is necessary. We consider this carefully for all performance commitments where we use the reasonable range as part of our testing. As a consequence we move to a reasonable range defined by the median and interquartile range for low pressure, sewer collapses and sewer blockages. Where we have intervened at draft determination to set a company's ODI rate using the reasonable range we are changing our draft determination so that the rates align with our updated view of the reasonable range, defined by the median and interquartile range.</p> <p>For further details on our assessment of how we construct the reasonable range see our 'Delivering outcomes for customers policy appendix'.</p>	We change the company's underperformance rate to -£0.00173m/ per property.
<p>Per Capita Consumption (PCC)</p> <p>PR19SRN_WR01</p>	Enhanced ODI collar	We intervened at draft determination to set the enhanced underperformance collar for this performance commitment at the lower decile of current company performance	<p>Change for the final determination.</p> <p>We retain the same methodology used at draft determination to set enhanced underperformance collars, however we have updated enhanced underperformance collars to align with the lower decile of the latest year of actual performance (2018-19). This is in line with our approach detailed in the 'PR19 draft determination: Delivery outcomes for customer's policy appendix'. We update the enhanced underperformance collars for this performance commitment. Further details can be found in the 'Delivering outcomes for customers policy appendix'.</p>	<p>We change the company's enhanced underperformance collar on this performance commitment to the following:</p> <p>2020-21 = 154.30 2021-22 = 154.30 2022-23 = 154.30 2023-24 = 154.30 2024-25 = 154.30</p> <p>Units: Litres per person per day.</p>
<p>Per Capita Consumption (PCC)</p> <p>PR19SRN_WR01</p>	Enhanced ODI thresholds	We intervened at draft determination to set the enhanced thresholds for this performance commitment in line with our methodology.	<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 'PR19 draft</p>	<p>We change the company's enhanced outperformance threshold on this performance commitment to the following:</p> <p>2020-21 = 127.02 2021-22 = 125.82 2022-23 = 122.79 2023-24 = 120.66 2024-25 = 118.99</p> <p>Units: Litres per person per day.</p>

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			determination: Delivery outcomes for customer's policy appendix '. Further details can be found in the 'Delivering outcomes for customers policy appendix'.	<p>We change the company's enhanced underperformance threshold on this performance commitment to the following:</p> <p>2020-21 = 152.15 2021-22 = 152.15 2022-23 = 152.15 2023-24 = 152.15 2024-25 = 152.15</p> <p>Units: Litres per person per day.</p>
Per capita consumption PR19SRN_WR01	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. We consider that we should take into account the additional incentive from enhanced ODIs on performance.</p>	<p>We estimate P90 performance levels as:</p> <p>2020-21 = 125.1 2021-22 = 120.8 2022-23 = 116.4 2023-24 = 112.1 2024-25 = 107.7</p> <p>Units: litres per property per day</p>
Surface water management PR19SRN_WWN06	<p>Caps, collars and deadbands.</p> <p>P10 and P90 performance levels</p>	<p>Our intervention at draft determination was to set collars to:</p> <p>2020-21 = 67,000 2021-22 = 67,000 2022-23 = 67,000 2023-24 = 67,000 2024-25 = 67,000</p> <p>Units: m³ of surface water removed</p> <p>Our intervention at draft determination was to set caps to:</p> <p>2020-21 = 297,000 2021-22 = 297,000 2022-23 = 297,000 2023-24 = 297,000 2024-25 = 297,000</p> <p>Units: m³ of surface water removed</p>	<p>Change for the final determination.</p> <p>We revise caps and collars in line with the revised performance commitments drawing We set these in proportion to the data that the company included in its 25 October 2019 response to our query. We estimate that the P10 and P90 performance levels are at these limits.</p>	<p>We set underperformance collars to the following levels:</p> <p>2020-21 = 8,496 2021-22 = 14,625 2022-23 = 14,625 2023-24 = 14,625 2024-25 = 14,625</p> <p>Units: m³ of surface water removed</p> <p>We set outperformance caps to the following levels:</p> <p>2020-21 = 37,664 2021-22 = 64,835 2022-23 = 64,835 2023-24 = 64,835 2024-25 = 64,835</p>

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
				Units: m ³ of surface water removed
River Water Quality SRN_WWN09	ODI rates	We did not intervene at draft determination to change the company's ODI rates on this measure.	Change for the final determination. We change the company's ODI rate on this performance commitment to reflect its final cost allowances and cost sharing rates. We update the company's ODI rates using our standard methodology in our 'Delivering outcomes for customers policy appendix'.	We change the company's underperformance rate to -£0.248m per unit.
River water quality PR19SRN_WWN09	P10 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 performance levels in this case, we use the company's P10 performance levels that it proposed in its representations (table OC1, August 2019). We take this approach because the performance commitment levels set differ significantly from those proposed by the company in its business plan submission.	We estimate P10 performance levels as: 2020-21 = 7.60 2021-22 = 106.60 2022-23 = 134.70 2023-24 = 134.70 2024-25 = 217.98 Units: Cumulative kilometres of river water quality improved to two decimal places
External Sewer Flooding SRN_WWN08	ODI rates	We did not intervene at draft determination to change the company's ODI rates on this measure.	No change for the final determination. The company queried our draft determination, noting that we had changed the underperformance rate (from -£0.00679m to -£0.00727m per external flooding incident), but had not specified an intervention. We calculate external sewer flooding ODI rates by using the normalised ODI rates provided by the company (incidents per 10,000 connections), and then adjusting this using the latest available connections data forecast for 2020-23. If this normalising factor differs to that provided by the company when it converts between its data provided in App1 and App1b data tables, then the resulting value will also differ. As such, we do not change our draft determination value.	N/A
External sewer flooding PR19SRN_WWN08	P90 performance levels	N/A	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 first adjust the P90 performance levels for changes in the performance commitment levels between business plan submission and draft determination. We then conduct reasonable range analysis on the ratio of P90 performance levels to performance commitment	We estimate P90 performance levels as: 2020-21 = 4010 2021-22 = 3776 2022-23 = 3533 2023-24 = 3348

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			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.	2024-25 = 3171 Units: Number of incidents to zero decimal places
Leakage PR19SRN_WN04	Caps, collars and deadbands	At draft determination we set collars levels to: 2020-21 = -5.00 2021-22 = -5.00 2022-23 = -5.00 2023-24 = -5.00 2024-25 = -5.00 Units: Percentage reduction from 2019-20 baseline using 3 year average (%). At draft determination we set cap levels to: 2020-21 = 11.4 2021-22 = 14.5 2022-23 = 17.5 2023-24 = 20.6 2024-25 = 23.5 Units: Percentage reduction from 2019-20 baseline using 3 year average (%).	Change for the final determination. The levels for the outperformance cap are based on estimates of the P90 performance, which have changed slightly. 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 collar levels. We set cap levels to: 2020-21 = 11.6 2021-22 = 14.7 2022-23 = 17.7 2023-24 = 20.7 2024-25 = 23.7 Units: Percentage reduction from 2019-20 baseline using 3 year average (%).
Renewable generation PR19SRN_BIO01	Caps, collars and deadbands	We did not set a collar or cap in the draft determination.	Change for the final determination. This performance commitment is financially material. We explain in the 'Delivering outcomes for customers policy appendix', how we assess this, that caps and collars should be applied to performance commitments which are financially material and how we set the levels for the caps and collars. We set the caps and collar for this performance commitment based on estimates of the P10 and P90 performance, which have changed from the April business plan. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.	We set collar levels to: 2020-21 = 18.2 2021-22 = 18.3 2022-23 = 21.0 2023-24 = 21.0 2024-25 = 21.0 Units: % We set cap levels to: 2020-21 = 24.2 2021-22 = 24.3 2022-23 = 27.0 2023-24 = 27.0

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 =27.0 Units = %
Unplanned outage PR19SRN_WN06	Caps, collars and deadbands	We did not set a collar in the draft determination.	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 unplanned outages we set the collar at 2 times the 2020-21 performance commitment level for all companies (except those with enhanced ODIs).	We set collar levels to: 2020-21 = 18.88 2021-22 = 18.88 2022-23 = 18.88 2023-24 = 18.88 2024-25 = 18.88 Units: Percentage of peak week production capacity (%)
Unplanned outage PR19SRN_WN06	P10 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 performance levels in this case, we use the company's P10 performance levels that it proposed in its representations (table OC1, August 2019). We take this approach because we do not consider that applying our standard approach, which involves adjusting the P10 performance levels the company provided in its business plan for changes in performance commitment levels between business plan submission and final determination, leads to estimates which are credible for an efficient company. This is because the P10 levels proposed in the business plan submission implied significant outperformance.	We estimate P10 performance levels as: 2020-21 = 9.64 2021-22 = 9.31 2022-23 = 7.53 2023-24 = 6.65 2024-25 = 3.45 Units: Percentage of peak week production capacity, reported to two decimal places.
Priority services for customers in vulnerable circumstances PR19SRN_RR08	Performance commitment level	Our intervention at draft determination was to change the definition of the performance commitment by splitting the measure into 'attempted' (i.e. an outbound contact that has not received a response) and 'actual' contacts (i.e. updates to data based on contact with the customer).	Change for the final determination. The company does not make a representation regarding the performance commitment level. However, we receive a number of representations from companies and other stakeholders. Based on the compelling evidence set out in these representations, we revise the performance commitment levels for the actual contacts element of the performance commitment.	The following is a sector-wide change for the final determination. We revise the performance commitment levels for the actual contacts to: 2020-21 = 17.5 2021-22 = 35.0 2022-23 = 35.0 2023-24 = 35.0 2024-25 = 35.0

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
				Unit: Percentage of priority services customers that the company has made actual contact with.
Drinking water taste and Odour PR19SRN_WN08	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 use the company's P10 and P90 performance levels that it proposed in its representations (table OC1, August 2019). We take this approach because this performance commitment was not included in the company's April business plan submission.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 0.30 2021-22 = 0.29 2022-23 = 0.29 2023-24 = 0.28 2024-25 = 0.28</p> <p>We estimate P90 performance levels as:</p> <p>2020-21 = 0.17 2021-22 = 0.17 2022-23 = 0.16 2023-24 = 0.16 2024-25 = 0.15</p> <p>Units: Number of consumer contacts per 1,000 population, reported to two decimal places.</p>
Impounding reservoirs PR19SRN_WR07	P10 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p> <p>To estimate P10 performance levels in this case, we use the company's P10 performance levels that it proposed in its representations (table OC1, August 2019). We then multiply these levels by 100 to align them with the units applied for the performance commitment more generally. We take this approach because this performance commitment was not included in the company's April business plan submission.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 0.0 2021-22 = 0.0 2022-23 = 48.8 2023-24 = 48.8 2024-25 = 100.0</p> <p>Units: The cumulative percentage completion of the schemes in each year reported to one decimal place</p>
Long term supply demand schemes	P10 performance levels	N/A	Change for the final determination.	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 0</p>

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
PR19SRN_WN13			<p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in ‘Delivering outcomes for customers policy appendix’.</p> <p>To estimate P10 performance levels in this case, we use the company’s P10 performance levels that it proposed in its representations (table OC1, August 2019). We take this approach because we do not consider that applying our standard approach, which involves adjusting the P10 performance levels the company provided in its business plan for changes in performance commitment levels between business plan submission and final determination, leads to estimates which are credible for an efficient company. This is because applying our standard approach to the company’s business plan data would lead to negative P10 performance levels, which is not feasible given the performance commitment definition.</p>	<p>2021-22 = 0 2022-23 = 0 2023-24 = 0 2024-25 = 12</p> <p>Units: Months to zero decimal places</p>
<p>Abstraction Incentive Mechanism</p> <p>PR19SRN_WR05</p>	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 first adjust the P10 and P90 performance levels provided in the company’s business plan, which involves recalibrating the P10 and P90 performance levels to account for the fact that the direction of improving performance is down.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = -14 2021-22 = -14 2022-23 = -14 2023-24 = -14 2024-25 = -14</p> <p>We estimate P90 performance levels as:</p> <p>2020-21 = -16 2021-22 = -16 2022-23 = -16 2023-24 = -16 2024-25 = -16</p> <p>Units: Megalitres per day (Ml/d) to zero decimal places</p>
<p>Thanet Sewers</p> <p>PR19SRN_WWN16</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 match the P10 performance levels to the performance commitment levels set at final determination. We take this approach because applying our standard approach to the company’s business plan data would lead to negative P10 performance levels, which is not feasible given the performance commitment definition.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 0 2021-22 = 0 2022-23 = 0 2023-24 = 0 2024-25 = 0</p> <p>Units: Months to zero decimal places</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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