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1 April 2020

Dear Philip,

Reconciliation of the visible leak repair time performance commitment at the 2024 periodic review

Firstly I should note that this letter does not necessarily require an immediate response. We recognise that the circumstances relating to COVID-19 may mean that you need to focus on more pressing matters at this moment.

I'm writing in response to a query submitted by South Staffs Water in January 2020. This query related to South Staffs Water's 16 September 2019 representations, concerning three performance commitments:

1. **Water treatment works delivery programme.** It highlighted an internal inconsistency in the performance commitment. Two treatment works were listed for completion in the wrong order.
2. **Environmentally sensitive water abstraction.** It noted that the incorrect units of measure were specified.
3. **Visible leak repair time.** It set out that the term 'reinstated' in the definition, should be removed.

I am sorry that we did not consider the 16 September representations in our final determinations. We have set out a process to correct unambiguous errors in annex 2 of the performance commitment appendix in the final determination. We are using this for errors which are straightforward to detect and correct within the context of the final determination documents. We consider the first two representations fall into this category and so will publish corrigenda to correct these. The company's third representation is not an error that is straightforward to detect or correct.

How we propose to address the representation on the visible leak repair time performance commitment

We accept it was an error not to consider the 16 September late representation. Although we did not commit to review representations provided following our 30 August deadline, we did consider representations submitted by other companies after this date. Also, the specific nature of this matter, which covers a very narrow issue, means we can consider it in isolation, without impacting our decisions on other matters for South Staffs Water or for other companies. In these circumstances, it is appropriate to consider what our likely response would have been if we had assessed this representation in the final determination.

What we would have done if we had assessed the representation

Had we considered the company's representation, it is likely that we would have compared South Staffs Water's performance commitment with other companies. The performance commitment is designed to incentivise the company to reduce the number of days that it takes to repair visible leaks on its network. The performance commitment is to reduce this to four days by 2024-25. Four companies, South Staffs Water, Severn Trent Water, Wessex Water and Northumbrian Water have bespoke performance commitments related to visible leakage. All are different, and a systematic comparison would be challenging due to these differences. However, Northumbrian Water's performance commitment is the most similar. It also concerns visible leak repair time and aims to reduce the time measured to four days by 2024-25. However, a significant distinction is that Northumbrian Water's definition only measures the time of the repair itself and does not include reinstatement.

If we had reviewed South Staffs Water's 16 September representation before our final determinations, we would have noted that Northumbrian Water's performance commitment did not include reinstatement. It is likely that we would have changed the definition of South Staffs Water's visible leak repair time performance commitment to remove the reference to reinstatement, in order to take a consistent approach. In this case, we would have modified the definition as follows:

“The company will measure the time that it takes it to repair ~~and reinstate~~ the leak, starting from the point at which the visible leak was identified until the point at which the leak is repaired ~~and reinstated~~.”

What we will do about this representation on the visible leak repair time performance commitment

We will consider the error at the 2024 price review, when considering price limits for the 2025-30 period.

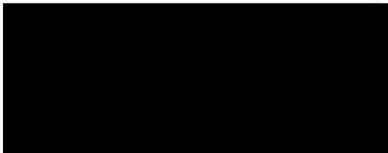
When we make an in-period ODI determination, we have regard to all the relevant circumstances. For the reasons set out above, we consider it would be best not to make in-period determinations based on the current definition of the performance commitment. Instead we propose to wait until the 2024 price review to determine the ODI payments associated with this performance commitment.

At the 2024 price review, we will use the same ODI rates and performance commitment levels currently set out in the performance commitment appendix, but we will take into account the error we made in not reviewing the company's representation.

Next steps

We expect South Staffs Water to annually collect and report the measure on both the basis of the current wording of the definition and with the amendments set out above. If you have any queries on the content of this letter please contact peter.jordan@ofwat.gov.uk.

Yours sincerely



David Black

Senior Director, Water 2020