



# Draft determination of South East Water's in-period outcome delivery incentives for 2020-21

## South East Water response

### October 2021

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South East Water  
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# 1. Introduction

This documents sets out our response to Ofwat's Draft Determination of South East Water's in-period outcome delivery incentives for 2020-21.

We agree with most of the adjustments proposed by Ofwat, as they are largely in line with the proposals that we submitted to Ofwat with our APR in July 2021. However there is one further change that we believe should be made to the performance level for mains repairs – this is described in Section 2 below.

We welcome Ofwat's agreement with our proposal for handling our bespoke ODI on business voids in the same way that the PCC ODI will be handled. This ODI has been affected by the Covid crisis, and particularly by the various lockdowns. This ODI will now be an end of period ODI and Ofwat will review it at PR24 to determine if any adjustments to the reported performance should be made to take account of the impact of Covid. We think this is a good pragmatic solution to the unanticipated issues raised by Covid.

## 2. Mains Repairs

Ofwat has clarified that it does not want 'repairs on repairs' to be excluded from the reporting of mains repairs. We don't agree with this interpretation of the guidance, because 'repairs on repairs' are not an indication of asset health, and this ODI is supposed to be a measure of asset condition. We would therefore request that Ofwat revisit their position and definition of this measure.

If Ofwat determine that 'repairs on repairs' should be included there is still a further amendment that is required. Our review of mains repairs identified 64 repairs that should be excluded. Not all of these exclusions were on the ground that they were 'repairs on repairs'. 16 of these exclusions are not 'repairs on repairs' and were excluded on other grounds – as shown in Table 1 below. We therefore believe that these 16 repairs should still be excluded from the reported performance level.

This would result in the following amendment to the ODI calculation.

|                                  | Number of mains repairs | Number per 1000km of mains | ODI      |
|----------------------------------|-------------------------|----------------------------|----------|
| SEW original submission          | 2,751                   | 185.3                      | -£0.798m |
| Ofwat Draft Determination        | 2,815                   | 189.7                      | -£1.106m |
| Proposed amendment to Ofwat's DD | 2,799                   | 188.6                      | -£1.029m |

**Table 1 – Proposed mains repairs exclusions for 2020/21**

| Category         | Number | Reason for exclusion   | Works Order No. |
|------------------|--------|--|-----------------|
| 3rd party damage | 3      | 3rd Party damage and therefore should not be classed as a burst main.  | 22985278        |
|                  |        | During capital works to install a water main we damaged Thames sewage main. The main had to be moved. Not a leak so should not be included in burst numbers. | 23810186        |
|                  |        | 3rd Party damage and therefore should not be classed as a burst main.  | 25771410        |
| Ferrule leak     | 5      | Leak on ferrule of a communication pipe rather than on a water distribution main so should not be counted as a burst.  | 25485720        |
|                  |        | As above   | 25738828        |
|                  |        | As above   | 25900220        |
|                  |        | As above   | 26557721        |
|                  |        | As above   | 27721508        |
| Ancillary leak   | 4      | Leak on a communication pipe rather than on a water distribution main so should not be counted as a burst.   | 25938027        |
|                  |        | This is a sluice valve leak which is an ancillary asset so should not be classified as a burst main.   | 26063070        |
|                  |        | This is a sluice valve leak which is an ancillary asset so should not be classified as a burst main.   | 27160148        |
|                  |        | Leak on coupling not a burst repair clamp therefore should not be classified as a burst main or repair on a repair.  | 27238748        |
| Duplicate        | 2      | Burst on different main than thought, a new work order was raised which is counted so this is being removed as it is a duplicate.                            | 24727600        |
|                  |        | A new work order was raised which is counted so this is being removed as it is a duplicate.  | 27691601        |
| No leak found    | 2      | No leak found during the excavation so should have been recoded as a dry hole rather than a burst main.  | 27220173        |
|                  |        | No leak found during the excavation so should have been recoded as a dry hole rather than a burst main.  | 27841988        |

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