



# 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 document 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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