

Summary of Outcomes Working Group – Capacity and resilience over the long term

First break out group session – Leakage/PCC

What are the outcome(s) that leakage and PCC measure the progress towards?

- There were similar views about the main outcome such as “Efficient use of water to allow sustainable abstraction”.
- Outcomes should not be seen in isolation, but as a package and so outcomes such as affordable bills and reducing carbon emissions are also important.
- Incentives should be focused on outcomes which will help to avoid perverse incentives.

Are there any existing concerns regarding the PR19 definitions for PCC and leakage?

- There is no significant concern over the definition of leakage and PCC.
- We should continue to keep the guidance under review as companies reach full compliance. For instance, whether distribution operational use can be kept to below 0.6% of distribution input for all companies.
- The main concern expressed was the need to keep exactly the same definitions for different regulators if possible, as slight changes and deviations leads to confusion.

Should incentives to control water be applied more widely to include raw water losses, production losses, water taken illegally and operational system use?

- Strong views that it would be inappropriate to introduce granular short term targets on raw water losses and treatment production losses. This could lead to perverse outcomes including incentives to compromise water quality.

- Efficient use of water for these purposes is more appropriate when considered in the long term, especially if treatment works are being built or redesigned.

Second break out group session - Resilience

How should we improve the drought resilience PC?

- It is important to be transparent with stakeholders about the resilience to drought and water company progress.
- The calculation of the metric is complex and there are doubts about its precise purpose.
- The majority of companies report that there is no population at risk of stand pipes in a 1 in 200 year drought.
- It was queried if all companies used similar assumptions, such as what the water available from sources is, in a 1 in 200 year drought and how asset performance is taken into account.
- To achieve consistency could require onerous reporting requirements.

Does the PR19 package of PCs provide incentives to promote the 4Rs in a balanced way (Resistance, Reliability, Redundancy, Response & Recovery)? How could the incentives be improved?

- It is important that companies are resilient.
- The purpose of metrics should be clear. This could include informing stakeholders (metric) as opposed to incentivising companies (PC/ODI).
- Measuring resilience can lead to complicated metrics. It is important not to let perfection become an aim.
- A commitment to delivering outcomes with direct benefits to customers, communities and the environment over a long term is an alternative way to provide incentives for companies to be resilient.

Next steps

- Companies are making progress to full compliance of the PR19 leakage and PCC reporting requirements. Ofwat will consider if there are areas where the guidance can be revised or tightened following this year's APR submissions. If so, it will work with stakeholders to consider this further, including whether companies suggest if the definitions are changed before 2025 or for the start of the 2025-2030 period.
- Ofwat, Environment Agency and Natural Resources Wales will consider if there are differences to how metrics are reported, whether these can be removed.
- Resilience metrics should be designed with a clear purpose. The purpose will depend on the gaps left by other PCs and the rest of the regulatory framework.
- The drought resilience metric should be revisited once its purpose is clear so that any changes are focused on the role it needs to play.