

Outcomes Working Group

June 2021



Agenda

Aim: Discuss immediate reactions to Ofwat's initial views on outcomes and consider steps to move forwards to PR24

10:00 Introductions

10:05 Presentation by Ofwat

10.25 Breakout session 1: Ofwat's initial views on outcomes

- What outcomes require financial incentives for all companies for the foreseeable future?
- Would it help to distinguish between PCs that monitor outcomes and PCDs that monitor outputs?
- Would providing our views on comparable aspects of companies' plans in advance of business plan submission streamline the price review process?
- What clarity could Ofwat provide over the long-term regulatory framework that would have most impact on companies making investment decisions that are best value in the long term?

11.00 Feedback

11:20 Breakout session 2: Timetable - what do we need to do on outcomes by when to reach PR24

11.40 Feedback

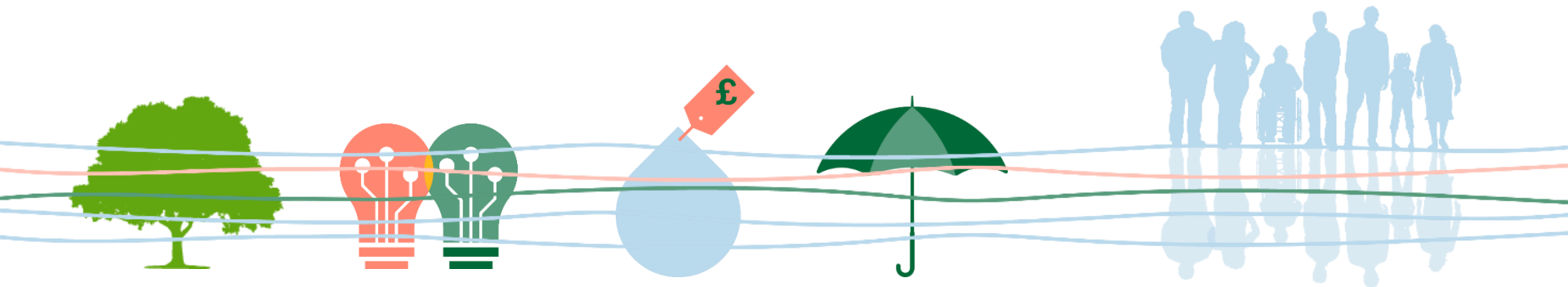
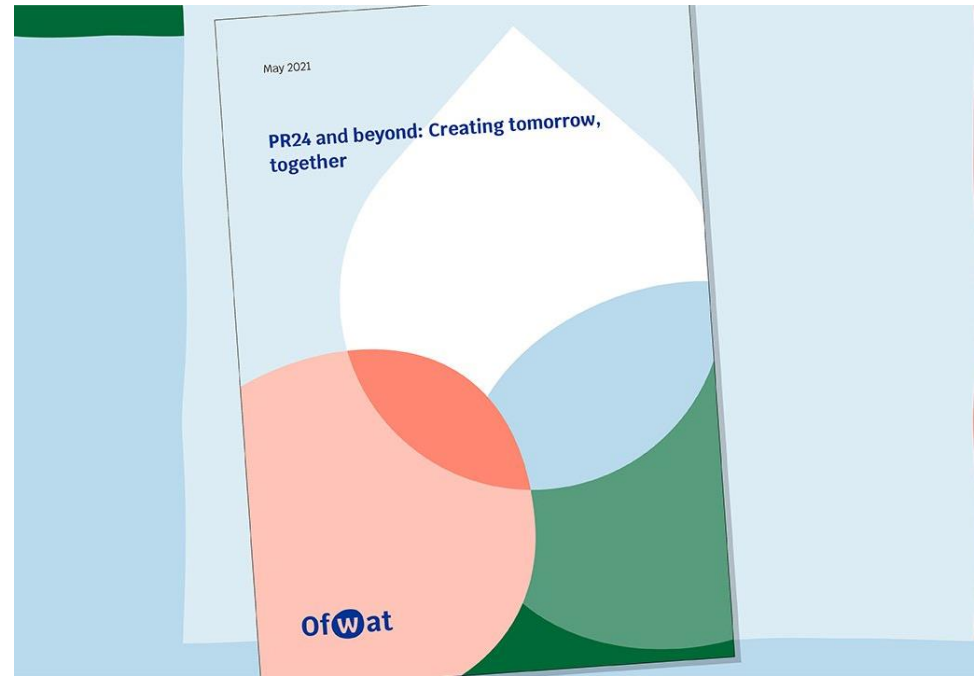
11.55 Look ahead

12:00 Close



Introduction

‘Creating tomorrow, together’ discusses our high-level ideas for using the price review to help water companies create value for customers, communities and the environment.



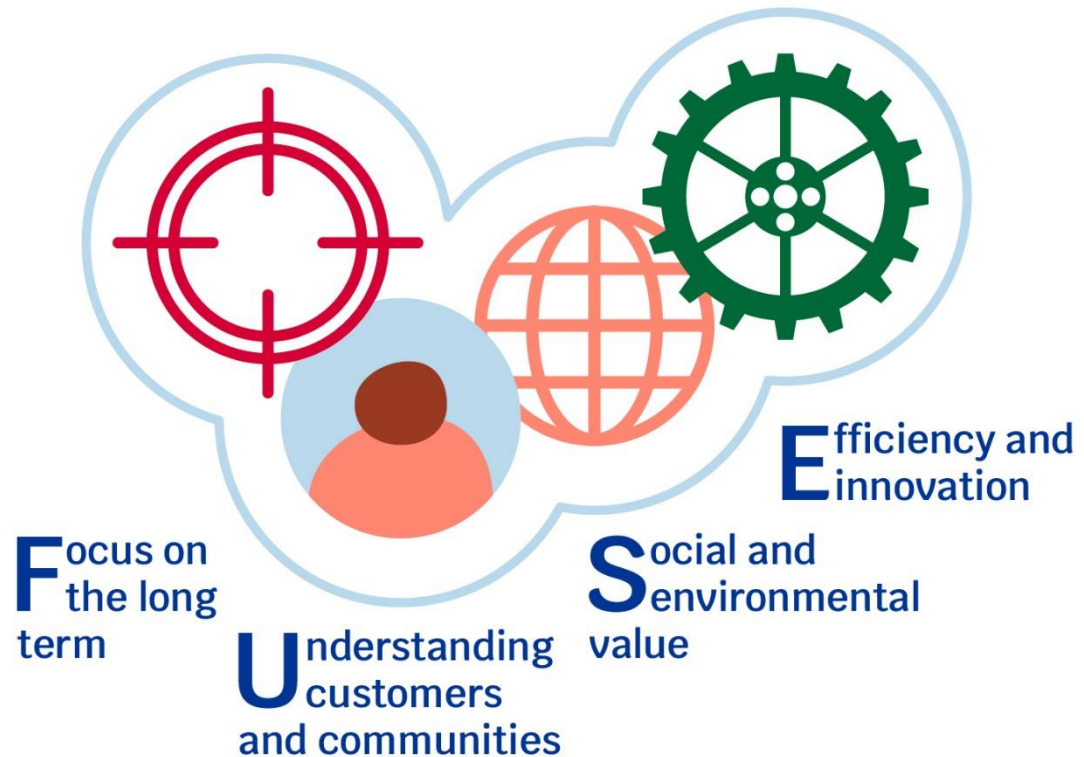
Ambitions for PR24

The sector faces **several interrelated challenges:**

- Climate change
- Evolving customer expectations
- Affordability

And there are an increasing number of long-term targets to meet.

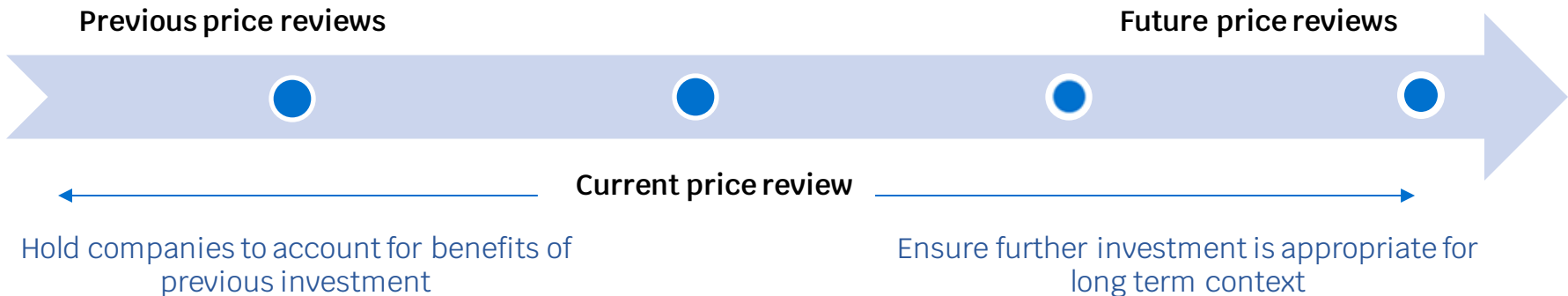
To help meet them, we've set **four goals for PR24.**



Increasing focus on the long term

The price review needs to support the right long-term solutions – and we need to ensure customers get the benefits of the long-term investments they've already paid for.

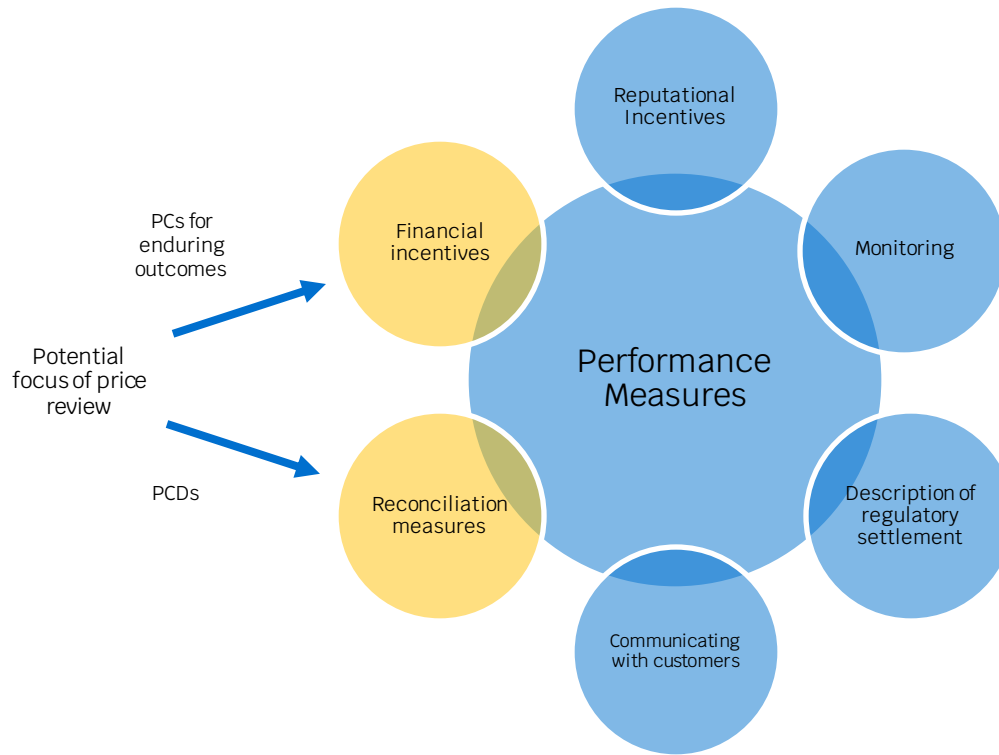
To enable this, we think that five-year price reviews should be **staging posts within a long-term context**.



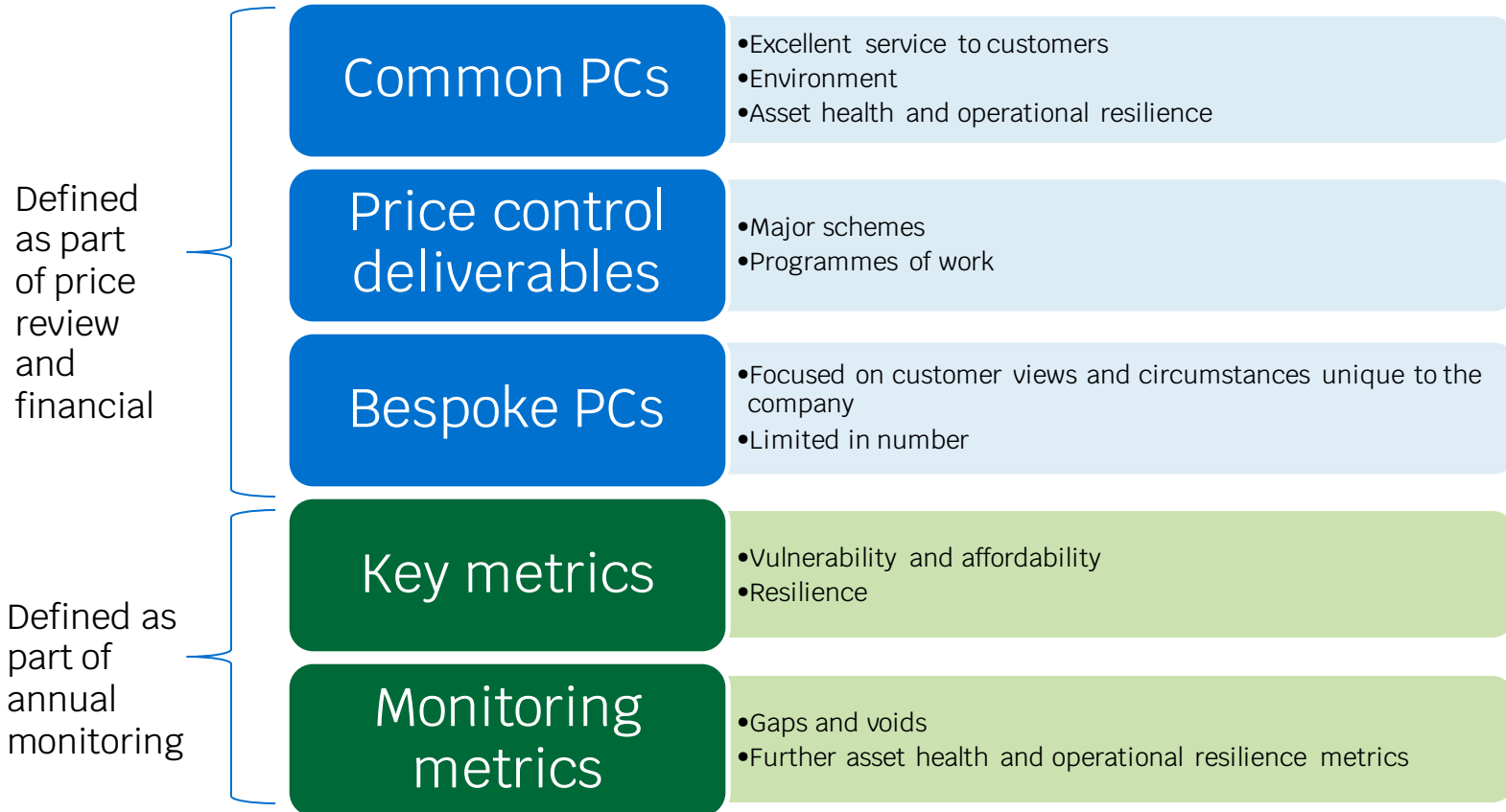
We're considering ways to increase focus on the long term:

- Asking companies to position their five-year plans in the context of **long-term strategies**
- Providing **more short-term information** in advance of business plan submissions
- Providing **greater clarity over the long-term regulatory framework**

How we use metrics



Initial view of how we could use metrics



Initial views, subject to change



Breakout session 1

1. What outcomes require **financial incentives** for all companies for the foreseeable future?
2. Would it help to distinguish between PCs that monitor outcomes and **PCDs that monitor outputs**?
3. Would **providing our views** on comparable aspects of companies' plans **in advance of business plan** submission streamline the price review process?
4. What **clarity could Ofwat provide over the long-term regulatory framework** that would have most impact on companies making investment decisions that are best value in the long term?

Please agree who is going to feed back!

Look ahead

We suggest the following draft dates and subjects, although this is subject to change.

w/c 19 July	Environmental metrics
w/c 6 September	Package of common PCs
October	TBC
November	ODIs and innovation
December	TBC
January	Setting ODI rates
February	Measuring outcome risk – options
March	Caps and collars