

EA response

Please find below my response to Ofwat's "PR24 and beyond: a discussion paper on outcome delivery incentives".

General:

Please refer to the EA's response (from [REDACTED]) on 19th Jan 2022 to Ofwat's

PR24 and beyond: Performance commitments for future price reviews discussion paper. It contains several overarching points that are applicable to this consultation on ODIs.

Page 12:

The EA supports increased ODI rates being applied where Ofwat have concerns about a company's past performance. The EA supports this approach as the environment is likely to be at increased risk based on past performance and increased ODIs would potentially influence companies in a positive way to improve performance.

Page 21:

The EA supports the principle of encouraging innovation to deliver step changes in better performance. We support using robust, real-world evidence to guide future ODI design by Ofwat to encourage innovation.

Regards

[REDACTED]

Some reflections on the discussion paper from my team.

Q1: Do you have any comments on what the purpose of ODIs should be at PR24?

Incentivising to improve resilience and avoid flooding incidents should be a priority in setting ODI's, therefore ODIs should enable a mix of solutions that work with the networks, both hydraulic and sustainable. The approach could incentivise water companies to do the 'easy fixes' to achieve sewer flooding reductions. Perhaps it could be looked at in reverse, incentivising companies to deliver against the WISER expectation to 'Reduce sewer flooding of homes and businesses trending towards zero'.

Q5: Do you have specific comments on setting ODI rates for asset health-related PCs?

Asset health is an important factor in determining resilience and should feature in the setting of ODI rates for asset health-related PCs. Asset health should be considered in the round to include the assets ability to maintain service provision through environmental events such as flooding and drought.

Q8: Should we retain enhanced ODIs at PR24? If we do, should they apply to all companies? And which PCs should have enhanced ODIs?

Yes, enhanced ODI's should remain, with a focus on increasing asset resilience so services are resilient to flooding.