

15 November 2022

Sector overview: Final determinations of in-period outcome delivery incentives for 2021-22

About this document

This document provides an overview of our final determinations on the extent to which the price controls included in our [PR19 final determinations](#)¹ are to be adjusted to reflect the companies' performance for the 2021-22 charging year. These adjustments are made under Part 3A (Performance Measure Adjustments) of Condition B of companies' licences and are referred to in this document as 'in-period' determinations. The specific changes, and our reasons for these, are set out in this document and the individual final determinations documents for each company².

We have published company specific final determinations documents and associated models related to our final determinations on our [website](#).

Background

At the 2019 price review (PR19), companies made performance commitments, or pledges, to their customers and stakeholders about the service levels they would meet to make progress towards their outcomes. The performance commitments for the 2020-25 period are set out in each company's PR19 Outcomes performance commitment appendix.³

Each performance commitment (PC) has an outcome delivery incentive (ODI) that provides either financial or reputational consequences for companies of outperforming or underperforming their performance commitments. Many of the financial ODIs are paid during the 2020-25 price control-period. The reason for this is to bring payments closer in time to when customers experience a given level of performance. The remaining incentives are paid at the end of the period.

ODIs act as an incentive for companies to deliver their committed levels of performance, returning funding to customers for foregone benefits if they deliver less than is expected.

¹ or set by the Competition and Markets Authority (CMA), and as adjusted by any subsequent interim determination of K (IDoK).

² On 3 June 2021, Pennon Group plc (the parent undertaking of South West Water Limited) acquired 100% of the share capital of Bristol Water Holdings UK Limited BWHUK (the parent undertaking of Bristol Water Limited). Paragraph 2.3 of the undertakings made by Pennon to the CMA and accepted by the CMA on 7 March 2022 states that South West Water and Bristol Water will continue to report their performance commitments and ODIs separately for the remainder of the 2020-25 price control period. Therefore, our final determinations state separately the extent to which the PR19 price controls need to be adjusted to reflect Bristol Water's performance and South West Water's performance for the 2021-22 charging year.

³ We take account of performance commitments as set out in the PR19 definitions adjusted, if relevant, by the annex 2 process. Annex 2 of each company's performance commitment appendix provides for changes and corrections to be made to its performance commitment definitions during the 2020-25 period in certain circumstances. An overview of changes and corrections made to companies' performance commitment appendices can be found at [PR19 Outcomes performance commitments: changes and corrections](#).

Companies that go beyond and deliver greater benefits than expected to customers and the environment can receive outperformance payments.

Companies reported on their performance against these performance commitments in their annual performance reports (APRs) in July 2022. We assessed companies' performance against their performance commitments and, in October 2022, consulted on our [draft determinations](#) for companies' in-period ODIs for 2021-22.

In our final determinations, we set out relevant adjustments to the companies' price controls for one or more future years, in accordance with Part 3A of Condition B of each company's licence. The results of our assessment for 2021-22 will affect customers' water bills in England and Wales in the 2023-24 charging year.

Further details on the responses we received, our final determinations and the adjustments that we have made, are presented in sections 1 and 2.

In our [Sector overview Final determinations of in-period outcome delivery incentives for 2020-21](#) we deferred our determination of the value of companies' Per Capita Consumption (PCC) ODI payments for the 2020-21 to 2023-24 charging years to the end of the 2020-25 period. We set out this decision and the reasons for it in the [Consultation on changes to per capita consumption performance commitments – our decision on reporting performance and ODI timing](#) which we published after having considered stakeholder responses to our July 2021 consultation.

Executive summary

This section sets out the final determinations of 2021-22 in-period ODI payments for the regional incumbent water and wastewater companies in England and Wales which were subject to the PR19 price review.

Table 1.1 summarises the total adjustments we are making for each company, having assessed companies' performance against their 2021-22 PCs. For each company, this includes the net impact of total ODI payments, the payments for the customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) performance commitments, as well as any deferrals, abatements, or bespoke adjustments. We set out the financial impacts of our final determinations for all companies in section 2 of this document.

Table 1.1: Total final determination adjustments to price controls (£m, 2017-18 FYA CPIH prices)

Company	Total final determination adjustments to price controls to be applied to customer bills in 2023-24 (£m, 2017-18 FYA CPIH prices)
Affinity Water	-0.770
Anglian Water	-8.509
Bristol Water	0.630
Dŵr Cymru	-7.999
Hafren Dyfrdwy	-0.417
Northumbrian Water	-3.614
Portsmouth Water	0.423
SES Water	-0.269
Severn Trent Water	101.743
South East Water	-2.828
South Staffs Water	3.019
South West Water	-13.336
Southern Water	-28.294
Thames Water	-51.033
United Utilities	24.154
Wessex Water	-2.590
Yorkshire Water	-15.227
Industry total	-4.917

Our final determinations include a number of interventions, which mean that the overall payments set out for each company may differ from the payments companies reported in their annual performance reports. These interventions are set out in each company's final determination on our [website](#).

Severn Trent Water has asked to defer £30.698m of its outperformance payments to reduce the impact on customer bills in 2023-24. This is a reduction from the £69.804m deferral included in our draft determinations and reflects the company's updated view of managing bill volatility across the remaining years of the control period. Wessex Water has asked to defer £7.035m of its outperformance payments to reduce the impact on customer bills in 2023-24. Portsmouth Water has asked to defer £0.333m of its outperformance payments to reduce the impact on customer bills in 2023-24. In our final determination, we defer outperformance payments in line with all of these requests. We set out further details in the final determination documents for Severn Trent Water, Wessex Water and Portsmouth Water. Due to the current financial pressures that customers are facing we have, in conjunction with CCW, [written](#) to all water company chief executives asking them to consider ways in which the increase in bills can be minimised.

Contents

1.	Key interventions and policy decisions	5
1.1	Storms and third-party interruptions	5
1.2	Leakage	6
1.3	Per capita consumption (PCC) expectations	8
1.4	High-quality data and high-quality assurance	9
1.5	Deferrals and abatements	11
1.6	C-MeX and D-MeX	13
2.	Impact of 2021-22 in-period ODI assessment on companies' price controls	14
2.1	Our final determinations	14
2.2	Our modelling approach	17
2.3	Inflation	17
2.4	Taxation	17
2.5	Bespoke adjustments	18

1. Key interventions and policy decisions

1.1 Storms and third-party interruptions

Our draft determination

This year, **Northumbrian Water, South East Water and Yorkshire Water** requested that we exclude the impact on water supply related PCs (including the common PC water supply interruptions >3 hours) due to the various storms which hit England and Wales in late 2021 and early 2022. In addition, **South West Water** requested that we exclude the impact of a supply interruption event involving damage by a third party to its mains. In each case, the impact on some of each company's customers was severe with significant numbers of customers without water for more than 12 hours and some for more than 3 days. Intervening would reduce the underperformance payments to customers for 2021-22 performance.

Based on the evidence each company had provided, and for the reasons set out in each of the companies' draft determination documents, we proposed not intervening to exclude the impacts of these events.

For **South West Water**, this also meant that we intervened to include the impact of the third-party event, which the company had excluded, in the reported performance and ODI payments for its water supply interruptions and resilience in the round - water PCs. Our intervention increased the company's underperformance payments on these PCs by £3.173m and £4.899m respectively.

For **Yorkshire Water**, we also intervened to include two events, which the company had excluded, in the reported performance and ODI payments its significant water supply events PC. Our intervention increased the company's underperformance on this PC by £0.530m.

We explained the process we followed and our reasons for making these decisions in each of the company specific draft determination documents.

Stakeholders' responses

We have published the responses to our consultation on our [website](#) (redacted where appropriate to remove personal details). The responses that relate to storms and third-party interruptions were from:

- A Northumbrian Water customer
- Anglian Water

- CCW (consumer Council for Water)
- Northumbrian Water
- South East Water
- South West Water
- Unite
- Yorkshire Water

In broad terms, the responses from water companies disagreed with our draft determinations and the responses from the other stakeholders agreed with our draft determinations.

Consideration of responses and final determination

For South East Water, South West Water and Yorkshire Water our final determination on the company's performance payment for these requests to make exclusions remains unchanged from our draft determination, that is we are not intervening to exclude the impact of the storms or 3rd party interruptions from ODI payments. This is for the reasons set out in the individual final determination documents for each company.

For Northumbrian Water, having considered stakeholders' responses on this matter, we have decided to reduce the company's under performance payments that resulted from the impact of Storm Arwen by £12.894m. This is a change from our draft determination, the reasons for this are set out in the Northumbrian Water final determination document.

The details of our final determinations for all four of these companies are set out in the company specific documents on our website.

1.2 Leakage

Our draft determination

In our draft determinations, we identified several companies who had not achieved full compliance with the common leakage methodologies in their 2022 APR⁴. We noted that most companies that were not fully compliant were able to demonstrate that the impact was not material. However, for Affinity Water, Hafren Dyfrdwy and SES Water we considered their non-compliance to be material and for these three companies our draft decisions were:

- Affinity Water - to include the reported underperformance ODI payment of £0.176m for leakage;

⁴ In our [2020-21 in period determinations](#) we said we expected all companies to be reporting full compliance. We also said that should any company's leakage information be revised or restated, we expected companies to clearly identify any reasons for the restatement and quantify the impact of any changes to data and/or assumptions on reported leakage and on the leakage baseline if applicable.

- Hafren Dyfrdwy - to defer, to one or more future in-period determinations, a decision on the reported ODI payment (of zero) for leakage; and
- SES Water - to defer to one or more future in-period determinations, a decision on the reported outperformance ODI payment of £0.277m for leakage.

In our draft determinations, we said Severn Trent Water, South Staffs Water, Southern Water and Thames Water had restated 2020-21 leakage and PCC data and/ or their leakage and PCC baseline data. The baseline data covers the years 2017-18, 2018-19 and 2019-20. We noted that the companies said the restatements result from improving compliance with the common methodology, improving the accuracy of the reported data. For these four companies our draft decisions were:

- Severn Trent Water restated the last four years of leakage and PCC data and we made an adjustment that returns £1.040m to customers to account for this change to reported 2020-21 leakage;
- South Staffs Water restated the last four years of leakage and PCC data and we made an adjustment that returns £0.019m to customers to account for this change to reported 2020-21 leakage;
- Southern Water restated its 2020-21 leakage and PCC data and we made an adjustment of £0.014m to account for this change to reported 2020-21 leakage; and
- Thames Water restated the last four years of leakage and PCC data and we made an adjustment that returns £0.307m to customers to account for this change to reported 2020-21 leakage.

Finally, we said we also identified some unresolved issues for reported leakage and PCC for Dŵr Cymru and South West Water. Both companies reported zero ODI payments for 2021-22 leakage. We did not intervene to alter these payments in our draft determinations, but we said we would continue to work with both companies to better understand the underlying water balance data.

We noted that details of our draft determinations for these, and all other, companies are set out in the company specific documents on our website.

Stakeholders' responses

The responses to our consultation that relate to leakage were from:

- A Thames Water customer.
- SES Water
- South Staffs Water
- South West Water

We discuss each response in the relevant company specific final determination but, in summary, SES Water disagreed with our draft determinations and the other two water companies accepted our draft determinations. We describe and address the concerns relating to leakage and other topics that the Thames Water customer raised in the Thames Water final determination document.

Consideration of responses and final determination

Having considered stakeholders' responses on this matter, our final determinations for all nine companies' leakage performance payments remain unchanged from our draft determinations, above.

This is because, in most cases, there was no information or limited new information provided in the consultation responses to take into account. However, SES Water's response provided considerable additional details on how it calculates leakage. Whilst we have not altered our draft determination for SES Water, we met with the company and we considered the additional information that it provided when making our final determinations. We will continue to engage with the company on this matter. As highlighted in the respective company specific final determinations, we will also continue to work with Dŵr Cymru, South Staffs Water and South West Water to gain a better understanding of their water balances.

As we stated in our draft determination, we continue to be disappointed that companies are not fully compliant and expect them to take steps to become compliant.

1.3 Per capita consumption (PCC) expectations

In July 2021 we recognised that measures introduced to manage the Covid-19 pandemic could pose challenges for managing household demand. We wanted companies to continue to have the strongest possible incentives to manage demand and consulted on, and subsequently decided to determine all ODI payments for PCC at the end of the control period. We intended this to allow time for companies and Ofwat to better understand any impacts and enduring effects.

Our decision document⁵ set out several expectations for companies' annual reporting on PCC. Specifically, we said that information provided in 2022 would be key to setting out further information on our approach to determining ODI payments at end of period. We are disappointed that companies have provided little insight into the drivers of changes in household demand in 2021-22 and the steps they are taking to reduce it. The absence of this evidence, combined with the service failures customers experienced during 2022 driven by

⁵ [Consultation on PCC ODI timing and determination – Our decision](#)

prolonged hot and dry weather, reinforce the need for companies to have the strongest possible incentives.

Companies that don't meet their 2024-25 performance commitment levels should expect to incur underperformance payments.

1.4 High-quality data and high-quality assurance

High quality assurance

In our draft determinations we said that data submitted should be subject to rigorous and high-quality assurance. We said this is critical to provide confidence to us, customers, and other stakeholders that the information reported is accurate and reliable.

We said we were concerned that some companies only provided the specific third-party assurance required for their PCs in response to queries from us and not with their APR submission. We said we require companies to be transparent with their stakeholders in providing all the specified assurance in or alongside their published APR. Where we have concerns with the quality of the assurance underpinning reported performance or payments, we said we may choose to intervene to protect customers.

High quality data

In our draft determination we said that our assessment of this year's APRs identified instances where companies did not follow reporting guidance or the PC definitions⁶. We said we were concerned that, for some companies, there was no improvement in the quality of information and evidence provided to support their reported performance compared to the 2021 APR⁷. For example, we were concerned that some companies only provided the RAG checklists required for their common PCs (or a statement that they are fully compliant where this was the case) in response to queries from us and not with their APR submissions.

We reiterated the importance of high-quality data and complying with the PC information requirements in providing confidence to us, customers and other stakeholders that the information reported is accurate and reliable. We said where we have concerns with the quality of data and evidence underpinning reported performance or payments, we may choose to intervene to protect customers.

⁶ Some company PCs require specific information to support reporting of performance, as set out in company specific PR19 final determination – Outcomes performance commitment appendix (PR19 FD). This includes RAG checklists for common PCs and additional third-party assurance requirements, where specified.

⁷ In [IN 22/01](#) we said we expected companies to provide a proportionate level of evidence and reasoning in their commentaries that allows us to understand clearly both their performance and the associated ODI payments. This provides transparency for all stakeholders, including customers.

Other concerns

In our draft determination, we said where companies submit requests for interventions to exclude the impact of a particular issue or event, they must include the impact of any such issue or event in the data submitted in Tables 3A-H and the in-period ODI models. We said this ensures all stakeholders have a clear and transparent view of each company's performance when the APRs are published. We said that until we agree, after consultation, to intervene there is no basis to exclude these impacts from reported performance (beyond those clearly stated within the definitions and reporting guidelines).

We said we also found instances where companies did not provide sufficient explanation of the drivers of performance. For mains repairs for example, we noted that our review of the data suggested that activities other than proactive mains repairs are reducing leakage, but companies are not explaining these drivers.

With respect to internal sewer flooding incidents identified proactively and reactively (provided in table 3G of the APR data tables), we noted that the reducing total number of incidents is partly a result of a reduction in incidents identified by proactively identifying neighbouring properties that have also been flooded⁸ (around a 37% year on year change). We said we would expect all companies to be following good practice in this area; assuring the data robustly; and actively identifying (and reporting) all neighbouring properties that have also been flooded following a customer reported incident.

We reiterated that it is important that companies are doing everything they can to capture an accurate picture of their pollution incidents, and we asked companies for assurance on their figures. We said we will consider any next steps in light of the companies' responses.

Stakeholders' responses

There were no consultation responses specifically about high quality data or high-quality assurance although some stakeholders referred to these topics when commenting on specific PCs in some company specific draft determinations. In response to our request the eleven water and sewerage companies provided us with information relating to the assurance of their reported pollution incidents figures.

Consideration of responses

In relation to the points we made in our draft determinations about high quality data and assurance, we will consider these further and set out our expectations for the whole sector in the information notice (IN) that we publish next spring that sets out our expectations for monopoly company annual performance reporting. Where relevant, we will consider company responses in light of the investigation we launched in November 2021 to establish

⁸ RAG4.10 reference 3G.2 'internal sewer flooding - company reactively identified (ie neighbouring properties)'

whether companies are complying with their statutory and licence obligations in relation to wastewater treatment. Further details relating to this investigation can be found on our [website](#). We are unable to say anymore at this stage about our investigation but will provide updates on our website as and when we are able to.

1.5 Deferrals and abatements

As set out in the PR19 reconciliation rulebook, companies can ask us to defer outperformance or underperformance payments, or to abate outperformance payments on individual performance commitments. A deferral results in us delaying when the adjustment will be made to a company's revenue. When deferring payments to the following year, we apply a time value of money adjustment, as set out in the PR19 reconciliation rulebook. An abatement results in a permanent reduction to the company's outperformance in relation to the relevant performance commitment.

Our draft determination

Only one company requested a deferral, Severn Trent Water. It requested a voluntary deferral totalling £69.804m of its ODI outperformance payments. In our draft determinations, we allowed for the amount of deferred revenue Severn Trent Water proposed. However, we stated that the company only provided limited information to explain its plan for managing this deferred revenue. We said that, given the significant size of the deferral and the potential for further outperformance in future years, we expected the company to provide additional supporting evidence on its approach to managing the impact on customers ahead of our final determination. We said this should be in the context of potential risks and its wider performance and investment requirements.

In our draft determinations, we included one small voluntary abatement of £0.008m for Bristol Water.

Stakeholders' responses

In its consultation response, Severn Trent Water provided details on how it expected its revenue to change over future years and what the impact of this would be on its customers' bills. As a result of this analysis and in order to reduce the volatility of customers' bills over this period the company proposed a reduced deferral of £30.698m. In addition, Severn Trent Water asked not to receive an outperformance payment of £0.230m for its reducing residential void properties PC.

In its response to our consultation, Wessex Water asked for a deferral of its gross ODI outperformance payments and submitted an updated in-period adjustment model to support this.

Portsmouth Water's consultation response proposed a continued deferral of the £0.323m outperformance from 2020-21, which has now increased to £0.333m because of a time value of money adjustment.

The Hafren Dyfrdwy consultation response asked not to receive an outperformance payment of £0.039m for its reduction in the number of void supply points PC.

In its consultation response Bristol Water thanked us for confirming the abatement of £0.008m they had proposed in relation to its void properties PC.

Consideration of responses and final determination

Having considered the evidence relating to customer bills that Severn Trent Water submitted we include a deferral of £30.698m in our final determinations. This is a smaller deferral compared to our draft determinations which included a deferral of £69.804m. In addition, having considered the information provided to us, we are including a voluntary abatement of £0.230m in line with the company's request on reducing residential void properties. Both of these are changes from our draft determinations.

Having considered the information provided to us by Wessex Water, we are including the company's requested deferral of £7.035m to lessen the increase in bills for customers in 2023-24. The company explained that it has considered the impact of this deferral over future years and that it has considered other factors affecting bills, such as inflation. This means the company will collect £7.035m less from customer in 2023-24 than would otherwise have been the case. Instead, it will recover this revenue over one or more future years. This is a change from our draft determinations.

Having considered the information provided to us by Portsmouth Water, we are including the company's requested deferral of £0.333m to lessen the increase in bills for customers in 2023-24. The company explained that it has considered the impact of this deferral over future years and that it has considered other factors affecting bills such as inflation. This means the company will collect £0.333m less from its customers in 2023-24 than would otherwise have been the case. Instead, it will recover this revenue over one or more future years. This is a change from our draft determinations.

In addition, having considered the information provided to us by Hafren Dyfrdwy, we are including a voluntary abatement of £0.039m in line with the company's request on its reduction in the number of void supply points PC. This is a change from our draft determinations.

In our final determinations we include the abatement of £0.008m for Bristol Water's void properties PC. This is unchanged from our draft determinations.

1.6 C-MeX and D-MeX

Our draft determination

C-MeX (the customer measure of experience) is designed to incentivise water companies to provide an excellent customer experience for residential customers, across both the retail and wholesale parts of the value chain. D-MeX (the developer services measure of experience) is designed to incentivise water companies to provide an excellent customer experience to developer services customers, including small and large property developers, self-lay providers and those with new appointments and variations (NAVs). The ODI payments for both C-MeX and D-MeX for each company are set out in table 2.2 and in each company-specific in-period ODI draft determination document. We have taken the data from the APR submissions and compared this against the recorded data from our survey agent, Accent. The C-MeX and D-MeX scores for 2021-22 can be found on the [Customer and Developer Services experience](#) pages of the Ofwat website and in the published C-MeX and D-MeX models.

Stakeholders' responses

We received comments from three companies (Northumbrian Water, Dŵr Cymru & Yorkshire Water) on this issue. We include these responses in the company specific final determinations but in summary:

- Northumbrian Water noted that annual C-MeX scores should be rounded to 2 decimal places for consistency with our guidance
- Dŵr Cymru asked for clarification on the change of approach on indexation
- Yorkshire Water highlighted what it thought was an error with an input value in the D-MeX model.

Consideration of responses and final determination

We include these comments in the company specific final determinations but in summary:

- We acknowledge the Northumbrian Water point about rounding to 2 decimal places and we have updated the model to apply the rounding to the annual C-MeX scores. This has a small impact on the C-MeX payments for some companies
- We acknowledge the Dŵr Cymru point that the indexation approach has changed. This is to correct an issue that we became aware of and we have made adjustments to account for that
- We confirm to Yorkshire Water that we have used the correct input value in the D-MeX model.

2. Impact of 2021-22 in-period ODI assessment on companies' price controls

2.1 Our final determinations

In this section we outline the financial impacts of our final determinations.

Unless otherwise stated all values are £m in 2017-18 financial year average (FYA) Consumer Prices Index including owner occupiers' housing costs (CPIH) prices.

Table 2.1: Change between draft and final determination on total ODI payments to be applied to customer bills in 2023-24 (£m)

This table sets out the change between our draft and final determinations on the ODI payments to be applied to price controls in the 2023-24 charging year.

Company	Draft determination on total ODI payments to be applied to customer bills in 2023-24 (£m)	Change between draft and final determination (£m)	Final determination on total ODI payments to be applied to customer bills in 2023-24 (£m)
Affinity Water	-0.770	0.000	-0.770
Anglian Water	-8.509	0.000	-8.509
Bristol Water	0.630	0.000	0.630
Dŵr Cymru	-8.000	0.001	-7.999
Hafren Dyfrdwy	-0.378	-0.039	-0.417
Northumbrian Water	-20.282	16.669	-3.614
Portsmouth Water	0.755	-0.333	0.423
SES Water	-0.270	0.000	-0.269
Severn Trent Water	62.860	38.883	101.743
South East Water	-3.152	0.324	-2.828
South Staffs Water	3.018	0.001	3.019
South West Water	-13.336	0.000	-13.336
Southern Water	-28.297	0.003	-28.294
Thames Water	-51.033	0.000	-51.033
United Utilities	24.146	0.008	24.154
Wessex Water	4.445	-7.035	-2.590
Yorkshire Water	-15.227	0.000	-15.227
Industry total	-53.398	48.481	-4.917

Table 2.2: Final determination on adjustment to 2023-24 price controls as a result of performance against ODIs

This table sets out our final determinations on the ODI payments to be applied to price controls in the 2023-24 charging year after accounting for:

- the in-period ODI payments for each company based on their performance in 2021-22;
- our final determinations on these payments after any interventions;
- brought forward deferrals;
- our final determinations on 2022-23 deferrals and abatements;
- bespoke adjustments, including prior year restatements, where relevant; and
- our final determination on C-MeX and D-MeX payments.

For further details on the interventions, deferrals, abatements and bespoke adjustments, see the company specific draft determinations.

These final determinations on the ODI payments to be applied for each company are also set out in the in-period adjustments model published on our website for each company.

Company	Company's reported ODI payments (£m)	Ofwat FD interventions (£m)	ODI payments deferred from 2020-21 (£m)	Ofwat FD deferrals (£m)	Ofwat FD abatements (£m)	Bespoke FD adjustments (£m)	C-MeX FD payments (£m)	D-MeX FD payments (£m)	Final determination on total ODI payments to be applied to customer bills in 2023-24 (£m)
Affinity Water	0.133	0.000	0.000	0.000	0.000	0.104	-1.041	0.034	-0.770
Anglian Water	-9.434	-0.008	0.000	0.000	0.000	-0.147	0.000	1.079	-8.509
Bristol Water	0.307	0.000	0.000	0.000	-0.008	-0.014	0.345	0.000	0.630
Dŵr Cymru	-10.397	0.048	0.000	0.000	0.000	0.986	1.493	-0.129	-7.999

Sector overview - final determinations of in-period outcome delivery incentives for 2021-22

Hafren Dyfrdwy	-0.403	0.039	0.000	0.000	-0.039	0.000	-0.046	0.032	-0.417
Northumbrian Water	-19.878	0.000	0.000	0.000	0.000	12.684	2.879	0.700	-3.614
Portsmouth Water	0.209	-0.067	0.333	-0.333	0.000	-0.024	0.203	0.101	0.423
SES Water	0.321	-0.277	0.000	0.000	0.000	-0.025	-0.214	-0.074	-0.269
Severn Trent Water	54.708	0.230	46.214	-30.698	-0.230	27.832	0.241	3.446	101.743
South East Water	-2.279	0.325	0.000	0.000	0.000	0.041	-0.718	-0.196	-2.828
South Staffs Water	1.810	0.000	0.043	0.000	0.000	0.667	0.527	-0.028	3.019
South West Water	-4.617	-8.159	0.000	0.000	0.000	0.034	-0.576	-0.019	-13.336
Southern Water	-34.700	0.000	-0.409	0.000	0.000	11.905	-4.154	-0.936	-28.294
Thames Water	-34.744	0.000	0.000	0.000	0.000	0.867	-16.032	-1.125	-51.033
United Utilities	22.226	-0.461	0.000	0.000	0.000	-0.612	2.184	0.817	24.154
Wessex Water	2.306	0.000	0.000	-7.035	0.000	-0.173	1.786	0.526	-2.590
Yorkshire Water	-11.525	-0.444	0.000	0.000	0.000	0.154	-0.014	-3.398	-15.227
Industry total	-45.955	-8.773	46.181	-38.066	-0.277	54.281	-13.137	0.830	-4.917

2.2 Our modelling approach

We set out how we would apply in-period ODI payments in our PR19 final determinations and the [PR19 reconciliation rulebook](#). In the rulebook we set out where we would make decisions on specific inputs to our published models during the in-period determinations process.

In this section we set out our proposed approach. In each of the 17 ODI performance models we have included a worksheet called 'Ofwat_IPD22_actions' to record changes we have made to the models. These range from data cleansing changes with no financial impact to interventions or corrections which can affect ODI payments. For details on these changes refer to the company specific models published on our website.

2.3 Inflation

In the PR19 final determinations all ODI rates were specified in 2017-18 financial year average (FYA) prices. This means that ODI payments for in-period ODIs need to be translated into the relevant price base for this year's in-period determinations.

For this year's in-period determinations, the relevant price base is the consumer prices index including owner occupiers' housing costs (CPIH) in November 2022. As set out in the reconciliation rulebook, we use published inflation data, companies' submissions and publicly available short-term inflation forecasts to estimate this index.

In our draft determinations we estimated this to be 9% and said we would revise this estimate in our final in-period determinations informed by latest published inflation data, forecasts and stakeholders' responses.

For our final determination we have retained the same inflation estimate of 9%.

2.4 Taxation

We adjust the size of companies' net ODI payments to reflect the marginal rate of tax to ensure companies receive the level of ODI payments as envisaged in the PR19 final determinations and to maintain an appropriate strength of incentives.

In the PR19 reconciliation rulebook we said companies should set out their expected marginal tax rate for the following charging year in their requests for an in-period determination with appropriate evidence. We said we would take this into account, as well as upcoming changes to tax policies and any other relevant factors, when making our determinations.

In our draft determination, we applied a uniform marginal tax rate of 19% in most companies' in-period adjustments model to reflect the headline rate of corporation tax. We said we may revise this in our final in-period determinations informed by stakeholders' responses, upcoming changes to tax policies and other relevant factors.

For our final determinations, from 2023-24 onwards we apply a marginal tax rate of 25% for most companies in line with the UK government's recently announced decision to increase corporation tax from April 2023. We will review if this remains appropriate, and whether a subsequent change is required, in next year's in-period determinations.

There are two exceptions to this. For Dŵr Cymru and Southern Water, we have included 0% marginal tax rate in both our draft and final determinations, consistent with the allowances made at PR19. Both companies set out a case to demonstrate that they do not expect to incur tax during the 2020-25 period.⁹ We provide more details on these decisions in the company specific final determinations documents.

2.5 Bespoke adjustments

In some instances, we may need to make bespoke adjustments to account for matters that have arisen after our PR19 determinations and publication of the reconciliation rulebook in December 2020. For example, in July 2021 our [green recovery funding](#) decisions included additional in-period funding for two companies (Severn Trent Water and South Staffs Water).

Table 2.3: Breakdown of bespoke adjustments

This table provides a breakdown of the bespoke adjustments included in our final determinations. We provide more details on these decisions in the company specific final determinations documents.

Company	Prior year restatements (£m)	Prior year C-MeX indexation (£m)	Prior year D-MeX indexation (£m)	Time value of money adjustment on prior year total (£m)	Green recovery (£m)	Total bespoke adjustments to be applied to customer bills in 2023-24 (£m)
Affinity Water	0.000	0.095	0.006	0.003	0.000	0.104
Anglian Water	0.000	-0.070	-0.073	-0.004	0.000	-0.147
Bristol Water	0.000	-0.010	-0.003	0.000	0.000	-0.014

⁹ In the [PR19 reconciliation rulebook](#) (p58), we said "companies should set out their expected marginal tax rate for the following charging year in their requests for an in-period determination, including whether they expect to pay corporation tax and any capital allowances, with appropriate evidence. We will take this information into account when making our determination."

Dŵr Cymru	1.061	-0.124	0.022	0.028	0.000	0.986
Hafren Dyfrdwy	0.000	0.002	-0.002	0.000	0.000	0.000
Northumbrian Water	0.000	-0.181	-0.022	-0.006	0.000	12.684
Portsmouth Water	0.000	-0.017	-0.006	-0.001	0.000	-0.024
SES Water	-0.060	0.014	0.021	-0.001	0.000	-0.025
Severn Trent Water	-1.328	0.000	-0.240	-0.046	29.446	27.832
South East Water	0.000	0.025	0.015	0.001	0.000	0.041
South Staffs Water	-0.018	0.005	0.005	0.000	0.676	0.667
South West Water	0.000	0.033	0.000	0.001	0.000	0.034
Southern Water	11.200	0.303	0.064	0.338	0.000	11.905
Thames Water	-0.307	1.035	0.115	0.025	0.000	0.867
United Utilities	-0.402	-0.128	-0.065	-0.017	0.000	-0.612
Wessex Water	0.000	-0.125	-0.043	-0.005	0.000	-0.173
Yorkshire Water	0.000	-0.029	0.178	0.005	0.000	0.154
Industry total	10.147	0.828	-0.029	0.320	30.122	54.281

Note:

The total bespoke adjustment for Northumbrian Water includes a separate company specific adjustment of £12.894m for the equal sharing of the impact of Storm Arwen, that is not shown in the breakdown of adjustments in the table.

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