

UUW response to the draft in-period determination for outcome delivery incentives for 2021/22

October 2022

This document sets out our response to the recently published draft in-period determination for outcome delivery incentives for 2021/22.

C-MeX and D-MeX

On 4 October 2022 Ofwat published its draft in-period determination, which detailed the relative C-MeX and D-MeX performance of all water companies.

The draft in-period determination for United Utilities included a C-MeX outperformance payment of £2.176m and a D-MeX outperformance payment of £0.817m for 2021/22. U UW concurs with this calculation.

Sewer blockages

In its draft determination Ofwat stated *“we are increasing United Utilities' underperformance payment for 2021-22 performance by £0.461m. This is because the company had excluded 329 blockages from its reported performance, which were not allowable exclusions under the performance commitment definition. We are also including an adjustment of £0.402m to correct for an understatement of the underperformance on the company's sewer blockages performance commitment for 2020-21. This is because the company had incorrectly included 287 blockages from its reported performance in 2020-21”*.

United Utilities' underperformance payment for 2021/22 has been increased from £0.056m to £0.517m. This increase of £0.461m is due to the reason stated above. Ofwat is also making an adjustment to include an additional underperformance payment of £0.402m for 2020/21 for the same reason.

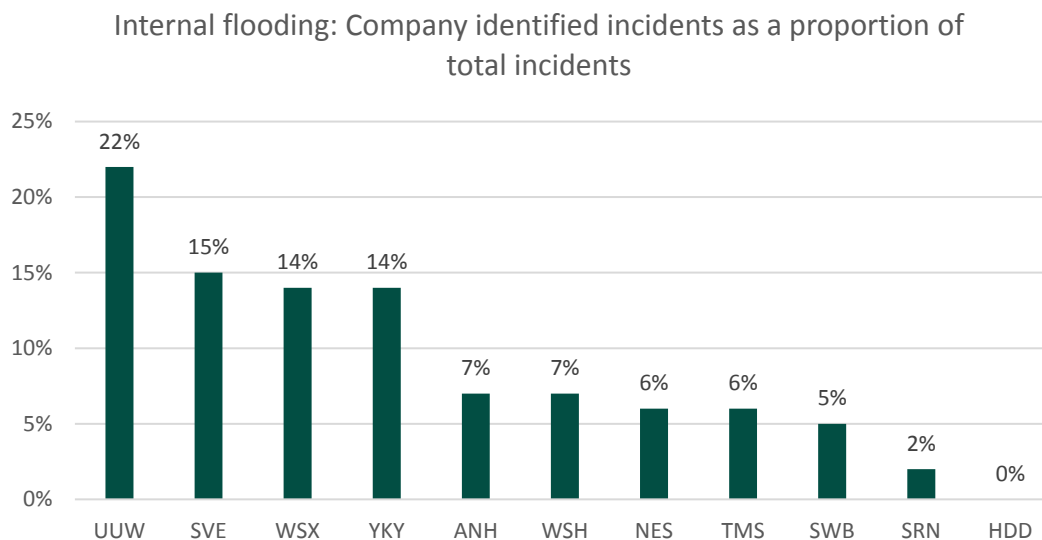
Each year we experience a small number of incidents that are beyond the operational control of a network operator, in that they are caused by repeated and conscious abuse of the network by customers who continue to discharge inappropriate materials. These materials include wipes (other than those that have passed the WUK Fine to Flush test specification), sanitary products, food, fats/oils/greases (FOG), nappies and underwear. U UW have always attend blockages that are our responsibility regardless of the origin of the service interruption, and will continue to do so. Where we identify ongoing and deliberate instances of misuse we will carry on providing verbal advice and/or flush/pouring information to the customer about the impact of these activities on the wider sewer network. This is an approach we replicate regardless of the number of repeat blockage incidents that occur, in order to actively attempt to prevent future occurrences.

The incidents that were identified as conforming to the definition set out in section 111 of the Water Industry Act 1991 are backed with clear evidential records and repeated customer engagement. In both 2020/21 and 2021/22 reporting we were transparent in our reporting and the basis on which we considered the exclusions were warranted. However, we note Ofwat's view that despite the cause of blockages being clearly linked to behaviour consistent with the exclusions set out in section 111 of the Water Industry Act 1991, these blockages should nevertheless be recorded as part of water company performance on blockages. We will adjust reporting in future periods to take account of this and confirm that we agree with Ofwat's calculation of the adjustments for both 2020/21 and 2021/22.

Proactive flooding reporting

At U UW we support consistency in the application of common methodologies. We note that in 2021/22 most companies were able to report that they had successfully proactively identified some cases of sewer flooding that had not been reported by customers. This was an improvement on the standard of reporting in 2020/21.

Thorough identification processes are important so that companies have a true picture of the extent of flooding incidents, enabling both accurate and complete reporting of performance and better information capture of incidents and their causes. We note, however, that for the second year running U UW has proactively identified more sewer flooding cases as a proportion of the total compared to other companies.



Notwithstanding that there will be some degree of annual variations, over time it would be reasonable to expect that all companies should report approximately similar proportions of company identified sewer flooding cases as a proportion of all cases. If they do not, then this would indicate that some companies are more effective at identifying, counting and reporting sewer flooding cases than others. If this were the case, then some companies would not be reporting all incidences of sewer flooding in their region.

We consider that this metric should be kept under ongoing review. If there is repeated evidence that some companies tend to be more effective in identifying, counting and reporting sewer flooding incidents than others, then there may be a need to further review the standards of reporting in this area across the industry in order to assess whether reporting methodologies are being consistently applied.

We also continue to advocate that similar reporting should be instituted for external flooding incidents.