

Information notice

23 February 2023

IN 23/02 Submission guidance for PR24 bespoke performance commitment definitions

This information note reiterates our 2024 price review (PR24) policy and provides companies with the template to complete in April and include in their business plans where they are intending to submit a bespoke performance commitment.

In our [PR24 Final Methodology](#) we said that bespoke performance commitments are appropriate where:

- there are **local circumstances** that do not apply to most other companies and there is compelling evidence that a performance commitment is required to provide incentives to drive benefits for customers, communities and the environment; or
- a company provides **poor service** on a common issue where other companies' performance is generally adequate and the risk of performance deteriorating is low – such a performance commitment is likely to have underperformance payments only.

We said we would also consider other cases where a company has compelling evidence that there are company-specific circumstances which mean a bespoke performance commitment will lead to **significant additional benefits** for customers and the environment that are unlikely to be realised without it. These circumstances could result from responding to strategic steers on long-term outcomes and priorities from the collaborative approach in Wales. Benefits to customers and the environment should outweigh any costs from additional reporting which is only likely to be for the company with the bespoke performance commitment.

As with common performance commitments, bespoke performance commitments should be focused on outcomes rather than outputs and drafted in line with PR24 policy set out in Appendix 7 of the Final methodology, including our approach to exclusions.

Where we cannot adequately capture the impact of enhancement expenditure through the outcome it delivers (for example because it addresses a low probability event, the benefits will accrue beyond 2030 or it is for a distinct piece of work), it is unlikely that a bespoke performance commitment will be appropriate; a price control deliverable (PCD) may be more suitable.

Our outcomes regime will work alongside wider tools outside of the price review, including reputational incentives, licence conditions, charging rules and our enforcement powers. For example, issues relating to social tariffs and vulnerability are best dealt with outside PR24, because this allows us to respond more flexibly to changing circumstances.

Bespoke performance commitments should not overlap in scope with either the common performance commitments or other bespoke performance commitments. Consequently, we expect **at most two or three** bespoke performance commitments per company, although this is not a hard limit if the above tests are satisfied. Where possible, we intend to use standardised definitions across companies.

Companies should provide any proposed definitions for bespoke performance commitments by 14 April 2023 using the template provided. Draft performance commitment definitions should be clear, unambiguous, internally coherent and as concise as possible. They should be written in plain English and use consistent terminology. They should take as their guide the language and tone of the PR24 common performance commitment definitions. The measure of the level of service provided for the particular outcome should be set out clearly.

Companies should demonstrate that the scope of the definition will help to provide appropriate incentives to deliver for customers, communities and/or the environment. While it is not required, if evidence has been obtained from customers, companies should explain how this aligns with the principles of the [Customer engagement policy – a position paper](#), published in February 2022.

Relevant information that the company wishes to submit to support the proposed performance commitment should be provided using the accompanying spreadsheet, but the draft performance commitment should contain all the operative provisions.

We intend to provide initial feedback on draft bespoke performance commitment definitions in May 2023, followed by more detailed feedback, in readiness for the preparation of business plan submissions, in July 2023. Companies should take these timings into account when planning their business plan submissions. We expect companies to include in their business plan submissions only those bespoke performance commitments that we confirm are suitable to progress to that stage. We will not provide feedback on performance commitment levels or ODI rates.

Further information

[PR24 bespoke performance commitment definition template](#)

[PR24 bespoke performance commitment – supporting evidence](#)