Logo, company name

Description automatically generated

[Title of performance commitment]

Purpose: This performance commitment is designed to incentivise [describe the objective of the PC].

Benefits: [Any benefits for customers, communities, and the environment should be stated clearly and connected to the carrying out of the company’s statutory water and wastewater functions.]

Version control [not required for initial submission, for completion at draft determinations]

|  |  |  |
| --- | --- | --- |
| Version | Date of issue | Performance commitment changes |
| 0.1 |  |  |
| 1.0 |  |  |
| 2.0 |  |  |

Performance commitment definition and parameters

## Detailed definition of performance measure

[Describe how the performance commitment operates. Ensure all key provisions are set out. In particular, identify how performance is measured, including unit information, so that reconciliation and reporting can be accurately stated. Include all calculations such as averaging.]

## Additional detail on measurement units

[Add information to clarify how or what the PC is measuring. Don’t repeat anything covered elsewhere.]

## Specific exclusions

[Drafting should be in accordance with PR24 policy on exclusions, set out in [Appendix 7 of the final methodology](https://www.ofwat.gov.uk/wp-content/uploads/2022/12/PR24_final_methodology_Appendix_7_Performance_commitments.pdf), which applies equally to bespoke performance commitments.]]

## Reporting and assurance

[We expect reporting and assurance requirements to be similar in scope and detail to those set out in the PR24 common performance commitments. The standardised wording below should be included.]

The company shall ensure that its outcome delivery incentive payments only relate to real performance changes and not definitional, methodological or data changes in performance commitments.

Compliance checklist

[Consider whether a checklist is required to ensure that the performance commitment is reported accurately. If a checklist is appropriate, the standardised wording below should be included as well as a completed Table 1 and Annex 1. If these are not included rename Table 2 to Table 1.]

The company shall complete the checklist below and report to Ofwat if any element is not green. Where an element is not green, we may intervene to protect customers and ensure that the company does not benefit from insufficient data quality. See Annex 1 for assessment rules for each element.

Table 1 Compliance checklist for [measure]

|  | Component / Element | Component R/A/G | Element R/A/G | Reason for any non- compliant component | Confidence grade |
| --- | --- | --- | --- | --- | --- |
| 1 | [ e.g. Coverage] |  |  |  |  |
| 1a | [e.g. At least 95% of all properties have continuous night flow monitoring throughout the year] |  |  |  |  |
| 2 | [ e.g. Availability] |  |  |  |  |
| 2a | [e.g. Any detail for subsections.] |  |  |  |  |

Table 2 Definition parameters

| Parameters |  |
| --- | --- |
| Measurement unit and decimal places | [eg ‘numerical CRI score reported to two decimal places'] |
| Measurement timing | Either 'Reporting year' or 'Calendar year' |
| Incentive form | Revenue [Default - compelling rationale must be provided if this is changed] |
| Incentive type | Underperformance and outperformance [Default - compelling rationale must be provided if this is changed] |
| Timing of underperformance and outperformance payments | In-period [Default – compelling rationale must be provided if this is changed] |
| Price control allocation | [eg '100% water network plus'] |
| Frequency of reporting | [eg if calendar year reporting include: Annual, on a calendar year basis. For example, performance assessment for 2025-26 will be based on the calendar year 2025, whereas 2029-30 assessment will be based on the calendar year 2029.] |
| Any other relevant information | [anything not covered by any of the above that is relevant for reconciliation purposes] |
| Links to relevant external documents | [eg DWI etc unless already referenced within the body of the document] |

Additional drafting notes to aid completion of bespoke performance commitment definition, to be removed prior to submission:

* Please use:
  + ‘reporting year’ not financial year
  + ‘N/A’ not NA
  + one, two, three (up to ten) then digits after this
  + ‘Number’ not Nr
* Refer to ‘2025-30’ or 'the 2025- 2030 period' rather than 'AMP' and 'PR24'

Annex 1 Compliance Checklist

This annex sets out the criteria on which to report checklists where specified in the performance commitment definition.

Compliance for elements is reported against:

|  |  |
| --- | --- |
| R | Not compliant with the guidance and having a material impact on reporting |
| A | Not compliant with the guidance and having no material impact on reporting |
| G | Fully compliant with the guidance |

An overall RAG to be assigned for each component based on the following rules: Compliance for overall components is reported against:

|  |  |
| --- | --- |
| R | There are one or more red elements in the component, or the combined effect of amber elements is considered to produce a material impact. |
| A | Half or more of the elements in the component are amber and the combined effect of the amber elements is considered not to produce a material impact |
| G | More than half of the elements in the component are green |

For each component on the checklist, and for the overall performance measure, the company will report a confidence grade. Confidence grades provide a reasoned basis for companies to qualify the reliability and accuracy of the data.

The company shall employ a quality assured approach in the methodology used to assign confidence grades, particularly if sampling techniques are in place. The confidence grade combines elements of reliability and accuracy, for example:

A2 - Data based on sound records etc. (A, highly reliable) and estimated to be within +/- 5% (accuracy band 2) Reliability and accuracy bands are shown in the tables below.

|  |  |
| --- | --- |
| Reliability Band | Description |
| A | Sound textual records, procedures, investigations or analysis properly documented and recognised as the best method of assessment. |
| B | As A, but with minor shortcomings. Examples include old assessment, some missing documentation, some reliance on unconfirmed reports, some use of extrapolation. |
| C | Extrapolation from limited sample for which Grade A or B data is available. |
| D | Unconfirmed verbal reports, cursory inspections or analysis. |

|  |  |  |
| --- | --- | --- |
| Accuracy band | Accuracy to or within +/- | But outside +/- |
| 1 | 1% | - |
| 2 | 5% | 1% |
| 3 | 10% | 5% |
| 4 | 25% | 10% |
| 5 | 50% | 25% |
| 6 | 100% | 50% |
| X | Accuracy outside +/- 100 %, small numbers or otherwise incompatible (see table below) | |

Certain reliability and accuracy band combinations are considered to be incompatible, and these are blocked out in the table below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Compatible confidence grades | | | | |
| Accuracy band | Reliability band | | | |
| A | B | C | D |
| 1 | A1 |  |  |  |
| 2 | A2 | B2 | C2 |  |
| 3 | A3 | B3 | C3 | D3 |
| 4 | A4 | B4 | C4 | D4 |
| 5 |  |  | C5 | D5 |
| 6 |  |  |  | D6 |
| X | AX | BX | CX | DX |