
Chapter 6

Outcomes, Performance Commitments and Outcome Delivery Incentives

Summary

We have developed a package of performance commitments (PCs) and Outcome Delivery Incentives (ODIs) in consultation with our customers and stakeholders. These are aligned to our outcomes and will underpin our strategy of delivering a resilient future for water in the South East of England.

We have adopted a rigorous and structured approach to developing our PC and ODI package, following the guidance provided by Ofwat, including in relation to targeting upper quartile performance, and taking account of all of our customer research. Each commitment is reinforced by a stretching target that will drive improvement in performance in line with our customers' expectations.

We are proposing strong financial incentives for many of the PCs. Our customers have told us they are concerned about the potential for ODIs to cause more volatile bills. We are therefore proposing caps and collars for our ODIs.

Chapter headlines at a glance

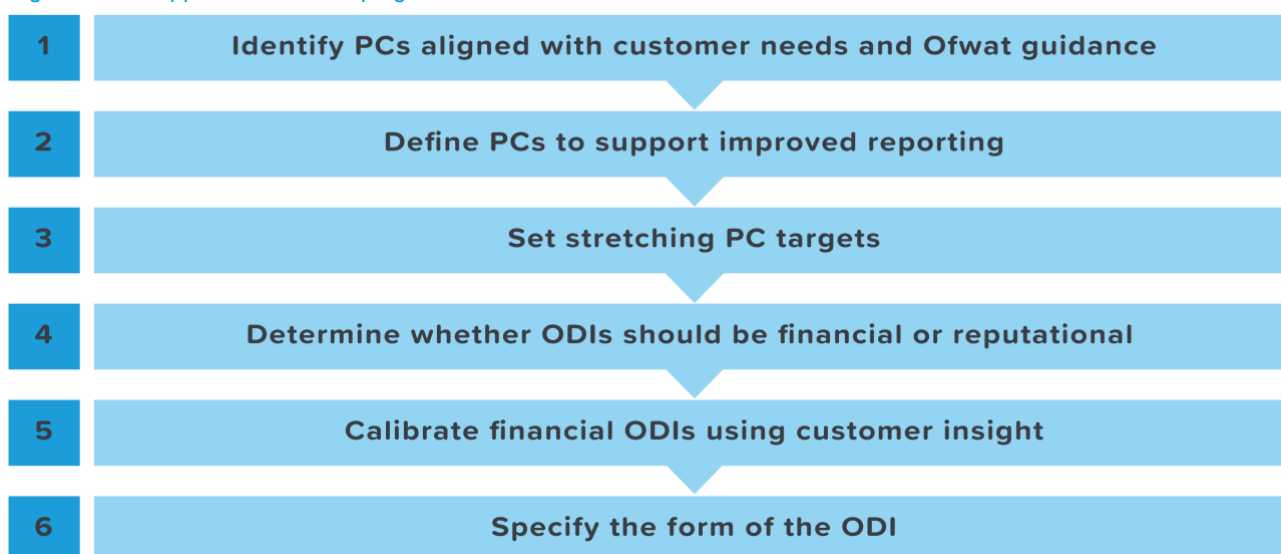
- We have worked closely with our customers to identify our 43 PCs for AMP7 which directly align to delivery of our long-term vision and effective implementation of our **brilliant at the basics** and **5 transformational programmes**. These include the 14 PCs mandated by Ofwat.
- We are proposing to amend or discontinue 20 of our AMP6 PCs because they are either no longer relevant, or do not accurately measure our performance. We have consulted our customers on these and they support our decision.
- We have set stretching targets for all of our PCs. These targets have been informed by a range of information including customer valuation data, cost-benefit analyses and comparative information. Four of our targets take us to better than upper quartile and a further three are set at the upper quartile level.
- We have set financial, in-period ODIs as the default for all our PCs and our proposals include 31 financial ODIs. We are proposing a package of ODIs which is broadly in line with Ofwat's guidance. The Return on Regulatory Equity (RoRE) range associated with our wastewater

ODIs (based on P10:P90 values) is from a 0.9% outperformance payment to a 3% underperformance payment, and from a 1.4% outperformance payment to a 1.9% underperformance payment for water. This reflects customers' willingness to pay (WTP) for outperformance in the areas that are most important to them, based on targeted ODI research¹. We are implementing an annual cap on our performance payments to protect customers from excessive year-on-year bill changes.

6.1 Introduction

This chapter sets out the way that we have developed our PCs and ODIs. Figure 1 below summarises the approach that we have followed.

Figure 1: Our approach to developing PCs and ODIs



Further information is provided in three technical annexes, which cover our approach to developing PCs and ODIs, amended or discontinued PCs and detailed definitions and technical details for each PC. For ease of reference, we also provide a summary of each of our PCs and ODIs at the end of this chapter.

6.2 Our portfolio of PCs reflects customer and stakeholder needs and Ofwat guidance

We prioritised PCs in light of customer and other stakeholder needs

We started our work by developing a long-list of potential PCs. We developed this list from a range of sources, including our AMP 6 PCs, examples of PCs used by other companies, the views of our customers and other stakeholders, the guidance provided by Ofwat, and the ambitions we have set out in our plan.

We refined our longlist by assessing each potential PC against four criteria:

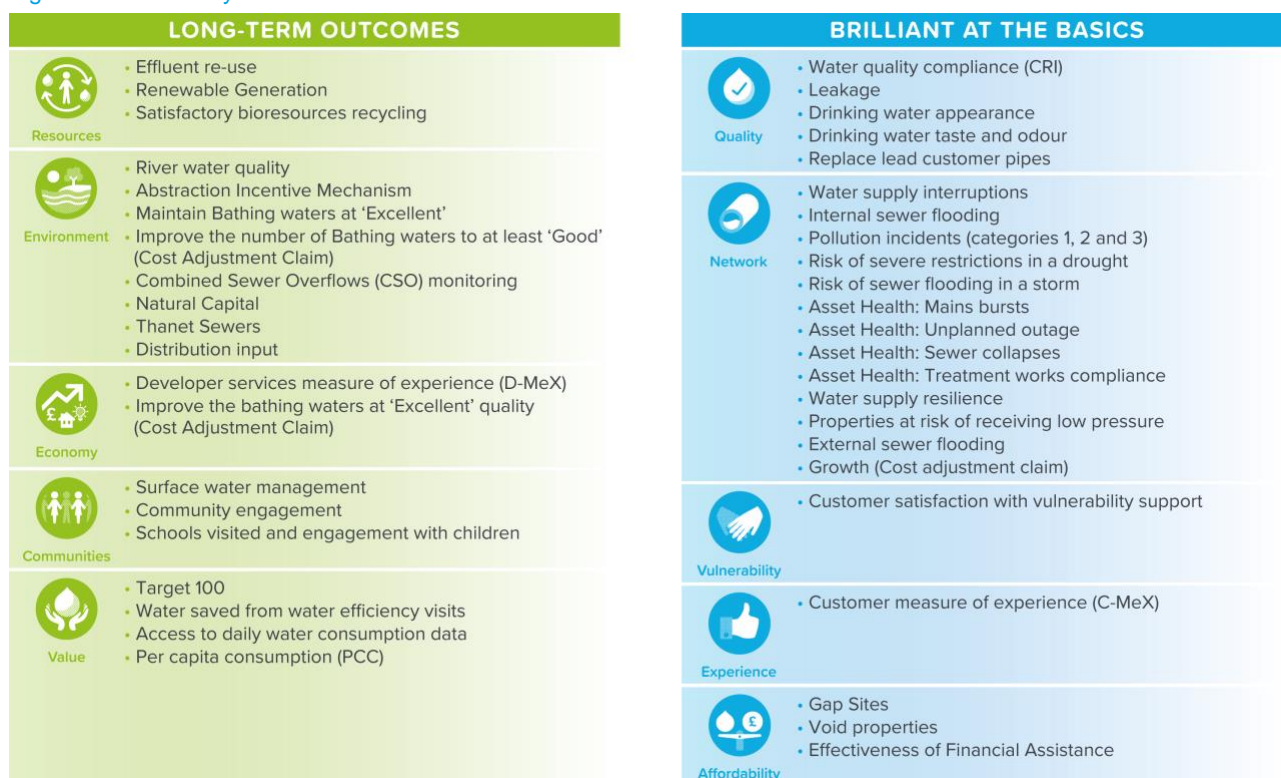
- **Customer insight:** we asked whether the potential PC is valued by our customers
- **Stakeholder insight:** we considered whether the potential PC is valued by our other stakeholders
- **Regulatory requirements:** we considered whether the potential PC is required by Ofwat or another regulator
- **Business objectives:** finally, we tested the potential PC against our strategic outcomes, objectives and priorities.

Highlights

- From our original longlist of 77 potential PCs we selected 43 PCs which met all of our assessment criteria.

Our package of PCs directly aligns with our 10 outcomes, (as described in Chapter 3 – Our Ambition and Pathway to PR19). The diagram below explains the mapping between the 10 outcomes and our PCs.

Figure 2: Our PCs by outcome



(For more on how we developed our PCs, see TA.6.1 – Our approach to PCs and ODIs.)

There are two areas of importance to our customers and stakeholders which are not covered by PCs as we have not been able to develop an appropriately robust measure to date. These are a measure of customer trust and confidence and a measure of net abstraction from rivers and streams. We have committed to our CCG that we will develop a trust and confidence PC by 2020 and report on it during AMP7. We have also agreed that we will work to develop a measure of net abstraction to replace Distribution Input which is included as a proxy for abstraction. We will develop this measure during AMP7 and begin to report against it in AMP8.

Replaced and discontinued existing PCs

Where our analysis and assessment clearly indicated we should amend, replace, or discontinue an AMP6 PC, we carried out a further assessment to confirm that this would be in line with Ofwat's guidance. We undertook specific research with YouGov² to validate our view that we should do so.

Then we refined our plan to align with the feedback we received from customers and other stakeholders. For instance, our customers told us they wanted us to continue to measure our performance on water pressure. Although we were originally intending to discontinue this PC, it remains part of our proposals.

Overall, our customers provided strong support for our portfolio of PCs². In total, we are proposing to replace or discontinue 20 current PCs. These are largely PCs that have been superseded by other PCs, have become redundant, or were not recognised as high priorities for customers throughout the development of our package.

(For more on the rationale for discontinuing these PCs, see TA.6.3 – Rationale for AMP6 amendments and discontinuations.)

Highlights

- We have replaced or discontinued 20 of the AMP6 PCs
- We propose to replace or discontinue 18 of the AMP6 PCs either because they have been superseded by a new PR19 PC, or they were related to specific AMP6 schemes
- We are proposing to discontinue the remaining two (of the 20) PCs because they are not highly valued by customers or relate to aspects of our performance that are difficult to effectively measure.

6.3 Our PC definitions will support improved reporting

The PCs in this plan support an improvement in the way we report on our performance to customers and other stakeholders.

We developed the definitions of each PC with three criteria in mind:

- **Regulatory considerations:** we considered whether any guidance had been provided by Ofwat or our other regulators
- **Transparency considerations:** we assessed the extent to which the definitions allow easy comparisons across the sector
- **Easy to understand:** we considered the complexity of each PC definition, asking “Is the measure easy for customers to understand?” We also considered the extent to which the measure would be associated with things that are within management control. Where measures are, to a significant degree, not within management control, variations in performance might be a source of confusion for customers and an inappropriate risk.

(See the results of this assessment at TA.6.1 – Our approach to PCs and ODIs).

The majority of our PCs, representing more than three-quarters of the value of our ODIs, use a definition that is either Ofwat or an industry standard.

Following submission of our draft definitions in May 2018, we have also taken account of the specific feedback provided by Ofwat in our updated definitions.

(Detailed definitions for all PCs are at TA.6.2 – Our package of PCs and ODIs).

6.4 We set ourselves stretching PC targets

Our PCs are underpinned by a set of stretching targets. With increasing service performance and falling bills, our plan delivers greater value for money for customers in AMP7, compared with today. We adopted an iterative methodology to setting PC targets.

Where we plan to improve performance in AMP7, we drew on a range of sources to form an initial view on the level of the targets:

- Where available, we considered the results of cost-benefit analysis, comparing estimates of the cost of performance improvements to customers' willingness-to-pay³
- As far as practical, we looked across the industry to understand how other water companies are performing and we took account of our own historical and forecast performance
- Where benefit valuations were not available, and measures were new, we sought expert input to predict a reasonable range of potential performance.

This provided us with an initial view of the appropriate target. To ensure that we further stretched ourselves in the areas that are most important to our customers, based on the widest range of customer evidence, we applied an additional stretch to some targets. We based this on our triangulated view of customer priorities⁴ which provides a relative ranking of PCs.

(For details see Chapter 4 – Customer and Stakeholder Engagement).

- Where our customer insight demonstrated a high relative priority for a given PC, we considered increasing the stretching target, generally by 10%
- Where it was a moderate priority, we considered increasing by 5%
- Where customers indicated a lower relative priority, we did not change the target.

We discussed our approach and the appropriate level of additional stretch to apply to our PCs with our CCG and they were supportive of the approach taken.

Finally, we considered whether there were any regulatory requirements – such as Ofwat's requirement to set common PCs at upper quartile – or particular operational constraints that might limit the extent to which we could secure the additional performance improvements without unreasonable costs. For example, we adopted a slightly less challenging target for our Asset health: sewer collapses PC because a tougher target would result in significant additional expense that was not supported by willingness to pay.

In the case of five of our PCs, which are new measures for AMP7, our CCG was concerned that there was insufficient information on which to set targets for the whole of AMP7. They recommended that for these five PCs – Natural Capital, Financial Assistance, Vulnerability Assistance, Risk of Sewer Flooding and Gap sites – we revisit our targets after the first two years of AMP7. We believe this would be an appropriate way of ensuring that the targets remain stretching. None of these five have financial ODIs attached.

Highlights

- We have set stretching targets for all of our PCs, using the full range of available information and reflecting our ambition and Ofwat guidance
- Four of our targets go beyond upper quartile and a further three are set at the upper quartile
- Reflecting what customers have told us about their priorities, we are proposing an additional stretch in the seven PCs which were of the highest priority to customers across all of our research
- We are setting challenging targets for water supply resilience and asset health, in line with our strategy of delivering a resilient future for water in the South East.

6.5 We carefully considered which ODIs should be financial and which should be reputational

ODIs can be financial or reputational. We took the position, consistent with Ofwat guidance, that all of our PCs should be financial ODIs by default, unless the nature of the PC itself is fundamentally reputational and not financial or there were strong reasons for adopting a reputational incentive.

Where we have adopted reputational incentives, this is because:

- our customers do not attach a high value to the PC
- we have limited historical or comparative data
- the PC is materially influenced by external factors
- the PC is financially-incentivised elsewhere or in some other form.

12 of our PCs are associated with reputational ODIs. Table 1 below shows the analysis of these PCs against our four criteria.

To sharpen the reputational incentives that apply to all of our PCs, we will be publishing our performance on these PCs on at least an annual basis. We will also be enhancing our communications around overall business performance and key transformational programmes using engaging content targeted to specific audiences and channels. We will create new campaigns using a new customer engagement framework to ensure that content created supports these incentives as well as encouraging customer behaviour change.

Table 1: Our reputational ODIs

Performance commitment	Low customer value	Limited data	External factors	Duplicated financial incentive
Natural capital	✓	✓		
Effectiveness of financial assistance		✓	✓	✓
Satisfaction with vulnerability support		✓	✓	
Household gap sites	✓	✓		
Schools visited and engagement with children		✓	✓	
Risk of severe restrictions in a drought		✓		
Risk of sewer flooding in a storm	✓	✓		
Water supply resilience		✓		✓
Combined Sewer Overflows (CSO) monitoring	✓	✓		
Community engagement	✓	✓		
Target 100		✓	✓	✓
Distribution Input	✓			✓

6.6 We calibrated financial ODIs using customer insight and regulatory guidance

We are proposing 31 financial ODIs. Consistent with Ofwat guidance, our starting position was that all PCs should result in within-period adjustments, that those adjustments should be linked to revenue, and that the incentives should involve payments for outperformance and underperformance. This applies to 15 of the 31 ODIs.

For the 16 ODIs where we have departed from these principles, this is because:

- we will only see the outcome of the PC at the end of the AMP and, therefore, it is not appropriate to have a within-period adjustment. For example, ODIs associated with our cost adjustment claims (CACs)
- outperformance is not possible (or there is a limit to the level of performance that can be attained) so only underperformance payments are possible or the outperformance payments / penalties are necessarily asymmetric. For example, our ODI associated with Asset health: treatment works compliance, which has a target of 100%
- the costs associated with the PC are not included in our business plan because the level of customer demand is particularly uncertain. In these cases, we have proposed outperformance payment-only ODIs, where the outperformance payments fund the expenditure.

Wherever possible, we used willingness to pay data derived from targeted research to understand our customers' priorities in support of our proposed performance payments. This set the maximum level of outperformance payments that customers were prepared to pay for. We calibrated the associated performance levels using the results from this research, but also cross-referenced against other willingness-to-pay data and the performance ranges associated with our own and other companies' PR14 ODIs to ensure that the ODIs were not likely to be viewed by Ofwat as too narrow.

As with our approach to setting PC targets, having set the initial ODI target in this way, we looked to sharpen the incentives in the most important areas for our customers, taking account of the broad sweep of our customer research. We discussed and agreed with our CCG the approach to doing this.

Using our triangulated view of relative customer priorities we applied the following adjustments, whereby, if customers attached:

- a high priority to the outcome, we increased incentives, generally by 10%
- a medium priority, we made no change
- a low priority to a particular outcome, we decreased the out and under-performance payment rates, generally by 5%.

(Further details of our approach to calibrating ODIs see TA.6.3 – Rationale for AMP6 amendments and discontinuations, while for details of the ODI research see Chapter 4 – Customer and Stakeholder Engagement).

6.7 We sought to achieve an appropriate risk-reward balance in designing incentives

We have set caps and collars for each ODI

Our customers have told us they do not want to experience volatile bills. We see caps and collars as a way of protecting our customers from this volatility.

Our focused ODI research¹ gave us a clear view on the extent to which customers would be willing to pay for performance beyond the level of our target. We have used this evidence to set a cap and

collar for each ODI (after adjustment based on the triangulated research). This way we can be certain that customers will not pay more than they have said they are willing to pay for outperformance. And, equally, we face a set of incentives that are balanced and not systemically skewed towards penalties.

Separately, we are also proposing to limit the change in bills that result from ODIs to £5 between any two years, based on customers' preference to limit bill volatility. This does not operate as a cap and collar mechanism but instead simply has the effect of smoothing ODIs in excess of this level over multiple years.

We are only proposing deadbands for four ODIs

We think it is right that if we fail to deliver a promised level of performance then our customers should be compensated. For that reason, we have sought to avoid having any deadbands on our ODIs. However, there are a small number of instances where the inherent nature of a measure may mean that a deadband is appropriate, for example, where a measure is inherently volatile or we have an aspirational 100% target.

Of our 31 financial ODIs we are proposing that four have deadbands associated with them. These are summarised along with reasons in Table 2 below:

Table 2: Proposed deadbands

Performance commitment	Lower deadband	2025 Target	Upper deadband	Justification
Treatment works compliance	99.08%	100%	100%	100% compliance is unattainable on a consistent basis.
Mains bursts	88	86	83	Due to the historic volatile performance.
Sewer collapses	238	225	225	Due to the historic volatile performance.
Compliance Risk Index (CRI)	0.95	0	0	Consistent with specific Ofwat guidance on CRI.

We are proposing an enhanced outperformance payment and penalty ODI for our strategically important Target 100 transformational programme

Ofwat has invited companies to propose enhanced performance payments where a company is striving to stretch the boundary of industry performance. We are proposing enhanced performance payments for our per capita consumption (PCC) ODI.

Three of the main challenges facing the water sector are population growth, the effects of climate change and water scarcity. One way to reduce the risks these challenges pose is by focusing on reducing PCC. We have set ourselves an ambitious target to reduce PCC to less than 100 litres per head per day by 2040. Our targets in this plan will begin to take us towards that longer-term goal. If we deliver our targets we will be setting a new benchmark for the sector as a whole. Our AMP7 target of 120 litres per head per day would take us to a level of water consumption below the average of 128 litres per inhabitant per day for the 23 countries for whom EurEau publish consumption data⁵. Of the Western European nations in the dataset, only Belgium, Denmark and Malta have consumption below 120 litres per inhabitant per day.

To incentivise us to deliver on this target as early as possible, we are proposing enhanced performance payments for our PCC ODI. We propose that we will earn a base outperformance payment for performance that is up to 2 litres/head/day below our target, consistent with our own customers' willingness-to-pay. For a further 2 litres/head/day we are proposing that we will earn an enhanced outperformance payment, reflecting the benefits to the sector as a whole.

The performance payments would be symmetrical, so we would also face enhanced payments for missing our targets by the same margin.

We have doubled the incentive rates for the enhanced performance payment element, reflecting the challenge associated with achieving this frontier performance level. We have followed the same basis Ofwat used to set higher performance payments for the Customer Measure of Experience (C-MeX).

We already share understanding of water efficiency and metering best practice with our peers and, accordingly, we propose to share the key lessons from **Target 100** through publication of academic research and dissemination of findings to our industry peers.

The ODI package proposed addresses risk and protects customers

When we talked to our customers about ODIs, they gave us a clear message that they were concerned about the potential for their bills to become volatile as a result of performance payments².

We are therefore proposing an in-period limit on increases or decreases in the level of bills associated with performance payments. We believe it is right that both out and under-performance payments should be capped, as customers will experience an equivalent bill increase the year after payment of any ODI penalties. We will limit the change in an average water and sewerage bill due to ODIs to £5 between any two years.

We will implement any such limitations in a way that is rendered “present value neutral” from our customers’ perspective. That is to say, the full impact or any penalty or reward will be given effect over time, but in certain instances (where large sums are involved in either direction) this may be smoothed.

The overall RoRE range for ODIs is in line with Ofwat guidance

Ofwat measures the impact of ODIs by translating the range of potential ODI outcomes into the impact on Return on Regulatory Equity (RoRE). Ofwat has set an indicative ODI RoRE range of $\pm 1\%$ to $\pm 3\%$. Our proposed range is -2.8% (penalty) to $+1.0\%$ (reward).

Summing up the total P10 and P90 performance payments for our wastewater, water and retail businesses allows us to calculate the RoRE range associated with our ODI package. These are broadly consistent with Ofwat’s indicative range, with the exception of wastewater outperformance payments.

Table 3: Forecast RoRE range*

Price control	Outperformance Reward (£m)	RoRE Impact (%)	Underperformance Penalty (£m)	RoRE Impact (%)
Wastewater	72	0.9%	229	3%
Water	29	1.4%	39	1.9%
Retail**	35	0.4%	35	0.4%

* Calculated by reference to the 2 019-20 RCV published by Ofwat

** Retail RORE is expressed by reference to the whole business RCV

The balance of outperformance payments between water and wastewater reflects our customers’ preferences. Our research tells us that customers have a stronger desire for us to outperform in the delivery of water services, as compared to wastewater services (where maintenance of standards is a higher priority). This preference is also reflected in the higher underperformance payment range for wastewater, as customers want us to avoid any deterioration in our services.

6.8 We will continue to enhance our assurance framework to ensure customers and stakeholders can have trust and confidence in our performance data

As part of our programme of assurance, PwC has reviewed and challenged our PC definitions and associated supporting assessments and our ODI analysis. They have also provided assurance on the PC and ODI data included in data table App1. All findings and recommendations arising from the assurance have been addressed or responded to.

The Board has considered and challenged the package of PCs and ODIs through a number of sessions at our Board Engagement Days and through the Board's Regulation and Finance Sub-Committee. Our Customer Challenge Group (CCG) has extensively reviewed and challenged both our methodology and resulting PC and ODI package to satisfy themselves that the targets are stretching and the ODI package is appropriate.

(For more about our assurance activities related to this chapter, see Chapter 2 – Trust, Confidence and Assurance).

We will build on and strengthen our approach to assurance in AMP7 to ensure that all stakeholders can have trust and confidence in our performance data. At Southern Water, we have adopted the proven 'three lines of defence' framework for our reporting governance and assurance activity. This sets out to assure ODI performance information by applying these multiple levels of control.

In 2017 we established a new Compliance and Asset Resilience (CAR) directorate to strengthen our assurance capability. CAR will be at the heart of the development of our assurance model which is being adopted and implemented throughout the rest of AMP6 and on into AMP7. The design, delivery and embedding of this model is being implemented jointly by the CAR team and our Internal Audit team.

For our PC performance reporting, we apply internal controls and have processes in place to mitigate the risk of supplying incorrect or inaccurate information. We are working to roll out enhanced assurance processes which will operate throughout the year (previously the focus of assurance has been on end of year reporting). We understand that it is crucial that all of our key business functions work together in order to provide the best conditions to achieve our objective of providing accurate, timely and reliable data to our stakeholders.

Our internal assurance framework is supported by independent external assurance of all our PC performance reporting.

6.9 We have defined 43 PCs that drive our progress toward a resilient water future

The table below provides summary information on our PCs and ODIs.

(Detailed information for each PC and ODI is set out in TA.6.4 – Our Package of PCs and ODIs).

Table 4: Summary details of our PCs

Performance commitment	Short definition of the performance commitment	Mandatory Ofwat requirement? (nature of incentive)	Comment
Water quality compliance (CRI) PR19SRN_WN02	We have adopted the CRI as defined by the Drinking Water Inspectorate (DWI): http://www.dwi.gov.uk/stakeholders/price-review-process/CRI_Def.pdf	Yes (Underperformance penalty only)	Water quality is a priority for our customers and Ofwat requires all water companies to include water quality compliance in their portfolio of PCs. We have set the target level of the PC at 0.95. Our forecast performance for this measure in 2019-20 is 2.65. A target of 0.95 is slightly better than our forecast of upper quartile performance (0.97), reflecting the high priority customers attach to water quality. We have assumed a linear transition through AMP7 from our current performance to the target. We have set a penalty-only ODI. The maximum underperformance payment is £0.9m in each year of the AMP.
Leakage PR19SRN_WN04	We have adopted leakage as defined by Ofwat at: https://www.ofwat.gov.uk/wp-content/uploads/2018/03/Reporting-guidance-leakage.pdf	Yes (Out and underperformance payments)	Leakage is a priority for our customers and Ofwat requires all water companies to include leakage in their portfolio of PCs. We have set a target level of 89.6 MI/d. Our forecast performance for this measure in 2019-20 is 105.4 MI/d. A target of 89.6 is better than our forecast of upper quartile performance 91.9 and is a 15% reduction from 2019-20. We have assumed a linear transition through AMP7 from our current performance to the target. We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £1.8m and the maximum outperformance payment is £1.6m in each year of the AMP.
Per capita consumption (PCC) PR19SRN_WR01	The methodology we use to calculate PCC is defined by Ofwat at: https://www.ofwat.gov.uk/wp-content/uploads/2018/03/Reporting-guidance-per-capita-consumption.pdf We are reporting an annual figure rather than a three-year average. We aim to restate PCC in 19/20 due to the unreliability of the current shadow reporting results.	Yes (Out and underperformance payments)	PCC is a priority for our customers and Ofwat requires all water companies to include PCC in their portfolio of PCs. We have set a target level of 120 l/head/day for 2024-25. Our forecast performance for this measure in 2019-20 is 131 l/head/day. A target of 120 l/head/day is better than our forecast upper quartile (121.5). We have assumed a linear transition through AMP7 from our current performance to the target. We are proposing enhanced outperformance payments and penalties for this ODI. The maximum standard underperformance penalty is £0.4m and the maximum outperformance payment is £0.4m in each year of the AMP. The maximum enhanced underperformance penalty is an additional £0.8m each year and the maximum enhanced outperformance payment is £0.7m.

<p>Drinking water appearance PR19SRN_WN07</p>	<p>Customer contacts regarding the appearance of their drinking water, reported in line with DWI guidance.</p>	<p>No (Out and underperformance payments)</p>	<p>This PC is highly valued by our customers and it was an AMP6 PC, therefore we have included it in our portfolio of AMP7 PCs.</p> <p>We have set a target level of 4.6 contacts per 1,000 customers for 2024-25. Our forecast performance for this measure in 2019-20 is 9.2 contacts. We have assumed a linear transition through AMP7 from our current performance to the target.</p> <p>We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £0.2m and the maximum outperformance payment is £0.1m in each year of the AMP.</p>
<p>Drinking water taste and odour PR19SRN_WN08</p>	<p>Customer contacts regarding the taste and odour of their drinking water, reported in line with DWI guidance.</p>	<p>No (Out and underperformance payments)</p>	<p>This PC is highly valued by our customers, therefore we have included it in our portfolio of AMP7 PCs.</p> <p>We have set a target level of 2.13 contacts per 1,000 customers for 2024-25. Our forecast performance for this measure in 2019-20 is 2.4 contacts. A target of 2.1 is better than our forecast upper quartile (2.6). We have assumed a linear transition through AMP7 from our current performance to the target.</p> <p>We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £0.8m and the maximum outperformance payment is £0.8m in each year of the AMP.</p>
<p>Effluent re-use PR19SRN_WWN07</p>	<p>Volume of treated effluent made available for direct reuse by customers. This includes its use by local authorities, businesses, farmers or individuals for irrigation and other purposes.</p>	<p>No (Outperformance payment only)</p>	<p>This is a high priority for our stakeholders, therefore we have included it in our portfolio of AMP7 PCs.</p> <p>It is a customer joint-delivery measure, where any progress we make on this PC will be funded through its outperformance payment. The PC is therefore set at zero, with an aspiration of 5,070 m³.</p> <p>This is a outperformance payment-only ODI with a maximum outperformance payment of £5.1m for the whole AMP, based on meeting our aspiration of 5,070 m³.</p>
<p>Renewable generation PR19SRN_BIO01</p>	<p>Total renewable electricity generated as a percentage of our total electricity consumption.</p>	<p>No (Out and underperformance payments)</p>	<p>This is a high priority for our stakeholders and it was an AMP6 PC, therefore we have included it in our portfolio of AMP7 PCs.</p> <p>We have set a target level of 24%, based on the efficient level. Our forecast performance for this measure in 2019-20 is 17.5%.</p> <p>We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £1.3m and the maximum outperformance payment is £0.7m in each year of the AMP.</p>

<p>Satisfactory bioresources recycling PR19SRN_BIO02</p>	<p>Disposal of bioresources in a way that is compliant with the Sludge (Use in Agriculture) Regulations, Environmental Permitting (England & Wales) Regulations 2010 and the Safe Sludge Matrix.</p>	<p>No (Underperformance penalty only)</p>	<p>This PC is highly valued by our stakeholders and it was an AMP6 PC, therefore we have included it in our portfolio of AMP7 PCs.</p> <p>We have set a target at 100%, as we are currently achieving this level and plan to maintain this level throughout AMP7.</p> <p>We have set a penalty-only ODI. The maximum underperformance payment is £1.25m in each year of the AMP.</p>
<p>River water quality PR19SRN_WWN09</p>	<p>Improvements to river water quality as a result of the delivery of our environmental investment schemes. Length of river defined as improved will be based on the delivery of specified schemes in the Water Industry National Environment Programme (WINEP).</p>	<p>No (Out and underperformance payments)</p>	<p>This PC is highly valued by our stakeholders, and the Environment Agency (EA) has an expectation for us to have a PC on the WINEP. Therefore we have included it in our portfolio of AMP7 PCs.</p> <p>We have set a target to improve 537.2 km of rivers, based upon WINEP3 (schemes under the title of “Quantitative Km River Length Improved”). This will be aligned with final ministerial sign off in 2021. It includes UWWTD, WFD improvements, ‘No Deterioration’ drivers, including Chemicals and SSSI, and Habitats improvement drivers.</p> <p>We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £50.4m for the whole AMP, based on 25% of the costs of the programme. The maximum outperformance payment is £24.5m based on the benefits of delivering the rivers improvements earlier than expected.</p>
<p>Abstraction Incentive Mechanism PR19SRN_WR05</p>	<p>Our Abstraction Incentive Mechanism (AIM) will deliver a reduction in our total abstraction from the River Itchen. The reductions will limit abstraction when the river is at its most environmentally vulnerable.</p>	<p>Yes (Out and underperformance payments)</p>	<p>AIM is a priority for our stakeholders and Ofwat requires all water companies to include AIM in their portfolio of PCs.</p> <p>We have set a target to reduce abstraction from the River Itchen to an average of 15 MI/d below its abstraction limit in September (when the river is at its most environmentally sensitive).</p> <p>We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £0.7m and the maximum outperformance payment is £0.6m in each year of the AMP.</p>
<p>Maintaining bathing waters at excellent PR19SRN_WWN11</p>	<p>Maintain the number of bathing waters with excellent water quality classification as defined under the revised Bathing Water Directive.</p>	<p>No (Underperformance penalty only)</p>	<p>Maintaining the standard of bathing waters improved to excellent in AMP6 is a priority for our customers and stakeholders, therefore is included in our portfolio of PCs.</p> <p>Following improvement of seven bathing waters to excellent in AMP6, we commit to maintaining a minimum of 57 bathing waters at this standard, including all seven of those improved in AMP6.</p> <p>We have set a penalty only ODI. The maximum underperformance payment is £3.2m in each year of the AMP. Penalties are incurred if either the total falls below 57 or any of the seven bathing waters</p>

			improved in AMP6 are not maintained at excellent.
<p>Improve the number of bathing waters to at least good (CAC) PR19SRN_WWN12</p>	To bring at least five named bathing waters to good water quality classification.	No (Out and underperformance payments)	<p>Improving the number of bathing waters to at least good is a priority for our customers and other stakeholders and is a CAC in AMP7.</p> <p>We are aiming to improve five named bathing waters to good in AMP7. The EA have confirmed they believe this is a stretching target.</p> <p>We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £13.4m over the whole AMP, reflecting the value of our CAC (calibrated for Totex menu sharing). The maximum outperformance payment is £15.7m at the end of the AMP and is based on getting the five named bathing waters to the higher excellent standard.</p>
<p>Target 100 PR19SRN_WR03</p>	Percentage of household population with estimated PCC of less than 100 l/h/d, in line with our Target 100 initiative. PCC is defined as the average amount of water used by each customer that lives in a household property.	No (Non-financial)	<p>This is valued by our customers and stakeholders and is directly aligned with our Target 100 programme, to deliver PCC of 100 l/h/d by 2040.</p> <p>We have set a target level of 55% of our household population with a PCC less than 100 l/h/d by the end of AMP7.</p> <p>We are proposing a non-financial ODI for this PC, to avoid double counting of benefits with the PCC ODI.</p>
<p>Water saved from water-efficiency visits PR19SRN_WR04</p>	Total estimated volume of water saved as a result of water-efficiency visits to residential properties, based on the number and usage of water-saving devices installed. This is the cumulative saving in m3/d to the end of AMP7.	No (Out and underperformance payments)	<p>This is valued by many of our customers and other stakeholders and is a critical part of our Target 100 programme, to deliver PCC of 100 l/head/day by 2040.</p> <p>We aim to make 100,000 home visits in AMP7, with a target to save 2,500 m3/d of water. We have assumed an equal saving in each year of the AMP.</p> <p>We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £0.2m and the maximum outperformance payment is £0.2m in each year of the AMP.</p>
<p>Access to daily water consumption data PR19SRN_RR02</p>	Total number of residential properties provided with a device which can give access to daily water consumption.	No (Outperformance payment only)	<p>This is valued by many of our customers and other stakeholders and is a critical part of our Target 100 programme, to deliver PCC of 100 l/head/day by 2040.</p> <p>It is a customer joint-delivery measure, where any progress we make on this PC will be funded through its outperformance payment. The PC is therefore set at zero, with an aspiration of providing data to 17,644 customers.</p> <p>This is a outperformance payment-only ODI with a maximum outperformance payments of £0.3m for the whole AMP, based on meeting our aspiration of 17,644 customers.</p>

<p>Developer services measure of experience (D-MeX) PR19SRN_WN01</p>	<p>New Ofwat developer services measure. Defined by Ofwat at: https://www.ofwat.gov.uk/outcomes-definitions-pr19/</p>	<p>Yes (Out and underperformance payments)</p>	<p>This PC is a priority for our stakeholders and Ofwat requires all water companies to include D-MeX in their portfolio of PCs.</p> <p>The detail of the mechanism is still under development. Based on our current understanding we believe we can achieve an upper quartile comparative performance.</p> <p>The level of outperformance payment and penalty is set by Ofwat based on a proportion of our developer services revenue.</p>
<p>Improve the bathing water at excellent quality (CAC) PR19SRN_WWN13</p>	<p>To bring at least two from four named bathing waters to excellent water quality classification.</p>	<p>No (Out and underperformance payments)</p>	<p>Improving the number of bathing waters rated excellent is a priority for many of our customers and other stakeholders and is a CAC in AMP7.</p> <p>We are aiming to improve two from four named bathing waters to excellent. The EA have confirmed they believe this is a stretching target.</p> <p>We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £2.7m over the whole AMP, reflecting the value of our CAC (calibrated for Totex menu sharing). The maximum outperformance payment is £3.1m for the AMP and is based on improving the extra two bathing waters to excellent.</p>
<p>Customer measure of experience (C-MeX) PR19SRN_RR01</p>	<p>New Ofwat customer service measure to replace the Service Incentive Mechanism (SIM). Defined by Ofwat at: https://www.ofwat.gov.uk/outcomes-definitions-pr19/</p>	<p>Yes (Out and underperformance payments)</p>	<p>This PC is a priority for our customers and Ofwat requires all water companies to include C-MeX in their portfolio of PCs.</p> <p>The detail of the mechanism is still under development. Based on our current understanding we believe we can achieve at least above average comparative performance by the end of AMP7.</p> <p>The level of outperformance payment and penalty is set by Ofwat based on a proportion of our household retail revenue.</p>
<p>Void properties PR19SRN_RR03</p>	<p>Number of households properties that are classified as void and are therefore not billed as a percentage of total households connected properties.</p>	<p>Yes (Out and underperformance payments)</p>	<p>Ofwat requires all companies to have a PC on void properties.</p> <p>We have set a target level of 2.1% of households for 2024-25. Our forecast performance for this measure in 2019-20 is 2.6%.</p> <p>A target of 2.1% is in line with our forecast upper quartile for water and sewerage companies.</p> <p>We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £0.3m and the maximum outperformance payment is £0.3m in each year of the AMP.</p>
<p>Effectiveness of financial assistance PR19SRN_RR04</p>	<p>The percentage of customers that pay their bills following the receipt of financial assistance. This is a measure of the effectiveness</p>	<p>No (Non-financial)</p>	<p>This replaces an AMP6 PC and it ensures we have a PC monitoring our improvements in affordability support for AMP7.</p>

	of financial assistance interventions.		<p>We aim to ensure 90% of the customers we support through financial assistance are able to afford their bills by the end of AMP7. Our forecast performance for this measure in 2019-20 is 65%.</p> <p>We are proposing a non-financial ODI for this PC, due to the circular nature of the impact it would have on bills.</p>
<p>Customer satisfaction with vulnerability support PR19SRN_RR05</p>	The proportion of customers that have received non-financial support that believe Southern Water's support addresses their specific requirements and needs. A measure of the quality of support provided to customers in vulnerable circumstances.	Yes (Non-financial)	<p>Ofwat requires all companies to have a PC on vulnerability.</p> <p>We aim to ensure that 90% of the customers who have received non-financial support are satisfied with their support. Our forecast performance for this measure in 2019-20 is 74%.</p> <p>We are proposing a non-financial ODI for this PC, due to the low priority given to this by most customers, and the fact that it benefits only a specific segment of customers, while a financial outperformance payment or penalty would affect all customers.</p>
<p>Replace lead customer pipes PR19SRN_WN09</p>	This is a joint-delivery measure with our customers to reduce the amount of lead in our customers' pipes. It will apply only in our Deal Water Supply Zone, where we are trialling this approach to eliminating lead pipes and fittings. The measure will be the number of residential properties who receive grants from Southern Water towards removing lead pipes in the home.	No (Outperformance payment only)	<p>This is valued by our customers, therefore we have included it in our portfolio of AMP7 PCs.</p> <p>It is a customer joint-delivery measure, where any progress we make on this PC will be funded through its outperformance payment. The PC is therefore set at zero, with an aspiration of delivering grants to 2,158 customers.</p> <p>This is a outperformance payment-only ODI with a maximum outperformance payment of £0.3m for the whole AMP, based on meeting our aspiration of 2,158 customers.</p>
<p>Surface water management PR19SRN_WWN06</p>	This is a joint-delivery measure with our customers to reduce the amount of surface water entering Southern Water's combined or surface water sewerage network including through the use of sustainable drainage systems (SuDS) and soakaways. Removing surface water from the sewer network can help alleviate flooding and pollution.	No (Outperformance payment only)	<p>This PC is valued by our stakeholders and customers, therefore we have included it in our portfolio of AMP7 PCs.</p> <p>It is a customer joint-delivery measure, where any progress we make on this PC will be funded through its outperformance payment. The PC is therefore set at zero, with an aspiration of delivering to 2,842 customers.</p> <p>This is a outperformance payment-only ODI with a maximum outperformance payment of £1.2m for the whole AMP, based on meeting our aspiration of 2,842 customers.</p>
<p>Community engagement PR19SRN_N01</p>	This measure is to improve our community engagement. We have engaged London Benchmarking Group, recognised as the global standard for measuring corporate community investment and philanthropy to measure our performance	No (Non-financial)	<p>Community engagement is highly valued by our stakeholders and therefore included in our portfolio of PCs.</p> <p>We have set a target to achieve an upper quartile performance in this externally-benchmarked measure.</p> <p>We are proposing a non-financial ODI for this PC, due to this being a new measure for which we will need time to fully</p>

	in line with organisations both in and outside our sector.		understand our relative levels of performance.
Schools visited and engagement with schoolchildren PR19SRN_N02	This measures the number of schools we have visited to raise awareness and improve understanding of the value of water, water efficiency and 'unflushables'.	No (Non-financial)	School visits and educational initiatives are highly valued by our stakeholders and are therefore included in our portfolio of PCs. We have set a target to visit and engage with school children in at least one in eight schools in AMP7. This is at least 250 schools. This is the same number as in AMP6. We are proposing a non-financial ODI for this PC, due to the reliance on recruiting sufficient schools and the more arms-length relationship we as a wholesaler now have with schools as non-households following market opening.
Water supply interruptions PR19SRN_WN03	Water supply interruptions is an Ofwat common definition. See: https://www.ofwat.gov.uk/wp-content/uploads/2018/03/Reporting-guidance-supply-interruptions.pdf	Yes (Out and underperformance payments)	Avoiding interruptions is highly valued by our customers and Ofwat requires all water companies to include water supply interruptions in their portfolio of AMP7 PCs. We have set the target level of the PC at five minutes and 30 seconds for 2024-25. Our forecast performance for this measure in 2019-20 is six minutes and 11 seconds. This is 10% better than the efficient level of service, as we applied a stretch target to reflect the high priority customers attach to avoiding interruptions. We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £0.3m and the maximum outperformance payment is £0.3m in each year of the AMP.
Internal sewer flooding PR19SRN_WWN01	Internal sewer flooding is an Ofwat common definition. See: https://www.ofwat.gov.uk/wp-content/uploads/2018/03/Reporting-guidance-sewer-flooding.pdf	Yes (Out and underperformance payments)	Internal sewer flooding is a priority for our customers and Ofwat requires all water companies to include internal sewer flooding in their portfolio of AMP7 PCs. We have set the target level of the PC at 350 incidents for 2024-25. Our forecast performance for this measure in 2019-20 is 398 incidents. We have set our target for each year of AMP7 at our expected level of UQ each year. We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £1.6m and the maximum outperformance payment is £1.5m in each year of the AMP.
Pollution incidents (Categories 1, 2 and 3) PR19SRN_WWN02	Pollution incidents (categories 1 to 3) is an Ofwat common definition. See: https://www.ofwat.gov.uk/outcomes-definitions-pr19/	Yes (Out and underperformance payments)	This is a priority for our customers and stakeholders and Ofwat requires all water companies to include pollution incidents in their portfolio of AMP7 PCs. We have set the target level of the PC at 82 incidents for 2024-25. Our forecast performance for this measure in 2019-20 is 116 incidents. We have set our target for each year of AMP7 at our expected level of upper quartile each year and exceeds the

			<p>40% reduction from current levels recommended by the EA.</p> <p>We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £0.8m and the maximum outperformance payment is £0.8m in each year of the AMP.</p>
<p>Risk of severe restrictions in a drought PR19SRN_WR02</p>	<p>Risk of severe restrictions in a drought is an Ofwat common definition. See: https://www.ofwat.gov.uk/wp-content/uploads/2018/03/Drought-resilience-metric-March-18.pdf</p>	<p>Yes (Non-financial)</p>	<p>Ofwat requires that a PC on the risk of severe restrictions in a drought should be included in water companies' portfolio of PCs.</p> <p>We have set a target of 0% for each year of the AMP as this is the maximum level of performance we can achieve, and means we have no customers at risk of severe restrictions.</p> <p>We are proposing a non-financial ODI for this PC, due to this being a new measure, without historical and comparative performance data.</p>
<p>Risk of sewer flooding in a storm PR19SRN_WWN03</p>	<p>Risk of sewer flooding in a storm is an Ofwat common definition. See: https://www.ofwat.gov.uk/wp-content/uploads/2017/12/Developing-and-Trialling-Wastewater-Resilience-Metrics-Atkins.pdf</p>	<p>Yes (Non-financial)</p>	<p>Ofwat requires that a PC on the risk of sewer flooding in a storm should be included in water companies' portfolio of PCs.</p> <p>We have set a target of 12.42% for each year of the AMP, based on maintaining performance at our current estimated level. As this is a new measure, further analysis is required before we can commit to improvements in performance.</p> <p>We are proposing a non-financial ODI for this PC, due to this being a new measure, which is at a relatively early stage of its development without historical and comparative performance data.</p>
<p>Asset health: mains bursts PR19SRN_WN05</p>	<p>Mains bursts is an Ofwat common definition. See: https://www.ofwat.gov.uk/wp-content/uploads/2018/03/Reporting-guidance-mains-repairs-per-1000km.pdf</p>	<p>Yes (Out and underperformance payments)</p>	<p>Ofwat requires that mains bursts should be included in water companies' portfolio of PCs as an asset health measure.</p> <p>We have set the target level of 86 bursts per 1,000 km of mains for 2024-25. Our forecast performance for this measure in 2019-20 is 120 bursts per km. A target of 86 bursts is slightly better than our forecast upper quartile (86.2).</p> <p>We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £1.4m and the maximum outperformance payment is £1m in each year of the AMP.</p>
<p>Asset health: unplanned outage PR19SRN_WN06</p>	<p>Unplanned outage is an Ofwat common definition. See: https://www.ofwat.gov.uk/wp-content/uploads/2018/03/Reporting-guidance-unplanned-outage.pdf</p>	<p>Yes (Underperformance penalty only)</p>	<p>Ofwat requires that unplanned outage should be included in water companies' portfolio of PCs as an asset health measure.</p> <p>We have set the target level of 3.2% for 2024-25. Our forecast performance for this measure in 2019-20 is 7.1%. The target is based on our final Water Resources Management Plan (WRMP).</p>

<p>Asset health: sewer collapses PR19SRN_WWN04</p>	<p>Sewer collapses is an Ofwat common definition. See: https://www.ofwat.gov.uk/wp-content/uploads/2018/03/Reporting-guidance-sewer-collapses-per-1000km.pdf</p>	<p>Yes (Underperformance penalty only)</p>	<p>We have set a penalty-only ODI. The maximum underperformance payment is £0.1m in each year of the AMP.</p> <p>Ofwat requires that sewer collapses should be included in water companies' portfolio of PCs as an asset health measure.</p> <p>We have set the target level of 225 collapses per 1,000km of sewers for 2024-25. Our forecast performance for this measure in 2019-20 is 231 collapses. We are not proposing significant further performance improvements for this measure due to the significantly disproportionate expense and the fact that it is not a direct customer priority.</p> <p>We have set a penalty-only ODI. The maximum underperformance payment is £1.7m in each year of the AMP.</p>
<p>Asset health: treatment works compliance PR19SRN_WWN05</p>	<p>Treatment works compliance is an Ofwat common definition. See: https://www.ofwat.gov.uk/wp-content/uploads/2017/12/WatCoPerfEPAMethodology_v3-Nov-2017-Final.pdf</p>	<p>Yes (underperformance penalty only)</p>	<p>Ofwat requires that treatment works compliance should be included in water companies' portfolio of PCs as an asset health measure.</p> <p>We have set the target level at 100% of works for 2024-25. Our forecast performance for this measure in 2019-20 is 99.03%. We are not proposing an improvement target for this asset health measure. Throughout AMP7, we are tightening the deadband to align with EA four star performance expectations.</p> <p>We have set a penalty-only ODI. Due to issues with past performance and the importance of this measure to our customers, regulators and other stakeholders, we have set our ODI penalty with reference to the largest penalties for other companies in AMP6 (circa £50m), which we have then increased to £100m to reflect both inflation and the wider expectations of our customers, regulators and other stakeholders for AMP7 incentives for this particular measure.</p>
<p>Water supply resilience PR19SRN_WN10</p>	<p>Number of residential properties at risk of long term loss of supply (>48 hours) in Thanet, Brighton and the Isle of Wight Water Supply Zones. This measure is being trialled in these areas during AMP7.</p>	<p>No (Non-financial)</p>	<p>Resilience of our water supplies is a key priority for customers and a key measure of our strategy of delivering a resilient future for water in the South East. We have, therefore, included this as a bespoke PC.</p> <p>We have set a target level of no more than 38,407 properties at risk by 2024-25.</p> <p>Improvements will be delivered by 2024-25 and reflect the impact of delivering our Networks 2030 programme.</p> <p>We are proposing a non-financial ODI for this PC, due to this being a new measure, which is at a relatively early stage of its development without historical and comparative performance data.</p>

<p>Properties at risk of receiving low pressure PR19SRN_WN11</p>	<p>Number of properties on the DG2 low water pressure register.</p>	<p>No (Underperformance penalty only)</p>	<p>This is an AMP6 PC which customers wanted us to retain to ensure we do not fall below our current level of performance.</p> <p>We have set the target level at 254 properties for 2024-25. Our forecast performance for this measure in 2019-20 is 254 properties. We are not proposing an improvement target for this measure but seeking to ensure no deterioration in current service, consistent with customers' desire for us to maintain performance.</p> <p>We have set a penalty-only ODI. The maximum underperformance payment is £0.1m in each year of the AMP. This is based on our marginal cost for the activity.</p>
<p>External sewer flooding PR19SRN_WWN08</p>	<p>The number of external flooding incidents per 10,000 properties connected for sewerage services. External sewer flooding is defined as per Ofwat's guidance.</p>	<p>No (Out and underperformance payments)</p>	<p>External sewer flooding is a priority for our customers and stakeholders and therefore is included in our portfolio of AMP7 PCs.</p> <p>We have set the target level of the PC at 3,299 incidents for 2024-25. Our forecast performance for this measure in 2019-20 is 4,718 incidents. This is not at the upper quartile level but represents a significant reduction.</p> <p>We are proposing outperformance payments and penalties for this ODI. The maximum underperformance penalty is £2.8m and the maximum outperformance payment is £1.4m in each year of the AMP.</p>
<p>Combined Sewer Overflows (CSO) monitoring PR19SRN_WWN10</p>	<p>Effective monitoring of all our CSOs, this includes monitors in place and available, with data assurance and with results published at least annually.</p>	<p>No (Non-financial)</p>	<p>CSOs are a priority area for our stakeholders and therefore we have included this CSO monitoring measure in our portfolio of AMP7 PCs.</p> <p>We have set a target to have 100% of our CSOs monitored and for data to be fully accurate by 2024-25. We will also publish all our results once we have confidence in the monitors. Our forecast performance for this measure in 2019-20 is 92%.</p> <p>We are proposing a non-financial ODI for this PC, due to this being a new measure, which is at a relatively early stage of its development without historical and comparative performance data.</p>
<p>Whitfield Growth (CAC) PR19SRN_WWN14</p>	<p>This measure is designed to monitor and assure the delivery of one enhancement scheme related to population growth in Whitfield.</p> <p>The measure ensures that customers are protected in the event that the scheme is not delivered.</p>	<p>No (Underperformance penalty only)</p>	<p>This PC is a CAC we are proposing in AMP7, relating to the construction of a new wastewater treatment works to serve Whitfield, in Kent. We are including it in our portfolio of AMP7 PCs to ensure customers benefit should we identify a low cost solution.</p> <p>Our target is based on the cost of the proposed scheme which is £26.4m.</p> <p>We have set a penalty-only ODI. If we do not spend the full £26.4m we will give the money back to our customers. The maximum underperformance payment is therefore £13.2m for the whole AMP, after calibration with the Totex menu incentives.</p>

<p>Enhancing the value of our natural and social capital PR19SRN_WWN15</p>	<p>To develop natural capital accounts so that changes over time (positive and negative) as a result of our investments can be monitored, evaluated and reported.</p> <p>The approach will support our contribution to the Government's 25-year Environment Plan and provide a mechanism for measuring our contribution to biodiversity and wider environmental net gain.</p>	<p>No (Non-financial)</p>	<p>Enhancing the value of our natural and social capital is a priority for our stakeholders and is therefore included in our portfolio of AMP7 PCs.</p> <p>We have set a target to have natural capital accounts in place for three out of 10 of our river catchments by the end of the 2024-25. We currently do not have any natural capital accounts.</p> <p>We are proposing a non-financial ODI for this PC, due to this being a new measure, which is at a relatively early stage of its development without historical and comparative performance data.</p>
<p>Gap sites PR19SRN_RR06</p>	<p>To monitor our success in tackling household gap sites</p>	<p>Yes (Non-financial)</p>	<p>Ofwat requires that monitoring of gap sites should be included in water companies' portfolio of PCs.</p> <p>The details of this measure are to be developed and confirmed in the remaining two years of AMP6, due to lack of any internal or external comparative data. We are proposing a 1.25% increase per year for the last four years of AMP7.</p> <p>We have not proposed an ODI on this measure because it is at relatively early stages of development without historical and comparative performance data.</p>
<p>Thanet sewers (CAC) PR19SRN_WWN16</p>	<p>This measure is designed to monitor and assure the delivery of our Thanet sewers enhancement scheme. The measure ensures that customers are protected in the event that the scheme is not delivered.</p>	<p>No (Underperformance penalty only)</p>	<p>This PC is a CAC we are proposing in AMP7, therefore to protect customers from under delivery we are including it in our portfolio of AMP7 PCs.</p> <p>Our target is based on delivering the third phase of the Thanet sewers project by 2024-25.</p> <p>Our ODI is only for underperformance where if we do not spend the full £33m we will give the money back to our customers.</p> <p>We have set a penalty-only ODI. If we do not deliver the project by 2024-25 we will give the money back to our customers. The maximum underperformance payment is therefore £16m for the whole AMP, after calibration with the Totex menu incentives.</p>
<p>Distribution Input PR19SRN_WN12</p>	<p>The average daily amount (MI/d) of potable water entering the distribution system in a year.</p>	<p>No (Non-financial)</p>	<p>Reducing our abstraction is a key priority for our stakeholders. In particular our CCG has keen that we had a measure of our overall success in reducing abstraction. This is an AMP6 PC that we have therefore added to our portfolio of AMP7 PCs.</p> <p>Our target for 2024-25 is 506 MI/d. This is based on our final WRMP. It represents a reduction from a forecast level of 535 MI/d in 2019-20.</p> <p>We are proposing a non-financial ODI for this PC, to avoid double-counting of benefits with the PCC and leakage ODIs.</p>

Technical Annexes:

- TA.6.1 Our approach to PCs and ODIs
TA.6.2 Our Package of PCs and ODIs
TA.6.3 Rationale for AMP6 amendments and discontinuations

References:

- ¹ T.A.4.4 (3)
- ² T.A.4.4 (8)
- ³ T.A.4.4. (11)
- ⁴ T.A.4.3
- ⁵ Europe's water in Figures: 2017 Edition, EurEau <http://www.eureau.org/resources/publications/1460-eureau-data-report-2017-1/file>