



PR19 DD
representations data
template
Commentary

Wessex Water

August 2018

1. Table OC1

As discussed in the outcomes section of our summary document we disagree with the position set out in the draft determination that changing the target without changing cost allowances should impact the chance of achieving any given performance level.

To determine the P10s and P90s for this table we have relied on two key facts:

- The base models allow funding at historical average levels
- The funding in our plan is required to achieve the performance commitment levels

The outcome of this is that where totex has been disallowed we have altered the distribution of performance we expect. In some cases this results in us not being able to deliver the planned improvement at all, such as working with catchment partners, and in others it puts us at greater risk of failure, such as supply interruptions.

A full list of the changes we have made are:

- By disallowing STW capacity investment we will be taking a greater risk of failure on treatment work compliance
- By disallowing Pollution expenditure we will be more likely to fail our wastewater pollutions target
- By disallowing our partnership working expenditure we will be unable to deliver:
 - Natural capital: SSSI sites
 - Working with partners to improve bathing waters
 - Working with partners to improve natural capital
- By cutting our WINEP programme by over 20% we will be facing increased risk of not delivering the programme
- By disallowing sewer flooding money we will be more likely to fail internal, and external sewer flooding targets
- By disallowing supply interruptions funding we will be less likely to achieve this target
- By disallowing enhanced leakage expenditure we will be less likely to achieve this target

We have informed the reduced chance of achieving these targets by using the best available combination of our cost benefit analysis and engineering expertise.

2. Tables OC2.1, OC2.2 & OC2.3

All P10 performance levels and P90 performance levels are as stipulated in our IAP response unless otherwise stated. As directed, P10 and P90 values for non-financial incentives have been inputted where possible.

All P10 performance payments (column BN-BR) and P90 performance payments (BX-CB) are calculated using incentive rates in the draft determination unless otherwise stated in columns BG-BJ.

2.1 Line 8 & 9 – Leakage

The P10 and P90 figures in Ml/d have changed since our submissions in September 2018 and April 2019. This is because the baseline 3 year average has changed following revised actual figures in 2017-18 and 2018-19. The explanation for these numbers are in the commentary of Table 3S, submitted in July 2019 as part of the Annual return.

2.2 Line 9 & 10 – Per capita consumption (PCC)

The P10 and P90 figures in l/h/d have changed since our submissions in September 2018 and April 2019. This is because the baseline 3 year average has changed following revised actual figures for 2018-19. The explanation for these numbers are in the commentary of Table 3S, submitted in July 2019 as part of the Annual return.

2.3 Line 12 – Mains repairs

Cells X12-AB12, 'Performance commitment levels' have been updated.

The rationale for this change is explained in representation O2.

2.4 Line 13 – Unplanned outage

Cell BG13, 'Standard underperformance penalty' has been updated.

The rationale for this change is explained in representation O7.

2.5 Line 16 – Internal sewer flooding

The following cells have been updated:

- BG16, 'Standard underperformance penalty'
- BH16, 'Enhanced underperformance penalty'
- BI16, 'Standard outperformance payment'
- BJ16, 'Enhanced outperformance payment'

The rationale for these changes are explained in representation O3.

2.6 Line 18 – Risk of sewer flooding in a storm

The following cells have been updated:

- W18, '2019-20 (forecast)'
- X18-AB18, 'Performance commitment levels'

The rationale for these changes are explained in representation O10.

2.7 Line 19 – Sewer collapse

Cell BG19, 'Standard underperformance penalty' has been updated.

The rationale for this change is explained in representation O6.

Following review of our shadow reported performance in 2018-19, we have adjusted the P10 and P90 levels.

2.8 Line 21 – Total bill reduction to customers on social tariffs per 10,000 households

The following cells have been updated:

- P21, 'ODI type' has been updated to 'Out & under'.
- BI21, 'Standard outperformance payment'

The rationale for these changes are explained in representation O5.

2.9 Line 22 – Successful applications for assistance received by the independent advice sector/third parties

Cell P22 ('ODI type') has been updated to 'NFI'.

To reflect this change, 'remove' has been entered into cell BG22 (Standard underperformance penalty) and BI22 (Standard outperformance payment) as per the guidance in tab 'WSX Table guidance'.

The rationale for these changes are explained in representation O5.

2.10 Line 29 – Volume of water saved by water efficiency engagement

Cell E29 ('Change in PC definition?') has been updated to 'Yes'.

The rationale for this change is explained in representation O8.

2.11 Line 30 – Water quality customer contacts (appearance, taste and odour)

The following cells have been updated:

- BG30, 'Standard underperformance penalty'
- BI30, 'Standard outperformance payment'

The rationale for these changes are explained in representation O4.

2.12 Line 32 – Lead communication service pipes replaced (Wessex Water assets)

Cell E32 ('Change in PC definition?') has been updated to 'Yes'.

The rationale for this change is explained in representation O9.

2.13 Line 33 – Event risk index (Wessex Water) (ERI WW)

The following cells have been updated:

- X33-AB33, 'Performance commitment levels'
- AC33-AL33, 'Enhanced underperformance penalty collar' and 'Standard underperformance penalty collar'
- BG33, 'Standard underperformance penalty'
- BI33, 'Standard outperformance payment'

The rationale for these changes are explained in representation O1.

2.14 Line 36 – North Bristol Sewer Scheme – Trym catchment

Following the change to the performance commitment in the draft determination to 'number of months', we have updated the P10 to reflect this.

2.15 Line 45 – Length of river with improved water quality through WINEP delivery

Following the change to the performance commitment level (PCL) in the draft determination, the P10 has been updated to 10% less than the (PCL) and the P90 updated to match the PCL.

3. Table OC3

We have retained the same figures for marginal costs & for marginal benefits as at the IAP.

3.1 Security (Non-SEMD) (PR19WSX_R8)

We have populated the marginal cost information based on the marginal costs per hh per year of one of the 7 deliverables. This was then multiplied by the sharing rate and divided by 12 to give the rate for a month's delay. For clarity, full details of our calculations are set below:

Totex (£m)	11.7	
WACC (%)	3.08%	CPIH deflated
Life (yrs)	23	Avg asset life, not project specific
EAC (£m)	0.72	Pmt function
Deliverables (nr)	7	
EAC / deliverable (£m)	0.10	EAC / 7
Sharing Rate	50%	
Uplift to ensure strong incentives	120%	
ODI rate / deliverable / month delay	0.005	Product of above 3 / 12
Supply customer numbers	567629	As per App1a from IAP
Marginal cost £ / hh / deliverable	0.18	EAC * cust nrs / 1,000,000
Non delivery incentive rate (£m)	0.31	5 years worth of EAC adjusted for uplift & sharing – equivalent to the revenues we receive from customers for this project over the price control

4. Table OC4

4.1 Line 23 – Void sites

The percentage of voids have increased by 0.2% from 2017-18. For 2019-20 the voids are being reviewed by Pelican – they have invested in some new reporting from the Management Information System to enable them to highlight properties for investigation.

4.2 Line 32 – Lead communication service pipes replaced (Wessex Water assets)

Performance in 2018-19 is lower than previous years. We are using our resources to ensure that we are prepared to meet the stretching target in 2020-25.

4.3 Line 33 – Event Risk Index (Wessex Water) (ERI WW)

Performance in 2018-19 is significantly higher than that in 2017-18. We reported 18 events to the DWI in total, of which three events contributed 87% of the annual ERI score. These three events had high scores primarily due to a large population affected.