

Wessex Water Services Ltd Response to Ofwat's PR19 Draft Determination – August 2019

Representation reference: Outcomes O4

Representation title: Water quality customer contacts

Summary of issue

The draft determination intervenes to “set the underperformance rate by triangulating across the company’s proposed rate, the industry average rate (on a normalised basis) and the rate that applies to the company’s equivalent 2015-20 outcome delivery incentive.” This appears to be a completely arbitrary triangulation.

Ofwat said our customer research and triangulation were both high-quality and, whilst we did not give sufficient detail in our IAP response, we followed the standard methodology for calculating incentive rates applied to our high-quality research. The decision in the draft determination does not reflect the views or preferences of our customers and so should be reversed.

Our original incentive rates were -£0.19m and +£0.19m. These have been more than quadrupled to -£0.99m and +£0.825m.

Change requested

We request that our incentive rates are set at the values we proposed in our business plan, which are supported by customers and based on research and triangulation that Ofwat has called ‘high quality’ and has been assured by a respected and independent third party.

Rationale (including any new evidence)

Our incentive rates are based on our high-quality customer research and triangulation, using the standard formula for setting incentives.

Below, we set out the specific valuations we received from each piece of research, the triangulation weightings applied to each and the calculation applied to define the incentive rate.

Figure 1-1

Data source	£ / hh / yr	Weighting
2017 Conjoint Analysis	0.0002	56%
Max Diff Approach 1	0.0005	2%
Max Diff Approach 2	0.0006	2%
Max Diff Approach 3	0.0010	2%
2012 Conjoint Analysis	0.0001	11%
Website game - data set 1	0.0040	6%
Website game - data set 2	0.0035	7%
Website game - data set 3	0.0040	15%
Weighted Average	0.0012	£ / hh / contact
Gives us	0.000688	£m / contact
Gives us	0.385	£m / contact / '000 props
Incentive rate of	0.19	£m / contact / '000 props

This leads to a value of -£0.19m and +£0.19m.

It is of note that we have eight different pieces of high-quality research on this subject and that not a single piece of that research returned a value as high as that imposed in the draft determination. Ignoring all this evidence is clearly not in customers' interests.

Why the change is in customers' interests

Our customers have indicated through our research that they support outperformance and underperformance payments at the levels we set in our IAP response. There is no evidence that they support the values imposed by the draft determination.

Links to relevant evidence already provided or elsewhere in the representation document

DD representation - Outcomes summary

Response to IAP – standalone document

Chapter 1 and associated appendices of business plan

Chapter 3 and associated appendices of business plan