

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

**Representation reference: Outcomes O5**

**Representation title: Total bill reduction to customers on social tariffs & successful applications for assistance**

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### **Summary of issue**

The outperformance payment proposed in our business plan has been removed from the performance commitment, "Total bill reduction to customers on social tariffs per 10,000 households".

The performance commitment, "Successful applications for assistance received by the independent advice sector/third parties" is unchanged.

We object to this asymmetric intervention as both performance commitments have underperformance payments but only one now has an outperformance payment.

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### **Change requested**

We request that Ofwat reinstates the outperformance payment for the performance commitment, Total bill reduction to customers on social tariffs per 10,000 households.

Also, that the performance commitment, Successful applications for assistance received by the independent advice sector/third parties, is made reputational with no outperformance or underperformance payments. If this PC is made reputational then the caps and collars would need to be removed.

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### **Rationale (including any new evidence)**

The rationale given by Ofwat for this intervention is two-fold. Firstly, Ofwat state it is not clear why customers would benefit from the company earning outperformance payments on the Total bill reduction to customers on social tariffs per 10,000 households performance commitment. Secondly, Ofwat believe there is a high risk of double counting because there is also a reward on the other performance commitment linked to social tariff targets, Successful applications for assistance received by the independent advice sector/third parties.

We accept that both performance commitments are linked to social tariff targets, but the key performance commitment is Total bill reduction to customers on social tariffs per 10,000 households. There are several ways we can achieve our targets for growth in our social tariff numbers and these are set out in the four workstreams of our vulnerability strategy, Every Customer Matters. One way is to work with our debt advice partners and encourage them to apply for our affordability schemes on behalf of their clients. Successful applications

for assistance received by the independent advice sector/third parties is therefore a sub measure of the key performance commitment.

Ofwat has applied a similar logic to the intervention it has made on the performance commitment, Volume of water saved by water efficiency engagement – see WSX.OC.12 in Delivering outcomes for customers actions and interventions.

This PC has been made reputational by Ofwat on the basis that water efficiency engagement is one way that we will achieve the targets set out in the Per Capita Consumption performance commitment and that reducing per capital consumption is the key measure.

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### **Why the change is in customers' interests**

Customers will see the value in the PC relating to total bill reduction for social tariffs. Whilst applications for assistance is one way that bill reduction can be achieved (and one that we would like to measure and report against to show our development in this area), our ODIs should not encourage us to choose one method over another.

As a result, customers will benefit most from a financial ODI on the social tariffs PC and a reputational ODI on the successful applications PC.

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

WSX.OC.12 in Delivering outcomes for customers actions and interventions.

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