



Wessex Water Partnership Annual Report July 2018



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FOREWORD

On behalf of the members of the Wessex Water Partnership, I'm pleased to present our report for the 2017/18 year, our third annual report. We exist to represent the interests of Wessex Water's customers and stakeholders and this directs our focus and challenge.



During this year we have continued to talk to the company about its current performance, including the “freeze and thaw” event last winter. As you will read, Wessex Water continues to do well against the targets set for the five years from 2014/15. The company provides a good service to customers and invests in improving the environment. In a few areas it is not performing as strongly as last year and we will explore the reasons for this over the coming year.

Our main focus this year has been on the Business Plan which the company is writing for the next five-year period. The company has sought our views about how it engages with customers over the plan and we are reading through the draft to ensure that customers views and interests are taken into account.

As we are looking at the plan in much greater detail, the group we set up last year on Customer Engagement has continued to meet and two new groups on Affordability & Vulnerability, and on Performance Commitments & Investment have also been established. Details of their work and that of the whole Wessex Water Partnership are given in this Report.

I am grateful to Partnership members for their time and expertise and to company representatives for supplying us the information we need and responding to our questions. Members have been able to attend research events with customers and stakeholders which have helped us see how the company engages with people, firsthand.

I also thank the company board, particularly Senior Independent Director Gillian Camm, for their interest in our work and their openness towards our contributions.

We welcome the views of customers and stakeholders on this Report. You can contact us via our website www.wessexwaterpartnership.co.uk.

Dan Rogerson

Chair - Wessex Water Partnership

EXECUTIVE SUMMARY

The Wessex Water Partnership (the Partnership) was established in January 2016 to work on behalf of customers by challenging Wessex Water (WW) to achieve the best results for bill payers, the environment and the local economy.

The purpose of this Report is to provide the WW Board and customers with the Partnership's opinion on the company's progress in delivering its Final Determination Performance Commitments in the third year of the 2015 - 2020 price control period and its business planning activities undertaken during the year for the next Price Review (PR19).

This Report also includes comment on issues and opportunities raised by the Partnership in its Annual Reports for 2016 and 2017.

The Partnership had the opportunity to review and challenge WW's performance against its Final Determination Commitments for 2017/18 and to follow up on performance issues identified last year. It has also been scrutinising the company's PR19 business planning activities including its customer engagement methods and results and the development of its PR19 Performance Commitments (PCs), service targets and Outcome Delivery Incentives (ODIs).

The Partnership's working relationship with the company and its external advisers and auditors continues to be open and transparent and the Partnership is grateful for the efforts of the company in helping it meet its objectives.

The company met or exceeded most of its Final Determination Performance Commitment targets for 2017/18. In many cases performance increased from the previous year.

The Partnership welcomes this as it has brought benefits to its customers in the form of improved customer service, water supply resilience and security, reduced leakage and reduced sewer flooding. The environment has benefitted through improvements to rivers, lake and estuaries, increases in water efficiency and reductions in greenhouse gas emissions.

The Partnership notes and accepts the company's explanations why certain customer, water quality and environmental targets were missed or where performance slipped from the previous year. It recognises that in several cases improved performance is dependent upon the completion of investment in new systems and processes or other assets or that there were contributing factors outside the company's control. The Partnership welcomes the company's intention to do all it reasonably can to maintain and improve performance and meet its future targets.

The company has earned rewards or suffered penalties under the Ofwat PR14 incentive regime as a result of its performance in 2017/18. The most significant of these is a reward of around £5.5m for performance against internal sewer flooding incidents. A similar reward was earned last year and the year before. Any rewards and penalties earned will be accrued at the end of 2019/20. During the coming year, the Partnership wishes to discuss the company's use of any rewards or penalties achieved and it will encourage the company to consult its customers on this.

Information provided by the company on performance issues and other topics identified by the Partnership last year was reviewed and challenged. Most were resolved to the Partnership's satisfaction. Some remain outstanding, primarily associated with future policies and plans, and are being reviewed as part of the Partnership's ongoing scrutiny of the company's PR19 Business Plan.

A number of additional performance-related issues arose during the year and the Partnership will be seeking further information from WW during 2018/19 on these. Value for money, customer contacts about drinking water quality, water mains bursts and environmental compliance, particularly pollutions, will be of particular interest to the Partnership during the coming year.

The Partnership had the opportunity to review and challenge the company's information reporting and assurance regime. It received assurance from the company's independent Technical Auditor that the company's performance information for 2017/18 is robust and that the resulting rewards or penalties have been correctly calculated.

The Partnership has also continued to review and challenge the company's PR19 business planning activities in line with Ofwat's requirements. It has been influential in helping the company develop its future plans, ensuring these are being shaped by customer opinion, how they will deliver on customer aspirations and how the relationship between the company and its customers will continue in future.

The Partnership's PR19 work is progressing well and it will be reporting its findings and opinions on the company's Business Plan in September this year.

1. INTRODUCTION

The independent Customer Challenge Group (CCG) for Wessex Water (WW) is known as the Wessex Water Partnership (the Partnership). The Partnership's primary roles are to monitor, challenge and report on WW's performance against the commitments set out in the Final Determination on behalf of customers, and to advise and challenge the company on its customer engagement, policies and procedures, and priorities for the next Price Review (PR19).

A description of the role of the Partnership together with its membership, governance, terms of reference, the minutes of its meetings and its previous annual report can be found on its website www.wessexwaterpartnership.co.uk.

A glossary of terms used in this report is provided in Appendix 1.

For information on the economic regulation of the water industry in England and Wales including the setting of prices and Ofwat's expectations of CCGs, the reader is directed to the regulator's website www.ofwat.gov.uk.

The purpose of this Report is to provide the WW Board and customers with the Partnerships' opinion on the company's progress in delivering its Final Determination Performance Commitments in the third year of the 2015 - 2020 price control period -

including the qualification and amounts of any rewards and/or penalties accrued this year as a result of its performance.

The Report also describes the Partnership's ongoing review of WW's PR19 business planning policies and activities during 2017/18. The outcome of this work will be reported to Ofwat in September this year to accompany the company's submission of its PR19 Business Plan.

The Environment Agency (EA), as a member of the Partnership, supports the views expressed in this report. However these views will not necessarily influence any subsequent position the EA takes as part of its ongoing statutory and regulatory duties associated with Wessex Water's environmental obligations.



2. PARTNERSHIP'S MEMBERSHIP AND ACTIVITIES DURING THE YEAR

2.1 Membership

The Partnership was established in January 2016 with an independent chair and diverse membership representing various customer and stakeholder groups. A list of the current Partnership members is given in Appendix 2.

The Partnership periodically reviews its membership to ensure it has adequate and appropriate representation to fulfill its role on behalf of customers.

At its request, The Drinking Water Inspectorate (DWI) is a 'sleeping member' of the Partnership.

The areas of focus and challenge of each of the current Partnership member organisations are as follows:

WW's Senior Independent Non-Executive Director is the Partnership's liaison point with the WW Board and attended most meetings of the Partnership.

ORGANISATION	AREA OF FOCUS AND CHALLENGE
CCWater	Interests of all water customers
Environment Agency	Environmental regulation and compliance
Citizens Advice	Customer service and vulnerability
Age UK South Gloucestershire	Interests of customers in later life
Money Advice Trust	Affordability and vulnerability
AdviceUK	Affordability and vulnerability
Wessex Water Catchment Panel	Environmental priorities and outcomes
University of Bath	Specialist knowledge on customer engagement
University of Bath	Interests of students and future customers

2.2 Sub-groups

The Partnership was given adequate opportunity to scrutinise and challenge the company's policies and performance as presented to it and the process has been open and transparent.

During 2016/17 the Partnership established a Customer Research Sub-Group (CRSG), led by a Partnership member from the University of Bath with extensive academic and practical knowledge of customer engagement. The CRSG has the primary objective of assisting and supporting the Partnership in its review and challenge of WW's customer engagement and in the Partnership's reporting on this to Ofwat. The CRSG has met six times during the last year and has reviewed each of the customer engagement methodologies employed by the company, the results of these and the use of these results in shaping its policies and plans for PR19. It has had the opportunity to comment on and influence the company's research materials.

During this year the Partnership established two further sub-groups to assist with its work; an Affordability and Vulnerability Sub Group (AVSG) and a Performance Commitment and Investment Sub-Group (PCISG).

The AVSG has met three times during the year and has been reviewing and challenging WW's current and future policies and plans to address the affordability of its services, its social tariffs the level of assistance to be provided to customers in vulnerable circumstances.

The PCISG has met six times during the last year. It has been reviewing and challenging the detail of WW's proposed PR19 PCs, ODIs and investment plan, particularly that the results from the company's

customer engagement have been used in the development of them. The work of the PCISG is still in progress.

The PR19-related work of the Partnership is ongoing and is on track to meet Ofwat’s September reporting

deadline. The Partnership will report on how the Business Plan has been influenced by customer opinion, how it aims to deliver on customer aspirations and how the relationship between the company and its customers will continue in future.

2.3 Meetings

The Partnership was given adequate opportunity to scrutinise and challenge the company’s policies and performance as presented to it and the process has been open and transparent.

The Partnership’s main meetings held during the year and topics covered at them were as follows:

WWP Meeting 18 October 2017	Information Assurance Plan Charges 2018/19 PR19 Performance Commitments Water Resources Management Plan Debrief of leakage research
WWP Meeting 5 December 2017	Sub-group progress updates Areas of Focus 2017/18 progress update Water Resources Management Plan PR19 Performance Commitments and investment overview
WWP Meeting 6 February 2018	Initial Business Plan Testing acceptability and affordability of the Business Plan Update from DWI
WWP Meeting 22 March 2018	Submission of PC definitions Special cost factors Customer effort PC Update on acceptability testing and other research Freeze and thaw
WWP Meeting 15 May 2018	Annual review Customer engagement update including acceptability testing Business Plan update
WWP Meeting 18 June 2018	Business Plan update Acceptability testing debrief Business Plan timeline



Executive and non-executive directors of WW, along with other senior company staff attended the main Partnership meetings as presenters and/or observers.

overview of its expectations on the company's drinking water quality proposals for PR19.

The Drinking Water Inspectorate (DWI) attended one meeting at the Partnership's request and provided an

The meetings of the CRSG and the topics discussed were:

CRSG 3 October 2017	Leakage research Young People's Panel Online game Customer valuation research Revealed preference activities
CRSG 22 November 2017	Young People's Panel Online game Customer valuation research Revealed preference activities Image Tracker Acceptability testing
CRSG 18 January 2018	Ofwat's CCG Aide Memoire Leakage research Acceptability testing
CRSG 7 March 2018	Triangulation Acceptability testing Customer research projects update
CRSG 1 May 2018	Bill profiles and associated research Financial governance research Customer research projects update Customer engagement and Performance Commitments Co-creation and co-delivery Aide Memoire review
CRSG 4 June 2018	Feedback from ODI research Business plan acceptability testing WWP challenges



The CRSG also held two private conference calls at which the event guides and stimulus material to be used in the Business Plan acceptability testing were discussed. The outcomes from these calls were fed back to the company.

The meetings of the PCISG and the topics discussed were:

PCISG 3 January 2018	Purpose of the PCISG Performance Commitments
PCISG 23 January 2018	The Business Plan Investment Supply interruptions Pollution incidents Sewer flooding Water quality Customer experience Leakage and efficient use of water
PCISG 19 February 2018	Outcomes Customer research PR14 Performance Commitments Asset health metrics Proposed PR19 Performance Commitments Incentives WINEP
PCISG 28 February 2018	Review of updated PR19 Performance Commitments
PCISG 30 April 2018	WINEP update Submission of PC definitions Submission of cost adjustment claims Introduction to ODIs Triangulation update
PCISG 14 May 2018	PC and ODI assurance Cost benefit analysis Incentive rates Bill impacts PR19 investment plan
PCISG 18 June 2018	Alternative WINEP submission Confirmation of DWI support Business Plan update

The PCISG also held two private meetings at which the company’s proposed PR19 PCs and ODIs were reviewed in detail. The outcomes and challenges from these private meetings were fed back to the company.

The Chair of the WW Catchment Panel is a member of the Partnership and this enabled the views of the Catchment Panel on environmental outcomes to be taken into account.

The Partnership’s Chair attended a meeting of the WW Board during the year at which he provided an overview of the Partnership’s work on PR19 particularly customer engagement, vulnerability and social tariffs and on the definition of future performance commitments.

The Partnership has not attended meetings held between WW and its economic, quality or environmental regulators. The EA representative on the Partnership alerted members of any material issues associated with WW meeting its statutory environmental obligations.

The Chair also attended meetings with Ofwat with other CCG chairs and informed members of the topics discussed and the outcomes.

The Partnership was grateful for WW’s assistance in organising and facilitating its meetings and in fulfilling its requests for information and access to key staff.

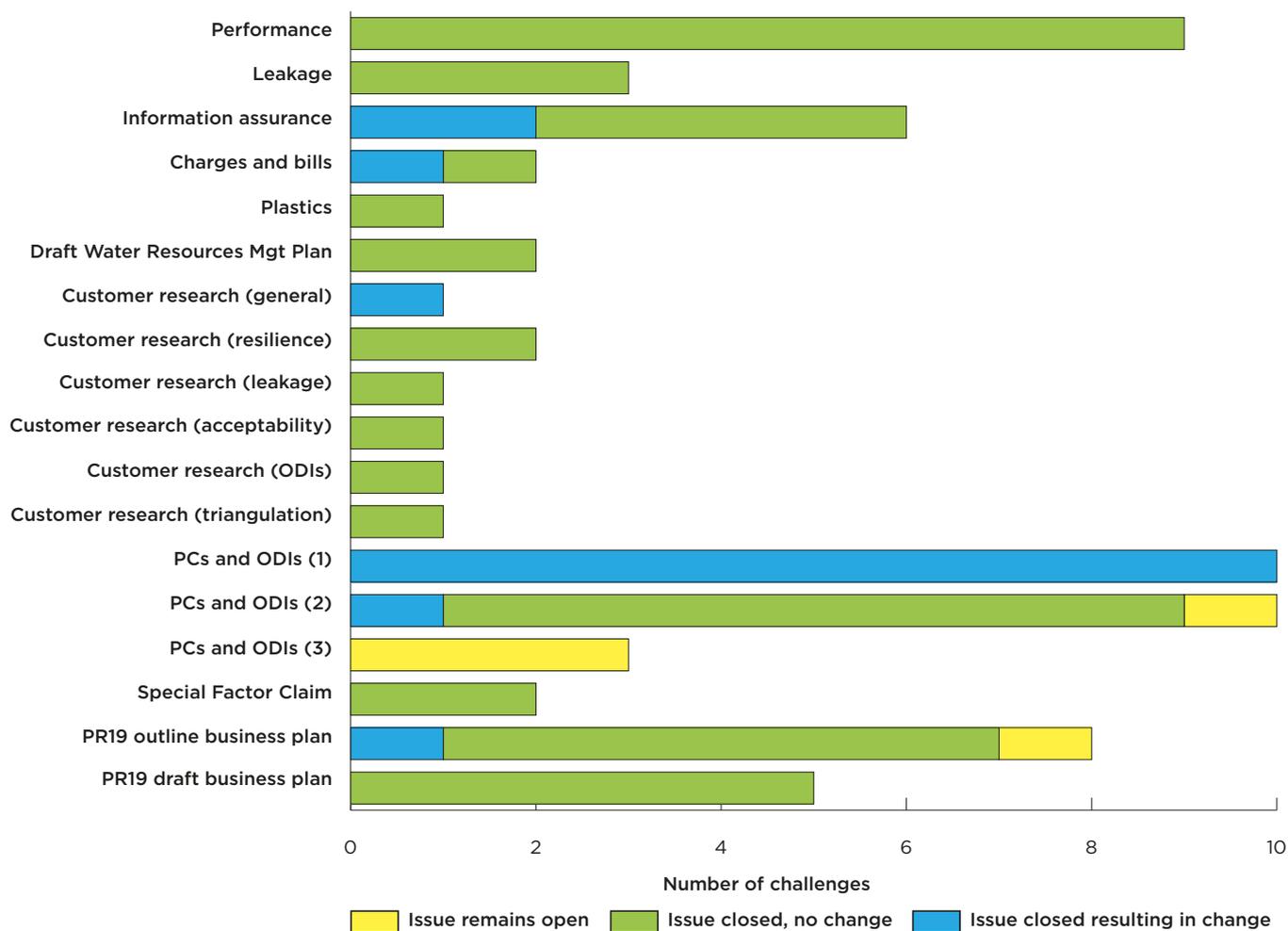
2.4 Challenges

The Partnership continued to use the Challenge Diary it established last year to document the challenges, key questions and information requests it makes to WW and the company's responses to these. The Partnership and the company consider the challenge process to be constructive and effective.

70 challenges and key questions were logged during the year. The company's responses to the challenges and key questions were considered by the Partnership. Most were addressed to the Partnership's

satisfaction with some resulting in changes to the company's policies or approach. Some issues remain outstanding, mainly associated with PR19 Performance Commitments (PCs) and Outcome Delivery Incentives (ODIs), which is to be expected as the Business Plan is finalised. These will be considered further and reported on in the Partnership's PR19 report to Ofwat in September this year.

The issues raised during 2017/18 and the current status of them is as follows:



The Challenge Diary also contains 77 challenges logged in 2015/16 and 2016/17, the vast majority of

which were addressed with only one minor issue remaining open.

2.5 Issues identified last year

Several areas of focus were identified last year and have been followed up with WW during 2017/18 including:

- Monitoring the company's progress in achieving further improvements in customer service
- The effectiveness of the company's Customer Experience Group (CEG) in achieving its objectives for improving customer service
- The appropriateness of the Ease of Contact Resolution performance commitment
- The opportunities for WW to further understand the water use behaviour of its customers and to do more in connection with water saving initiatives including influencing government policy on the sale of non-compliant plumbing equipment
- The affordability of WW's bills for customers on lower incomes and benefits in relation to other companies
- The relationship between the company's abstraction licences and their impact on the environment
- The size of water mains bursts and the relative influence of these on leakage
- The effectiveness and relative contribution of WW's leakage reduction initiatives
- Consistency of WW's leakage reporting methodologies with other companies
- The incentives place are to fix leaks quickly in the event that the target fix time has been exceeded
- WW's plans to ensure the long term resilience of its water and wastewater systems and its service to customers
- Actions to achieve the maximum possible water quality for customers
- Progress in delivering the remaining bathing water schemes in the National Environmental Programme
- The company's plans to fulfill its statutory obligations in PR19 for water quality and the environment
- Taking all reasonable measures to meet the performance target for sewer collapses and bursts for the benefit of customers and the wider environment
- The degree of greenhouse gas emission improvement that is within the company's control and the relationship between its increasing energy usage and self-generation.
- The risk of inequity associated with meter rollout
- The potential for passing back savings to customers who move in and out of the company's supply area

The company provided information on these topics upon request which was scrutinised and challenged by the Partnership. The Partnership's detailed comments on these topics are given in its commentaries in Appendix 3.

Most issues were resolved to the Partnership's satisfaction but some remain outstanding and which will be considered by the Partnership as part of its review of the company's PR19 submission.



3. Partnership's findings

3.1 Reporting and assurance

As in previous years WW presented the Partnership with updates to its information reporting and assurance processes during the year, covering both its annual performance information on its forthcoming PR19 submission, and gave members the opportunity to comment on its updated information Assurance Plan published in April 2018.

This year the Partnership's challenges covered on:

- The risks around the quality of the information the company 'pushes' to customers, for example through the billing process and the company magazine.
- The frequency of engagement with stakeholders other than customers on information quality (and on other issues where information is communicated) and the need to keep the list of such stakeholders up to date
- Whether the company has ambition to achieve Ofwat's 'Satisfactory' information assurance status, rather than 'Targeted'

The Partnership received satisfactory responses to these areas of focus which in several cases resulted in the company amending its Assurance Plan to more clearly state its positions on them.

The Partnership also challenged the external assurance the company will receive that its PR19 Business Plan information, including that its customer engagement activities and its proposed PCs and ODIs, will be soundly based. The company explained

its proposed PR19 assurance regime and the external assurance it will be obtaining. The Partnership was satisfied with the proposals and will assess the outcomes as part of its scrutiny and report on the PR19 submission in September this year.

In May 2018 the company provided the opportunity for the Partnership to review the findings of its external Technical Auditor's review of its current price control period (PR14) Performance Commitment reporting methodologies and its internal and external assurance processes. The Partnership's Report Writer met with WW and its external Technical Auditor to discuss and challenge reporting processes, performance and assurance findings. The Chair and the Report Writer also attended the WW Audit Committee at which the Technical Auditor presented his findings to the company and the company provided its management response to them.

WW's Technical Auditor has confirmed that the company's reporting methodologies are sound, comply with regulators' requirements where appropriate and that actual performance has been calculated on the same basis upon which the FD targets were set or where changes have been agreed with Ofwat.

As a result of its scrutiny and the assurance received, the Partnership is satisfied that the reported performance for 2017/18 has been robustly reported and that the resulting rewards or penalties have been correctly calculated.

3.2 PR14 Outcomes and Performance Commitments

One of the key roles of the Partnership is to scrutinise and challenge WW's delivery each year against the nine strategic Outcomes and the 32 associated Performance Commitments set out in the PR14 Final Determination and the resulting impact on customers.

The company's Outcomes and associated Performance Commitments are described in Appendix 3.

In addition to reviewing the company's performance in 2017/18, the Partnership wished to understand and challenge the company's eligibility for any rewards or penalties earned in the year as a result

of the performance achieved. In so doing the Partnership has taken into account the views of the EA on environmental outcomes. The Partnership acknowledges that any rewards or penalties earned this year are accrued for possible payment at the end of the five-year period. In the coming year, the Partnership will be discussing with the company how it can best use any rewards that have accrued and its consultation with customers in doing so.

The Partnership was also keen to understand how the performance achieved this year compared with 2015/16 and 2016/17 and whether it would be sustained next year and beyond, particularly

whether there are any inherent or emerging risks, and the company's plans to address any performance shortfalls.

The Partnership is pleased to report that the company has continued to perform well in delivering its PR14 Final Determination Performance Commitments and the resulting benefits to customers. The Partnership's detailed views on the company's performance in 2017/18 against all its Performance Commitments are given in Appendix 3, together with the challenges it made to WW as part of its review.

In most cases WW has built upon the good performance it achieved in 2015/16 and 2016/17. It has met or exceeded 25 out of its 32 performance targets for the year and has accrued two out-performance payments as a result totaling around £7 million for the

year. Further details on this out-performance and the resulting payments are given in Appendix 3.

The Partnership understands the reasons why Performance Commitment targets were missed in seven out of 32 cases. Two of these result in under-performance penalties of around £413k for the year. Another shortfall in performance was within the associated performance deadband as defined by Ofwat in the PR14 Final Determination. The remaining four performance shortfalls have reputational incentives. Further details of these amounts are given in Appendix 3. The Partnership has discussed and challenged the company's plans to remedy the performance shortfalls and continues to be encouraged to hear that it is planning to meet its future targets wherever possible.

3.3 PR19 Business Plan

The Partnership understands Ofwat's requirement on CCGs to provide independent challenge and assurance on the quality of companies' customer engagement and the extent to which the results of the engagement are driving decision making and are reflected in companies' PR19 business plans. The Partnership is also mindful of the company's statutory and regulatory obligations for PR19.

During the year the Partnership and its sub-groups have been reviewing and challenging WW's customer engagement work for PR19 and its use of the resulting outcomes to develop its PR19 PCs, ODIs and investment plan which will be submitted to Ofwat in September this year. The Partnership will be reporting its findings and opinions on the Business Plan at the same time. It will report on how the Business Plan has been influenced by customer opinion, how it aims to deliver on customer aspirations and how the relationship between the company and its customers will continue in future.

The customer research methods employed by the company have included revealed preference and behavioural techniques, co-creation and participation and willingness to pay studies.

The engagement methodologies reviewed have included:

- SDS research (quantitative)
- MaxDiff Stage 1
- MaxDiff Stage 2
- PR14 conjoint analysis
- Conjoint analysis
- Business Plan game
- Slider tool

- Post event surveys
- Resilience (quantitative research)
- Leakage (quantitative research)
- Tracker surveys and other continuous engagement
- Young People's Panel
- ODI research
- Business Plan acceptability testing

The Partnership has been particularly keen to review and challenge any customer willingness to pay that WW has identified for investment that goes beyond statutory requirements, particularly on water quality and environmental improvement. It has also been assessing the company's plans to address the affordability of its services, its social tariffs and the level of assistance to be provided to customers in vulnerable circumstances.

Partnership members have attended customer engagement events on leakage, ODIs and Business Plan acceptability testing.

The Partnership is currently reviewing the analysis and processing of the results of the customer engagement and linkage of these to the developing Business Plan.

The work of the Partnership's three sub-groups, as described in Section 2.2 of this report, is still in progress. Work is on track to meet Ofwat's September reporting deadline.

4. The Partnership's focus for 2018/19

The Partnership's general areas of focus and challenge for 2018/19 will include:

- The Information Assurance Plan update
- Monitoring WW's performance against its PR14 commitments
- The finalisation of the Business Plan

As a result of its work this year, the Partnership will also investigate and challenge the company in a number of current performance areas including:

- Further review of the company's comparative industry position on the value for money it provides to its customers
- The percentage of land managed for biodiversity

- Water abstraction and any financial benefits arising from the revocation of abstraction licences
- Monitoring the company's performance on water mains bursts
- The detail of customer contacts on drinking water quality
- The company's customer management relationship initiatives that are relevant to contacts about drinking water quality
- The cause of the bathing water failure at Weston Super Mare
- The use of the accrued out-performance payment on internal sewer flooding incidents
- Monitoring performance against the individual components of the Environmental Performance Assessment.



5. Conclusions

The Partnership has reviewed and challenged WW's performance against its Final Determination Commitments for 2017/18 and the company's ongoing PR19 business planning activities.

The Partnership welcomes the company's performance in delivering its PR14 Final Determination Performance Commitments and the resulting benefits to customers.

WW has continued the good performance it achieved last year. The company met or exceeded 25 out of its 32 performance targets for 2017/18.

The Partnership welcomes the strong performance associated with delivering all commitments associated with rivers lakes and estuaries, resilient services, leakage, sewer flooding and carbon footprint. In many cases performance against these commitments increased from the previous year.

The company has maintained an 'industry leading' rating against EA's Environmental Performance Assessment despite an increase in pollution events.

Most targets were met relating to providing excellent service to customers, affordable bills, highest quality drinking water and improved bathing waters, although a second beach failed EU standards during the year.

The Partnership notes and accepts the company's explanations why certain customer, water quality and environmental targets were missed or where performance slipped from the previous year. It continues to accept that in several cases improved performance is dependent upon the completion of investment in new systems and process or other assets or that there were contributing factors outside the company's control.

The Partnership welcomes the company's intention to do all it reasonably can to maintain and improve performance and meet its future targets. The Partnership will continue to challenge the company to do as much as it can to achieve and where possible exceed its targets for the benefit of customers and the environment.

In some cases the company has earned rewards or suffered penalties under the Ofwat PR14 incentive regime as a result of its performance in 2017/18. The most significant of these is a reward of around £5.5m for performance against internal sewer flooding incidents. A similar reward was earned last year and the year before. Any rewards and penalties earned will be accrued at the end of 2019/20. During the coming year, the Partnership wishes with the company its use of any rewards or penalties achieved and it will encourage the company to consult its customers on this.

Information provided by the company on performance issues and other topics identified by the Partnership last year was reviewed and challenged. Most issues were resolved to the Partnership's satisfaction. Some remain outstanding, primarily associated with future policies and plans, and are being reviewed as part of the Partnership's ongoing scrutiny of the company's PR19 Business Plan.

A number of additional performance-related issues arose during the year and the Partnership will be seeking further information from WW during 2018/19 on these. Value for money, customer contacts about drinking water quality, water mains bursts and environmental compliance, particularly pollutions, will be of particular interest to the Partnership during the coming year.

The Partnership had the opportunity to review and challenge the company's information reporting and assurance regime. It received assurance from the company's independent Technical Auditor that the company's performance information for 2017/18 is robust and that the resulting rewards or penalties have been correctly calculated.

The Partnership has also continued to review and challenge the company's PR19 business planning activities and has been influential in helping the company develop its future plans. The Partnership will be reporting its findings and opinions on the company's PR19 Business Plan in September this year.

APPENDICES

Appendix 1

Glossary

AMP	Asset Management Plan
BAP	Biodiversity Action Plan
Caps and Collars	Upper and lower limits of performance beyond which no financial incentive applies
CCG	Customer Challenge Group
CCWater	The Consumer Council for Water
CSO	Combined Sewer Overflow
Deadband	A range either side of the performance target within which no financial incentive applies
DWI	Drinking Water Inspectorate
EA	The Environment Agency
FD	Final Determination (Ofwat December 2014)
MI/a	Megalitres per annum
MI/d	Megalitres per day
NEP	National Environment Programme
OBR	Office of Budget Responsibility
ONS	Office of National Statistics
ODI	Outcome Delivery Incentive. Delivery of each Performance Commitment was assigned a financial or reputational incentive by Ofwat in the Final Determination
Ofwat	Water Services Regulation Authority - The economic regulator of the water sector in England and Wales
Outcome	Nine strategic outcomes for customers, derived from WW's customer engagement, and defined in its Strategic Direction Statement (SDS) published in 2012
Performance Commitment	Performance measures supporting the Outcomes. The levels of performance (targets) were set by Ofwat in the PR14 Final Determination
PR14	Price Review 2014
PR19	Price Review 2019
SIM	Service Incentive Mechanism
WINEP	Water Industry National Environment Plan
WRMP	Water Resources Management Plan
WW	Wessex Water
WWP	The Wessex Water Partnership

For information on the economic regulation of the water industry in England and Wales including the setting of prices and Ofwat's expectations of CCGs, the reader is directed to the regulator's website www.ofwat.gov.uk.

Appendix 2

Partnership members 2017/18

Dan Rogerson	Chair of Wessex Water Partnership
Richard Cresswell	Chair of WW Catchment Panel
David Heath	CCWater
Michael Barnes	CCWater
Jeremy Bailey	Environment Agency
Ian Walker	University of Bath
Nicola Morris	University of Bath
Martin Green	Age UK South Gloucestershire
David Hawkes	AdviceUK
Matthew Vaughan Wilson	The Money Advice Trust
Sarah Cardy	Citizens Advice
Jeremy Hawkins (<i>Report Writer</i>)	Creoda Consulting



Appendix 3

Detailed commentaries on Wessex Water's performance in 2017/18 against its Final Determination Outcomes and associated Performance Commitments

Background

One of the key roles of the Partnership is to scrutinise and challenge WW's delivery each year against the strategic Outcomes and associated Performance Commitments set out in the Final Determination and the resulting impact on customers. These Outcomes were defined by the company in 2012 from its customer engagement and are:

Household retail service

- Excellent service for customers
- Affordable bills

Wholesale water and wastewater service

- Rivers, lakes and estuaries protected
- Resilient services
- Reduced leakage
- Highest quality drinking water

- Improved bathing waters
- Sewage flooding minimised
- Reduced carbon footprint

There are one or more Performance Commitments for each Outcome. Ofwat's Final Determination includes targets for each Commitment for each of the five years between 2015/16 and 2019/20 in the Price Control period. The performance against each Commitment is measured and reported each year by the company.

Delivery of each Commitment was assigned a financial or reputational incentive in the Final Determination. These are known as Outcome Delivery Incentives (ODIs). The financial incentives may be rewards or penalties or penalty only. In many cases limits on rewards and penalties (caps and collars) and neutral zones (deadbands) were also set in the Final Determination.

Commentaries on WW's achievements in 2017/18 against its Performance Commitments

1. Household Retail

Outcome A: Excellent service for customers

RA1 - SIM SERVICE SCORE (%)		
TARGET 17/18 >86	ACTUAL 17/18 87	PREVIOUS YEAR 88

WW out-performed the SIM service score target in 2017/18 but with a slightly reduced score from 2016/17. The associated incentive is financial (reward and penalty). The out-performance against the target for 2017/18 was within the reward deadband.

The company's Technical Auditor provided assurance to the Partnership that the company's SIM reporting methodology and resulting data are robust.

The Partnership notes that the fall in performance from the previous year was very small and likely to be due to natural volatility rather than a tangible deterioration in service. The continued high performance against this measure is welcomed and the Partnership encourages the company to maintain it in future.

RA2 - PERCENTAGE RATING GOOD/VERY GOOD

(from customer contacts regarding operational queries and complaints)

TARGET 17/18 >95%	ACTUAL 17/18 96%	PREVIOUS YEAR 96
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WW out-performed the 2017/18 target for this performance commitment. The incentive is reputational. Performance was the same as in the two previous years.

The rating is assessed from customer contacts regarding operational queries and complaints. Data is taken from the results of customer surveys undertaken by the company, which are independently audited. The incentive is reputational.

The company's Technical Auditor confirmed to the Partnership that the company's reporting methodology and resulting data associated with this Performance Commitment are satisfactory.

RA3 - PERCENTAGE RATING GOOD VALUE FOR MONEY

TARGET 17/18 73%	ACTUAL 17/18 70%	PREVIOUS YEAR 84%
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WW fell short of its target for 2017/18, reversing an improving trend and significant outperformance from previous years. The associated incentive is reputational.

Performance is measured from the results of the company's annual image tracking survey, which involves questioning 1,000 randomly selected domestic customers.

The company's bills remain around the highest in the industry. The Partnership is aware from published data that value for money across the industry has fallen in recent years, particularly for water services. The Partnership will review this over the coming year using industry data from 2017/18 when it becomes available.

The company informed the Partnership that it believes the fall in performance against this Commitment may be due to increased public debate around re-nationalisation of the water industry. Whilst the Partnership is aware of the high level of customer acceptability for the company's future plans and bills, it will monitor performance against this value for money Performance Commitment during the coming year.

RA4 - PERCENTAGE RATING EASE OF CONTACT RESOLUTION

TARGET 17/18 Improving trend	ACTUAL 17/18 93%	PREVIOUS YEAR 93%
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As mentioned last year, the company has discussed this measure with the Partnership as it was finding the sample size of 100 contactors it is achieving through its tracker statistically insufficient to produce a meaningful answer. The Partnership has agreed that WW will use the SIM replica as a data source, and that the company will apply to Ofwat to implement this change. The SIM replica survey occurs eight times per year and has a more robust sample size of 2,400.

The Partnership notes that the ease of contact score using the SIM replica was 93% for 2017/18, the same as in the two previous years. The incentive is reputational.

The Partnership understands that the first phase of customer system and process improvements known as the Customer Relationship Management (CRM) project was implemented in early 2018. The company intends that this, combined with its Customer Excellence Programme and associated implementation of further stages of CRM

and online services, will have a beneficial impact on performance against this and other customer-service related measures. The Partnership will review the performance against this Commitment during the coming year to confirm if the improvements are proving to be beneficial to customers.

The Partnership was keen to understand how WW monitors and improves its service to customers, particularly the work of its Customer Experience Group. This Group monitors customer service performance data, including customer feedback and root cause analysis and manages the continuous improvement of the customer experience through a variety of sub-groups and forums. During the year WW provided the Partnership with minutes of its Group meetings and information about the first-time resolution and customer journey workstreams of its customer experience programme. The Partnership were satisfied with the effectiveness of the company's work in these areas.

RA5 - ACCESSIBLE COMMUNICATION		
TARGET 17/18 BS18477 and Customer Service Excellence Award held	ACTUAL 17/18 BS18477 and Customer Service Excellence Award held	PREVIOUS YEAR BS18477 and Customer Service Excellence Award held

The company maintained its BS18477 accreditation and the Customer Service Excellence Award in 2017/18 and so met this reputational performance commitment.

Outcome B: Affordable bills

RB1 (i) - VOLUME OF WATER USED PER PERSON		
TARGET 17/18 133 l/person/day	ACTUAL 17/18 143 l/person/day	PREVIOUS YEAR 141 l/person/day

WW missed the target for 2017/18 by 10 l/person/day (7.5%). The target was missed in the previous year by 5%. The incentive is reputational.

As mentioned in previous years, the company considers performance against this particular measure is driven by factors largely outside its control – such as weather conditions. The Partnership notes that the volume of water used per person has increased over the last three years. It recognises that recent years have been relatively dry which might explain the increased usage. However, it also discussed with the company whether more home working and the increase in single person households may also be contributing factors. The Partnership is aware of increasing per capita consumption by customers of some other companies.

During the previous year the Partnership questioned the company over the effectiveness of its water saving initiatives. Whilst the Partnership welcomes and supports the company's water saving initiatives, it has also explored whether more can be done to influence government policy on the sale of non-compliant plumbing equipment. The Partnership is satisfied that the company is doing as much as it reasonably can in this respect, both individually and as part of the national body WRAS (Water Regulations Advisory Scheme) working group set up to engage with retailers and MPs on the issues. The WWP Chair has written to Government to lobby for retailers to stop selling non-compliant plumbing equipment.

The EA expects the reported volume used per person for 2017/18 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra later this year.

RB1 (ii) – VOLUME OF WATER SAVED BY WATER EFFICIENCY PROGRAMME

TARGET 17/18 1.92 l/per/day	ACTUAL 17/18 2.48 l/per/day	PREVIOUS YEAR 1.56 l/per/day
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The company has out-performed the target for 2017/18 by 0.56 litres per person per day, a greater margin than last year. The incentive is financial (penalty only).

However, as mentioned above, the Partnership recognises that WW is fulfilling its duties to encourage water efficiency but wished to explore whether there is scope for the company to do more to understand the water use behaviour of its customers in order to further promote water saving.

In response the company outlined the following initiatives to the Partnership:

- In addition to a water calculator, WW has a water use dashboard on its website enabling customers to save their responses to the water use survey so that when they return to the dashboard the company can offer more personalised advice
- The WW Home Check programme providing in-home advice and free fitting of water saving devices for. During the visit customers answer questions about their water use behaviour (in a similar way to the calculator/dashboard). WW stated it engaged with 9,000 household through Home Check in 2017/18.
- A new partnership with the Psychology Department at the University of Bath in which the company is collaborating with Masters students on a range of behavioural engagement challenges our business is facing including water efficiency. The students will be tasked with finding solutions to these issues that could be implemented with customers.

The Partnership welcomes these initiatives.

The EA expects the reported volume of water saved for 2017/18 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra later this year.

RB2 – BILL AS A PROPORTION OF DISPOSABLE INCOME

TARGET 17/18 Reducing trend	ACTUAL 17/18 1.5%	PREVIOUS YEAR 1.4%
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WW met its target for the Commitment in 2017/18 as the target reflects an overall reducing trend over the three years from the starting level of 1.6% in 2014/15.

Performance is measured by dividing the company's average household bill by average disposal income (derived from ONS and OBR data). The incentive is reputational, but the company has no control on the level of disposable income.

The Partnership requested and reviewed comparative industry information provided by WW on bills as a proportion of lower incomes. The company also provided detailed information on the numbers of customers on its affordability schemes and the associated eligibility criteria.

The Partnership welcomed this detailed information and continues to monitor the company's affordability schemes and strategies through its Affordability and Vulnerability Sub-Group. WW will be asked to provide updated comparative industry information during the coming year to help the Partnership understand industry trends against this measure.

2. Wholesale Water

Outcome B: Rivers, lakes and estuaries

B4 – COMPLIANCE WITH ABSTRACTION LICENCES

TARGET 17/18 100%	ACTUAL 17/18 100%	PREVIOUS YEAR 100%
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WW met the target in 2017/18 and forecasts 100% compliance over the next three years. The incentive is reputational.

The EA has informed the Partnership that it is unaware of any significant failures in compliance against this measure and so can support the reported performance on this basis.

The Partnership is aware of Ofwat's investigation into the industry's performance during the freeze-thaw event earlier this year and it will review the results of this in relation to WW's abstractions.

B5 – ABSTRACTIONS AT MERE EXPORTED

TARGET 17/18 100 MI/a	ACTUAL 17/18 30 MI/a	PREVIOUS YEAR 341 MI/a
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WW out-performed the river abstraction target at Mere in 2017/18, with the level of over-abstraction significantly reduced over 2016/17 (when the target was missed). The incentive is financial (penalty-only).

The Partnership understands that the company's new water supply grid was substantially commissioned during the year and this was the main contributing factor to the reduced abstraction at Mere. The company told the Partnership that it now has sources other than Mere available to supply operational requirements so it now forecasting to meet the target for this Commitment for the remaining two years of this price control period.

The EA has informed the Partnership that it is continuing to work closely with the company to ensure a sustainable abstraction at Mere.

B6 – BAP LANDHOLDING ASSESSED AND MANAGED FOR BIODIVERSITY

TARGET 17/18 80%	ACTUAL 17/18 90%	PREVIOUS YEAR 71%
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The company exceeded the target in 2017/18 and increased the percentage of BAP landholding assessed for biodiversity by 19% from the previous year. The incentive is financial (penalty only).

The company's Technical Auditor provided assurance to the Partnership that the company's reporting methodology and resulting data for this Commitment are robust.

The Partnership understands the 90% performance achieved in 2017-18 relates to land assessed. WW will be asked for data on the percentage of land it manages for biodiversity during the coming year.

B7 - LENGTH OF RIVERS WITH IMPROVED FLOW

TARGET 17/18	ACTUAL 17/18	PREVIOUS YEAR
0 km	78 km	0 km

This Commitment relates to improvements on various watercourses to return flows to within environmentally acceptable ranges in other watercourses where flows are currently low.

The Partnership notes there whilst there was no target for 2017/18, the company, with the agreement of EA, completed work to meet specified changes in abstraction licences originally scheduled for later in the period, mainly as a result of completing work on the new water supply grid. A target of 99km still applies in 2018/19 but, because the overall programme of work remains as originally determined, the anticipated length of river with improved flows next year will be 33km. The incentive is financial (reward and penalty) and this year's out-performance results in an accrued incentive payment of £1.482m for this year. The company is forecasting a total reward of £1.938m for the price control period.

During the coming year the Partnership intends to ask WW for data on any reduced abstraction volumes as well as changes in abstraction licences. It will also request information on any financial benefit gained from the revocation of abstraction licences.

Outcome D: Resilient services

D2 - RESTRICTIONS ON WATER USE (HOSEPIPE BANS)

TARGET 17/18	ACTUAL 17/18	PREVIOUS YEAR
0	0	0

No water use restrictions were applied during 2017/18 and none are forecast for the next two years.

The Partnership requested information from the company on the relationship between its abstraction licences and their impact on the environment. The company explained how it operates within its licence conditions to control environmental impact and how it works in partnership with EA and Natural England to identify licence changes or other mitigations necessary to reduce the impact where concerns have been raised by stakeholders. Examples of where the new water supply grid has led to licence reductions in Hampshire were provided.

D3 - WATER SUPPLY INTERRUPTIONS

(>3hrs including planned, unplanned and third party)

TARGET 17/18	ACTUAL 17/18	PREVIOUS YEAR
12.0 mins/prop	12.3 mins/prop	12.8 mins/prop

The incentive associated with this Commitment is financial (reward and penalty).

WW just under-performed the target in 2017/18 resulting in an accrued penalty of £13,000 for the year. A large-scale interruption in the Westbury area over three hours was experienced during the year.

The Partnership notes that performance against this Commitment can be very sensitive to such interruptions and thus difficult to forecast. With this in mind it requested details from the company of the Westbury incident and the response to it. These show that this incident contributed 1 minute and 38 seconds to the reported 2017/18 total of 12 minutes and 15 seconds. Whilst the burst on a large diameter main was quickly identified it proved to be difficult to repair because of its location and associated health and safety concerns that had to be considered and addressed. The Partnership was pleased to learn from WW that a scheme had already been prioritised to replace this main, and that this scheme has been advanced to 2018/19 to prevent a recurrence of this event.

The company's Technical Auditor confirmed to the Partnership that the company's reporting methodology and resulting data associated with this Performance Commitment remain satisfactory.

D4 – PROPERTIES SUPPLIED BY A SINGLE SOURCE (including the integrated supply grid)		
TARGET 17/18 78,000	ACTUAL 17/18 42,000	PREVIOUS YEAR 48,000

The company well exceeded the target in 2017/18 as a result of substantially completing its work on the new water supply grid.

The associated incentive is financial (penalty-only).

The target for 2018/19 falls to 42,000 properties and WW informs the Partnership that work it has completed this year will mean this target has now been met. These 42,000 customers are served by the company's Maundown works. As reported last year the Partnership was satisfied that the contingency plans at this works are appropriate to manage and minimise the risk of supply loss from this critical asset.

D5 – WATER MAINS BURSTS		
TARGET 17/18 <1,993	ACTUAL 17/18 1,920	PREVIOUS YEAR 1,863

The Partnership notes that the company met its 2017/18 target but its performance was worse than the previous year despite weather conditions being favourable. This deterioration in performance has now occurred over the last two years. The company considers such fluctuations in performance to be expected.

The incentive is financial (penalty only). The FD target for water mains bursts remains constant throughout the five-year period.

In response to a request the Partnership received information from WW on the sizes of bursts it suffers and the relative influence of these on leakage. The Partnership considered the information provided to be sufficient to address its queries relating to the company's current leakage reduction strategy and related operational activities.

WW were asked to provide information on the number of bursts it suffered during the cold weather conditions towards the end of the year. The Partnership was able to see that these water conditions did not result in a significant increase in mains bursts compared with historical trends. WW informed the Partnership that the most significant result of this cold weather was a very large number of customer service pipe leaks that occurred over 48 hours when the temperature was below zero and that this caused a significant number of internal customer leaks once the thaw occurred.

The Partnership will monitor water mains performance during the coming year.

WW's future leakage strategy is also being scrutinised and challenged as part of the Partnership's review of PR19.

Outcome F: Leakage

F1 - VOLUME OF WATER LEAKED		
TARGET 17/18 67.9 MI/d	ACTUAL 17/18 67.7 MI/d	PREVIOUS YEAR 68.3 MI/d

The company out-performed its 2017/18 leakage target by 0.1MI/d. The volume leaked was 0.5MI/d less than the previous year.

The associated incentive is financial (reward and penalty) but performance was within the reward deadband so no reward has been accrued for 2017/18.

The Partnership notes that the weather conditions during 2017/18 will have helped the leakage levels, as happened in the previous year, but that cold spells towards the end of the year meant that the level of leakage was higher than the company had hoped for.

In response to information requests the Partnership received information from WW on how it monitors the effectiveness of its leakage reduction initiatives - including its enhanced metering strategy and the pressure management optimisation project - and the effectiveness and relative contribution of these initiatives. This information was sufficient to address the Partnership's queries and to provide confidence in the company's activities in these areas. WW's future leakage strategy is being scrutinised and challenged as part of the Partnership's review of PR19.

WW's Technical Auditor confirmed that the company's leakage reporting methodology to be appropriate and the resulting data to be sound.

The EA expects the reported leakage for 2017/18 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra later this year.

F2 - CUSTOMER REPORTED LEAKS FIXED WITHIN A DAY		
TARGET 17/18 75%	ACTUAL 17/18 76%	PREVIOUS YEAR 70%

The Company exceeded its target for 2017/18 and improved its performance over the previous year by 6%. The incentive associated with this Commitment is reputational.

As reported last year the Partnership notes that WW's reporting methodology allows leaks reported against this commitment to be repaired up until the end of the next working day, that is potentially up to 36 hours after the leak was first reported during weekdays and longer at weekends.

The Partnership asked the company to investigate where possible other companies' reporting methodologies to check consistency and what incentives it has in place are to fix the leak quickly in the event that the target fix time has already been exceeded. As a result the Partnership is satisfied that WW's reporting methodology is at least equivalent or in some cases more beneficial to customers than other companies.

The Partnership is scrutinising WW's future leakage strategy as part of the its review of PR19, particularly the feasibility of any potentially more cost beneficial leakage reduction measures.

Outcome G: Highest quality drinking water

G1 - CUSTOMER CONTACTS ABOUT DRINKING WATER

TARGET 2017	ACTUAL 2017	PREVIOUS YEAR
1,608	2,031	2,172

Targets and actual performance against this measure are reported on a calendar year basis. The associated incentive is financial (reward and penalty).

Despite improving on its 2016 performance WW missed its target for 2017. The under-performance has resulted in an accrued maximum penalty of £400,000.

The Partnership notes that, as reported in the last two years, the company does not consider significant performance improvement is sustainable due to reducing opportunities for cost-effective investment in mains rehabilitation. As last year it is forecasting a penalty for the five year period of £1.2m. The Partnership is aware that WW made representations to Ofwat at the price determination about this issue but its case was not accepted. The Partnership continues to encourage WW to do all it can in other ways, such as through its customer management relationship initiatives, to ensure the targets for these years are met.

The Partnership considers this to be an important measure for customers. During 2017/18 the Partnership discussed with the company the number of contacts that lead to some form of remedy and whether the company could be doing more to inform customers about water quality. It was satisfied with the customer management relationship initiatives that are relevant to this measure.

The Partnership asked the company to provide information on the breakdown of water quality contacts between colour, taste and odour. It will analyse this information during the coming year and also monitor performance on drinking water contacts.

G2 - COMPLIANCE WITH DRINKING WATER STANDARDS

(Mean Zonal Compliance)

TARGET 2017	ACTUAL 2017	PREVIOUS YEAR
100%	99.96%	99.95%

Targets and actual performance are reported on a calendar year basis. The associated incentive is financial (penalty only).

The company failed to meet the 2017 target of 100% because it suffered eight water quality failures (out of 25,000 tests undertaken) during the year. This level of performance was within the penalty deadband so no penalty has been accrued.

The Partnership notes that half of the water quality failures in 2017 occurred on private water fittings (domestic plumbing and supply pipes) and so were outside WW's direct control. The company informs the Partnership the risk of failure on private fittings is always present and so it cannot guarantee 100% compliance against this measure. The Partnership accepts this.

WW was asked to provide more detail on the four sample failures that were attributable to its assets or its operations. One was due to elevated iron levels detected in a sample taken from a public building. Subsequent resamples taken from the property and neighbouring properties all contained low concentrations of iron. Three other failures related to a sample taken from a single property which exceeded the iron, polyaromatic hydrocarbons and benzo [a] pyrene standard. The company believes the iron failure was related to the cast iron main directly supplying the property.

During 2017/18 the Partnership discussed with the company whether it could be doing more to inform customers about water quality and the influence of their own plumbing arrangements on water quality. Whilst the

Partnership welcomes the company's efforts in these areas, it has also explored whether more can be done to influence government policy on the sale of non-compliant plumbing equipment. The Partnership is satisfied that the company is doing as much as it reasonably can in this respect, both individually and as part of the national body WRAS (Water Regulations Advisory Scheme) working group set up to engage with retailers and MPs on the issues. The WWP Chair has written to Government to lobby for retailers to stop selling non-compliant plumbing equipment.

3. Wholesale Wastewater

Outcome A: Improved bathing waters

A1 – AGREED NEP BATHING WATERS SCHEMES DELIVERED		
TARGET 17/18 100%	ACTUAL 17/18 100%	PREVIOUS YEAR 100%

The incentive associated with this Commitment is financial (penalty only).

The company met its 2017/18 target by delivering seven agreed NEP Bathing Waters schemes during the year. The EA have confirmed to the Partnership that the company delivered the required NEP schemes for 2017.

WW has informed the Partnership that it is on track to deliver the remaining bathing water schemes in the National Environmental Programme over the next two years and will monitor progress accordingly during the period.

A2 – BEACHES PASSING EU STANDARDS		
TARGET 2017 100%	ACTUAL 2017 96%	PREVIOUS YEAR 98%

The targets and actual performance for this measure are reported on a calendar year basis. The associated incentive is reputational.

WW did not meet its 2017 target because of two failures during the year against the EU 'sufficient' standard under the revised Bathing Water Directive. One failure occurred at Burnham Jetty North (the company reported similar failures in 2014, 2015 and 2016) and at Weston Super Mare Uphill Slipway. The Partnership understands this second site has failed in the past. During the coming year it will explore the reasons for the failure with the company and any risk of further issues in future.

The company has again informed the Partnership that, despite its wider investment in bathing water compliance, it does not anticipate meeting the standard at Burnham North Jetty throughout the period to 2019/20 due to wider pollution factors beyond its control. From its work in previous years the Partnership was satisfied that the company is maximising its efforts to achieve compliance and accepts that there are other causes of poor bathing water which are outside the company's control.

Outcome B: Rivers, lakes and estuaries

B1 – EA’s ENVIRONMENTAL PERFORMANCE ASSESSMENT		
TARGET 2017 Industry leading	ACTUAL 2017 Industry leading	PREVIOUS YEAR Industry leading

Targets and actual performance are reported on a calendar year basis. The associated incentive is financial (reward and penalty).

The Partnership welcomes the company meeting its 2017 target by achieving an ‘industry leading’ rating in the EA’s ‘Environmental Performance Assessment’ (EPA), a composite indicator comprising pollution incidents, discharge permit and sludge compliance and NEP outputs delivered. WW achieved a similar rating in 2015 and 2016. The EA has advised the Partnership that EPA is not published until late July, but the draft is showing WW to be industry leading in 2017.

The Partnership notes however that, whilst the EPA rating was maintained, there were three Category 1 and 2 pollution failures in 2017 (one occurred in 2016) and 77 Category 3 failures (75 in 2016). The company told the Partnership it is improving its monitoring of critical sewer rising mains to further control pollution incidents. The Partnership recognises that the company’s performance in self reporting pollution incidents is good.

The Partnership requested performance trends over recent years against the component measures of the EPA. This will be analysed and the Partnership will monitor performance against the individual components of the EPA during the coming year.

B2 – MONITORING CSOs		
TARGET 17/18 43%	ACTUAL 17/18 60%	PREVIOUS YEAR 50%

WW comfortably out-performed its 2017/18 target by installing monitoring telemetry at 178 named combined sewer overflow (CSO) locations. Some 350 CSOs have now been improved in this way since the start of the current control period. The associated incentive is financial (penalty only).

The company has informed the Partnership that it remains on track to deliver the remaining improvements and meet its targets through to 2019/20.

WW’s Technical Auditor confirmed that the company’s reporting methodology for this Commitment to be appropriate.

B3 – RIVER WATER QUALITY IMPROVED		
TARGET 17/18 8	ACTUAL 17/18 23	PREVIOUS YEAR 8

WW improved the river water quality of 15 water bodies during 2017/18 against a target of eight. The measure for this Commitment is cumulative each year so the performance achieved to 2017/18 is 23. The target is 70 water bodies to be improved by 2019/20.

The associated incentive is financial (reward and penalty), however these are assessed based upon the position at March 2020.

WW carried out investment and improvements in operating regimes at wastewater treatment works under the National Environment Programme earlier than needed under this Commitment but with the knowledge of EA.

Outcome C: Sewer flooding

C1 – INTERNAL FLOODING INCIDENTS

(per 10,000 properties connected)

TARGET 17/18	ACTUAL 17/18	PREVIOUS YEAR
1.70	1.21	1.20

The incentive associated with this Commitment is financial (reward and penalty).

WW comfortably out-performed the target in 2017/18 (as it has done in previous years) and has accrued a corresponding reward of £5.508m for the year. This is in addition to the £5.508m reward it accrued last year and £5.1m the year before. The company is now predicting a total reward of £27.132m for the control period. This predicted reward is higher than previous estimates because the company considers the probability of further outperformance has increased as a result of this year's result.

The Partnership welcomes the fact that the number of customers affected by internal flooding incidents reduced from the previous year but noted that the relatively dry weather during 2017/18 will have contributed to the good performance.

The Partnership welcomes the company's efforts to reduce the incidence of sewer flooding, given the severe impact on customers, and its forecast of further outperformance in the remaining years to 2019/20. During the coming year, the Partnership will be discussing with the company its use of the associated reward which will materialise at the end of the control period.

The company's Technical Auditor provided assurance to the Partnership that the company's sewer flooding incident reporting methodology and resulting data are robust.

C2 – RISK OF FLOODING FROM PUBLIC SEWERS

(due to hydraulic inadequacy)

TARGET 17/18	ACTUAL 17/18	PREVIOUS YEAR
50,651	49,796	51,125

This measure is based on the company's sewer flooding risk register which utilises a grid assessment of likelihood against risk. The associated incentive is financial (reward and penalty).

WW out-performed the target for 2017/18, but performance was within the reward deadband and so no financial reward was accrued.

The risk score associated with this Commitment includes the assessment of properties that have flooded. The FD target for this Commitment remains constant throughout the five-year period.

The company's Technical Auditor confirmed to the Partnership that the reporting methodology and resulting data associated with this Performance Commitment are satisfactory.

C3a – NORTH BRISTOL SEWER SCHEME

(Frome catchment)

TARGET 17/18	ACTUAL 17/18	PREVIOUS YEAR
0	0	0

There was no target for 2017/18, as delivery of the Frome catchment element of the North Bristol Sewer Scheme is not programmed until 2019/20. The company informs the Partnership that work on the scheme is on track to meet and possibly exceed this target. The associated incentive is financial (penalty only).

C3b - NORTH BRISTOL SEWER SCHEME (Trym catchment)		
TARGET 17/18 Interim milestone reached	ACTUAL 17/18 Interim milestone reached	PREVIOUS YEAR 0

The target for 2017/18 for the Trym catchment element of the North Bristol Sewer Scheme was to achieve a specified milestone on the project. This was achieved and confirmed by the company's Technical Auditor.

The associated incentive is financial (penalty only).

Outcome D: Resilient services

D1 - COLLAPSES AND BURSTS ON SEWER NETWORK		
TARGET 17/18 <300	ACTUAL 17/18 223	PREVIOUS YEAR 264

The Company outperformed the target for the Commitment in 2017/18 (as it did in 2016/17). The number of collapses and bursts on the sewer network reduced by 41 (16%) from the previous year.

The FD target for this Commitment remains constant at 300 collapses and burst throughout the five-year period. The associated incentive is financial (penalty only).

The Partnership questioned the company about its the actions to meet its performance targets and the metrics being used to monitor progress and the resulting benefits. The company explained how it uses a risk-based approach including network and deterioration modeling and cost benefit analysis to prioritise the replacement and renovation of specific sewers and that senior management monitor burst and collapse trends on a monthly basis. The Partnership was satisfied with the company's approach and welcomes the company's performance against this Commitment.

The company's Technical Auditor confirmed to the Partnership that the sewer collapse and burst reporting methodology and resulting data are robust.



Outcome E: Carbon footprint

E1 – GREENHOUSE GAS EMISSIONS (kilotonnes carbon dioxide equivalent)		
TARGET 17/18 122 ktCO₂e	ACTUAL 17/18 122 ktCO₂e	PREVIOUS YEAR 123 ktCO₂e

The company met its 2017/18 greenhouse gas emission target. There was a slight decrease in emissions over 2016/17.

The associated incentive is reputational.

The Partnership questioned the company to more fully understand how much of its greenhouse gas emission improvement is within its control and the relationship between its energy usage and self-generation. In particular it sought information and assurance on:

- The purchase of carbon intensive energy (ie why the company purchases imported energy when less carbon intensive options may be available)
- The availability of fuel efficient vehicles (ie opportunities to influence fleet suppliers or vehicle manufacturers) and why certain vehicles are chosen from those available
- Energy usage by contractors
- The reporting of imported zero carbon electricity on a voluntary basis, even though it is typically not accounted for as zero carbon under official reporting rules.

The Partnership was satisfied with the company’s responses and was pleased to learn that it’s trialling the use of electric vehicles in one part of its business and will be preparing a company policy on the use of such vehicles.

The company’s Technical Auditor confirmed to the Partnership that the reporting methodology and resulting data associated with this Performance Commitment are satisfactory.

E2 – PROPORTION OF ENERGY SELF GENERATED		
TARGET 17/18 22%	ACTUAL 17/18 26%	PREVIOUS YEAR 29%

WW exceeded its self-generated energy target for 2017/18 by 4% although the proportion of energy self-generated fell from the previous year. The associated incentive is financial (penalty only).

The company explained that the fall in energy self-generated was caused by less biomethane production than in the previous year and an outage of a key hydro-electric turbine. Overall electricity consumption by the company was higher than in 2016/17 caused by wet conditions at the end of the year, which increased energy demand for sewage pumping.

The company’s Technical Auditor confirmed to the Partnership that the energy generation reporting methodology and resulting data are robust.