



Portsmouth Water Limited

PR19 ODIs

Year 2 – 2021/22

July 2022

Delivering excellence for our customers, our people and our environment

PR19 ODIs – Year 2 – 2021/22

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EXECUTIVE SUMMARY

Executive Summary

Background

- The ODI report is prepared and published along-side the APR to explain our performance against ODIs.
- This document reviews each of our 26 ODIs in turn. It documents the PR19 targets for AMP7 and quantifies the impact of any reward or penalty mechanism in 2021/22.

Summary

- In total we have achieved 18 of our 26 ODIs.

Compliance Risk Index	Interruptions to Supply	Leakage	Per Capita Consumption	Mains Repair
Unplanned Outage	C-MeX	D-MeX	Catchment Management	Abstraction Incentive Mechanism
Biodiversity Grant Scheme	Household Voids	Water Quality Contacts	Biodiversity Penalty	Low Pressure
Affordability	WINEP Timing	Risk of Severe Drought	Priority Service Register	Resilience Schemes
Water Restrictions	Carbon	Vulnerability	RoSPA Health and Safety	WINEP Delivery
Havant Thicket				

- The net reward available to the Company is expected to be £0.535m in 2023/24. This is a c.£1.60 increase in household bills in 2023/24.
- Our ODI performance has been independently assured by Technical Assurer, Jacobs; and independently challenged by our Customer Scrutiny Panel Group.

BACKGROUND INFORMATION

PR19 Final Determination

- The PR19 Final Determination set in 2019 by Ofwat sets the prices and service levels for the AMP7 period (2020-2025)
- The Final Determination for Portsmouth Water proposed 26 Outcome Deliver Incentives (ODIs), including 1 for the Havant Thicket Winter Storage Reservoir.
- Ofwat proposed 10 Common ODIs – which apply equally to all companies.
- We proposed, and Ofwat confirmed, 15 Bespoke ODIs and Ofwat proposed 1 for Havant Thicket.
- 18 of the ODIs have financial incentives and 8 are reputational (non-financial).
- Financial ODIs may be penalty only or reward and penalty. All ODIs are listed below:-

	Rewards & Penalties	Penalty Only	Reputational
Common ODIs	Interruptions, Leakage, PCC, C-MeX, D-MeX	Compliance Risk Index, mains repairs, unplanned outage	Severe drought, PSR
Bespoke ODIs	Catchment management, AIM, Grant scheme, Voids	Water quality contacts, Biodiversity, Low Pressure, Affordability, WINEP (timing), Havant Thicket	Resilience, TUBs, Carbon, Vulnerability, RoSPA, WINEP (delivery)

So What?

The ODI package is significantly greater than the PR14 determination, with common ODIs being applied to all companies.
 The financial impacts / adjustments are all within period for AMP7 (2020-25). In AMP6, (2015-20) all our adjustments were applied at the end of the period.

Overview

- This document reviews each of the 26 ODIs in turn. It documents the PR19 targets for AMP7 (2020-2025) and quantifies the impact of any reward or penalty mechanism in 2021/22.
- All ODIs are discussed monthly at the Executive meeting, reported monthly to the Board and annually in our Annual Performance Report (APR), and discussed with an independent panel of customer stakeholders, our Customer Scrutiny Panel.
- Third party assurance on performance has been provided to the Board by Jacobs.
- The impact of any reward / penalty will be to adjust customer bills two years hence, for example a reward for interruptions to supply in year one, 2021/22, will increase household bills in year 4, 2023/24.
- All financial data in this paper is in 2017/18 prices and will be subject to CPIH inflation when reflected in charges.

So What?

The Ofwat ODI mechanism was introduced at PR14 and Ofwat allowed companies to determine its ODIs, their targets and their incentive rates.

PR19 has introduced common ODIs and in-period adjustments.

Ofwat's strategy has been to standardise a group of core ODI's across the sector.

Our strong performance on almost all ODIs places us in a good position for the rest of the AMP7 period.

2021/22 PERFORMANCE SUMMARY

Common ODIs

- The table below shows the targets for the Common ODIs for 2021/22 and AMP7 and an indication of pass or fail. Detailed discussion is given on each ODI in subsequent slides.

Common ODI	Incentive	AMP7 Target	2021/22 Target	2021/22 Performance
CRI	Penalty Only	0	0	3.74
Interruptions	Reward and Penalty	6 mins 30 secs to 5 mins over AMP7	6 mins 8 secs	2 mins 21 secs
Leakage	Reward and Penalty	15.2% reduction by year 5	6.2% reduction	12% reduction
PCC	Reward and Penalty	6.3% reduction by year 5	2.5% reduction	7.3% increase
Mains Repair	Penalty Only	73.8 bursts per 1,000km to 68.6	72.4 bursts per 1,000km	47.3 bursts per 1,000km
Unplanned Outage	Penalty Only	2.34% per annum	2.34%	0.76%
C-MeX	Reward and Penalty	No explicit target	No explicit target	3 rd
D-MeX	Reward and Penalty	No explicit target	No explicit target	3 rd

So What?

The targets for these ODIs have been set with reference to industry performance. At PR19 Ofwat were keen to ensure there was a step change improvement in the levels of service to customers. Many of the targets were set with reference to upper quartile actual or forecast performance. We have delivered six but failed two of the common ODIs.

Bespoke ODIs

- The table below shows the targets for the Bespoke ODIs for 2021/22 and AMP7 and an indication of pass or fail. Detailed discussion is given on each ODI in subsequent slides.

Bespoke ODI	Incentive	AMP7 Target	2021/22 Target	2021/22 Performance
Catchment Management	Reward and Penalty	Engage with 50 farmers in AMP7	Engage with a total of 20 farmers over AMP so far	20 farmers engaged in AMP so far
Abstraction Incentive Mechanism	Reward and Penalty	Abstraction at Northbrook at 18.8 MI/d when Q95 applies	Abstraction at Northbrook at 18.8 MI/d when Q95 applies	Trigger level not reached. AIM did not apply.
Biodiversity Grant Scheme	Reward and Penalty	Cumulative spend of £250k over AMP7	Spend £100k over AMP so far	£99k spent.
Household Voids	Reward and Penalty	2% voids per annum	2.00% voids	2.28% voids
Water Quality Contacts	Penalty Only	0.44 to 0.41 contacts per 1,000 population served	0.43 contacts per 1,000 population served	0.405 contacts per 1,000 population served
Biodiversity	Penalty Only	Maintain 90% of our sites in good status	90% of sites in good status	90.7% of sites in good status
Low Pressure	Penalty Only	Reducing number of properties to 18 by year 5	50 properties at end of 2021/22	23 properties at end of 2021/22
Affordability	Penalty Only	10,000 customers on social tariff by year 5	8,500 customers on social tariff	20,241 customers on social tariff
WINEP Timing	Penalty Only	Deliver 18 WINEP actions by year 5 in line with Ofwat target	4 WINEP actions delivered	3 WINEP actions delivered

So What?

There is very limited scope to earn rewards on our Bespoke ODIs as we consider the targets are already stretching. We have delivered six and failed three of the bespoke ODIs, narrowly missing the target on Biodiversity

PR19 ODIs – Year 2 – 2021/22

2021/22 Performance Summary

Reputational ODIs

Reputational ODI	Definition	AMP7 Target	2021/22 Target	2021/22 Performance
Risk of Restrictions in a Severe Drought	The % of customers at risk of experiencing severe restrictions in a 1 in 200 year drought, over 25 years.	AMP7 target reduces from 84% to 32% as Worlds End and leakage and PCC reductions are delivered.	80%	88%
Priority Services Register (PSR) - Reach	The number of households on the Company PSR.	The Company target is 9% by the end of AMP7, circa 30k households.	3.7%	10.5%
PSR – Attempted Contact	The percentage of households we have attempted to contact that have been on the PSR for over 2 years	AMP7 target increases from 45% in year 1 to 90% in following years	90%	96.3%
PSR – Actual Contact	The percentage of households we have made actual contact with that have been on the PSR for over 2 years	AMP7 target increases from 17.5% in year 1 to 35% in following years	35%	13.4%
Resilience Scheme	Installation of VOC monitors, Hoads Hill to Gosport Main and Nelson to Lovedean main.	Delivery of three resilience schemes.	Delivered in AMP7	Later in AMP7
Water restrictions	The number of water supply restrictions each year.	The definition includes Temporary Usage Bans, and other restrictions.	0	0
Carbon	% reduction in net annual operating greenhouse gases (in kg CO2e) / MI	AMP target is cumulative 1% pa, giving 5% by 2024/25.	2%	29.8%
Vulnerability	A survey of third parties who support customers in vulnerable situations.	85% of parties stating they are satisfied or very satisfied with the service	85%	70%
RoSPA	Delivery of high standards of health and safety for its employees.	Attainment of the RoSPA gold standard each.	Gold	Order of Distinction
WINEP Delivery	Delivery of the agreed commitments in the WINEP programme, set out by the EA.	18 schemes to deliver, including catchment management and eel screens.	4	3

So What?

Although there are no financial impacts of the performance of these ODIs we believe these ODIs to be just as important and valued by customers and stakeholders. Our reputation to “do the right thing” remains an important principle of the Company. We have failed four of the reputational ODIs.

2021/22 PERFORMANCE DETAIL

Water Quality Compliance – Compliance Risk Index

- Annual target for CRI is 0 for each year in AMP7.
- Penalty Only – deadband applying from CRI score up to 2 and collar of 9.5.
- Penalty is £113k per point above 2.0.
- The CRI score is calculated for every individual compliance failure at water supply zones, supply points / treatment works and service reservoirs. The annual CRI for a company, for any given calendar year, is the sum of the individual CRI scores for every compliance failure weighted by the potential number of properties affected, in the calendar year.

CRI		2019	2020	2021	2022	2023	2024
Ofwat Target	CRI Score		0	0	0	0	0
Deadband	CRI Score		2	2	2	2	2
Performance	CRI Score	0.028	0.580	3.741			

So What?

We had 9 water quality failures in calendar year 2021, a number of the failures were marginal in nature and as such 7 failures around Nickel, Odour and Coliform Bacteria were deemed unlikely to reoccur, and the DWI have confirmed that these failures will not be assessed under CRI. The other two failures were related to excess aluminium detected in the network. The score for these failures is 3.74. This means that we will need to pay a financial penalty, which applies if the score is greater than 2.0. The Pure Excellence programme has been mobilised to address risk around Water Quality. The Pure Excellence programme includes £3.2m additional investment focussed on delivering improvements required in the DWI notices.

Interruptions to Supply

- Target for Interruptions to Supply is 6 mins 30 secs (per property) reducing to 5 mins over AMP7.
- Reward and Penalty – Reward and penalty both at £69k per minute.
- No deadbands but a collar of 22 mins 45 secs and a cap on outperformance starting at 2 mins 47 secs for 2020/21 reducing to 1 min 30 over AMP7; any performance better than the cap is not rewarded.
- The average number of minutes lost per customer for the whole customer base for interruptions that lasted three hours or more. This measures both planned interruptions on the network, as a result of renewals, and unplanned interruptions to customers as a result of burst.

Interruptions		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	MM:SS		06:30	06:08	05:45	05:23	05:00
Underperformance collar	MM:SS		22:45	22:45	22:45	22:45	22:45
Outperformance cap	MM:SS		02:47	02:28	02:10	01:52	01:30
Performance	MM:SS	03:21	02:49	02:21			

So What?

Interruptions continue to be significantly better than expectations outlined in the ODI target. We have benefited from benign weather conditions resulting in fewer winter bursts but more importantly the record performance has been driven by good management of unplanned events throughout the year. Our position at the end of year is 2 mins 21 seconds per property, relative to the Ofwat annual target of 6 mins 08 secs. This is a record best result for us and means that we have significantly outperformed the target for 2021/22.

Leakage

- The AMP7 target for leakage is 15.2% reduction from the 2019/20 value, which itself is based on the three year rolling average.
- Reward and Penalty – Reward at £134k per MI/d and penalty at £160k per MI/d.
- No dead-bands but a collar of 5% and a cap on outperformance starting at 18.8% for 2020/21 increasing to 30.8% any performance better than the cap is not rewarded.
- Note our three year rolling base position for 2019/20 is 28.4 MI/d.

Leakage		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	MI/d		27.5	26.6	25.8	24.9	24.1
Ofwat Target	%		-3.1%	-6.2%	-9.2%	-12.2%	-15.2%
Performance	MI/d	28.4	25.4	25.0			
Performance	%		-10.6%	-12.0%			

So What?

Leakage continues to be significantly better than expectations set in the ODI target. Our three-year average position at the end of the year is 25.0 MI/d, relative to the Ofwat target 26.6 MI/d. We have therefore significantly outperformed the target for 2021/22. Our annual leakage position of 26.9 MI/d is also below target, but higher than the previous year. As reducing leakage is very important to customers and plays a vital role in ensure a resilient water supply, we have implemented a leakage recovery action plan to reduce leakage further in 2022/23.

Per Capita Consumption (PCC)

- The AMP7 target for PCC is 6.3% reduction from the 2019/20 value, which itself is based on the three year rolling average.
- Reward and Penalty – Reward at £28k per l/p/d and penalty at £33k per l/p/d.
- No deadbands but a collar of 8.6% and a cap on outperformance starting at 4.6% for 2020/21 increasing to 9.6% over AMP7; any performance better than the cap is not rewarded. This is not likely.
- After consideration, Ofwat have recognised that there is an issue with this ODI, given the impact of Covid-19. They propose to review targets when more data on Covid is available and it will be assessed at the end of AMP7 as opposed to the annual ODI's.

PCC		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	l/p/d		147.4	145.6	143.7	141.9	139.9
Ofwat Target	%		-1.3%	-2.5%	-3.8%	-5.0%	-6.3%
Performance	l/p/d	149.3	157.2	160.2			
Performance	%		+5.3%	+7.3%			

So What?

The PCC for 2021/22 is 160 l/p/d. Whilst a significant drop on the previous year, the outturn is clearly significantly higher than our annual spot target of 140 l/p/d. We have a planned recovery programme to reduce PCC over the remaining price control period. The continued high household usage is heavily influenced by more people working from home. Ofwat have recognised that there is an issue with this ODI, given the impact of Covid-19, and propose it will become an end of AMP ODI as opposed to an annual ODI.

Mains Repairs

- Target for Mains Repairs is 73.8 bursts per 1000km in 2020/21 reducing to 68.6 bursts per 1,000 km in 2024/25.
- Penalty Only.
- Penalty is £24k per unit above target.
- The ODI is the number of mains repairs per thousand kilometres of the entire water main network (excluding communication and supply pipes).

Mains Repairs		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	# / 1000km		73.8	72.4	71.2	70.0	68.6
Performance	# / 1000km	50.0	76.0	47.3			

So What?

Mains repairs are lower (better) than expectations set in the ODI target. We have benefited from benign weather conditions and targeted network calming activities have reduced risk of bursts across our network. Our position at the end of year is 47.3 repairs per 1,000 km of mains, against the Ofwat annual target of 72.4. We have therefore achieved this target. Our result this year represents a record low number of bursts and is a significant reduction on the previous year where we missed the target.

Unplanned Outage

- Target for Outage is 2.34% per annum.
- Penalty Only.
- Penalty is £190k per percentage point above target.
- Unplanned outage is the temporary loss of peak week production capacity (PWPC) weighted by the duration of the loss (in days). Unplanned outage for each water production site is calculated separately and then summed to give a total actual unplanned outage for the water resource zone. It is then normalised based on overall company peak week production capacity and reported as a percentage.
- This is a new and complex measure, assessing asset availability and the company’s capital maintenance programme. It is not a measure we have needed to focus upon historically, given our surplus water and treatment capacity. This ODI is of much higher importance in AMP7 especially with greater bulk supply commitments to Southern Water.

Unplanned Outage		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	%		2.34%	2.34%	2.34%	2.34%	2.34%
Performance	%	1.02%	1.25%	0.76%			

So What?

Unplanned outage is significantly better than expectations set in the ODI target. We continue to ensure that we do not experience many outage incidents due to asset failure but effective incident management and through the resilience of our system. Our position is at 0.76% of peak week production capacity, compared to the Ofwat target of 2.34% and previous year performance of 1.25%. Therefore, we continue to not need to pay an underperformance penalty for this ODI.

2021/22 Performance Detail

C-MeX

- C-MeX is a measure incentivising companies to improve the experience we provide to residential customers.
- Two different surveys have been undertaken, a customer service survey (CSS) and customer experience survey (CES) and weighted equally to determine the measure on a quarterly basis.
- Companies are then be ranked against each other and the median score determined. Rewards and penalties apply relative to the median industry score. The maximum reward is 6% of residential retail income with the maximum penalty at 12% of residential retail revenue.
- Additional performance payments up to an additional 6% are available, each year, if the Company passes the following three gates:-
 - The Company is one of the top three performers by C-MeX score.
 - The Company is at or above a cross sector threshold of all customer satisfaction performance based on the all-sector upper quartile UK Customer Satisfaction Index (UKCSI).
 - The Company has lower than average household complaints.

C-MeX		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Performance	Pos		1 st	3 rd			



The results for C-MeX for the year have been provisionally published and we are third, a drop from first in the previous year. We continue to perform very well on our satisfaction score, but have seen a drop in our score for general experience. Early analysis indicates that customers want us to communicate more, whilst we have also seen a number of customers mark us down due to recent local issues around sewerage. We are currently investigating how best to improve communication with customers. We expect to receive an ODI rewards for 2021/22.

D-MeX

- D-Mex is a new measure incentivising companies to improve the experience we provide to developers, including self lay providers and NAVs.
- There are two different elements of the measure:-
 - A survey of developers
 - Company performance statistics
- Each element is equally weighted and reported quarterly.
- Companies are ranked against each other and the median score determined. Rewards and penalties apply relative to the median industry score. The maximum reward is 6% of Developer Income with the maximum penalty at 12% of Developer Income.

D-MeX		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Performance	Pos		3 rd	3 rd			



We are pleased to have been ranked third for D-Mex for 2021/22. We were ranked first in the developer survey and eleventh for levels of service, having struggled in Q3 in particular. The struggle in Q3 was due to staffing levels, which has been resolved now. We expect to receive an ODI reward for 2021/22.

Catchment Management

- Target is to engage with 50 farmers over the AMP7 period
- Reward and Penalty
- Reward is £400 for each engagement above target; penalty is £800 for each engagement short of target.
- The number of farmers engaged with that, following our engagement, have committed to undertake a Farm Management Plan including a nutrient management plan. These plans are legal requirements and aim to ensure farmers and landowners do not use more nutrients than the crop or soil needs.
- This is a new initiative for the Company building on the current engagement in priority zones, which still remains and is part of our agreed WINEP programme with the EA.

Catchment Management		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	# of farmers	10	10	10	10	10
Cumulative	# of farmers	10	20	30	40	50
Performance (Cumulative)	# of farmers	10	20			



We met the target of 10 farms for the whole of 2021/22 and thus no payment is required. We have actively engaged with a number of farmers and recognised that the optimum time for soil sampling and analysis is within this period before crops are drilled. Our catchment management and biodiversity work are also being communicated under the well-established Downs and Harbour Clean Water Partnership banner.

Abstraction Incentive Mechanism

- Target is to ensure abstraction at Northbrook does not exceed 18.8MI/d when River Hamble is below its Q95 flow rate.
- Reward and Penalty - Reward is £16,800 per MI/d per annum below target; penalty is £19,000 per MI/d per annum above target.
- AIM reduces abstraction at environmentally sites when flow or levels are below an agreed trigger. The incentive rates are annual values and it is unlikely that the flow in the river will be below its trigger value for such a long duration.

AIM		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	MI/d	18.8	18.8	18.8	18.8	18.8
Performance	MI/d	N/A	N/A			

So What?

We monitor the river level of the Hamble at Frogmill. The flow has not dropped below the trigger level (of 104 l/sec) in the year and therefore no action has been required by the Company at Northbrook pumping station.

Biodiversity Grant Scheme

- Target is provide grants to NGOs and third parties for projects which enhance biodiversity in the region. We are committed to grant £50k pa, equating to £250k over the AMP7 period.
- Reward and Penalty
- Reward is £18,600 for every £100,000 granted over the cumulative target in any year. Penalty is equal and opposite.
- This is a new initiative and we will engage with local NGOs and stakeholders to promote the scheme. This is an excellent opportunity to engage with stakeholders not only in terms of granting money for local environmental projects but involving them in the grant allocation process as well.

Grant Scheme		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	£000s	50	50	50	50	50
Ofwat Target Cumulative	£000s	50	100	150	200	250
Performance (Cumulative)	£000s	50	99			

So What?

Our Grant Scheme (for biodiversity projects under taken by Third Parties) was launched in September 2020 and we received 9 applications. To date in AMP7, £99,378.40 has been rewarded in grants against a cumulative target of £100,000. We have therefore marginally failed this ODI and can expect a small financial penalty.

Household Voids

- Target for voids is 2% per annum in AMP7
- Reward and Penalty – both at £140k per percentage point below / above target.
- The average number of households classified as void on the Company billing system as a percentage total households connected.
- Key to ensure we are billing all customers who are receiving water.
- The impact of reducing voids is to reduce the bill for all other customers, as we have a fixed revenue allowance spread over more customers. This is why Ofwat have introduced this incentive mechanism.

Household Voids		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	%		2.00	2.00	2.00	2.00	2.00
Performance	%	2.56	2.36	2.28			

So What?

We were not been able to reduce the number of household voids in the period as planned. However there has been significant progress during the second half of the year and an action plan is in place to further improve in 2022/23. The average percentage for household voids was 2.28% against a target of 2.0%. We will need to pay a penalty for underperformance this year but expect to meet the target in 2022/23.

Water Quality Contacts

- Target for Water quality contacts is 0.44 reducing to 0.41 contacts per 1,000 population served per annum
- Penalty Only.
- Penalty is £544k per unit point above target.
- The number of times the company is contacted by consumers due to the taste and odour of drinking water, or due to drinking water not being clear. Calculation is the number of contacts for appearance plus all taste/odour contacts multiplied by 1,000 divided by the resident population as reported to Drinking Water Inspectorate (DWI).
- The Company has been industry leading in AMP6 and in 2019 reduced the number of contacts below 0.40 per 1,000 population served. Achieving this target is likely to retain our industry leading position on this measure when the DWI publish its Annual Report in July 2022.

WQ Contacts		2019	2020	2021	2022	2023	2024
Ofwat Target	# / 1000 pop		0.44	0.43	0.43	0.42	0.41
Performance	# / 1000 pop	0.40	0.43	0.41			

So What?

We have seen a drop in water quality contacts in 2021. Our performance is at 0.405 contacts per 1,000 customers served, which is 6% better than our target. Therefore, we do not need to pay an underperformance payment for 2021/22.

Biodiversity Penalty

- Target for to ensure 90% of Company land, identified as priority habitat, is in good stewardship over AMP7.
- Penalty Only.
- Penalty is £940 per percentage point below target, with a collar at 70%.
- The Company have agreed with Natural England, the Hampshire & Isle of Wight Rivers Trust, relevant local authorities and the EA the number of sites covered by this performance commitment.
- This ODI builds on the success of our Biodiversity ODI in AMP6 and requires the support of Operational staff to maintain sites as agreed in our operational plans.

Biodiversity		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	%	90	90	90	90	90
Performance	%	30	90.7			



We have agreed with Natural England a programme of work on our sites to maintain the good status we achieved in AMP6. Much of the programme relies on operational staff to maintain sites in accordance with our grass cutting regime. After failing to achieve our target in 2020/21, significant improvements have been made and we have achieved the 90% target for 2021/22.

Low Pressure

- Target for Low pressure is to reduce the number of customers on the register from 70 to 18 over the AMP7 period.
- Penalty Only.
- Penalty is £1,890 per property above target.
- The number of customers receiving or at risk of receiving pressure below the reference level.
- The Company is lower quartile on this measure currently in the industry and this programme will improve us to average. It is possible that some customers will not want our offering, given concerns over on-going maintenance of any boosters installed.

Low Pressure		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	# of properties	60	50	40	30	18
Performance	# of properties	60	23			

So What?

We have significantly outperformed our annual target this year, reducing the number of customers at risk of low pressure from 60 to 23. We are also significantly below our target of 50. Targeted improvements to network configuration mean that less customers now experience low pressure. We therefore have no penalty to pay.

2021/22 Performance Detail

Affordability

- Target for 31 March 2025 is 10,000 customers on our Social Tariff
- Penalty Only.
- Penalty is £21 per customer below target.
- The number of customers on the Company Social tariff at the end of each regulatory year.
- The Company has been very successful promoting its Social Tariff in AMP6 and are well placed therefore to hit our targets for AMP7. We will continue to work with support agencies and Southern Water to increase take up rate.
- We recover the discount of circa £25 per customer from all other customers (10,000 customers at £25 increases all other customers bills by 86 pence per year).

Affordability		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	# of customers	8,000	8,500	9,000	9,500	10,000
Performance	# of customers	9,327	10,254			



We continue to increase the number of customers on our social tariff, now reaching over 10,000 customers relative to the Ofwat target of 8,500. We are expecting further increases in customers on the social tariff in 2022/23 as the cost-of-living crisis deepens and we continue to promote our helping to pay initiatives. As we are above target, we do not need to pay an underperformance payment for 2021/22.

WINEP Timing

- Target is to complete our 18 WINEP commitments as agreed with the EA.
- Penalty Only.
- Penalty is £23k per project per year late.
- The Company will secure confirmation from the EA that performance has been correctly reported.
- The agreed WINEP programme has 11 schemes related to catchment management, 2 on the installation of eel screens on the River Itchen, 1 on bio-security (how we minimise the potential to introduce invasive species on to our sites), 1 on natural capital and 3 on water resource abstraction (2 on the Itchen and 1 at Soberton).
- There is also a WINEP delivery ODI. This is non-financial, (see later).

WINEP Delivery		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target (Cumulative)	# of schemes	2	4	6	6	18
Performance (Cumulative)	# of schemes	2	3			



We have 18 schemes in our agreed WINEP programme for AMP7, with 7 schemes originally to be completed by end of 2021/22. We have received formal approval by the Environment Agency of an extension to 3 schemes, meaning a new target of 4 for 2021/22. 2 of the 4 schemes were completed in 2020/21, and another in 2021/22. Unfortunately, 1 scheme was not completed until April 2022, and this means that we failed this ODI. We can expect a small financial penalty.

Priority Services Register (PSR) - Reach

- Target for the Priority Services Register - Reach is 9% by the end of 2024/25.
- This ODI is reputational.
- The ODI is the number of customers on our PSR register every year as a percentage of the household base.
- There are two further ODI's on contacting customers on the PSR (see later).

PSR - Reach		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	%	2.0	3.7	5.5	7.3	9.0
Performance	%	10.6	10.5			



In the previous year (2020/21), we increased the number of customers we have on our PSR significantly by writing to more than 32,000 customers over the age of 70 who were on the government shield list for Covid-19. We have therefore already achieved our end of AMP7 target of 9%, given we serve circa 300,000 households.

Priority Services Register (PSR) – Attempted Contact

- Target for the Priority Services Register – Attempted Contact is to have attempted to make contact within the past two years with 45% of customers on the PSR for 2020/21 and 90% for 2021/22 to 2024/25.
- This ODI is reputational.
- The ODI is the percentage of customers on our PSR that we have attempted to contact. Only customers who have been on our PSR for greater than 2 years (as of 31st March 2022) are included.

PSR – Attempted Contact		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	%	45	90	90	90	90
Performance	%	80.2	96.3			



We are required to attempt to make contact with 90% of households that have been on our PSR for over 2 years. At the end of March 2022, we had 350 households that had been on our PSR for greater than 2 years, and we attempted to make contact with 337. This equates to 96%, meaning that we have achieved this reputational ODI.

Priority Services Register (PSR) – Actual Contact

- Target for the Priority Services Register – Actual Contact is to have actually made contact within the past two years with 17.5% of customers on the PSR for 2020/21 and 45% for 2021/22 to 2024/25.
- This ODI is reputational.
- The ODI is the percentage of customers on our PSR that we have actually made contact with. Only customers who have been on our PSR for greater than 2 years (as of 31st March 2022) are included.

PSR – Actual Contact		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	%	17.5	45	45	45	45
Performance	%	19.3	13.4			



We are required to make actual contact with 45% of households that have been on our PSR for over 2 years. At the end of March 2022, we had 350 households that had been on our PSR for greater than 2 years, and we made actual contact with 47. This equates to 13%, meaning that we have failed this reputational ODI.

Risk of Restrictions During a Severe Drought

- Target for Risk of Severe Drought is 84% reducing to 32% by 2024/25.
- This is a reputational ODI.
- This ODI relates to the number of customers at risk of severe restrictions in a 1 in 200 year drought event. It is an Ofwat metric to quantify how companies are delivering against their WRMPs.
- Our metric is driven by the commitment to give greater bulk supplies to Southern Water in AMP7 and AMP8 in particular.

Severe Drought		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	%	84	84	76	68	32
Performance	%	84	88			



This ODI relates to the number of customers at risk of severe restrictions in a 1-in-200-year drought event. It is Ofwat metric to quantify how companies are delivering against their WRMPs. A number of supply actions we planned to undertake in 2021/22 have not been delayed, such as refurbishment of a number of boreholes. As a result, despite our significant outperformance on leakage, we have failed this reputational ODI this year. We have a recovery plan in place to recover performance in 2022/23.

Resilience Schemes

- We propose to undertake three specific projects in AMP7 to enhance resilience of supplies to customers.
- These are:
 - Installation of Volatile Organic Compound (VOC) monitors at all works to prevent oil pollution affecting the works
 - Hoads Hill to Gosport main to mitigate against a single point of failure at the A27 underpass
 - Leigh Park Booster to mitigate the loss of the Nelson to Lovedean main
- Each scheme will be reported as 33.3% delivery on completion

Resilience Schemes		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	%	0	0	0	0	100
Performance	%	0	0			



Resilience schemes are due later in AMP7.

Avoidance of Water Supply Restrictions

- This ODI relates to the number of times we need to invoke our Drought Plan and introduce restrictions on customer use.
- This is a reputational ODI.

Water Restrictions		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	#	0	0	0	0	0
Performance	#	0	0			

So What?

Ground water levels are normal relative to the long-term trend. Despite high demands and greater bulk supplies to Southern Water, we did not need to introduce restrictions to customer use this year. We therefore met this ODI.

2021/22 Performance Detail

Carbon

- This ODI relates to net annual operational green house gas emissions per million litres of water put into the supply from a 2019/20 base line.
- This is a reputational ODI.

Carbon		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	%	-1	-2	-3	-4	-5
Performance	%	-25	-29.8			



We have seen a 29.8% reduction in this measure compared to our 2019/20 baseline. This is a substantial outperformance against our 2% reduction target. This is impacted favourably by switching to renewable energy sources, and increasing the use of PV generated on site.

Addressing Vulnerability

- This ODI relates to an independent survey of agencies who support customers when they may be struggling to pay their bills or in need of additional support.
- This is a reputational ODI.

Vulnerability		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	%	85	85	85	85	85
Performance	%	84	70			



Our survey results showed that 70% of all organisations were satisfied or very satisfied with the support we provide customers who find themselves vulnerable in one way or another. This was a drop from 84% in 2020/21 and means we have missed our challenging target of 85% for the second year in succession. An action plan has been put in place to improve communication with vulnerable customers and representative organisations, to provide additional help and guidance during the deepening cost-of-living crisis.

RoSPA – Health and Safety Award

- This ODI relates to the achievement of an annual Health & Safety assessment undertaken by RoSPA.
- The RoSPA assessment requires the Company to demonstrate:-
 - Excellent occupation health and safety management systems
 - A rigorous approach to occupational health
 - High levels of compliance with control measures for principal risks
 - Low rates of error, harm or loss
 - No fatal or major injuries due to employer negligence
 - No significant enforcement issues
- This is a reputational ODI.

RoSPA		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target	Award	Gold	Gold	Gold	Gold	Gold
Performance	Award	Order of Distinction	Order of Distinction			



We submitted our application to RoSPA in January for calendar year 2021, and can confirm that for the third year in succession we achieved a 'distinction' award from RoSPA in recognition of long-term high standards of health, safety and wellbeing performance.

2021/22 Performance Detail

WINEP Delivery

- Target is to complete our 18 WINEP commitments as agreed with the EA.
- This is a reputational ODI (linked to the WINEP timing ODI).
- The Company will secure confirmation from the EA that performance has been correctly reported
- The agreed WINEP programme has 11 schemes related to catchment management, 2 on the installation of eel screens on the River Itchen, 1 on bio-security (how we minimise the potential to introduce invasive species on to our sites), 1 on natural capital and 3 on water resource abstraction (2 on the Itchen and 1 at Soberton).
- There is also a related WINEP timing ODI, (see earlier).

WINEP Delivery		2020/21	2021/22	2022/23	2023/24	2024/25
Ofwat Target (Cumulative)	# of schemes	2	4	6	6	18
Performance (Cumulative)	# of schemes	2	3			



The programme is ambitious and requires us working with farmers on catchment management and with Southern Water on the River Itchen project. We have delivered our Biosecurity scheme in 2021/22, but unfortunately did not complete our Natural Capital scheme until April 2022. In addition, we have agreed with the EA extensions on three schemes originally due in 2021/22.

Havant Thicket

- Target is to ensure dry commissioning by 30 September 2026 and wet commissioning by 30 June 2029.
- Penalty Only.
- Dry commissioning penalty is £79k per month late, for each full month calendar late. Wet commissioning penalty is £316k per month late, for each full month calendar late
- A deadband of three months during which underperformance payments do not accrue.
- The Company can apply for months to be excluded if it has compelling evidence that the target dates of the commitment cannot be met due to reasons beyond the companies control. This include:-
 - Planning conditions or refusal of consent
 - Delays in parties entering the BSA
 - Environmental protection requirements and restricted access to land.
- There are no targets to be met in AMP7.

CUSTOMER SCRUTINY PANEL

Overview

- As we face conflicting challenges of increased investment due to climate change and customer affordability, difficult decisions will need to be made. The development of high-quality research to inform balanced future decision making is extremely important. It needs to be robustly scrutinised to ensure we provide the best value services to all our customers, based on their needs and preferences.
- It is for this reason that our Customer Challenge Group has been renamed as our Customer Scrutiny Group.
- The independent Customer Scrutiny Panel ('CSP'), includes a range of stakeholders and customers and on top of scrutinising the development of our Business Plan, also includes independent oversight of the nature and breadth of Customer Engagement activity.
- In addition, the CSP reviews our performance against the Business Plan promises.
- It is a key part of the Company's governance in respect of our performance against the regulatory Business Plan and overall service to customers.

So What?

The CSP has replaced the CCG, but still provides a key role of the Company's governance in respect of our performance against the regulatory Business Plan and overall service to customers.

Report on ODI Performance

- The Customer Scrutiny Panel (CSP) provides independent challenge and assurance on the quality of the Company's customer engagement, and it monitors and reviews the performance against the Outcome Delivery Incentives (ODI).
- The Company met 18 of the 26 Outcome Delivery Incentive (ODI) measures. In particular the CSP are very pleased to note the improvements in a number of the ODIs - particularly Interruptions to Supply, Mains Repairs, and Biodiversity. It is disappointing to note that the Company failed to meet 8 ODIs:
 - **Compliance Risk Index** - This metric was adversely impacted by 2 aluminium failures. The CSP is pleased to understand that the Company has programmed significant improvement changes in the near future.
 - **Per Capita Consumption and Risk of Severe Restrictions in a Drought** - There continues to be clear evidence that the volume of water delivered to households has seen a step change, as a result of new behavioural patterns from customers since the start of COVID-19 pandemic. This not only affects the Company's PCC target, but also the number of customers who are at risk of severe restrictions during a drought. The CSP accept this position but re-iterate its challenge that the Company continue to promote water efficiency and encourage metering.
 - **Household Voids** - The Company has not hit its void target for the second year running, as it continues to recover from the need to change operations to address COVID-19 when it ceased meter reading and visits to properties. The CSP are pleased to understand that the Company has put in place additional interventions to reduce voids in 2022/23.

So What?

The CSP has replaced the CCG, but still provides a key role of the Company's governance in respect of our performance against the regulatory Business Plan and overall service to customers. .

Report on ODI Performance (cont)

- **Vulnerability** - The Company has missed its satisfaction rating for the second year in succession. Whilst the CSP understand the challenges in reaching this target, we are pleased to understand that additional measures are being considered to help vulnerable customers, especially during the cost-of-living crisis.
- **Biodiversity Grant Scheme** - The purpose of this commitment is to award grants to third parties for projects and activities that promote and enhance biodiversity. Due to the impact of Covid, a number of third parties have had reduced resource availability. This has impacted the uptake of the Company's grant scheme and resulted in marginally missing the ODI target.
- **WINEP Schemes Delivery and Timescales** - The Company has only completed 3 out of 4 Water Industry National Environment Programme (WINEP) schemes required by end of 2021/22. The CSP are pleased to report that the outstanding scheme was completed in April 2022.
- The Company has been transparent in explaining performance and the CSP considers that we have a good understanding for the reasons for failure and mitigations the Company has put in place to improve in these areas. The Company has agreed to provide the CSP with project plans and timelines against which improvements will be tracked.

Lakh Jemmett
Chair of Customer Scrutiny Panel Group
June 2022

So What?

The CSP has replaced the CCG, but still provides a key role of the Company's governance in respect of our performance against the regulatory Business Plan and overall service to customers. .

FINANCIAL IMPACTS

Summary

- The regulatory regime determines rewards and penalties for each of the financial ODIs.
- This document has described our performance against each metric for 2021/22.
- In total we have achieved 18 of our 26 ODIs.
- The financial impact of each financial ODI is shown in the table over, in 2017/18 prices.
- The Company should be able to increase prices to customers to the value of £0.535m in 2023/24.
 - This is a c.£1.60 increase in household bills in 2023/24.
- In the previous year, we deferred some ODI reward to mitigate the impact of customers bills.
 - The company will make consideration of any deferment of reward in consultation with customer stakeholder groups

So What?

In total, we achieved 18 out of 26 ODIs, and expect to receive an ODI reward of £0.535m, equating to a c.£1.60 increase in household bills in 2023/24.

Financial Impacts

Detail

ODI	Unit	Reward (£m)	Penalty (£m)	Target	Performance	Payment (£m)
Compliance Risk Index	#		-0.113	0	3.741	-0.197
Water Supply Interruptions	Mm:ss per property	0.069	-0.069	06:08	02:21	0.253
Leakage	% reduction	0.134	-0.160	-6.2%	-12%	0.214
Per Capita Consumption	% reduction	0.028	-0.033	-2.5%	+7.3%	End of AMP
Mains Repairs	bursts / 1000 km		-0.024	72.4	47.3	0.000
Unplanned Outage	%		-0.190	2.34	0.76	0.000
C-MeX	Water Company Ranking				3 rd	0.217 (est.)
D-MeX	Water Company Ranking				3 rd	0.108 (est.)
Water Quality Contacts	Contacts per 1000 population		-0.544	0.43	0.41	0.000
Low Pressure	# properties		-0.002	50	23	0.000
Catchment Management	# farmers	0.0004	-0.0008	20	20	0.000
AIM	MI/d	0.017	-0.019	0	0	0.000
Biodiversity (Reward)	£m	0.186	-0.186	0.099	0.100	-0.000
Biodiversity (Penalty)	%		-0.00094	90	90.7	0.000
Household Voids	%	0.140	-0.140	2	2.28	-0.039
Affordability	#		-0.000021	8,500	10,254	0.000
WINEP Timing	# of schemes		-0.022	4	3	-0.022
TOTAL						0.535

ASSURANCE

Jacobs Assurance Report

- Portsmouth Water has compiled its Annual Performance Report (APR) for the regulatory period 01 April 2021 to 31 March 2022.
- The APR is an important element of Ofwat’s framework for encouraging water companies to be transparent about their performance and for collecting information it requires to perform its duties.
- The APR also provides transparency to allow stakeholders to hold companies to account when they do not deliver against their promises. It is therefore important that customers and other stakeholders can have trust and confidence in the information contained in companies’ APRs.
- Portsmouth Water appointed Jacobs UK Ltd (Jacobs) as its independent Technical Assurer in September 2019. The 2022 APR is the third round of APR audits we have carried out, having become familiar with Portsmouth Water’s approach to performance reporting at APR 2020 and APR2021.
- The Jacobs Assurance Reported for 2022 is located on our website at the following location:
 - [Link](#)