

NORTHUMBRIAN WATER

DRAFT DETERMINATION ADDITIONAL OC TABLE GUIDANCE

30 August 2019

DRAFT DETERMINATION - NORTHUMBRIAN WATER REPRESENTATION ADDITIONAL OC TABLE GUIDANCE

This appendix provides additional detail to the draft determination responses which relate to table set OC.

General table guidance

Table OC1

We have entered our P10 and P90 scenarios for each Performance Commitment which has a financial incentive attached. Where data has changed since the draft determination we have highlighted it in red text. A number of the underperformance and outperformance payment values associated with P10 and P90s have been highlighted in red as within our draft determination, Ofwat has rounded our incentive rates to a different number of decimal places, therefore changing our proposed incentive rates by a small amount. This effects the overall financial P10 and P90 value attached to each measure.

We have not entered P10 and P90 values for non-financial measures.

We have adjusted our financial underperformance and outperformance payments given Ofwat's draft determination scenario. We have applied a 2019-20 base of 135.3 MLD in NW and 62.0 MLD in ESW. These figures are both three year averages. We continue to use our original P10 and P90 performance scenarios against this base and the reduction set by Ofwat.

Table OC2.1

We have entered data into columns E to BM where we make representations to change the measure from Ofwat's draft determination. From column BN we include P10 and P90 data and highlight in red where this differs from those presented in the post IAP submission in April. A number of the underperformance and outperformance payment values associated with P10 and P90s have been highlighted in red as within our draft determination, Ofwat has rounded our incentive rates to a different number of decimal places, therefore changing our proposed incentive rates by a small amount. This effects the overall financial P10 and P90 value attached to each measure.

Table OC2.2

No data added.

Table OC2.3

We have added the performance commitment for the delivery of the Howdon STW enhancement as per our response to the draft determination. As this is penalty only we have only included data in relation to the P10 performance scenario.

Table OC3

The Howdon STW enhancement has automatically been fed through to this table. We do not have data to include within the triangulated WTP cells.

Table OC4

We have provided 2018/19 performance data for each of the bespoke measures where possible.

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Enhancements

The following commentary provides an update to the value of our underperformance penalty rates where the value or performance commitments for our enhancements have changed within our Draft Determination response.

Delivery of Wastewater Resilience Enhancement

Company response

As the definition of the Performance Commitment is to increase the wastewater network resilience through the reduction of flooding risk to 141, not 41 sewage treatment works, we are reducing the penalty rate associated with a unit of underperformance.

Our Draft Determination valued the underperformance penalty at £0.410 million per site. Using the same methodology applied by Ofwat we have reduced the penalty to £0.1191 million per site.

Delivery of Water Resilience Enhancement

Company response

Our draft determination response outlines an increased value of funding for the water resilience enhancements. This value has risen from £55.775m to £96.54m. The Performance Commitment is calculated and penalised via the percentage completion of the schemes outlined in our business case. We have applied Ofwat's methodology to calculate a penalty rate per percentage of the total water resilience business case not completed to deadline.

This increases the penalty rate from -£0.279m to -£0.483m per percentage point.

Delivery of Howdon STW Enhancement (BES29)

Company response

We have re-entered the performance commitment related to the delivery of Howdon STW Enhancement Programme. This has been added to the sheet NES.OC.2.3. Information related to this performance commitment remain as per NES.DD.OC.003