



WESSEX WATER PARTNERSHIP
Annual Report 2016

July 2016



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FOREWORD



I'm pleased to introduce the first report from the Wessex Water Partnership.

We have been established to offer constructive challenge to Wessex Water; helping them to achieve the very best results for bill payers, the environment and the local economy. We work on behalf of customers.

I'm very grateful to the members of the partnership for giving up their time and bringing their experience in advice, personal finance, environmental improvement and water policy. We are looking for increased representation from the local business community and disability charities. If you'd like to find out more, please get in touch.

We want to hear from customers. Please do use the 'Contact Us' section of our website www.wessexwaterpartnership.co.uk to give us your opinions on how Wessex Water are doing.

In this report you will read that the company is meeting most of the targets which were agreed with Ofwat, but that in some cases we have asked for further information or are urging them on to do even better. In the few cases where they are not quite hitting the mark, we have given our views here.

I would like to thank the company and its staff for the transparent and helpful way in which they have answered our queries and consulted us on their work.

The Partnership is still in early days, we've only been meeting for six months. We look forward to drawing on customer views and the independently verified data provided by the company to do our job over the next few years.

Water is vital to life, to the economy and to the environment. As a Partnership we will work with Wessex Water and its customers, stakeholders and regulators to secure high performance outcomes for this part of the country.

Dan Rogerson

Chair – Wessex Water Partnership



EXECUTIVE SUMMARY

The purpose of this Report is to provide the Wessex Water Board with the Wessex Water Partnership's (the Partnership) opinion on the company's progress in delivering its Final Determination Performance Commitments in the first 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 provides the Partnership's opinion on the company's customer policies and proposals discussed with them during 2015/16.

The Partnership was formed in January 2016 and comprises an independent chair and diverse membership representing the company's customers and other key stakeholders. Its primary role is to monitor, challenge and report on Wessex Water's performance against the commitments set out in the Final Determination from the perspective of customers and to advise and challenge the company on its customer engagement, policies and procedures, and priorities for the next price review.

The Partnership has been given the opportunity to scrutinise and challenge the performance, policies and procedures presented to it by Wessex Water. The process has been open and transparent.

The Partnership has reviewed and challenged the company's performance against its Final Determination Commitments for 2015/16.

In recent years Wessex Water has been a high performing company within the regulated water sector in England and Wales. The Partnership is pleased to report that the company has made a positive start to delivering its Final Determination Performance Commitments and realising the resulting benefits to customers. It has met or exceeded the vast majority of its targets for the year and is planning to continue to meet its future targets in most cases. The Partnership is satisfied with the company's explanations as to why a small number of targets were missed and accepts that there were some contributory factors outside the company's control.

In some cases the company has earned rewards or suffered penalties under the Ofwat PR19 incentive regime as a result of its performance in 2015/16. Any rewards or penalties earned in 2015/16 will be accrued for payment at the end of 2019/20. Towards the end of the five-year period, 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.

Having had the opportunity to review and challenge the company's information reporting and assurance regime and having received assurance from the company's independent Technical Auditor, the Partnership is satisfied that the performance for 2015/16 has been robustly reported and that the resulting rewards or penalties have been correctly calculated.



The Partnership has also been engaged in the company's development of a number of new and emerging customer policies. These have included non-household retail controls, the customer and stakeholder engagement strategy for PR19 and research for updating the company's Strategic Direction Statement. As a result of its activities and its review of the information presented to it by the company the Partnership has been able to confirm that where appropriate the company's policies in these areas are either in line with the views of its customers or have been designed to achieve good outcomes for customers at the next price review.

The Partnership welcomes the company's intention to maintain and improve performance for its customers for the remaining four years of this price control period. The Partnership will continue to challenge the company to do as much as it reasonably can to achieve and where possible exceed its targets for the benefit of customers and the environment.

As a result of its work this year, the Partnership has identified a number of performance-related issues and opportunities where it will be seeking further information from Wessex Water during 2016/17 and is looking forward to working with the company on these.

1. Introduction

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

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 Terms of Reference of the Partnership are given in Appendix 2.

The position of the Partnership in the company's governance structure is illustrated below:



The purpose of this report is to provide the Wessex Water Board with the Partnership's opinion on the company's progress in delivering its performance commitments in the first year of the 2015 – 2020 price control period including any rewards and penalties accrued this year as a result of its performance. It also provides the Partnership's opinion on Wessex Water's customer policies and proposals discussed with the company during 2015/16.

The Environment Agency is a member of the Wessex Water Partnership and is represented by Jeremy Bailey, National River Basin Management Service, National Operations. As a contributor to the Partnership and its overall aims and outcomes the function of the Environment Agency as the statutory regulator and enforcing authority in respect of Wessex Water remains unaffected and it will continue to take all regulatory measures, as appropriate, under any circumstances, in accordance with its published guidance and policies.

2. Partnership constitution and activities during 2015/16

The Partnership was established in January 2016 with an independent chair and diverse membership representing various customer and stakeholder groups including the Consumer Council for Water (CCWater), the Environment Agency (EA), Citizens Advice Wiltshire, Age UK South Gloucestershire, the Money Advice Trust, Advice UK and Chair of the Wessex Water Catchment Panel. A list of the current Partnership members is given in Appendix 3.

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

ORGANISATION	AREA OF FOCUS AND CHALLENGE
CCWater	Interests of all water customers
Environment Agency	Environmental regulation and compliance
Citizens Advice Wiltshire	Customer service and affordability
Age UK South Gloucestershire	Interests of customers in later life
Money Advice Trust	Affordability and customer debt
Advice UK	General customer interests and advice
Chair of the Wessex Water Catchment Panel	Environmental priorities and outcomes

In order to broaden its stakeholder representation and to increase its ability to fulfill its role the Partnership intends to recruit members from Wessex Water's business customer base, from the student community (to reflect the views of 'future' customers), from academia (to support its challenge on customer engagement processes and findings) and from disability charities (to strengthen its challenge on behalf of vulnerable customers).

The Partnership has met three times since its formation in January 2016. Key agenda items at its meetings have included:

- Review of Price Review 2014
- Ofwat's Water 2020 programme
- Engagement with the Wessex Water Board
- Membership of the Partnership
- Wessex Water's Information Assurance Plan
- Non-household retail price controls
- Wessex Water's customer and stakeholder engagement programme
- The company's research for the Strategic Direction Statement
- Wessex Water's 2015/16 performance against its Commitments
- Update on PR16 submission

The minutes of the Partnership's meetings are published on its website www.wessexwaterpartnership.co.uk

The Partnership has agreed effective meeting processes and protocols with Wessex Water to enable it to fulfill its objectives.

Wessex Water has been responsible for the provision of meeting venues, issue of agendas, production of presentational material and drafting of minutes and other documentary records.

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

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

The Chair of the Wessex Water Catchment Panel has attended the meetings of the Partnership. This has enabled the Partnership to take into account the views of the Catchment Panel on environmental outcomes. He has also attended meetings with Ofwat with other CCG chairs.

The Partnership gratefully recognises Wessex Water's assistance in organising and facilitating its meetings and in fulfilling its requests for information and access to key staff. The Partnership has been 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.

3. Wessex Water's reporting and assurance processes

The Partnership was keen to understand and challenge Wessex Water's reporting methodologies and assurance processes to help ensure confidence in the performance and commitment information relating to 2015/16 presented to it for its scrutiny.

Wessex Water gave the Partnership the opportunity to comment on its Draft Assurance Plan in January 2016 and the Partnership was pleased to see that its comments and suggestions were taken into account in the company's Final Assurance Plan published in April 2016.

In May 2016 Wessex Water provided the opportunity for the Partnership to review the company's Performance Commitment reporting methodologies and its internal and external assurance processes and findings. The Partnership's Report Writer has experience in regulatory information reporting, governance and assurance. The Report Writer met with Wessex Water and its external Technical Auditor to discuss and challenge reporting processes, performance and assurance findings. He also attended the Wessex Water Audit Committee at which the Technical Auditor presented his findings to the company and the company provided its management response to them.

Wessex Water's Technical Auditor has provided assurance that the company's reporting methodologies are generally 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. A number of continuous improvement recommendations have been made regarding the documentation of reporting methodologies and the strengthening of governance in some areas. The company has accepted these recommendations and will act upon them in the coming year. The Partnership welcomes the company's response.

As a result of its scrutiny and the assurance received, the Partnership is satisfied that the reported performance for 2015/16 has been robustly reported and that the resulting rewards or penalties have been correctly calculated.

4. Partnership's findings

4.1 Outcomes and Performance Commitments

One of the key roles of the Partnership is to scrutinise and challenge Wessex Water's delivery in 2015/16 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

- Affordable bills
- Excellent service for customers

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.

The Partnership wished to understand and challenge the company's eligibility for any rewards or penalties earned in 2015/16 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. Towards the end of the five-year period, 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 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 in this first year.

The Partnership is pleased to report that the company has made an encouraging start to delivering its Final Determination Performance Commitments and the resulting benefits to customers. It has met or exceeded the vast majority of its targets for the year and is planning to continue to meet its future targets in most cases.

The Partnership's views on the company's performance in 2015/16 against all its Performance Commitments are given in Appendix 4.

In addition to reviewing all Commitments, the Partnership's Annual Review has focused on particular Commitments as described below and has identified issues to which it wishes to draw attention and provide challenge to the company over the next few years.

4.1.1 Household Retail

One of the key roles of the Partnership is to scrutinise and challenge Wessex Water's delivery in 2015/16 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:

OUTCOME A: Excellent service for customers

RA1 - SIM SERVICE SCORE		
TARGET 15/16 >86	ACTUAL 15/16 87.1	PREVIOUS YEAR Revised measure for 2015/16

The Partnership notes that the Technical Auditor considers the reported SIM performance robust but recommends that the company improves its reporting of unwanted calls within the joint venture billing company set up by Wessex Water and Bristol Water to ensure the data remains robust. The Partnership welcomes the company's intention to address this issue in the coming year and will monitor its progress.

The Partnership is aware that the FD target for the SIM service score remains constant throughout the five-year period. The company informs the Partnership that it intends to meet or exceed the target SIM score for the remaining four years.

Despite Wessex Water being one of the best performing companies against the SIM measure, the Partnership wishes to challenge the company during the coming year to compare its customer service with high performers outside the water sector to determine if it can further improve its service and the efficiency of delivery. This 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.

RA2 - PERCENTAGE RATING GOOD/VERY GOOD		
TARGET 15/16 >95%	ACTUAL 15/16 96.3%	PREVIOUS YEAR 96.4%

The Partnership was keen to understand the reporting methodology used for this measure as the company records and interprets the results of the customer surveys itself. Wessex Water's Technical Auditor told the Partnership that, whilst there is some subjectivity in the classification of customer responses, the independent audit had looked at a sample of survey results and had confirmed them to be reasonable and consistent. The Partnership understands the Technical Auditor has recommended that the company's reporting methodology is more extensively documented to ensure consistency of interpretation. The Partnership supports this recommendation and will monitor the company's progress in doing this during the coming year.

The Partnership notes that the FD target for this Commitment remains constant throughout the five-year period and welcomes the company's intention to meet or exceed the target for the remaining four years.

RA4 – PERCENTAGE RATING EASE OF CONTACT RESOLUTION		
TARGET 15/16 Improving trend	ACTUAL 15/16 81%	PREVIOUS YEAR 79%

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

The Partnership received assurance from the company's Technical Auditor that the performance rating for 2015/16 had been taken from this survey. The Partnership notes that company states that future increases in performance depend on system and process improvements currently being designed and due to be implemented in phases over the next three years.

The Partnership requested and received detailed information from the company on 'ease of resolution' performance across complaint types to understand if and how performance varies. During the coming year the Partnership wishes to understand the extent of monitoring the company undertakes at the point of contact with customers and whether it uses such information to identify opportunities for service improvement and cost efficiency.

OUTCOME B: Affordable bills

RB1 (i) – VOLUME OF WATER USED PER PERSON		
TARGET 15/16 135 l/person/day	ACTUAL 15/16 138 l/person/day	PREVIOUS YEAR 138 l/person/day

Wessex Water considers performance against this particular measure is driven by factors largely outside its control – such as weather conditions. The Partnership notes that the figure reported in 2015/16 was the same as the previous year. Whilst it accepts that there are some external factors that influence water usage by customers, the Partnership will monitor performance over the next four years in order to help it assess and challenge the company's future plans associated with water usage and efficiency.

The Partnership received confirmation from the company's Technical Auditor that the calculation of volume of water used is a component of the well-established methodology used to calculate leakage and comprises measured consumption results (from metered households) and estimated consumption by unmetered households.

The EA expects the reported volume used per person for 2015/16 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra on 30 June this year.

RB1 (ii) – VOLUME OF WATER SAVED BY WATER EFFICIENCY PROGRAMME		
TARGET 15/16 0.57 l/person/day	ACTUAL 15/16 0.68 l/person/day	PREVIOUS YEAR 0.48 l/person/day

The company has out-performed the target for 2015/16 by 0.11 litres per person per day and cites the effectiveness of its water efficiency promotion campaigns as the reason for this.

Despite this significant improvement Wessex Water has told the Partnership that future targets for this commitment are challenging (for example 1.25 l/per/day in 2016/17) but that it intends to meet them. The Partnership welcomes this intention and will be asking the company in the coming year to demonstrate how it intends to achieve this.

The Partnership notes that the company has committed to refund customers £1.89m for each litre per person per day that average use misses the target by.

The Partnership notes that whilst water saved per person has improved in 2015/16, water usage per person has remained constant. The Partnership wishes to understand further the relationship between these two measures and the effectiveness of the company's initiatives in both areas. It will also monitor performance over the next four years in order to help it assess and challenge the company's future plans associated with water usage and efficiency.

The EA expects the reported volume of water saved for 2015/16 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra on 30 June this year.

4.1.2 Wholesale Water

B5 – ABSTRACTIONS AT MERE EXPORTED		
TARGET 15/16 100 Ml/a	ACTUAL 15/16 172 Ml/a	PREVIOUS YEAR 88 Ml/a

OUTCOME B: Rivers, lakes and estuaries

Mere is a small town in south-west Wiltshire on the River Stour.

Wessex Water missed the river abstraction target in 2015/16 resulting in a £1,800 accrued refund to customers as part of this penalty-only incentive. The company has informed the Partnership that abstraction at 2015/16 was above target due to unplanned operational circumstances.

The Partnership understands that Wessex Water plans to use Mere in 2016/17 as part of the commissioning of its new water supply grid and it has estimated that a further £2,500 penalty refund to customers will be accrued next year. The company doesn't intend to use the Mere abstraction once the grid is fully operational.

The Partnership sought information and advice from EA to help it understand the company's current and future performance and its impact on the environment and local community. The current abstraction licence conditions allow the company some flexibility in order to meet changes in demand. The penalty is small in value to reflect this. Whilst it has some short-term environmental concerns the EA has told the Partnership that the demand pressures in 2015/16 were exceptional and these will continue in the coming year. The EA is working with the company to achieve a sustainable solution, as the long-term benefits are clear.

B6 – BAP LANDHOLDING ASSESSED AND MANAGED FOR BIODIVERSITY		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
60%	60%	47%

The Partnership notes that the company's reporting methodology has received particular scrutiny from its Technical Auditor. Whilst the reported performance was found to be robust, the Technical Auditor has recommended the company's reporting process be automated and key assumptions be documented to ensure consistency in future. The Partnership supports this recommendation.

The Partnership intends to consult with Natural England in the coming year in order to more fully understand the detail and challenges associated with this Commitment.

OUTCOME D: Resilient services

D4 – PROPERTIES SUPPLIED BY A SINGLE SOURCE (including the integrated supply grid)		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
78,000	78,000	91,000

The EA expects the reported number of properties supplied by a single source for 2015/16 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra on 30 June this year.

The Partnership will request information from the company in the coming year on the main areas that now have supplies from more than one source and the areas that remain on one supply.

OUTCOME F: Leakage

F1 – VOLUME OF WATER LEAKED		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
69.3 MI/d	68.3 MI/d	68.6 MI/d

The Partnership notes that the weather conditions during 2015/16 were benign for leakage. It looks forward to monitoring the effectiveness of the company's recently commenced leakage reduction initiatives - including its enhanced metering strategy and the pressure management optimisation project. In the coming year the Partnership will be asking the company to evidence the effectiveness and relative contribution of its leakage reduction initiatives.

The Partnership also notes the Technical Auditor found the company's leakage reporting methodology highly complex and has recommended that it be simplified where possible and that key assumptions are documented. The company has welcomed these recommendations but will ensure that it reports actual leakage on the same basis that the FD targets were set. The Partnership supports this approach and will monitor progress during the coming year.

The EA expects the reported leakage for 2015/16 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra on 30 June this year.

F2 – CUSTOMER REPORTED LEAKS FIXED WITHIN A DAY		
TARGET 15/16 66%	ACTUAL 15/16 68%	PREVIOUS YEAR New measure for 2015/16

The Partnership received assurance from the company's Technical Auditor that the methodology for calculating this measure was sound. The Partnership did note however that the 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 considers it important to fix leaks as soon as possible, especially as this is reputational and will help meet the company's challenging leakage targets. As such the Partnership wishes to establish whether the company's reporting methodology is consistent with other companies and will request information from the company on this during the coming year. It will also discuss with the company what incentives there are to fix the leak quickly in the event that the target fix time has already been exceeded.

The EA expects the reported leaks fixed within a day for 2015/16 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra on 30 June this year.

The Partnership will await with interest the outcome of Wessex Water's consideration whether it will be cost beneficial to deliver the Final Determination targets for this measure for 2018/19 and 2019/20. It wishes to explore with the company the feasibility of any other potentially more cost beneficial leakage reduction measures.

OUTCOME G: Highest quality drinking water

G1 – CUSTOMER CONTACTS ABOUT DRINKING WATER		
TARGET 2015 2,536	ACTUAL 2015 2,431	PREVIOUS YEAR 3,006

The Partnership notes that the company does not consider this level of improving performance is sustainable beyond 2018 due to reducing opportunities for cost-effective investment in mains rehabilitation. It is forecasting a penalty in 2018 and 2019 of around £1.2m. The Partnership is aware that Wessex Water made representations to Ofwat at the price determination about this issue but its case was not accepted. The Partnership encourages the company 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.

Whilst it accepts that the company's performance against this measure is good, the Partnership wishes to discuss with the company during the coming year 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 and the influence of their plumbing arrangements on water quality.

The Partnership will also review the Drinking Water Inspectorate's report on Wessex Water's water quality when it is published later this year.

G2 – COMPLIANCE WITH DRINKING WATER STANDARDS (Mean Zonal Compliance)		
TARGET 2015 99.98%	ACTUAL 2015 99.96%	PREVIOUS YEAR 99.97%

The Partnership notes that 13 out of 15 water quality failures in 2015 occurred on private supplies (domestic plumbing and supply pipes) and so were outside Wessex Water's direct control. Performance on the company's assets only would have been 99.99%. The company informs the Partnership that this level of failure on private supplies is unusually high but the risk is always present and so cannot guarantee 100% compliance against this measure (the target from 2017 onwards).

The Partnership will continue to challenge the company to confirm it is doing all it can to maximise performance against this measure for the benefit of customers. It will also review the DWI's report on the company's water quality when it is published later this year.

4.1.3 Wholesale Wastewater

OUTCOME A: Improved bathing waters

A2 – BEACHES PASSING EU STANDARDS		
TARGET 2015	ACTUAL 2015	PREVIOUS YEAR
100%	98%	98%

Wessex Water did not meet its 2015 target because of a failure during the year (at Burnham Jetty North) against the EU 'sufficient' standard under the revised Bathing Water Directive. The company reported a similar failure in 2014.

The company has 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. The Partnership has requested a visit to Burnham during the coming year to more fully understand the issues at the site so it can consider whether the company is doing all it reasonably can to contribute towards compliance.

OUTCOME B: Rivers, lakes and estuaries

B2 – MONITORING CSOs		
TARGET 2015	ACTUAL 2015	PREVIOUS YEAR
40%	46%	New measure for 2015/16

Wessex Water out-performed its 2015/16 target, which required it to install monitoring telemetry at some 429 named combined sewer overflow (CSO) locations. The Company achieved improvements at some 493 sites.

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

The Partnership will be asking the company during the coming year whether and how it will be sharing with its customers any of the performance information it can now obtain from the CSOs.

OUTCOME C: Sewer flooding

C1 – INTERNAL FLOODING INCIDENTS (per 10,000 properties connected)		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
1.75	1.36	1.15

The Partnership notes that the company comfortably out-performed the target in 2015/16 and has accrued a corresponding reward of £5.039m. It is aware that Wessex Water has been one of the best performing companies against this measure. However, despite out-performing the target for 2015/16, the number of internal flooding incidents increased over 2014/15. The Partnership notes that weather conditions during 2015/16 will have contributed to the good performance but welcomes the fact that the number of customers affected by internal flooding incidents was lower than anticipated within this Commitment.

Given the outperformance achieved in 2015/16 and the level of reward accrued, the Partnership was pleased to learn that the company's Technical Auditor has scrutinised the company's data in detail (including auditing a sample of flooding incidents) and had been able to confirm to the Partnership that the reported performance and the level of reward accrued were soundly based.

The Partnership welcomes Wessex Water's forecast of further outperformance in the remaining years to 2019/20, given the impact on customers of internal sewer flooding. It is estimated that a total reward of some £5.6m may be accrued by the end of the period, and the Partnership will be discussing with the company its use of this and any other rewards or penalties achieved.

The Partnership encourages the company to do all it reasonably can to ensure customers are not affected by sewage flooding.

C2 – RISK OF FLOODING FROM PUBLIC SEWERS (due to hydraulic inadequacy)		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
50,651	51,509	50,651

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).

Wessex Water missed the target in 2015/16, but performance was within the penalty deadband and so no financial penalty was incurred. Failure to achieve the target was due to a delay on the Mark sewerage improvement project and Wessex Water cites third party highway issues as the cause.

The Partnership notes that the FD target for this Commitment remains constant throughout the five-year period.

The Partnership accepts the company's view that forecasting future performance is not straightforward because of the influence of weather conditions which are outside the company's control. The Partnership takes comfort in hearing that the company's sewage flooding investment programme for the next four years is progressing well.

The Partnership is aware that the risk score associated with this Commitment includes the assessment of properties that have flooded and those that may flood in the future. It will continue to challenge the company that it is doing all it can to reduce this risk, not just maintain it.

The Partnership also wishes to more fully understand the impact on risk of further urban development and the different forms this can take. The company has agreed to provide information on this during the coming year.

OUTCOME D: Resilient services

D1 – COLLAPSES AND BURSTS ON SEWER NETWORK		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
<300	282	270

Wessex Water has told the Partnership that, while sewer collapses and bursts may fluctuate each year, partly because of the influence of the weather on performance, it anticipates meeting or out-performing the target for the rest of the period.

The Partnership will continue to challenge the company to confirm it is doing all it reasonably can to meet the performance target for this measure for the benefit of customers, given the potential impact of failure on customers and the wider environment.

OUTCOME E: Carbon footprint

E1 – GREENHOUSE GAS EMISSIONS (kilotonnes carbon dioxide equivalent)		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
133 ktCO ₂ e	138 ktCO ₂ e	148 ktCO ₂ e

Wessex Water explained to the Partnership that some element of its performance is influenced by factors outside its control, for example carbon dioxide emissions produced from generation of the grid electricity it uses. Such emissions have risen since the performance commitment target was set.

The company’s Technical Auditor provided assurance that the reporting methodology used to derive the performance figure is sound and consistent with the way the FD targets were set but that the company should document its assumptions to ensure consistency and repeatability each year. The Partnership supports this recommendation and welcomes the company’s acceptance of it. It will monitor progress during the coming year.

Wessex Water has assured the Partnership that it will do all it can in managing its activities to ensure future targets are met and cites its holistic approach - including initiatives such as the use of food to waste energy and investment in renewables – in helping to achieve this. The Partnership will request more information on the company’s approach during the coming year.

4.2 Non-household retail price controls

The Partnership received information at its meeting in March 2016 on the company's proposals to meet its obligations associated with the planned opening of the retail market to non-household customers in April 2017. The Partnership was given the opportunity to review and challenge the company's proposals and to understand how it intends to operate in the shadow market that commences in October 2016.

In its proposals Wessex Water intends to maintain the current discount for customers who receive both water and sewerage services, in the light of feedback received from customers in September 2014. The Partnership supported the company's proposal to maintain its dual service discounts in its default tariffs for 2017 to 2020.

The Partnership also considered and supported Wessex Water's proposal not to apply higher charges to customers who have both domestic and commercial usage at their premises, despite such customers historically having a higher bad debt risk. Again, the company had taken this decision in the light of feedback it had from customer research undertaken in September 2014.

The Partnership will be seeking clarification from Ofwat over whether it will or should have any relationship with future non-household customers of Water2Business, the newly created retailer jointly owned by Wessex Water and Bristol Water.

4.3 Customer and stakeholder engagement programme

At its meeting in March 2016, the Partnership received and considered information from Wessex Water on its proposed approach to customer engagement for Price Review 2019 (PR19).

The company had commissioned an external, independent evaluation of its engagement approach for Price Review 2014 against industry best practice. This identified and recommended a number of opportunities to improve the design and effectiveness of future engagement processes. The company accepted these recommendations and has incorporated them in its proposed engagement strategy for PR19, which it presented to the Partnership.

The Partnership was keen to ensure the strategy:

- Involves CCWater in the engagement process as much as possible;
- Includes users of the water environment in research;
- Ensures environmental links to water and sewerage services are well understood by customers;
- Increases the use of digital and electronic engagement processes but not at the expense of reduced paper based approaches
- Includes video communication as a powerful way of educating customers;
- Incorporates day to day feedback obtained from customers; and
- Includes customers with mental health issues in the engagement process.

The company agreed to incorporate the Partnership's views in its PR19 customer engagement strategy. The Partnership agreed the strategy on this basis.

4.4 Research for the Strategic Direction Statement

In March 2016 the Partnership received a presentation by Wessex Water and its market research advisers on an outline research proposal for the forthcoming Strategic Direction Statement. It asked the Partnership for its thoughts on a number of long- term issues facing the water industry and the company.

The Partnership welcomed the opportunity to contribute to the research process.

Wessex Water presented some initial the findings of its research to the Partnership in June 2016. The company will finalise these and will set out how the findings will be incorporated into the Strategic Direction Statement later this year.

5. Partnership's focus for 2016/17

The Partnership's general areas of focus and challenge for 2016/17 will include:

- Non-household retail market opening
- The Strategic Direction Statement
- The Information Assurance Plan update
- Customer research for PR19
- Monitoring Wessex Water's performance in 2017/18

As a result of its challenges in 2015/16, the Partnership will also monitor the company's progress in a number of areas including:

- Increased and improved documentation of reporting methodologies and assumptions
- Strengthening of the reporting of unwanted contacts
- Water saving initiatives
- Simplification of the leakage reporting methodology
- Delivery of agreed bathing waters schemes

The Partnership has also made the following information requests or identified the following specific areas for its focus during the coming year:

- Comparison of customer service with high performers outside the water sector.
- The extent of monitoring the company undertakes at the point of contact with customers and whether it uses such information to identify opportunities for service improvement and cost efficiency.
- Consultation with Natural England to more fully understand the detail and challenges associated with Biodiversity.
- The areas that do not receive water supplies from more than one source.
- The sizes of bursts suffered and the relative influence of these on leakage.
- The effectiveness and relative contribution of Wessex Water's leakage reduction initiatives.
- Comparison of the company's reporting methodology for leak repairs with other companies.
- Incentives to fix leaks quickly in the event that the target fix time has already been exceeded.
- The feasibility of any potentially more cost beneficial leakage reduction measures.
- The number of water quality contacts that lead to some form of remedy and whether the company could be doing more to educate customers about water quality and the influence of their plumbing arrangements on water quality.
- A visit to Burnham North Jetty to more fully understand the issues at the site so it can consider whether the company is doing all it reasonably can to contribute towards compliance.
- The opportunity for sharing with customers any of the performance information now being obtained from CSOs.
- Challenge the company that it is doing all it reasonably can to reduce the risk of sewer flooding.
- More fully understand the impact on sewer flooding risk of further urban development and the different forms this can take.
- The company's approach to reducing greenhouse gas emissions.
- Seeking clarification from Ofwat on whether the Partnership will or should have any relationship with future non-household customers of Water2Business.

6. Conclusions

The Partnership was formed in January 2016 and has met three times since then. It has had the opportunity to review and challenge Wessex Water's performance against its Final Determination Commitments for 2015/16.

In recent years Wessex Water has been a high performing company in the regulated water sector in England and Wales. The Partnership is pleased to report that the company has made a positive start to delivering its Final Determination Performance Commitments and the resulting benefits to customers. It has met or exceeded most of its targets for the year and is planning to continue to meet its future targets in most cases. The Partnership will be challenging 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.

Of particular note is the strong performance in 2015/16 against its Commitments associated with delivering excellent service to customers, affordable bills, resilient services, reduced leakage and reduced internal sewage flooding incidents.

Most of the company's water and environmental quality targets were met. Drinking water supplied from the company's assets was of very high quality. The company achieved an 'industry leading' rating against EA's Environmental Performance Assessment. The Partnership is satisfied with the company's explanations why certain quality and environmental targets were missed and accepts that in several cases 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.

In some cases the company has earned rewards or suffered penalties under the Ofwat PR19 incentive regime as a result of its performance in 2015/16. The most significant of these is a reward of some £5m for performance against internal sewer flooding incidents. Any rewards and penalties earned in 2015/16 will be accrued for payment at the end of 2019/20. Towards the end of the five-year period, the Partnership will be discussing with the company its use of any rewards or penalties achieved and it will encourage the company to consult its customers on this.

Having had the opportunity to review and challenge the company's information reporting and assurance regime and having received assurance from the company's independent Technical Auditor, the Partnership is satisfied that the performance for 2015/16 has been robustly reported and that the resulting rewards or penalties have been correctly calculated. It welcomes the company's intention to act upon a number of recommendations for improvement made by the Technical Auditor in relation to information reporting and governance.

The Partnership has also been engaged in the company's development of a number of new and emerging customer policies. These have included non-household retail controls, the customer and stakeholder engagement strategy for PR19 and research for updating the company's Strategic Direction Statement. As a result of its activities and its review of the information presented to it by the company the Partnership has been able to confirm that the company's policies in these areas are either in line with the views of its customers or are designed to achieve good outcomes for customers at the next price review.

As a result of its work this year, the Partnership has identified a number of performance-related issues and opportunities where it will be seeking further information from Wessex Water during 2016/17 and it is looking forward to working with the company on these.

APPENDICES

Appendix 1

Glossary

Ofwat	Water Services Regulation Authority - The economic regulator of the water sector in England and Wales
FD	Final Determination (Ofwat December 2014)
PR19	Price Review 2019
CCG	Customer Challenge Group
EA	Environment Agency
DWI	Drinking Water Inspectorate
Defra	Department for Environment, Food and Rural Affairs
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 Final Determination
ODI	Outcome Delivery Incentive. Delivery of each Performance Commitment was assigned a financial or reputational incentive by Ofwat in the Final Determination
Caps and Collars	Upper and lower limits of performance beyond which no financial incentive applies
Deadband	A range either side of the performance target within which no financial incentive applies
SIM	Service Incentive Mechanism
BAP	Biodiversity Action Plan
WRMP	Water Resources Management Plan
CSO	Combined Sewer Overflow
NEP	National Environment Programme
ONS	Office of National Statistics
OBR	Office of Budget Responsibility
AMP	Asset Management Plan
MI/d	Megalitres per day
MI/a	Megalitres per annum

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

The Wessex Water Partnership

Terms of Reference

Context

1. Wessex Water engages extensively with customers and stakeholders, both in its day-to-day business and for specific programmes of work, such as preparation of its five-yearly business plan as part of a regulated price review.
2. For the last regulated price review, known as PR14 and covering the five years from April 2015 to March 2020, Wessex Water consulted over 24,000 customers and 90 stakeholders, including customer representatives such as the Consumer Council for Water, Citizens Advice and Which?. At the centre of this engagement was the Customer Scrutiny Group, which brought together a range of stakeholders to scrutinise Wessex Water's 2015-20 business plan proposals and to ensure the plan truly reflected our customers' aspirations for service improvements and ability to pay. The Customer Scrutiny Group was supported by four Liaison Panels: Customers & Community, Environment, Business Customers, Services & Planning.
3. Wessex Water is implementing a new format for its stakeholder liaison for 2015-2020 and in preparation for the 2019 price review.
4. The Wessex Water Partnership will be the successor body to the Customer Scrutiny Group. This will be supported by a new independently chaired Catchment Panel and a new Futures Panel. We will also continue local engagement with annual stakeholder forums including local councillors.

Overall Duties

5. The Wessex Water Partnership has three key roles:
 - i. monitor and report on Wessex Water's delivery of all aspects of the final regulatory settlement from the perspective of its customers, including scrutinising and assessing its delivery against its outcomes and measures of success
 - ii. provide advice and challenge Wessex Water on any proposal to share outperformance with customers over and above the requirements of the regulatory settlement
 - iii. provide advice and challenge the company on policy areas such as customer engagement, customer service, affordability, tariffs and the company's preparation for the next price review.
6. The Partnership will also assess the impact of any substantial fortuitous financial effects during the period, and assess and challenge any claim made by the company under the IDoK process.

Specific tasks

7. The Partnership will scrutinise and assess Wessex Water's delivery against all outcomes and associated performance commitments set out in the business plan 2015-20, namely:
 - affordable bills
 - excellent service for customers
 - reduced leakage
 - highest quality drinking water
 - improved bathing waters
 - rivers, lakes and estuaries protected
 - sewage flooding minimised
 - resilient services
 - reduced carbon footprint.

8. The Partnership will also assess the company's overall eligibility for rewards or penalties according to the final regulatory settlement having taken into account the views of the Catchment Panel on environmental outcomes.
9. The Partnership will advise and challenge the company with regard to:
 - day-to-day service provided to customers and the company's customer offering; policy matters and standards of service; accessibility to services; measures to improve affordability and assist low income households; public health; pricing and billing; and the company's community initiatives
 - its annual tariff proposals including any changes in social tariffs
 - its engagement and research plans for the business plan 2020-25
 - its interpretation of customers' views and how they are reflected in its longer-term strategy and business plans
 - on an annual basis, whether the company has benefitted from a substantial favourable effect that may constitute a reason for an adjustment to price limits under the relevant licence condition
 - any proposal by the company to reopen price limits within the period under the IDOK provisions of the licence
 - any proposal by the company to share outperformance with customers over and above the requirements of the regulatory settlement.
10. The Partnership will publish its advice to the company Board on whether performance commitments are being met and whether any financial rewards or penalties are due.
11. The previous Customer Scrutiny Group had full access to the company's Reporter, from an independent engineering consultancy firm. In addition, it had a member with a similar technical background responsible for report writing recruited by the Chair. We would expect similar arrangements to be in place for the Partnership and will provide suitable funding for this, but will in addition bolster this access to independent expertise on regulatory and corporate finance when reviewing items which may require the reopening of price limits.

Governance

12. As the lead body in Wessex Water's new engagement model, the Partnership will report to the Wessex Water Board. This may require the Chair of the Partnership to attend Board meetings or the Board's Performance Committee once a year or as required.
13. The Chair will also report to a designated non-executive director of Wessex Water on day to day matters, progress of the Partnership and any other matters that may arise.
14. All panel members will agree to a code of conduct and will be required to attend meetings.
15. The Chair will be the only paid post with a remuneration of up to £20,000 per annum. Other members will not be paid but instead a charitable donation will be given to any 'not for profit' or charitable organisation represented on the Partnership of around £5,000 per annum where relevant. In addition, members' expenses will be paid.
16. An annual report will be published by the Partnership outlining its discussion topics, major conclusions and its assessment of Wessex Water's progress in delivering its performance commitments.
17. Minutes of Partnership meetings will be published on the company's website.

Format

18. The Partnership will comprise no more than sixteen core members who have a key interest and in some cases a statutory remit, in the water sector and/or customer issues.
19. Members will represent the interests of domestic customers and include regulators, consumer groups, advisory bodies and charities representing specific customer groups. They may have a local or national focus.

20. Although the exact list of members is open to agreement, we expect it to include representatives of the Consumer Council for Water, the Drinking Water Inspectorate, the Environment Agency, consumer bodies such as Citizens Advice, the Money Advice Trust, StepChange, Age UK, Advice UK, Which?, Institute of Customer Service, USwitch, etc, as well as other more specialist interest groups such as the RNIB, Action on Hearing Loss and Mind. It will also include business customer representatives such as Chambers of Commerce or Federation of Small Businesses. Some of the organisations represented will be some of those represented on our previous Customer Scrutiny Group and Liaison Panels.
21. The members themselves will be nominated by these organisations.
22. The Partnership will also contain the chair of the Catchment Panel to help it form a holistic view of the company's performance on environmental issues.
23. Members are appointed for five years, unless membership is terminated earlier.
24. The Partnership will meet around three times a year, likely to be March, June and October, although this might become more frequent at key points in the price control life cycle.
25. Executive and non-executive directors of Wessex Water, along with other Wessex Water staff may attend Partnership meetings as observers, but will not be members of the Partnership.
26. All secretariat duties will be undertaken by Wessex Water who will also provide appropriate meeting facilities.

The company's updated plan contains detailed calculations for each of the performance commitments. As these are necessarily technical calculations the company would also provide the Partnership with independent technical resources to support their assessment of the company's performance.

Appendix 3

Partnership members 2015/16

Dan Rogerson	Chair
Richard Cresswell	Chair of Wessex Water Catchment Panel
David Heath	CCWater
Michael Barnes	CCWater
Jeremy Bailey	Environment Agency
Martin Green	Age UK South Gloucestershire
David Hawkes	Advice UK
Matthew Vaughan Wilson	The Money Advice Trust
Sarah Cardy	Citizens Advice Wiltshire
Jeremy Hawkins (Report Writer)	Creoda Consulting

Appendix 4

Detailed commentaries on Wessex Water's performance in 2015/16

1. Household Retail

OUTCOME A: Excellent service for customers

RA1 - SIM SERVICE SCORE		
TARGET 15/16 >86	ACTUAL 15/16 87.1	PREVIOUS YEAR Revised measure for 2015/16

Wessex Water out-performed the target in 2015/16 for the SIM service score. This is a new measure for 2015/16. The out-performance was within the reward deadband.

The Partnership notes that the Technical Auditor considers the reported SIM performance robust but recommends that the company improves its reporting of unwanted calls within the joint venture billing company set up by Wessex Water and Bristol Water to ensure the data remains robust. The Partnership welcomes the company's intention to address this issue in the coming year and will monitor its progress.

The Partnership is aware that the FD target for the SIM service score remains constant throughout the five-year period. The company informs the Partnership that it intends to meet or exceed the target SIM score for the remaining four years.

Despite Wessex Water being one of the best performing companies against the SIM measure, the Partnership wishes to challenge the company during the coming year to compare its customer service with high performers outside the water sector to determine if it can further improve its service and the efficiency of delivery.

RA2 - PERCENTAGE RATING GOOD/VERY GOOD		
TARGET 15/16 >95%	ACTUAL 15/16 96.3%	PREVIOUS YEAR 96.4%

This rating is assessed from customer contacts regarding operational queries and complaints. The incentive is reputational.

Data is taken from the results of customer surveys undertaken by the company, which are independently audited. The Partnership was keen to understand the reporting methodology used for this measure as the company records

and interprets the results of the customer surveys itself. Wessex Water's Technical Auditor told the Partnership that, whilst there is some subjectivity in the classification of customer responses, the independent audit had looked at a sample of survey results and had confirmed them to be reasonable and consistent. The Partnership understands the Technical Auditor has recommended that the company's reporting methodology is more extensively documented to ensure consistency of interpretation. The Partnership supports this recommendation and will monitor the company's progress in doing this during the coming year.

The Partnership notes that the FD target for this Commitment remains constant throughout the five-year period and welcomes the company's intention to meet or exceed the target for the remaining four years. The Partnership notes that Wessex Water comfortably out-performed the target for 2015/16 and achieved a much higher score than the 65% recorded in 2014/15. The 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.

RA3 – PERCENTAGE RATING GOOD VALUE FOR MONEY		
TARGET 15/16 71%	ACTUAL 15/16 78%	PREVIOUS YEAR 65%

The Partnership received assurance from the company's Technical Auditor that the performance figure for 2015/16 had been taken from this survey. The lack of bill increase in 2015/16 may have contributed to the good performance. The company's bills are around the highest in the industry and the Partnership is keen that the level of performance against this Commitment is maintained in 2016/17. It will monitor the company's progress accordingly.

RA4 – PERCENTAGE RATING EASE OF CONTACT RESOLUTION		
TARGET 15/16 Improving trend	ACTUAL 15/16 81%	PREVIOUS YEAR 79%

Wessex Water has met the target for 2015/16 by achieving an improved rating of 81% compared to the 79% recorded in 2014/15. The 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 Partnership received assurance from the company's technical auditor that the performance rating for 2015/16 had been taken from this survey. The Partnership notes that company states that future increases in performance depend on system and process improvements currently being designed and due to be implemented in phases over the next three years.

The Partnership requested and received detail from the company on 'ease of resolution' performance across complaint types to understand if and how performance varies. During the coming year the Partnership wishes to understand the extent of monitoring the company undertakes at the point of contact with customers and whether it uses such information to identify opportunities for service improvement and cost efficiency.

RA5 – ACCESSIBLE COMMUNICATIONS		
TARGET 15/16 BS18477 and Customer Service Excellence Award held	ACTUAL 15/16 BS18477 and Customer Service Excellence Award held	PREVIOUS YEAR BS18477 and Customer Service Excellence Award held

The Partnership is pleased to note that the company maintained its BS18477 accreditation and the Customer Service Excellence Award in 2015/16 and so met this reputational performance commitment.

OUTCOME B: Affordable bills

RB1 (i) – VOLUME OF WATER USED PER PERSON		
TARGET 15/16 135 l/person/day	ACTUAL 15/16 138 l/person/day	PREVIOUS YEAR 138 l/person/day

Wessex Water missed the target for 2015/16 by 3 Ml/d (2%). The incentive is reputational.

Wessex Water considers performance against this particular measure is driven by factors largely outside its control – such as weather conditions. The Partnership notes that the figure reported in 2015/16 was the same as the previous year. Whilst it accepts that there are some external factors that influence water usage by customers, the Partnership will monitor performance over the next four years in order to help it assess and challenge the company's future plans associated with water usage and efficiency.

The Partnership received confirmation from the company's Technical Auditor that the calculation of volume of water used is a component of the well-established methodology used to calculate leakage and comprises measured consumption results (from metered households) and estimated consumption by unmetered households.

The EA expects the reported volume used per person for 2015/16 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra on 30 June this year.

RB1 (ii) – VOLUME OF WATER SAVED BY WATER EFFICIENCY PROGRAMME		
TARGET 15/16 0.57 l/person/day	ACTUAL 15/16 0.68 l/person/day	PREVIOUS YEAR 0.48 l/person/day

The company has out-performed the target for 2015/16 by 0.11 litres per person per day and cites the effectiveness of its water efficiency promotion campaigns as the reason for this. The incentive is financial (penalty only).

Despite this significant improvement Wessex Water has told the Partnership that future targets for this commitment are challenging (for example 1.25 l/per/day in 16/17) but that it intends to meet them. The Partnership welcomes this intention and will be asking the company in the coming year to demonstrate how it intends to achieve this.

The Partnership notes that the company has committed to refund customers £1.89m for each litre per person per day that average use misses the target by.

The Partnership notes that whilst water saved per person has improved in 2015/16, water usage per person has remained constant. The Partnership wishes to understand further the relationship between these two measures and the effectiveness of the company's initiatives in both areas. It will also monitor performance over the next four years in order to help it assess and challenge the company's future plans associated with water usage and efficiency.

The EA expects the reported volume of water saved for 2015/16 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra on 30 June this year.

RB2 – BILL AS A PROPORTION OF DISPOSABLE INCOME		
TARGET 15/16 Reducing trend	ACTUAL 15/16 1.5%	ANNUAL TREND 1.6%

The Partnership is pleased to note that Wessex Water has met the target for 2015/16 against this reputational incentive, but acknowledges that the company has no control on the level of disposable income.

Performance is measured by dividing the company's average household bill by average disposal income (derived from ONS and OBR data). The company has informed the Partnership that it aims to continue the downward trend in this measure for the remaining four years in line with the target set for this commitment.

2. Wholesale Water

OUTCOME B: Rivers, lakes and estuaries

B4 – COMPLIANCE WITH ABSTRACTION LICENCES		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
100%	100%	100%

Wessex Water met the target in 2015/16 and forecasts 100% compliance over the next four 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.

B5 – ABSTRACTIONS AT MERE EXPORTED		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
100 MI/a	172 MI/a	88 MI/a

Mere is a small town in south-west Wiltshire on the river Stour.

Wessex Water missed the river abstraction target in 2015/16 resulting in a £1,800 accrued refund to customers as part of this penalty-only incentive. The company has informed the Partnership that abstraction at 2015/16 was above target due to unplanned operational circumstances.

The Partnership understands that Wessex Water plans to use Mere in 2016/17 as part of the commissioning of its new water supply grid and it has estimated that a further £2,500 penalty refund to customers will be accrued next year. The company doesn't intend to use the Mere abstraction once the grid is fully operational.

The Partnership sought information and advice from EA to help it understand the company's current and future performance and its impact on the environment and local community. The current abstraction licence conditions allow the company some flexibility in order to meet changes in demand. The penalty is small in value to reflect this. Whilst it has some short-term environmental concerns the EA has told the Partnership that the demand pressures in 2015/16 were exceptional and these will continue in the coming year. The EA is working with the company to achieve a sustainable solution, as the long-term benefits are clear.

B6 – BAP LANDHOLDING ASSESSED AND MANAGED FOR BIODIVERSITY		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
60%	60%	47%

The company met the target in 2015/16 and the Partnership welcomes its intention to do so each year to 2019/20. The incentive is financial (penalty only).

The Partnership notes that the company’s reporting methodology has received particular scrutiny from its Technical Auditor. Whilst the reported performance was found to be robust, the Technical Auditor has recommended the company’s reporting process be automated and key assumptions be documented to ensure consistency in future. The Partnership supports this recommendation.

The Partnership intends to consult with Natural England in the coming year in order to more fully understand the detail and challenges associated with this Commitment.

The Partnership understands 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 was no target for 2015/16. A target of 99km applies in 2018/19. The incentive is financial (reward and penalty).

B7 - LENGTH OF RIVERS WITH IMPROVED FLOW		
TARGET 15/16	ACTUAL 15/16	ANNUAL TREND
0km	0km	New measure for 2015/16

Wessex Water has informed the Partnership that it is on track to deliver against this performance commitment in 2018/19.

OUTCOME D: Resilient services

D2 – RESTRICTIONS ON WATER USE (HOSEPIPE BANS)		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
0	0	0

The Partnership notes that no water use restrictions applied during 2015/16 and none are forecast for the next four years.

D3 – WATER SUPPLY INTERRUPTIONS (>3hrs including planned, unplanned and third party)		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
21.3 mins/prop	14.3 mins/prop	20.07 mins/prop

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

Whilst Wessex Water out-performed the target in 2015/16, performance was within the reward deadband so no reward has been accrued for 2015/16. The company informs the Partnership that it forecasts the 2016/17 target of 16 mins/property will be met but performance may become more challenging thereafter.

The Partnership welcomes the significant improvement in performance over 2014/15 but notes that the weather conditions during 2015/16 were favorable and that no large-scale interruptions over three hours were experienced. It notes that performance is very sensitive to such interruptions.

Wessex Water has told the Partnership that its operational response processes have been improved which benefits customers.

The Technical Auditor informed the Partnership that he scrutinised the definition and measurement of interruption start and end times and the way the number of properties affected is calculated. He paid particular attention to supply interruptions around the three-hour threshold to provide assurance that the reported performance was reliable and accurate. Whilst no major shortcomings were noted, the Technical Auditor has recommended the documentation of the company's reporting methodology. The Partnership welcomes the company's intention to act upon this recommendation and will monitor its progress during the coming year.

D4 – PROPERTIES SUPPLIED BY A SINGLE SOURCE (including the integrated supply grid)		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
78,000	78,000	91,000

The company met the target in 2015/16 in line with its progress on work to improve its water supply grid. The associated incentive is financial (penalty-only). The target for 2018/19 falls to 42,000 properties and Wessex Water informs the Partnership that work is in hand to achieve this.

The EA expects the reported number of properties supplied by a single source for 2015/16 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra on 30 June this year.

The Partnership will request information from the company in the coming year on the main areas that now have supplies from more than one source and the areas that remain on one supply.

D5 – WATER MAINS BURSTS		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
<1,993	1,663	1,892

The Partnership is pleased to note that the company met its 2015/16 target comfortably and improved on its performance in 2014/15. The incentive is financial (penalty only).

Wessex Water informs the Partnership that the number of water mains bursts suffered in 2015/16 was significantly below target primarily because the weather conditions during the year were benign.

The FD target for water mains bursts remains constant throughout the five-year period. The Partnership notes that the company is forecasting to meet the target over the next four years assuming the weather is in line with long-term averages.

The EA expects the reported number of bursts for 2015/16 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra on 30 June this year.

In the coming year the Partnership will request information from WW on the sizes of bursts it suffers and the relative influence of these on leakage.

OUTCOME F: Leakage

F1 – VOLUME OF WATER LEAKED		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
69.3 MI/d	68.3 MI/d	68.6 MI/d

The company out-performed its 2015/16 leakage target by 1Ml/d. The associated incentive is financial (reward and penalty) but performance was within the reward deadband so no reward has been accrued for 2015/16.

The Partnership notes that the weather conditions during 2015/16 contributed to lower leakage levels. It looks forward to monitoring the effectiveness of the company's recently commenced leakage reduction initiatives - including its enhanced metering strategy and the pressure management optimisation project. In the coming year the Partnership will be requesting information from the company on the effectiveness and relative contribution of its leakage reduction initiatives.

The Partnership also notes the Technical Auditor has found the company's leakage reporting methodology highly complex and has recommended that it be simplified where possible and that key assumptions are documented. The company has welcomed these recommendations but will ensure that it reports actual leakage on the same basis that the FD targets were set. The Partnership supports this approach and will monitor progress during the coming year.

The EA expects the reported leakage for 2015/16 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra on 30 June this year.

F2 – CUSTOMER REPORTED LEAKS FIXED WITHIN A DAY		
TARGET 15/16 66%	ACTUAL 15/16 68%	PREVIOUS YEAR New measure for 2015/16

The incentive associated with this Commitment is reputational.

The Partnership received assurance from the company's Technical Auditor that the methodology for calculating this measure was sound. The Partnership did note however that the 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 considers it important to fix leaks as soon as possible, especially as this is reputational and will help meet the company's challenging leakage targets. As such the Partnership wishes to establish whether the company's reporting methodology is consistent with other companies and will request information from the company on this during the coming year. It will also discuss with the company what incentives there are to fix the leak quickly in the event that the target fix time has already been exceeded.

The EA expects the reported leaks fixed within a day for 2015/16 to be consistent with the Water Resources Management Plan (WRMP) annual review data and commentary the company will report to Defra on 30 June this year.

The Partnership will await with interest the outcome of Wessex Water's consideration whether it will be cost beneficial to deliver the Final Determination targets for this measure for 2018/19 and 2019/20. It wishes to explore with the company the feasibility of any other potentially more cost beneficial leakage reduction measures.

OUTCOME G: Highest quality drinking water

G1 – CUSTOMER CONTACTS ABOUT DRINKING WATER		
TARGET 2015	ACTUAL 2015	PREVIOUS YEAR
2,536	2,431	3,006

It is noted that targets and actual performance are reported on a calendar year basis. The associated incentive in financial (reward and penalty) but the out-performance in 2015/16 was within the reward deadband. Performance has improved significantly since 2014.

The Partnership notes that the company does not consider this level of improving performance is sustainable beyond 2018 due to reducing opportunities for cost-effective investment in mains rehabilitation. It is forecasting a penalty in 2018 and 2019 of around £1.2m. The Partnership is aware that Wessex Water made representations to Ofwat at the price determination about this issue but its case was not accepted. The Partnership encourages the company 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.

Whilst it accepts that the company's performance against this measure is good, the Partnership wishes to discuss with the company during the coming year 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 and the influence of their own plumbing arrangements on water quality.

The Partnership will also review the Drinking Water Inspectorate's report on Wessex Water's water quality when it is published later this year.

G2 – COMPLIANCE WITH DRINKING WATER STANDARDS (Mean Zonal Compliance)		
TARGET 2015	ACTUAL 2015	PREVIOUS YEAR
99.98%	99.96%	99.97%

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

The company failed to meet the 2015 target because it suffered 15 water quality failures (out of 37,000 tests undertaken) during the year. This level of performance was within penalty deadband so no penalty has been accrued.

The Partnership notes that 13 out of 15 water quality failures in 2015 occurred on private water fittings (domestic plumbing and supply pipes) and so were outside Wessex Water's direct control. Performance on the company's assets only would have been 99.99%. The company informs the Partnership that this level of failure on private fittings is unusually high but the risk is always present and so it cannot guarantee 100% compliance against this measure (the target from 2017 onwards).

The Partnership will continue to challenge the company to confirm it is doing all it can to maximise performance against this measure for the benefit of customers. It will also review the DWI's report on the company's water quality when it is published later this year.

3. Wholesale Wastewater

OUTCOME A: Improved bathing waters

A1 – AGREED NEP BATHING WATERS SCHEMES DELIVERED		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
100%	100%	New measure for 2015/16

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

The company met its 2015/16 target by delivering three agreed NEP Bathing Waters schemes. The EA have confirmed to the Partnership that the agreed NEP schemes were delivered.

The Partnership is pleased to learn from Wessex Water that it is on track to deliver a further seven agreed schemes in 2016/17 and will monitor progress accordingly during the year.

A2 – BEACHES PASSING EU STANDARDS		
TARGET 2015	ACTUAL 2015	PREVIOUS YEAR
100%	98%	98%

Targets and actual performance are reported on a calendar year basis. The associated incentive is reputational.

Wessex Water did not meet its 2015 target because of a failure during the year (at Burnham Jetty North) against the EU 'sufficient' standard under the revised Bathing Water Directive. The company reported a similar failure in 2014.

The company has 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. The Partnership has requested a visit to Burnham during the coming year to more fully understand the issues at the site so it can consider whether the company is doing all it reasonably can to contribute towards compliance.

OUTCOME B: Rivers, lakes and estuaries

B1 – EA’s ENVIRONMENTAL PERFORMANCE ASSESSMENT		
TARGET 15/16 Industry leading	ACTUAL 15/16 Industry leading	PREVIOUS YEAR Above average

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

The Partnership is pleased to note the company met its 2015 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. The EA has advised the Partnership that EPA is not published until late July, but the draft is showing Wessex Water to be industry leading in 2015.

The EA has also informed the company that Wessex Water’s performance against discharge permit compliance is the best amongst the other water and sewerage companies in England and Wales.

The Partnership notes Wessex Water’s intention to continue to achieve this rating throughout the period to 2019/20 and accepts that some factors affecting compliance are outside the company’s control.

B2 – MONITORING CSOs		
TARGET 2015 40%	ACTUAL 2015 46%	PREVIOUS YEAR New measure for 2015/16

Wessex Water out-performed its 2015/16 target, which required it to install monitoring telemetry at some 429 named combined sewer overflow (CSO) locations. The Company achieved improvements at some 493 sites. The associated incentive is financial (penalty only).

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

The Partnership will be asking the company during the coming year whether and how it will be sharing with its customers any of the performance information it can now obtain from the CSOs.

B3 – RIVER WATER QUALITY IMPROVED		
TARGET 15/16 0	ACTUAL 15/16 0	PREVIOUS YEAR New measure for 2015/16

The Partnership notes that there is no target against this commitment for 2015/16. The targets are 11 water bodies to be improved by 2018/19 and 70 by 2019/20. The company has informed the Partnership that it is on track to achieve these targets.

The associated incentive is financial (penalty only).

The EA has advised the Partnership that it will be unable to confirm the 2015/16 performance until results of formal Water Framework Directive classification in the autumn.

OUTCOME C: Sewer flooding

C1 – INTERNAL FLOODING INCIDENTS (per 10,000 properties connected)		
TARGET 15/16 1.75	ACTUAL 15/16 1.36	PREVIOUS YEAR 1.15

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

The Partnership notes that the company comfortably out-performed the target in 2015/16 and has accrued a corresponding reward of £5.039m. It is aware that Wessex Water has been one of the best performing companies against this measure. However, despite out-performing the target for 2015/16, the number of internal flooding incidents increased over 2014/15. The Partnership notes that weather conditions during 2015/16 will have contributed to the good performance but welcomes the fact that the number of customers affected by internal flooding incidents was lower than anticipated within this Commitment.

Given the outperformance achieved in 2015/16 and the level of reward accrued, the Partnership was pleased to learn that the company's Technical Auditor has scrutinised the company's data in detail (including auditing a sample of flooding incidents) and had been able to confirm to the Partnership that the reported performance and the level of reward accrued were soundly based.

The Partnership welcomes Wessex Water's forecast of further outperformance in the remaining years to 2019/20, given the impact on customers of internal sewer flooding. It is estimated that a total reward of some £5.6m may be accrued by the end of the period, and the Partnership will be discussing with the company its use of this and any other rewards or penalties achieved.

The Partnership encourages the company to do all it reasonably can to ensure customers are not affected by sewage flooding.

C2 – RISK OF FLOODING FROM PUBLIC SEWERS (due to hydraulic inadequacy)		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
50,651	51,509	50,651

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).

Wessex Water missed the target in 2015/16, but performance was within the penalty deadband and so no financial penalty was incurred. Failure to achieve the target was due to a delay on the Mark sewerage improvement project and WW cites third party highway issues as the cause.

The Partnership notes that the FD target for this Commitment remains constant throughout the five-year period.

The Partnership accepts the company's view that forecasting future performance is not straightforward because of the influence of weather conditions which are outside the company's control. The Partnership takes comfort in hearing that the company's sewage flooding investment programme for the next four years is progressing well.

The Partnership is aware that the risk score associated with this Commitment includes the assessment of properties that have flooded and those that may flood in the future. It will continue to challenge the company that it is doing all it can to reduce this risk, not just maintain it.

The Partnership also wishes to more fully understand the impact on risk of further urban development and the different forms this can take. The company has agreed to provide information on this during the coming year.

C3 – NORTH BRISTOL SEWER SCHEME (Frome and Trym catchments)		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
0	0	New measure for 2015/16

There was no target for 2015/16, as delivery of the Trym catchment element of the North Bristol Sewer Scheme is not programmed until 2017/18 and the Frome catchment element until 2019/20. The company informs the Partnership that work on the scheme is on track to meet these targets. The associated incentive is financial (penalty only).

OUTCOME D: Resilient services

D1 – COLLAPSES AND BURSTS ON SEWER NETWORK		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
<300	282	270

The Partnership notes that the FD target for this Commitment remains constant throughout the five-year period. The associated incentive is financial (penalty only).

Wessex Water has told the Partnership that, while sewer collapses and bursts may fluctuate each year, partly because of the influence of the weather on performance, it anticipates meeting or out-performing the target for the rest of the period.

The Partnership will continue to challenge the company to confirm it is doing all it reasonably can to meet the performance target for this measure for the benefit of customers, given the potential impact of failure on customers and the wider environment.

OUTCOME E: Carbon footprint

E1 – GREENHOUSE GAS EMISSIONS (kilotonnes carbon dioxide equivalent)		
TARGET 15/16	ACTUAL 15/16	PREVIOUS YEAR
133 ktCO ₂ e	138 ktCO ₂ e	148 ktCO ₂ e

The company missed its 2015/16 target by 5 kilotonnes carbon dioxide equivalent. The associated incentive is reputational. Wessex Water explained to the Partnership that some element of its performance is influenced by factors outside its control, for example carbon dioxide emissions produced from the generation of grid electricity it uses. Such emissions have risen since the performance commitment target was set.

The company's Technical Auditor provided assurance that the reporting methodology used to derive the performance figure is sound and consistent with the way the FD targets were set but that the company should document its assumptions to ensure consistency and repeatability each year. The Partnership supports this recommendation and welcomes the company's acceptance of it. It will monitor progress during the coming year.

Wessex Water has assured the Partnership that it will do all it can in managing its activities to ensure future targets are met and cites its holistic approach – including initiatives such as the use of food to waste energy and investment in renewables – in helping to achieve this. The Partnership will request more information on the company's approach during the coming year.

E2 – PROPORTION OF ENERGY SELF GENERATED		
TARGET 15/16	ACTUAL 15/16	ANNUAL TREND
21%	25%	18%

Wessex Water met its self-generated energy target for 2015/16 and plans to do so each year until 2019/20. The associated incentive is financial (penalty only).

The Partnership has received assurance from the company's Technical Auditor that the reporting methodology used to derive the energy-generated figure is sound, including the estimate of the contribution from biomethane exported to the local gas grid. The Auditor has recommended the company document its assumptions to ensure consistency and repeatability each year. The Partnership supports this recommendation and welcomes the company's acceptance of it. It will monitor progress during the coming year.

