

HOW WILL OFWAT'S NEW PRICING REGULATIONS IMPACT WATER COMPANIES?



April 2020 will see the introduction of Ofwat's new price regulations for the Water Industry in England and Wales, following Price Review 19 (PR19).

PR19 builds upon the successful elements of the current framework and introduces tougher price controls, as well as placing a stronger emphasis on the management of void and gap sites.

So what does this framework look like?

Ofwat's enhanced outcome-based framework comprises of a set of service standards known as Performance Commitments (PCs) which are linked to Outcome Delivery Incentives (ODIs). The ODIs deliver penalties and rewards depending on whether agreed Performance Commitments (PCs) are met.

Ofwat has requested, via consultation, that each water company sets a series of ODIs aimed at improving company performance relating to the management of void and gap sites.

Void sites are properties classed by water companies as being vacant but connected.

A gap sites is where a property where water and/or wastewater services are being consumed. but the property is not on a water company's billing system and is therefore not billed.

Ofwat has highlighted the need for water companies to reduce their number of erroneous voids and gap sites, as they drive higher prices for all customers and are strongly believed to adversely impact financial performance.

Leakage is estimated water entering water companies' networks and estimated consumption into the system.

To meet this requirement water companies must submit Business Plans, for assessment by Ofwat, which detail their targets and the actions they plan to take to ensure these targets are achieved.

Together with Ofwat, water companies must agree Performance Commitments (PCs) and Outcome Delivery Incentives (ODIs) that comprise of company-specific and cross-industry targets.



The number of void properties across the water industry ranges from c.1.5% to 16% of connected properties



In the UK, there are c.800k properties classified as voids



Void properties cost the UK water industry in excess of £300m annually

The key message from Ofwat is that water companies should focus their resources to sustainably reduce the volume of void and gap sites in the next 5 years with a goal to convert them to identifiable billable customers.

Although void and gap sites represent a low proportion of the total base (average of 7%) they are problematic for water companies and can result in significant 'lost revenue' as 'occupiers' are not identified and billed for the water that has been consumed.

In addition to 'lost revenue', ineffective void and gap site processes also impact leakage.

Ofwat penalise water companies that fail to meet the leakage targets set in their ODIs. Void and gap sites contribute to increased leakage as they are not included in estimated consumption calculations.

As we approach the implementation of PR19 in 2020, water companies are under pressure to allocate resources to improve the quality of their customer data and reduce the number of 'erroneous' void and gap sites.

How Sagacity is helping water companies to improve their void and gap site processes

Data Quality experts, Sagacity have over 12 years' experience working alongside Water, Energy & Telecommunication clients to cleanse and enhance customer information, reducing issues that arise from holding poor data.

We have developed automated solutions to overcome these challenges based on over 10 years' experience within the water sector. Our solutions, Occupier ID for void sites and Portfolio Reconciliation for gap sites, have been developed specifically to support the challenges water companies have been set by Ofwat PR19.

Occupier ID for voids

Occupier ID, quickly and accurately enables water companies to identify who is occupying their supply addresses. This data driven solution is automated, configurable based on risk appetite and can return occupiers for void properties within a matter of days, allowing water companies to quickly and easily reduce void properties, increase revenue and drive down leakage.

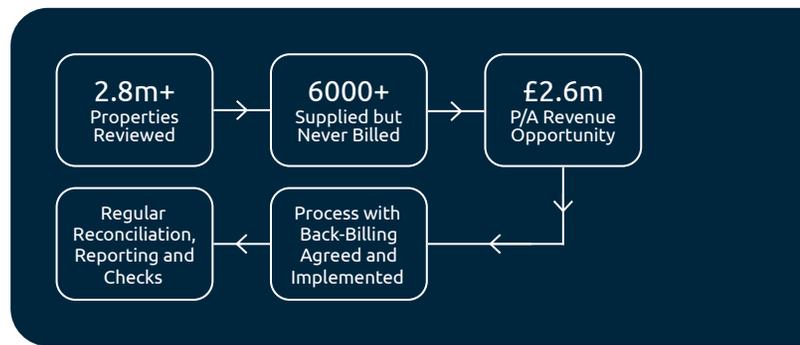
Don't just take our word for it, Occupier ID has provided clients with a named bill payer for up to 70% of their void accounts, 65% of these customers have typically paid within 90 days, with 45% paying on an ongoing basis via a Direct Debit.

During this case study, our client asked us to review their household customer data to identify their 'occupier' accounts and provide customer information on those premises that were not vacant.

Portfolio Reconciliation for gap sites

Portfolio Reconciliation, automatically matches water companies billing databases (HH/NHH or both) against a range of data sets including internal and specialist third-party data to quickly, accurately and cost effectively identify Gap Sites. Our automated, data driven, solution enables our clients to deliver pro-active, repeatable processes for effective gap site management.

Sagacity's results speak for themselves, Portfolio Reconciliation identified thousands of gap sites for our utilities clients which equates to over £3m of lost revenue.



In this case study, our client engaged us to assess their household customer portfolio to identify properties that were not being billed.

Get in touch with one of our water experts today to understand how we can help you maximize the incentive available to you from your ODI.

