



TMS-DD-054 Streetworks  
Collab DD - Technical  
Appendix

Draft Determination  
Response

## 1. Summary

This document outlines the proposed bespoke performance commitment ('PC') on "Streetworks collaboration". The PC proposal includes feedback to Ofwat following the publication of Draft Determinations ('DD'), on ODI rates, PCLs, and mitigations.

It also includes a detailed list of changes made to the PC definition, incorporating both DD feedback and PR24 queries.

### 1.1 Company Feedback

#### Performance Commitment Level feedback from Ofwat's DD

Ofwat suggested that our proposed PCLs are not sufficiently stretching, and "therefore set a PCL of 20 projects for 2025-30 so that outperformance payments are only available when Thames Water performs beyond business-as-usual levels"<sup>1</sup>.

We are content to accept a PCL of 20 projects for 2025-2030, with the target being set for AMP-end (i.e., 2030). We consider this to be an appropriately stretching target which will be challenging for us to outperform.

**Updated Table 4: Performance commitment definition and parameters**

	Unit	2025-26	2026-27	2027-28	2028-29	2029-30
<b>Performance commitment level</b>	Number, cumulative					20
<b>Standard outperformance cap</b>	Number, cumulative					2969

#### ODI Rate

Ofwat's feedback on the ODI rates is as follows, "to address the double counting issue, we propose adjusting the benefit sharing factor based on the maximum number of regulated companies collaborating on a project".

The benefit sharing factor above reduces the Outperformance payment from £0.176 million/unit to £0.082 million/unit. This has been set using the maximum number of regulated collaborators, which is set at three per project.

Thames Water accepts the adjustment using a benefit sharing factor but does not agree to basing it on the maximum number of collaborative bodies. Our practical experience is that the vast majority of projects involve two collaborators, rather than three. An ODI rate based on three collaborators would therefore result in an unduly low share of the benefits.

Instead, we propose an Outperformance payment split between the number of collaborators involved. In both instances Ofwat's benefit sharing factor has been applied:

<sup>1</sup> [PR24 draft determinations: Thames Water – Outcomes appendix](#), Section 3.2.2

Incentive type	Incentive rate (£m/unit)
<b>Underperformance deadband</b>	NA
<b>Outperformance Deadband</b>	NA
<b>Underperformance payment – standard</b>	NA
<b>Outperformance payment – standard for two collaborators</b>	£0.123
<b>Outperformance payment – standard for three collaborators</b>	£0.082

Our ODI tables have been updated to reflect the two different outperformance rates and a summary of our calculations is provided in Table 4.1.

This provides the appropriate financial incentive for the companies involved and means that customers do not ‘pay twice’ for the same collaboration. To date, all collaborations have been between two collaborators, and the proposed schemes identifies for AMP8 only include one potential scheme between three collaborators. The GLA has collated data on the probability that qualifying schemes will involve three collaborators, and highlights this is low<sup>2</sup>.

Reducing outperformance payments on the basis of one or two schemes with three collaborators across the AMP would under-incentivise the company from prioritising beneficial schemes.

If Ofwat would prefer a simpler approach with just one ODI rate, we propose using the approach based on two collaborators, given the rarity of the scenario with three collaborators.

### Mitigations set out in Ofwat’s DD

Ofwat has suggested that “as set out in 'PR24 draft determinations: Delivering outcomes for customers and the environment', in line with our general policy on managing risk for bespoke performance commitments, a cap is appropriate for this measure and will be set at 0.5% of the company's RoRE.”

Thames Water agrees with an Outperformance cap of 0.5% of the company’s RoRE, which equates to 2,969 projects over the AMP8, equating to (i.e., 593 projects per year). We note this is more than could be reasonably achieved.

## 1.2 PR24 Query process and subsequent changes

Ofwat had three queries relating to the Streetworks Collaboration Bespoke PC. Query OFW-OBQ-TMS-119, OFW-OBQ-TMS-125, and OFW-OBQ-TMS-267. The table below (Table 1) summarises the changes we have made.

## 1.3 Implementation within the Thames Valley and Home Counties

This PC is an important mechanism to incentivise collaboration more broadly across all streetworks interventions we deliver. For the purposes of the bespoke PC and for incentivisation rates, only schemes within the GLA boundary and with GLA oversight will be counted in our reportable figure to Ofwat. Whilst the performance commitment focuses on the London geographical area (as outlined in the PC), we will not exclude collaborative opportunities that

<sup>2</sup> GLA/TWUL meeting (06 August 2024) and subsequent GLA Letter received on 09 August 2024

may arise outside of this area. We will, as part of our work within the collaboration team, seek to identify opportunities where network interventions in the Thames Valley and Home Counties can also be delivered as part of our wider collaborative streetworks programme.

## 2. Reflecting Ofwat's feedback

The table below provides a summary of how Thames Water has reflected Ofwat's feedback and observations identified through the PR24 query process. This includes queries OFW-OBQ-TMS-119, OFW-OBQ-TMS-125, and OFW-OBQ-TMS-267.

Figure 1: Summary of Ofwat feedback in PR24 Query process and Thames Water's response

Definition structure	Feedback / Observations	Thames Water Response
119, Q1	The PC level set by the company is 75 over PR24. We note however TMS36 said that 'delivery of the PC will result in a reward of £13.2m across AMP8 in 2022/23 prices.' Does it mean that the PC level proposed by the company is set at zero (otherwise delivering the target of 75 over PR24 should not result in outperformance payment)?	<p>✓ Yes. The PC level proposed in our PR24 plan is set at zero.</p> <p>Delivering collaborative projects requires a financial incentive to change behaviour and facilitate collaborative working. As noted in TMS34 (paragraph 1.4) the barriers to collaboration and corresponding costs are significant.</p>
119, Q2	If the PC level is set at zero, please advise how that target will be stretching, considering that the company has already participated in 18 collaborative projects in the last four years?	<p>✓ Our target of zero is stretching as each collaborative project has high initial costs to overcome. We recognise the opportunity to deliver greater social value, environmental and economic benefits through collaborative streetworks. We are eager to develop the capabilities, supporting structures and frameworks required to scale collaborative delivery effectively.</p> <p>We also believe a PC level of zero is stretching on the basis that for a project to be eligible for a reward, it must satisfy stretching criteria. While we will endeavour to deliver as many collaborative projects as possible across AMP8, identifying, planning and executing projects that are considered collaborative against the PC definition and criteria is very challenging.</p> <p>The collaborative streetworks programme is relatively new and key blockers to collaborative delivery remain (higher risk and</p>

Definition structure	Feedback / Observations	Thames Water Response
		<p>administrative burden, among others). The 18 pilot collaborative projects delivered over the past four years have served to validate that collaborative delivery is possible. Yet, these initial pilots were reliant upon significant support from stakeholders, such as the GLA, and these new targets reflect the challenge in scaling up this approach . Additionally, government funding awarded to the GLA through the Regulators Pioneer Fund helped them take a leading role in incentivising and enabling collaborative projects to be delivered.</p> <p>We remain committed to a PC target of zero, with all collaborative projects delivered in AMP8 and satisfying the criteria established eligible for a reward. We also consider the target of zero appropriate for the following reasons:</p> <ol style="list-style-type: none"> <li>1) Consistency with RIIO GD2 and ED2 incentive mechanisms; and</li> <li>2) Timing of regulatory and planning cycles which are key to providing the forward program of work that is needed to unlock collaborative opportunities.</li> </ol>
119, Q3	If the PC level is set at zero, please advise if the proposal will be funded through base expenditure, the rationale of setting a PC level at zero?	<p>✓ We recognise the expectation that our base expenditure should fund a minimum level of collaborative projects, on the basis that 18 such projects have been funded over the past four years. However, we do not consider base funding includes any provision to fund collaborative projects that satisfy the criteria proposed. Base expenditure will support smaller scale collaborative efforts.</p> <p>Historically, to deliver the more stretching collaborative schemes has required extensive GLA support. The costs borne by the GLA (for example, the £200k awarded to them to develop the collaborative streetworks incentive and reporting tool) are not reflected in our</p>

Definition structure	Feedback / Observations	Thames Water Response
		<p>base costs. Going forward, we would expect to incur higher costs initially as we seek to overcome administrative and risk related barriers to collaboration at the scale required in the criteria.</p> <p>Given the above, we consider the target stretching and that no base level of collaborative streetworks has been funded by the base expenditure.</p>
119, Q4	Please advise the list of company’s proactive actions to be incentivised under the proposal.	<p>✓ The steps we are taking to prepare ourselves organisationally to deliver our collaboration incentive include:</p> <ul style="list-style-type: none"> <li>• Establishing weekly and ad-hoc meetings based on individual schemes with key collaboration partners and internal program managers;</li> <li>• Merging with the network team to have greater visibility of the forward program of work. This will see collaboration discussed earlier in the stage gate process, at SG0 rather than SG2. This gives increased sight of efficiencies and makes planning of programs more focused on collaboration. It also means that some schemes that would not have previously been shortlisted as works to be delivered could now be made potentially viable once collaboration opportunities are factored in earlier on in the planning process;</li> <li>• Integration of planning systems and GIS platform to allow rolling refresh of chronological data referring to delivery of schemes; and</li> <li>• Inclusion of further datasets of future investment to inform the IMA to enable increased collaborative opportunities.</li> </ul>
125, Q1	Types of collaborators: Please clarify if ‘other key stakeholders’ is a type of collaborator, on top of infrastructure providers and local authorities.	<p>✓ Yes, other key collaborators will include those beyond infrastructure providers and local authorities. The “types of collaborators” is not an exhaustive list and will be assessed in line with the ‘RIIO-GD2 Collaboration Incentive Guidance Document’.</p>


Definition structure	Feedback / Observations	Thames Water Response
125, Q2	Emergency and/or temporary repairs	<p>✘ No action required. “Detailed definition of performance measure” section updated accordingly.</p> <p>Please note, we have included emergency and temporary repairs as it is possible that an incident might provide a material opportunity for collaboration. Delivery of emergency or temporary solutions can in some instances span several months. They can therefore provide opportunity for collaboration and significant benefits to customers, for example through a reduction in traffic disruption, carbon and increase in resident wellbeing.</p>
125, Q3	Excluding wastewater networks.	<p>✘ No action required. “Exclusions” section updated accordingly.</p> <p>Please note, we have proposed to exclude wastewater networks from the performance commitment only. We will not exclude our wastewater networks from collaborative opportunities that may arise. We will, as part of our work within the collaboration team, seek to identify opportunities where wastewater network interventions can also be delivered as part of our collaborative streetworks.</p>
125, Q4	<p>Permanent solution: Please <b>define ‘permanent solution’</b> and the <b>assurance process</b> around it.</p> <p>For example, would it be assured by an independent third party that the solution is permanent with a clear definition including, for example, a prescribed period where another works on the same solution is not normally expected.</p>	<p>✓ Our “Minimum Qualifying Criteria” and “Reporting and assurance” sections have been updated to include the below information:</p> <p><b>Permanent solution</b> Permanent solution is the works in which we intend to collaborate on and receive incentive for are such that offer a permanent solution to a network problem. For example, the replacement of a poorly performing main or a new trunk main which improves the network performance in a poorly performing area.</p> <p><b>Assurance process</b> The permanent solution would not be assured by an independent third party.</p>



Definition structure	Feedback / Observations	Thames Water Response
		<p>We undertake in-house assurance of all newly laid assets. They are subject to chlorination and testing to ensure they are not hazardous prior to their integration into the network.</p>
125, Q5	Quantified benefits of the proposal	<p>✘ No action required. Quantified benefits are aligned to level 2 collaborations set out in the Collaboration Manual.</p>
125, Q6	<p>Minimum qualifying criteria: referring to Table 1 of TMS35, <b>please advise the assurance process</b> to ensure that an eligible collaborative project meets all of the criteria, including if there will be an independent third-party assurance. Please advise if <b>similar ODIs</b> for RIIO-ED2 and GD-2 have adopted the same minimum qualifying criteria.</p>	<p>✔ Our “Reporting and assurance” section has been updated to provide more clarity on third party assurance.</p> <p><b>Assurance process</b>                      We are required to report our progress in meeting our performance commitments annually. For the 2025-2030 period, we are hopeful that this will include the bespoke collaboration PC.</p> <p>As with our other performance commitments, our collaboration performance will be subject to the same assurance as part of our annual performance reporting. The scope of assurance required varies by PC and has yet to be formally established and depends on the outcome of the PR24 process.</p> <p>We complete a risk assessment for each PC and agree a level of appropriate assurance. This will vary from third party through to internal business sign-off, depending on the result of the risk assessment.</p> <p>We note that in TMS36 (page 5) we stated “third party” assurance. At this stage, we cannot confirm that this will be our assurance approach until we have completed the risk assessment. We are conscious that any assurance undertaken must be commensurate with the risk, particularly at a time when we are prioritising spend to maximise customer benefit.</p>

Definition structure	Feedback / Observations	Thames Water Response
		<p>With respect to our bespoke collaboration PC, we anticipate assurance will include the GLA’s independent oversight in reviewing all projects submitted as part of this PC. This would include checking the underlying information to validate that the criteria have been satisfied to unlock any potential reward.</p> <p>The GLA has been working alongside gas and power distribution network companies (Cadent, SGN, UKPN) to confirm which schemes meet the “Minimum Qualifying Criteria” and “Strategic Importance Criteria”. To date, the GLA has developed a governance process that helps utilities with the application of the ODI. Importantly, the GLA has developed a “Guidance Document for Prospective Applicants” for both the RIIO-ED2 and GD2 collaboration ODI. Using the guidance document, utilities are able to self-evaluate whether schemes meet minimum criteria or if not, whether they are likely to meet GLA’s strategic criteria.</p> <p>On a quarterly basis, the GLA holds incentive committee sessions to advise on and monitor the performance of the collaboration incentive. In particular, the GLA assesses whether projects expecting to qualify under the GLA’s strategic criteria have indeed met the requirements – involving forward-planning discussions ahead of scheme delivery, as well as through retrospective validation after scheme delivery. Following this process, the GLA uses the M&amp;E tool to capture the benefits/results of all schemes that have met the ODI criteria within RIIO-ED2 and GD2. Lastly, on a yearly basis, all of the M&amp;E results are uploaded to the Energy Networks Association's (ENA) Smarter Networks Portal. Results will be tracked internally through our new Thames Connect platform,</p>

Definition structure	Feedback / Observations	Thames Water Response
		<p>and we will publish details on our Streetworks Collaborations PC in our Annual Performance Report, publicly available on our website.</p> <p>A standard framework will be established for all projects within the collaborative programme. This will include methodology to assess completion and alignment to the agreed ways of working, in accordance with the final determination criteria for this performance commitment.</p> <p><b>RIO-ED2 and GD-2 minimum qualifying criteria</b> RIO-ED2 and GD-2 have the same minimum qualifying criteria.</p>
125, Q7	GLA's monitoring and evaluation tool	<p>✓ Our “Additional detail on measurement units” has been updated accordingly.</p> <p><b><i>Function of the M&amp;E Tool</i></b> The GLA has developed a Streetworks Monitoring and Evaluation Tool (M&amp;E) for utilities. It measures the benefits of collaborative streetworks projects. The M&amp;E tool provides a standardised approach to measuring a wide range of benefits involved with collaborative delivery.</p> <p>The tool measures the following benefits:</p> <ul style="list-style-type: none"> <li>• Reduced travel disruption to road users;</li> <li>• Reduced community disruption to local residents and local businesses;</li> <li>• Environmental impact of reduced carbon emissions (impacts on embodied carbon are not currently covered in the tool);</li> <li>• Environmental impact of reduced air pollution;</li> <li>• Cost efficiencies to utilities and other parties resulting from collaboration.</li> </ul>

Definition structure	Feedback / Observations	Thames Water Response
		<p>The tool has been designed for multiple uses, including the following stakeholders:</p> <ul style="list-style-type: none"> <li>• Local Authorities where collaborative streetworks are taking place;</li> <li>• Utility companies who take part in collaborative streetworks;</li> <li>• Regulators who oversee the utility sectors involved in collaborative streetworks.</li> </ul> <p>The GLA intends to be involved with validating the benefits achieved through each collaborative streetwork project that meets the PC's criteria. The M&amp;E tool will be utilised to identify, capture and quantify the benefits achieved through this PC. The GLA will assist with analysis of results and knowledge sharing of lessons learnt, with a view to developing best practice.</p>
125, Q8	Exclusions:	<p>✘ No action required. We will exclude projects that require delivery exclusively by Thames Water mean as there is no collaboration. We will also exclude projects that are not completed by the end of PR24.</p>
125, Q9	Geographical boundary: Please advise the geographical boundary. Please can you also advise if the boundary is consistent with those for ODIs in RIIO-ED2 and GD2.	<p>✔ The geographical boundary where the bespoke PC will operate is within the GLA boundary, as shown in the map below.</p>  <p>The boundary is the same as in RIIO ED2 and GD2.</p>

Definition structure	Feedback / Observations	Thames Water Response
125, Q10	Details on GLA's monitoring support	<p>✘ No action required.</p> <p>Please note, the GLA's Infrastructure Coordination Service (ICS) has committed to undertaking M&amp;E [monitoring and evaluation] of all collaborative streetwork projects undertaken in Greater London. Currently, the GLA oversees the results and performance across all planned collaborative streetwork projects, generating analysis and validating results for regulators and highway authorities (Ofgem, TfL etc.). The ICS conducts training for users of the M&amp;E tool, whilst updating relevant values and metric methodologies.</p> <p>In terms of monitoring, the GLA's ICS carries out a key role in acting as a neutral convenor of collaborative streetwork projects across all of the regulated and competitive utilities (water, gas, power, telecoms) and 33 highway authorities. The ICS proactively convenes collaboration efforts across industry and develops best practice in order to strengthen the dig-once approach, with a view to scaling and embedding collaboration as "business as usual".</p>
125, Q11	End of period ODI.	✘ No action required. We note that Ofwat's Draft Determination proposed an end of AMP8 target. We have not made any changes to reflect the evidence provided in the response to this question.
125, Q12	Outperformance ODI	✘ No action required. The evidence provided related to the mode of cooperation between Thames Water and other collaborators and reward and penalty incentive mechanisms.
267, Q1	We have identified inconsistencies in the data Thames Water has submitted for its bespoke PC proposal on streetworks collaboration: on its business plan data table (OUT10), it has stated a total number of 15 collaborative projects have been delivered between 2019-20 and 2022-23; however, in the methodology statement for the	✔ We have compared the latest view of data provided by the GLA in January 2024 to the data we provided as part of our business plan submission. The correct value for the number of schemes completed is 16. We incorrectly missed off one scheme in 2020/21. We will provide updated data tables accordingly.

Definition structure	Feedback / Observations	Thames Water Response																		
	<p>bespoke PC proposal (TMS36), it states that "During the four years from 2019/20 to 2022/23 Thames Water delivered 18 collaborative projects in London".</p> <p>Can Thames Water please confirm the correct value of collaborative projects it has delivered per year since 2019-20.</p>	<p>On reviewing TMS36 and the underlying data, we have made an error and included 3 projects that were delivered in the first half of 2023/24. For the time period 2019/20-2022/23 the correct number of schemes delivered, reflecting this and the above, is 16.</p>																		
267, Q2	<p>If you need to restate values in the BPDTs in response to this query, we ask that you send us the restated values directly in response to this query.</p>	<p>✓ On reviewing TMS36 and the underlying data, we have made an error and included 3 projects that were delivered in the first half of 2023/24. For the time period 2019/20-2022/23 the correct number of schemes delivered, reflecting this and the above, is 16.</p> <table data-bbox="1272 708 1906 954" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Data table: Oct 23</th> <th style="text-align: center;">Query 267: Apr 24</th> </tr> </thead> <tbody> <tr> <td>2019-20</td> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> </tr> <tr> <td>2020-21</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> </tr> <tr> <td>2021-22</td> <td style="text-align: center;">5</td> <td style="text-align: center;">5</td> </tr> <tr> <td>2022-23</td> <td style="text-align: center;">7</td> <td style="text-align: center;">7</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>15</b></td> <td style="text-align: center;"><b>16</b></td> </tr> </tbody> </table>		Data table: Oct 23	Query 267: Apr 24	2019-20	1	1	2020-21	2	3	2021-22	5	5	2022-23	7	7	<b>Total</b>	<b>15</b>	<b>16</b>
	Data table: Oct 23	Query 267: Apr 24																		
2019-20	1	1																		
2020-21	2	3																		
2021-22	5	5																		
2022-23	7	7																		
<b>Total</b>	<b>15</b>	<b>16</b>																		
267, Q3	<p>If you need to restate values in the BPDTs in response to this query, we ask that you confirm in your query response if you will:</p> <ol style="list-style-type: none"> <li>1) submit an updated set of BPDTs (including change log) and when; or</li> <li>2) wait until after DD and submit with your formal representations.</li> </ol>	<p>✓ We can confirm that we will update the BPDT after DD with our formal representation.</p>																		

The table below provides a summary of how Thames Water has reflected Ofwat’s detailed feedback on the Streetworks Collaboration bespoke Performance Commitment, which it shared on 30 June 2023.

Figure 2: Summary of Ofwat feedback in Draft Determination and Thames Water response

Definition structure	Feedback / Observations	Thames Water Response
Section 3.2.1 Performance commitment definition	The company should <b>agree with the GLA a feasible way to increase its oversight</b> on the projects to increase our confidence in the performance reporting.	✓ Please refer to our updated “Reporting and assurance” section, and the accompanying RIIO-GD2 Collaboration Guidance Document and Application Form
	Thames Water must set out the key terms of the performance commitment, <b>in the same form and manner as the common performance commitments</b> are set out, using our definition template, including the tables and annex.	✓ Document updated in line with Ofwat’s guidance.
	The company should <b>incorporate any clarifications</b> it provided through query responses.	✓ See Table 1 above.
Purpose	In line with our definition template and the form of the common performance commitments, <b>the "purpose" of the performance commitment should be a headline statement of no more than a few lines.</b> Details that concern the operation of the performance commitment should be moved to the "detailed definition of performance measure" section.	✓ Purpose section condensed and detailed information moved to “detailed definition of performance measure” section.
Benefits	In line with our definition template and the form of the common performance commitments, <b>the "benefits" of the performance commitment should be a headline statement of no more than a few lines.</b> Details that concern the operation of the performance commitment should be moved to the 'detailed definition of performance measure' section.	✓ Benefits section condensed and detailed information moved to “detailed definition of performance measure” section.

Definition structure	Feedback / Observations	Thames Water Response
Detailed definition of performance measure	The company should <b>agree with the GLA a feasible way to increase its oversight</b> on the projects that would be incentivised under this proposal. This is to make sure that only projects meeting the established collaborative criteria (your Table 1 and 2) would be incentivised, and that should be independently assured.	<p>✓ See the duplicated feedback in the “Reporting and assurance” section.</p> <p>This section has been updated accordingly.</p>
	The <b>link to the Collaboration manual</b> (v.0) is broken. Please provide a soft copy of this.	<p>✓ Please see TMS-DD-114 ‘Annex 6 - Collaboration Manual’.</p>
Additional detail on measurement units	The company should make clearer in this section that the measure <b>focuses on water network interventions only</b> .	<p>✓ Section updated.</p>
	The section also <b>lacks clarity on the exclusion of sustainable drainage solutions</b> from the performance commitment.	<p>✗ No action required. This information is available in the “Detailed definition of performance measure” section.</p> <p>Sustainable drainage solutions are included in the Strategic Importance Criteria set by the GLA (Table 2).</p> <p>A collaborative project may also qualify for inclusion in this performance commitment where it satisfies the strategic importance criteria, defined below, which are aligned the GD2 and ED2 criteria. Satisfaction of one or more of these criteria will be assessed independently by the GLA and is consistent with the application of strategic criteria across other sectors.</p>
	We recommend more detail is included and clarity added on <b>how schemes should be proposed</b> .	<p>✓ Section updated.</p> <p>The GLA’s ICS has developed a common data platform, called the Infrastructure Mapping Application (IMA) tool, which hosts planned and speculative future investment data across all relevant infrastructure providers in London. The IMA tool is utilised to identify</p>



Definition structure	Feedback / Observations	Thames Water Response
		<p>potential locations for collaboration. The GLA manages this platform and ensures all parties can view shared data. The GLA leads a regular identification process, where data is swept to generate potential collaborative opportunities which are shared with relevant parties. These opportunities then follow a robust process where each opportunity is analysed for its viability, with relevant stakeholders convened for technical feasibility discussions and further steps to take those schemes to collaborative delivery..</p> <p>The criteria have been retained, with minimal iteration, from Ofgem’s RII0-GD2 and RII0-ED2 equivalent collaborative streetworks incentives. We consider common drivers are critical for cross-sector alignment, encouraging change and investment in similar schemes.</p> <p>Schemes that satisfy the Minimum Qualifying Criteria or the Strategic Importance Criteria should be proposed.</p>
Specific exclusions	The proposed exclusions seem appropriate, with some minor alterations. We recommend that in addition to <b>stating the alignment with the definitions</b> in Ofgem’s ED2 and GD2, the company should make clearer <b>which areas the performance commitment applies to.</b>	<p>✓ Section updated to specify the geographical boundary the PC is applied to and the exclusion of wastewater network from the PC.</p>
	In line with the practice adopted for the common performance commitments, the company should avoid referencing other sources instead of adding <b>clear guidance in the definition.</b>	<p>✓ Where possible, source information has been incorporated into the document. Due to the large amount of guidance for ED2 and GD2, documentation has been cited to provide further information on the collaboration incentivisation and governance processes.</p>
Reporting and assurance	As stated above, please agree with the GLA a mechanism where the <b>GLA would step up its oversight</b> on the proposal.	<p>✓ The GLA propose the below steps to establish a governance process for AMP8. This is in addition to the existing GLA incentive governance process. The “Reporting and assurance section” has been updated accordingly.</p>

Definition structure	Feedback / Observations	Thames Water Response
		<p><b>GLA Proposed Governance Process for AMP8:</b></p> <ol style="list-style-type: none"> <li>1. <u>Publishing a specific guidance document for Thames Water to use during AMP8</u> <ul style="list-style-type: none"> <li>- The objective of this document is to empower Thames Water to self-evaluate schemes and have a clear understanding of the criteria;</li> <li>- An example of what this guidance document would look like , is provided in 'RIIO-GD2 Collaboration Incentive Guidance Document'<sup>3</sup> which will help TW to self-evaluate;</li> </ul> </li> <li>2. <u>Establishment of quarterly governance committee sessions</u> <ul style="list-style-type: none"> <li>- The GLA will convene Thames Water's Collaboration Specialist for regular quarterly meetings;</li> <li>- The objective of this session is to allow TW to review existing/new schemes and discuss specific scenarios. The GLA team will also examine scheme detail and provide appropriate scrutiny;</li> </ul> </li> <li>3. <u>Documentation &amp; regulatory reporting</u> <ul style="list-style-type: none"> <li>- The GLA will issue a template incentive application form – an example is provided in the 'RIIO-GD2 Collaboration Incentive Application Form'<sup>4</sup>, which TW will use when applying for minimum and strategic criteria schemes;</li> <li>- The GLA will also set-up a joint tracker to keep oversight of all minimum &amp; strategic criteria schemes;                             <ul style="list-style-type: none"> <li>o In September 2024, the GLA will launch the new Project Portfolio Management (PPM) tool, which will help tracking incentive schemes;</li> </ul> </li> </ul> </li> </ol>

<sup>3</sup> RIIO-GD2 Collaboration Incentive Guidance Document - see TMS-DD-092 'Streetworks Collab DD - Annex 2 - PC Definition - ODI rate calculations'.

<sup>4</sup> RIIO-GD2 Collaboration Incentive Application Form – see TMS-DD-095 'Streetworks Collab DD - Annex 3 - PC Definition - Incentive Application Form'

Definition structure	Feedback / Observations	Thames Water Response
		<ul style="list-style-type: none"> <li>- The GLA will issue a letter confirming which schemes have met the incentive criteria at the end of each financial year;                             <ul style="list-style-type: none"> <li>o Interim reports can be provided on a 6-monthly basis.</li> </ul> </li> </ul>
	<p>Please make it clear that there will be <b>third party assurance in place</b>.</p>	<p>✓ The GLA will provide third party assurance to confirm which schemes have met the incentive criteria at the end of each financial year. This will be the reportable figure for the bespoke PC.</p>
	<p>The company should also <b>provide an audit option</b> or a detailed report on the methodology the company uses for reporting.</p>	<p>✓ Independent Internal Assurance will be carried out on the PC methodology and reporting, in addition to the third party assurance carried out by the GLA.</p> <p>This Internal Assurance report will be in line with Internal Assurance carried out in previous Annual Performance Reports.</p>

### 3. Additional information on the bespoke Performance Commitment

In addition to this Technical Appendix, we have updated the PC definition and ODI rate calculations. The file references are:

- 1.1 Performance Commitment definition:
  - This is included in TMS-DD-092 'Streetworks Collab DD - Annex 1 - PC Definition'.
- 1.2 The calculation to inflate the RIIO ED2/ GD2 ODI benefit from 2018-19 prices and calculate the ODI PR24 incentive rates.
  - This is summarised in the Figure 3 with the supporting calculations included in TMS-DD-092 'Streetworks Collab DD - Annex 2 - PC Definition - ODI rate calculations'.
- 1.3 The incentive application form:
  - This is included in TMS-DD-095 'Streetworks Collab DD - Annex 3 - PC Definition - Incentive Application Form'.
- 1.4 RIIO-GD2 Guidance Document:
  - This is included in TMS-DD-096 'Streetworks Collab DD - Annex 4 - RIIO-GD2 Guidance Document'.
- 1.5 Methodology Statement:
  - This is included in TMS-DD-113 'Streetworks Collab DD - Annex 5 - Methodology Statement'.
- 1.6 Collaboration Manual:
  - This is included in TMS-DD-114 'Annex 6 - Collaboration Manual'.

Figure 3: Calculation to inflate ODI rate into 2022-23 prices

Estimated wellbeing value			
ED2/ GD2 wellbeing Value <sup>5</sup>	2018-19 prices	£305,000	
ED2/ GD2 ODI rate	2018-19 prices	£152,500	
CPIH: Financial year average indices <sup>6</sup>			
2018-19		106.43	
2022-23		123.04	
Increase Index		1.156	
PR24 wellbeing value and ODI rate			
	2022-23 prices	£352,594	
TW ODI rate proposal – Draft Business Plan			
	2022-23 prices	£176,297	
Ofwat Draft Determination			
Benefit Sharing factor		70%	
Number of collaborators		3	
Ofwat ODI rate (based on 3 collaborators)		£82,272	
TW Draft Determination response			
Benefit Sharing factor		70%	70%
Number of collaborators		3	2
<b>Proposed ODI rate</b>		<b>£82,272</b>	<b>£123,408</b>

<sup>5</sup> Source: SGN, RIIO-GD2 Business Plan, December 2019, Chapter 6, page 63

<sup>6</sup> Source: Thames Water PR24 - Data Table PD1



**It's everyone's water**