



Corrigenda to the company specific appendix that accompanied the notification by the Water Services Regulation Authority of its determination of price controls for retail activities and for wholesale activities for Northumbrian Water Limited

14 March 2018

This notice contains minor corrections to the [company-specific appendix](#) to the 2014 price determination of Northumbrian Water Limited’s price controls that was published on 12 December 2014.

On pages 144 and 145, for:

		Starting level	Committed performance levels				
	Unit	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
PC	No./year	4600	4054	3508	2962	2962	2962
Penalty collar	No./year		>5544	>5544	>3906	>3906	>3906
Penalty deadband	No./year		>4600	>4600	>2962	>2962	>2962
Reward deadband	No./year		<2962	<2962	<2962	<2962	<2962

Reward cap	No./year	<2759	<2759	<2759	<2759	<2759
------------	----------	-------	-------	-------	-------	-------

		Starting level	Committed performance levels Expressed as three year average				
	Unit	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
PC	No./year		4054	3781	3508	3144	2962
Penalty collar	No./year		>5544	>5544	>4998	>4452	>3906
Penalty deadband	No./year		>4600	>4600	>4054	>3508	>2962
Reward deadband	No./year		<2962	<2962	<2962	<2962	<2962
Reward cap	No./year		<2759	<2759	<2759	<2759	<2759

Read:

		Starting level	Committed performance levels				
	Unit	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
PC	No./year	4600	4054	3508	2908	2908	2908
Penalty collar	No./year		>5544	>5544	>3852	>3852	>3852
Penalty deadband	No./year		>4600	>4600	>2908	>2908	>2908
Reward deadband	No./year		<2908	<2908	<2908	<2908	<2908

Reward cap	No./year	<2705	<2705	<2705	<2705	<2705
------------	----------	-------	-------	-------	-------	-------

		Starting level	Committed performance levels Expressed as three year average				
	Unit	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
PC	No./year				3490	3108	2908
Penalty collar	No./year				>4980	>4416	>3852
Penalty deadband	No./year				>4036	>3472	>2908
Reward deadband	No./year				<2908	<2908	<2908
Reward cap	No./year				<2705	<2705	<2705

On page 140, for:

		Starting level	Committed performance levels				
	Unit	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
PC	No./year	1402	1236	1069	903	903	903
Penalty collar	No./year		>1534	>1534	>1032	>1032	>1032
Penalty deadband	No./year		>1405	>1405	>903	>903	>903
Reward deadband	No./year		<903	<903	<903	<903	<903

Reward cap	No./year	<645	<645	<645	<645	<645
------------	----------	------	------	------	------	------

Read:

		Starting level	Committed performance levels				
	Unit	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
PC	No./year	1402	1236	1069	987	987	987
Penalty collar	No./year		>1534	>1534	>1116	>1116	>1116
Penalty deadband	No./year		>1405	>1405	>987	>987	>987
Reward deadband	No./year		<987	<987	<987	<987	<987
Reward cap	No./year		<729	<729	<729	<729	<729

On pages 216 and 217, for:

Performance Commitments

Starting level	Committed performance levels
----------------	------------------------------

	Unit	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
PCs	£ million cumulative depreciation	0	N/A	N/A	N/A	N/A	5.493
	Delivery / non-delivery	Non-delivery	Non-delivery	Non-delivery	Delivery	Delivery	Delivery
Penalty 1 collar	£ million cumulative depreciation		N/A	N/A	N/A	N/A	0
Penalty 1 deadband	£ million cumulative depreciation		N/A	N/A	N/A	N/A	5.493
Penalty 2 collar	£ million cumulative depreciation		N/A	N/A	Non-delivery	Non-delivery	Non-delivery
Penalty 2 deadband	£ million cumulative depreciation		N/A	N/A	Non-delivery	Non-delivery	Non-delivery

Incentive rates

Incentive type	Incentive rate
Penalty 1	£0.5 per £1 of cumulative depreciation
Penalty 2	£1.25 million per year of non-delivery (calculated pro rata according to the number of days of non-delivery)

PCs	£ million cumulative depreciation	0	N/A	N/A	N/A	N/A	5.493
	Delivery / non-delivery	Non-delivery	Non-delivery	Non-delivery	Delivery	Delivery	Delivery
Penalty 1 collar	£ million cumulative depreciation		N/A	N/A	N/A	N/A	0
Penalty 1 deadband	£ million cumulative depreciation		N/A	N/A	N/A	N/A	5.493
Penalty 2 collar	£ million cumulative depreciation		N/A	N/A	Non-delivery	Non-delivery	Non-delivery
Penalty 2 deadband	£ million cumulative depreciation		N/A	N/A	Non-delivery	Non-delivery	Non-delivery

Incentive rates

Incentive type	Incentive rate
Penalty 1	£0.5 per £1 of cumulative depreciation
Penalty 2	£1.25 million per year of non-delivery (calculated pro rata according to the number of days of non-delivery)

Additional details

<p>Necessary detail on measurement units</p>	<p>The calculation of the performance measure is the cumulative depreciation charge allowed for in price limits for the delivery of the new CIB system.</p> <p>Delivery is measured by 80% of Northumbrian Water's directly billed customers being handled through the new consolidated CIB system. Performance will be monitored through Northumbrian Water's standard approach for PC/ODI reporting to the CCG. Should the delivery programme fall materially behind programme, this will be disclosed in the company's annual regulatory report.</p>
<p>Frequency of PC measurement and any use of averaging</p>	<p>The measure will be assessed annually on the company's regulatory year performance.</p>
<p>Timing and frequency of rewards/penalties</p>	<p>Annually. The company's first assessment will be made for 2015-16. Penalty 1 will only apply in 2019-20. Penalty 2 will only apply from 1 April 2018 onwards.</p>
<p>Form of reward/penalty</p>	<p>Revenue adjustment.</p>
<p>Any other information or clarifications relevant to correct application of incentive</p>	<p>Penalty rate 1 applies at the end of 2019-20. Penalty rate 1 returns half of any excess funding for the CIB system (via payments for depreciation) back to customers if the outturn costs of the programme are lower than assumed in Northumbrian Water's business plan.</p> <p>Penalty rate 2 applies cumulatively that is, if the CIB system is not delivered until 1 June 2019 a penalty of £1.25m applies, once for non-delivery in 2018-19 and pro rata for non-delivery between 1 April 2019 and 1 June 2019.</p> <p>Both Penalty rate 1 and Penalty rate 2 can apply at the same time. For example, if Northumbrian Water did not spend anything on the new CIB system in 2015-16 to 2019-20 the company would be required to pay half of all the cumulative depreciation funded in price limits back to customers (Penalty 1) and the company would be required to pay 2 times Penalty rate 2 to customers.</p>