

## Yorkshire Water: Actions summary table

### Actions guidance

#### Company actions

We categorise actions that slow-track and significant scrutiny companies need to do as the following:

- **required actions** for companies which in general are required so that we can make draft determinations (or final determinations for some aspects of past delivery); and
- **advised actions** for companies to do by a specific date but that are not required for our draft determinations.

Each action has a unique reference. The prefix 'YKY' denotes the company Yorkshire Water. The central acronym references the test area where the action has been identified, please see the 'PR19 initial assessment of plans: Glossary' for a key of these acronyms. Actions whose numbers are preceded with an 'A' denote required actions and actions whose numbers are preceded with a 'B' denote advised actions.

#### Timings and required response

- **Required actions:** Slow-track and significant scrutiny companies should address all **required actions** by the date shown in the 'date required' column in the table below (the majority of these are by 10am on 1 April 2019). The response to actions should be set out by companies in their resubmitted business plans and data tables. The template action tracker should be completed with a short description of the response and relevant business plan and/or data table references and should be submitted by 10 am on 1 April 2019. We will review the response to these actions in our assessment of company submissions ahead of determinations.
- **Advised actions:** Slow-track and significant scrutiny companies should set out their response to their **advised actions** by the date shown in the 'date required' column in the table below. For advised actions due on 1 April 2019 companies should include details of their response in their actions tracker.
- **Actions tracker:** Each company must complete and submit the template action tracker by 10 am on 1 April 2019 for review. For additional guidance, please see the cover page of the template action tracker.
- **Assurance:**
  - Assurance must be provided where requested as part of an action.
  - Companies must indicate the assurance that they have undertaken for all changes to data tables.
  - Where Customer Challenge Groups (CCGs) have provided assurance this should be indicated. In some instances, we have stated where we expect companies to work with CCGs as part of their re-submission of (parts of) their business plans. Please use our PR19 methodology as the guide for where their assurance of the quality of engagement with customers may be required.
  - If additional assurance is not required, companies may still provide it if they deem it appropriate.

For all the detailed actions documents referenced in the table below, the template action tracker and glossary, please see the [initial assessment of plans webpage](#).

Yorkshire Water: Actions summary table

Test area	Action reference	Action type	Action	Date required
Engaging customers	N/A	N/A	None.	N/A
Addressing affordability and vulnerability	YKY.AV.A1	Required	Yorkshire Water has not provided its long-term bill profile for the 2025-2030 period. Yorkshire Water should provide its long-term bill profile for the 2025-30 period.	1 April 2019
	YKY.AV.A2	Required	Yorkshire Water has not provided sufficient evidence to demonstrate that it has tested multiple bills profiles with customers beyond 2025, particularly for the 2025-30 period.  Yorkshire Water should undertake customer engagement on long-term bill profiles for the 2025-30 period and provide sufficient evidence to demonstrate customer support for each of the profiles tested. Yorkshire Water should confirm that testing has been assured by its CCG and conducted in line with social research best practice.	1 April 2019
	YKY.AV.A3	Required	Yorkshire Water should provide sufficient evidence of how the proposed social tariff cross subsidy was decided following the initial round of testing. In addition, it should provide sufficient evidence that customers were shown the proposed cross-subsidy during of a final round of acceptability testing.	1 April 2019
	YKY.AV.A4	Required	Yorkshire Water has not proposed a performance commitment on Priority Services Register (PSR) growth. It is proposing to increase its PSR reach from 2.4% in 2019/20 to 3.1% of households in 2024/25. We consider this to be an insufficiently ambitious target. In addition, the company has only checked 14.2% of PSR data over the past two years.  We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): Yorkshire Water should include a Performance Commitment which involves increasing its PSR reach to at least 7% of its customer base (measured by households) by 2024/25 and committing to checking at least 90% of PSR data every two years.  For further information on the performance commitment definition, and reporting guidelines, please refer to 'Common performance commitment outline for the Priority Service Register ("PSR")', published on the initial assessment of plans webpage.	1 April 2019
	Advised actions	Advised	No advised actions.	N/A
Delivering outcomes for customers	YKY.OC.A1-52	Required	The company has a number of actions in relation to its performance commitments, outcome delivery incentives and ODI risk/return package. Please see 'Yorkshire Water: Delivering outcomes for customers detailed actions'.	Please see dates in 'Yorkshire Water: Delivering outcomes for customers detailed actions'

Test area	Action reference	Action type	Action	Date required
	Advised actions	Advised	No advised actions	N/A
Securing long-term resilience	YKY.LR.A1	Required	The company should ensure that its common and bespoke performance commitments associated with operational resilience are clearly defined, sufficiently demanding for AMP7 and the long term, and supported by the right incentives. We expect the company to satisfy the relevant actions set out in relation in the outcomes areas ensuring a line of sight between risks to resilience and package of outcomes.	1 April 2019
	YKY.LR.A2	Required	The company should provide a commitment that it will, by 22 August 2019, prepare and provide to us an action plan to develop and implement a systems based approach to resilience in the round and ensure that the company can demonstrate in the future an integrated resilience framework that underpins the company's operations and future plans showing a line of sight between risks to resilience, planned mitigations, package of outcomes and corporate governance framework.	1 April 2019
	YKY.LR.A3	Required	The company should provide a commitment to work with the sector to develop robust forward looking asset health metrics and provide greater transparency of how its asset health indicators influence its operational decision making.	1 April 2019
	YKY.LR.A4	Required	The company should explain how it has taken account of the risks to its financial resilience associated with: <ul style="list-style-type: none"> <li>its high gearing level, and any application of the gearing outperformance mechanism for PR19;</li> <li>maintaining a target credit rating of BBB/Baa2, one notch above the minimum for investment grade;</li> <li>the introduction of the gearing outperformance sharing mechanism;</li> <li>requirements to refinance subordinated debt; and</li> <li>capital for the business raised as debt elsewhere in the corporate group, and</li> <li>outline associated risk management/mitigation approaches identified by the company to provide assurance on long term financial resilience.</li> </ul>	1 April 2019
	YKY.LR.A5	Required	The company has noted the possibility of additional equity investment as a financial risk mitigation measure. Please explain the steps and risk management approaches the company has taken to ensure equity will be available if such support is required, particularly in the context of the high level of gearing.	1 April 2019
	Advised actions	Advised	No advised actions.	N/A
Targeted controls, markets and innovation	YKY.CMI.A1	Required	The company's plan does not provide sufficient explanation for the sludge production volume forecasts, particularly the step change in volume at 2024/25. The company should provide further evidence around how the sludge volume forecast was calculated, including any assumptions made or adjustments to model outputs.	1 April 2019
	YKY.CMI.A2	Required	The proposed split of fixed and variable revenues for the bio-resources revenue control has not been sufficiently evidenced, particularly where cost lines are partly incremental and partly fixed. We are also intervening to ensure that the bioresources revenue adjustment is set on a broadly comparable basis to avoid setting revenue controls that may distort the development of trades. We will set out our view in the draft determinations based on the updated tables Bio1, Bio3 and Bio4. We will treat the funding of the 2020 RCV (run-off, returns and tax) as fixed	1 April 2019

Yorkshire Water: Actions summary table

Test area	Action reference	Action type	Action	Date required
			for these purposes, along with revenues to recover local authority rates; some fees; and a proportion of direct and indirect costs of bioresources treatment and transport.	
	<b>YKY.CMI.A3</b>	Required	The company should provide a commitment to provide a detailed work programme by end August 2019 to assure us that the company will deliver appropriate drainage and wastewater management plans. The programme should ensure that the company can prepare and consult on its first drainage and wastewater management plan no later than the summer of 2022 to enable revised plans to be prepared in early 2023 to inform PR24 business plans.	1 April 2019
	<b>YKY.CMI.A4</b>	Required	The company should set out in the bid assessment framework document the arrangements to protect commercially sensitive information provided by bidders.	15 July 2019
	<b>YKY.CMI.A5</b>	Required	For DPC, the company is required to provide further evidence to support the decisions that determined why some schemes were not suitable for DPC. The list of schemes and the required evidence is detailed in 'Yorkshire Water: Direct procurement for customers detailed actions'.	1 April 2019
	<b>YKY.CMI.B1</b>	Advised	The company should consider how it can collaborate with other companies to maximise the opportunities for research to address common challenges (eg leakage detection, water efficiency and wastewater treatment processes) rather than companies progressing research independently.	1 April 2019
Securing cost efficiency	<b>YKY.CE.A1</b>	Required	We provide our view of efficient costs for the company along with our reasoning. We expect it to address areas of inefficiency, or lack of evidence, in the revised business plan. Where appropriate, we expect it to withdraw investment proposals if either: <ul style="list-style-type: none"> <li>the need for investment is not compelling; or</li> <li>there is no need for a cost adjustment claim beyond our existing cost baseline.</li> </ul>	1 April 2019
	<b>YKY.CE.A2</b>	Required	The company's approach to deriving unit costs for the Amber schemes within its WINEP investment programme appears reasonable. However, the company should clarify whether its analysis has considered totex or capex. Additionally we find it difficult to fully reconcile the 179 Amber lines in WINEP3 and request the company provides a line by line reconciliation between the 179 WINEP lines, the 154 schemes and the 119 sites referred to in section 3.12 of Appendix 8g. We also notice discrepancies between the river lengths used in the company's calculations and those entered in WINEP3 and request that the company explains these. The company should also submit a corrected version of Table 3.13 to include columns for Cost and LORI and provide a breakdown of the apportionment of the £578.5m between the lines (capex and, if appropriate opex) in business plan tables WS2 and WWS2.	1 April 2019
	<b>YKY.CE.A3</b>	Required	There may be significant impacts in terms of investment or type of investment as a result of the metaldehyde ban. The company should investigate and agree with the DWI the scale and timing of any potential changes compared to its submitted plans. Significant changes and uncertainty may require an ODI to protect customers in the instance of expenditure not being required. Should the company propose a performance commitment and ODI, the company should provide evidence to justify the level of the performance commitment and the ODI incentive rates proposed, in line with our Final Methodology. We expect to receive evidence of customer support for outperformance payments, where proposed, and that the incentive rates proposed are reflective of customer valuations.	1 April 2019
	Advised actions	Advised	No advised actions	N/A

Yorkshire Water: Actions summary table

Test area	Action reference	Action type	Action	Date required
Aligning risk and return	YKY.RR.A1	Required	The gross margin increase for wastewater 5-50ML users in 2020/21 causes average forecast bills to increase by more than the 1.0% cap, as applied at PR16. The company should re-profile the increase in this year to ensure this cap is not breached.	1 April 2019
	YKY.RR.A2	Required	The notional cost of debt allowance input used is 4.37%. The company should amend the notional cost of debt allowance input to 4.36%, as per our final methodology 'early view'.	1 April 2019
	YKY.RR.A3	Required	The company has targeted a credit rating for its actual corporate structure that is one notch above a minimum investment grade. The company should provide further evidence and Board assurance to support its view that this is reasonable for the financeability of the actual company given the proposed investment and the funding requirement.	1 April 2019
	Advised actions	Advised	No advised actions.	1 April 2019
Accounting for past delivery	YKY.PD.A1-7	Required	The company has a number of actions in relation to the detail in some of its PR14 reconciliations. Please see 'Yorkshire Water: Accounting for past delivery detailed actions'.	Please see dates in 'Yorkshire Water: Accounting for past delivery actions'
	YKY.PD.B1-2	Advised	The company should develop and provide further evidence to support the continuous improvement and deliverability of incidents handling. Please see 'Yorkshire Water: Accounting for past delivery detailed actions'.	Please see dates in 'Yorkshire Water: Accounting for past delivery actions'
Securing confidence and assurance	YKY.CA.A1 - A3	Required	The company is required to restate a number of forward looking Board assurance statements. Please see 'Yorkshire Water: Securing confidence and assurance detailed actions.'	1 April 2019
	YKY.CA.A4	Required	On gearing outperformance sharing the company has not included our default sharing mechanism from our 'Putting the sector in balance' position statement or an alternative proposal which provides equivalent customer benefits, despite forecasting high gearing over 2020-25. We propose to include our default mechanism in the company's draft determination in the absence of company action to include it in its resubmitted business plan, so that customers will receive bill reductions if gearing in any year is above the 70% threshold.	1 April 2019
	YKY.CA.A5	Required	On dividend policy the company is required to confirm that it is committed to adopt the expectations on dividends for 2020-25 as set out in 'Putting the sector in balance' to include: <ul style="list-style-type: none"> <li>• clear Board commitment to publish detail on dividend policies in the APR and to signal changes to stakeholders; and</li> <li>• commitment to transparency about how the dividend policy in 2020-25 takes account of obligations and commitments to customers for the dividend policy that is applied in 2020-25 and when determining dividends.</li> </ul> Please provide an update on the steps you are taking to fully meet the expectations as set out in our putting the sector in balance position statement.	1 April 2019

Yorkshire Water: Actions summary table

Test area	Action reference	Action type	Action	Date required
	YKY.CA.A6	Required	<p>On executive pay the company is required to confirm that it is committed to adopt the expectations on performance related pay for 2020-25 as set out in 'Putting the sector in balance' to include:</p> <ul style="list-style-type: none"> <li>• commitment to report how changes, including the underlying reasons, are signalled to customers; and</li> <li>• commitment to publish the executive pay policy for 2020-25 once it has been finalised.</li> </ul> <p>Please provide an update on the steps you are taking to fully meet the expectations as set out in our putting the sector in balance position statement.</p>	1 April 2019
	YKY.CA.A7- A8	Required	The company is required to provide a revised financial model and data tables on 1 April 2019 and complete actions regarding its risk and return data. Please see 'Yorkshire Water: Securing confidence and assurance detailed actions.'	1 April 2019
	YKY.CA.B1	Advised	The company has advisory actions regarding its financial model and associated data tables. Please see 'Yorkshire Water: Securing confidence and assurance detailed actions.'	1 April 2019

## Securing cost efficiency

The tables below set out your performance on cost at different services and for different cost types. Costs are in £m of 2017-18. We index wholesale controls with consumer price inflation (CPIH). We do not index retail controls.

### Costs by control

Costs	Water resources	Network + (water)	Bioresources	Network + (wastewater)	Residential retail	Company level
Business plan totex (£m)	225.7	1,832.2	377.7	2,559.0	260.1	5,254.7
Our view of totex (£m)	240.1	1,471.5	289.0	2,095.1	357.7	4,453.4
Efficiency challenge (£m)	-14.3	360.8	88.7	463.9	-97.7	801.3
Efficiency challenge (%)	-6.3%	19.7%	23.5%	18.1%	-37.6%	15.2%

### Costs by residential retail, water and wastewater

Costs	Residential retail	Wholesale water	Wholesale wastewater	Company level
Business plan totex (£m)	260.1	2,058.0	2,936.7	5,254.7
Our view of totex (£m)	357.7	1,711.6	2,384.1	4,453.4
Efficiency challenge (£m)	-97.7	346.4	552.6	801.3
Efficiency challenge (%)	-37.6%	16.8%	18.8%	15.2%

### Costs by base, enhancement and residential retail

Costs	Wholesale base costs			Enhancement costs			Residential retail	Company level
	Water	Wastewater	Total	Water	Wastewater	Total		
Business plan base/enhancement costs (£m)	1,726.8	1,949.8	3,676.6	331.1	986.9	1,318.0	260.1	5,254.7
Our view of base/enhancement costs (£m)	1,509.7	1,578.5	3,088.2	201.9	805.6	1,007.4	357.7	4,453.4
Efficiency challenge (£m)	217.1	371.3	588.4	129.3	181.3	310.6	-97.7	801.3
Efficiency challenge (%)	12.6%	19.0%	16.0%	39.0%	18.4%	23.6%	-37.6%	15.2%

Efficiency challenge (%) = efficiency challenge (£m) divided by business plan totex.

Note, the costs in the tables do not include pension deficit repair costs (for which we make an allowance in accordance with our policy set out in Information Notice 13/17) and third party costs. The costs are gross of grants and contributions.

Key areas where we disallow enhancement costs.

- **Wholesale water:** Supply-demand balance (leakage) -£211m; and raw water deterioration -£24m.
- **Wholesale wastewater:** Sludge growth -£66m; WINEP increasing flow to full treatment -£21m; and WINEP P removal -£56m.