

Yorkshire Water: Delivering outcomes for customers detailed actions

Table 1: Company-wide actions

Area	Concern	Required Action	Action reference	Date required
Performance Commitment (PC) definition	No material company-wide concerns. Individual PC concerns are set out in table 2	No company-wide actions. Individual PC actions are set out in table 2.	N/A	N/A
PC stretch	The company's relative performance on asset health is poor amongst the industry and it has provided insufficient evidence that it will resolve these issues in an appropriate timeframe.	The company should set out its long- term plans to address its asset health challenges and propose appropriate service levels for asset health PCs for 2020 to 2025 in this context.	YKY.OC.A1	1 April 2019
Performance reporting	No concern	None	N/A	N/A
Outcome Delivery Incentive (ODI) type	No material company-wide concerns. Individual PC concerns are set out in table 2	No company-wide actions. Individual PC actions are set out in table 2	N/A	N/A
ODI rates	Our initial assessment of companies' enhancement expenditure and cost adjustment claims (including for scheme delivery) in the Cost Efficiency test results in the revision or rejection of some cost claims proposed by the company.	In cases of rejections or revisions to enhancement expenditure or a cost adjustment claim, the company should consider the implications, if any, for the associated level of the PC and ODI incentive rates proposed and provide evidence to justify any changes to its business plan submission.	YKY.OC.A2	1 April 2019

Area	Concern	Required Action	Action reference	Date required
	<p>In these instances only, there may be implications for the associated PC and ODI rate proposed The company has provided insufficient evidence to demonstrate the formation of its marginal cost inputs in relation to the enhancement expenditure and cost adjustment claims that it proposes</p>	<p>In cases where a scheme will no longer be undertaken, the company should consider the removal of the associated scheme-specific PC. The company should provide further evidence to detail the estimation of forecast efficient marginal costs within its ODI rate calculations, in line with our Final Methodology. In particular, the company should provide evidence to demonstrate how these marginal cost estimates relate to the cost adjustment claims or enhancement expenditure proposed by the company</p>		
<p>ODI deadbands, caps and collars</p>	<p>See Customer Protection section below</p>	<p>See Customer Protection section below</p>	<p>N/A</p>	<p>N/A</p>
<p>Enhanced ODIs</p>	<p>The company proposes enhanced ODI incentive rates that are of large magnitude relative to the standard rates proposed. These may outweigh customer willingness to pay for improvements in performance.</p>	<p>The company should provide further evidence to justify its enhanced ODI outperformance and underperformance incentive rates, which are set as a large multiple of its standard rates. Alternatively, the company should consider revising these enhanced rates downward</p>	<p>YKY.OC.A3</p>	<p>1 April 2019</p>
<p>Overall ODI package</p>	<p>No concern</p>	<p>None</p>	<p>N/A</p>	<p>N/A</p>
<p>ODI timing</p>	<p>No concern</p>	<p>None</p>	<p>N/A</p>	<p>N/A</p>
<p>Asset health ODI package</p>	<p>The evidence provided by the company does not sufficiently demonstrate customer support for its asset health outperformance payments.</p>	<p>The company should provide sufficient evidence to demonstrate that its customers support its proposed asset health outperformance payments. If the company cannot do this, it should remove the outperformance payments.</p>	<p>YKY.OC.A4</p>	<p>1 April 2019</p>

Area	Concern	Required Action	Action reference	Date required
		<p>The company should provide a clear list of what it considers to be its asset health PCs and state its P10 underperformance payments and P90 outperformance payments for each of its asset health ODIs in £m and as a percentage of RoRE.</p>		
Customer protection	<p>The company does not put forward sufficient customer protections. In particular, we have concerns about the potential for large outperformance payments, which could arise if the company significantly outperforms its PC targets. This could leave customers exposed to large increases in bills. The company proposes limited protection in terms of caps on individual PCs and does not outline any bill smoothing mechanisms. Put together, these could expose customer to large bill increases.</p> <p>Additionally, we have concerns relating to a lack of detail regarding the company's proposed reinvestment mechanism. In particular, concern that the company's proposal to consult the CCG regarding should outperformance payments exceed</p>	<p>The company should apply additional protections through an appropriate outperformance payment sharing mechanism and by implementing caps on individual PCs which could result in material outperformance payments. The payment sharing mechanism and caps to material ODIs should be applied in accordance with guidance provided in 'Technical appendix 1: Delivering outcomes for customers'. The company should ensure that it has explained how its proposed re-investment mechanism will work in practice and state the proportion of benefits that will be shared. The company should provide further details on how CCG engagement would work and ensure that this would directly impact the company's decisions on re-investment priorities. The company should also set out what assurance will be undertaken to ensure reinvestment will go beyond business as usual and that it will be targeted in line with customer priorities, ensuring that the company does not direct</p>	YKY.OC.A5	1 April 2019

Area	Concern	Required Action	Action reference	Date required
	1.25% RoRE could lead to benefits for the company rather than smoothing bills for customers.	payments to within-company remunerations or other areas that do not offer benefits to customers.		

Table 2: PC specific actions (for each PC)

PC	Area	Concern	Required Action	Action reference	Date required
PR19YKY_20 Drinking water quality	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	Drinking water quality PC: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies' comparative and historical performance, or	Drinking water quality PC: The company should provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for drinking water quality compliance and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	YKY.OC.A6	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		exogenous factors such as household income or water stress.	The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for other asset health PCs		
	Caps, collars, deadbands	Drinking water quality PC: The company proposes a deadband which does not sufficiently protect customers from poor delivery service.	Drinking water quality PC: We propose to intervene to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. As set out in the methodology we noted a deadband may be appropriate. It is important that the range of underperformance is adequate to provide clear incentives for companies to deliver statutory requirements. The company should set a deadband at 1.50 for 2020-25.	YKY.OC.A7	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19YKY_21 Water supply interruptions	Definition	No concern	None	N/A	N/A
	Stretch	Water supply interruptions PC: Our PR19 methodology expectation for the Water supply interruptions PC is for all companies to set performance at the upper quartile in each year of the 2020-2025 period. Based on	Water supply interruptions PC: We expect the company's service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	YKY.OC.A8	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		<p>the forecast data provided by companies in the September 2018 business plan submission, the values are: 2020/21 = 00:04:17 2021/22 = 00:03:58 2022/23 = 00:03:40 2023/24 = 00:03:22 2024/25 = 00:03:00 The company proposed performance that was beyond these values by 2024-25, so there is no concern, but there is a required action so that all companies have consistent service levels</p>			
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p>Water supply interruptions PC: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies' comparative and historical performance, or exogenous factors</p>	<p>Water supply interruptions PC: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in supply interruptions.</p>	YKY.OC.A9	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		such as household income or water stress.	<p>The company should also provide the additional information set out in ‘Technical appendix 1: Delivering outcomes for customers’ to allow us to better understand the causes of variation in ODI rates for supply interruptions and assess the appropriateness of the company’s customer valuation evidence supporting its ODI.</p> <p>The company should explain and evidence how its proposed ODI rate for this PC is coherent with the rates proposed for other asset health PCs.</p>		
	Enhanced ODI	<p>Water supply interruptions PC: The company does not propose an individual cap on the level of enhanced payments that might accrue from this PC.</p>	<p>Water supply interruptions PC: The company should propose a cap on enhanced ODI outperformance payments with appropriate evidence to demonstrate that the level of the cap will provide sufficient protection for customers</p>	YKY.OC.A10	1 April 2019
	Caps, collars, deadbands	<p>Water supply interruptions PC: We have concerns about the underperformance deadband proposed for this PC. The company does not provide sufficient evidence to justify the level at which this deadband has been set. Whilst we acknowledge the company’s ambition on this metric, the proposed deadband would allow the company to avoid</p>	<p>Water supply interruptions PC: The company should either remove its underperformance deadband completely or provide compelling evidence to demonstrate that it is in the best interests of customers.</p>	YKY.OC.A11	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		underperformance payments without improving its performance. We do not consider that this provides sufficient incentives for the company to achieve its PC targets.			
	Timing	No concern	None	N/A	N/A
PR19YKY_25 Per capita consumption	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	Per capita consumption (PCC): The company does not provide sufficient evidence to justify the marginal benefit estimate it has used within the ODI rate calculation. In particular, the company uses the average bill charge for 1 litre of water as an indicator of marginal benefit. This results in an ODI outperformance and underperformance payment that are too small to provide a sufficient incentive to deliver.	Per capita consumption (PCC): The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in ‘ Technical appendix 1: Delivering outcomes for customers ’) and demonstrate that the low underperformance and outperformance payments proposed are consistent with customers’ underlying preferences and priorities for service improvements in per capita consumption.	YKY.OC.A12	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
			The company should also provide the additional information set out in ‘ Technical appendix 1: Delivering outcomes for customers ’ to allow us to better understand the causes of variation in ODI rates for per capita consumption and assess the appropriateness of the company’s customer valuation evidence supporting its ODI.		
	Enhanced ODI	Per capita consumption (PCC): The company is proposing enhanced ODI incentive rates which are c.200 times greater than its standard incentive rates. This may, for example, result in outperformance payments that outweigh customer willingness to pay for performance improvements	Per capita consumption (PCC): The company should provide further evidence to justify the enhanced outperformance and underperformance ODI rates it proposes or consider revising these downwards in line with customer evidence.	YKY.OC.A13	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_30 Pollution incidents (categories 1, 2 and 3) per 10,000km sewers	Definition	No concern	None	N/A	N/A
	Stretch	Pollution incidents PC: Our PR19 methodology expectation for the Pollution Incidents PC is for all companies to set performance at the upper quartile in each year of	Pollution incidents PC: For this common PC we expect all companies’ service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	YKY.OC.A14	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		<p>the 2020-2025 period. Based on the forecast data provided by companies in the September 2018 business plan submission, the values are: 2020/21 = 24.51; 2021/22 = 23.74; 2022/23 = 23.00; 2023/24 = 22.40; 2024/25 =19.50. The company proposes service levels which are less than these.</p>			
	ODI type	No concern	None	N/A	N/A
	ODI rate	<p>Pollution incidents PC: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies' comparative and historical performance, or exogenous factors such as household income.</p>	<p>Pollution incidents PC: The company should provide the additional information we set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for pollution incidents and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p> <p>The company should explain and evidence how its proposed ODI rate for Pollution incidents is coherent with the rates proposed for all other sewerage PCs (including Internal sewer flooding, External sewer flooding and Sewer collapses) and demonstrate how the package of ODIs across the relevant group of PCs</p>	YKY.OC.A15	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
			appropriately incentivises performance in the long and short-term.		
	Enhanced ODI	<p>Pollution incidents PC: The company is proposing a constant threshold for enhanced outperformance payments over the 2020-25 period. Whilst this threshold represents a shifting of the industry frontier in 2020-21, this may not be the case in future years, as the threshold may no longer represent the industry frontier.</p> <p>The company does not propose an individual cap on the level of enhanced payments that might accrue from this PC</p>	<p>Pollution incidents PC: The company should reconsider its proposed target levels for enhanced ODI payments in later years, having regard to the possibility that the frontier is likely to shift 2020-25.</p> <p>The company should propose a cap on enhanced ODI outperformance payments with appropriate evidence to demonstrate that the level of the cap will provide sufficient protection for customers</p>	YKY.OC.A16	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_31 Internal sewer flooding	Definition	<p>Internal sewer flooding PC: We identified in the APR18 submission evidence (shadow reporting table 3S) that there are sub-components of some common PCs assessed as 'Amber' or 'Red'. The company</p>	<p>Internal sewer flooding PC: Where there is a sub-component rated Amber or Red in table 3S of the 2018 APR submission, the company should provide details on the actions needed to comply with the standard</p>	YKY.OC.A17	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		does not provide sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019/20.	definitions of common performance metrics and its timetable for completing them.		
	Stretch	Internal sewer flooding PC: Our PR19 methodology expectation for the Internal sewer flooding PC is for all companies to set performance at the upper quartile in each year of the 2020-2025 period. Based on the forecast data provided by companies in the September 2018 business plan submission, the values are: 2020/21 = 1.68; 2021/22 = 1.63; 2022/23 =1.58; 2023/24 = 1.44; 2024/25 =1.34. The company proposes service levels which are less than these.	Internal sewer flooding PC: For this common PC we expect all companies' service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	YKY.OC.A18	1 April 2019
	ODI type	No concern	None	N/A	N/A
	ODI rate	Internal sewer flooding PC: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer	Internal sewer flooding PC: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is	YKY.OC.A19	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		<p>preferences that cannot plausibly be explained by companies' comparative and historical performance, or exogenous factors such as household income.</p>	<p>consistent with customers' underlying preferences and priorities for service improvements in internal sewer flooding.</p> <p>The company should provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for internal sewer flooding and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p> <p>The company should explain and evidence how its proposed ODI rate for Internal sewer flooding is coherent with the rates proposed for all other sewerage PCs (including External sewer flooding, Sewer collapses and Pollution incidents) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term</p>		
	Enhanced ODI	<p>Internal sewer flooding PC: The company is proposing a constant threshold for enhanced outperformance payments over the 2020-25 period. Whilst this threshold represents a shifting of the industry frontier in 2020-21, this</p>	<p>Internal sewer flooding PC: The company should reconsider its proposed target levels for enhanced ODI payments in later years, having regard to the possibility that the frontier is likely to shift during the 2020-25 period.</p>	YKY.OC.A20	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		<p>may not be the case in future years, as the threshold may no longer represent the industry frontier.</p> <p>The company does not provide convincing evidence that the proposed threshold levels for enhanced underperformance payments are adequate to protect customers.</p> <p>The company does not propose an individual cap on the level of enhanced payments that might accrue from this PC.</p>	<p>The company should consider the thresholds for enhanced underperformance payments, and either make them more challenging or provide further evidence to demonstrate that they are appropriate.</p> <p>The company should propose a cap on enhanced ODI outperformance payments with appropriate evidence to demonstrate that the level of the cap will provide sufficient protection for customers.</p>		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_34 Risk of sewer flooding in a storm	Definition	<p>Risk of sewer flooding in a storm PC: The company does not provide sufficient evidence of the underlying calculation.</p>	<p>Risk of sewer flooding in a storm PC: The company should adopt the standard definition in full, providing full details of any assumptions in its measurement and reporting methodology including all the information set out in section 3.6 of Developing and Trialling Wastewater Resilience Metrics, Atkins.</p>	YKY.OC.A21	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
	Stretch	Risk of sewer flooding in a storm PC: The company does not provide sufficient evidence to demonstrate that its proposed service levels for the 2020-2025 period are stretching. It has proposed deteriorating service levels from 26.3% in 2019-20 to 27.2% in 2024-25.	Risk of sewer flooding in a storm PC: The company should reconsider its proposed PC levels and ensure that they are stretching and clearly set out the evidence and rationale for the revised targets. If the company chooses to retain the proposed service levels, then it should provide additional evidence to demonstrate that they are in the overall interests of customers.	YKY.OC.A22	1 April 2019
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_38 Risk of severe restrictions in a drought	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_22 Leakage	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	Leakage PC: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies' comparative and historical performance, or exogenous factors such as household income or water stress.	Leakage PC: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and provide sufficient evidence to demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in leakage. The company should provide evidence to justify the larger outperformance payments relative to underperformance payments or	YKY.OC.A23	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		<p>The company does not provide sufficient evidence to justify a standard outperformance payment that exceeds the underperformance payment.</p>	<p>amend these to ensure that the outperformance payment is no higher than the underperformance payment. In either case the company should set out the evidence and rationale.</p> <p>The company should also provide the additional information set out in ‘Technical appendix 1: Delivering outcomes for customers’ to allow us to better understand the causes of variation in ODI rates leakage and assess the appropriateness of the company’s customer valuation evidence supporting its ODI.</p>		
	<p>Enhanced ODI</p>	<p>Leakage PC: The company proposes a constant threshold for enhanced outperformance payments over the 2020-25 period. Whilst this threshold represents a shifting of the industry frontier in 2020-21, this may not be the case in future years, as the threshold may no longer represent the industry frontier.</p> <p>The company proposes enhanced ODI rates that are many multiplies of its standard ODI rates, resulting in enhanced rates which exceed the willingness to pay of its own customers.</p>	<p>Leakage PC: The company should reconsider its proposed target levels for enhanced ODI payments in later years, having regard to the possibility that the frontier is likely to shift during the 2020-25 period.</p> <p>The company should provide further evidence to justify the level of the enhanced ODI outperformance and underperformance payments that it proposes, which are a considerable multiple of its standard rates. Alternatively, the company should consider downwardly revising its enhanced rates.</p> <p>The company should propose a cap on enhanced ODI outperformance payments</p>	<p>YKY.OC.A24</p>	<p>1 April 2019</p>

PC	Area	Concern	Required Action	Action reference	Date required
		The company does not propose a cap on the enhanced payments that it can receive in any given year within the 2020-25 period.	with appropriate evidence to demonstrate that the level of the cap will provide sufficient protection for customers.		
	Caps, collars, deadbands	Leakage PC: The company proposes to apply an underperformance deadband to this PC, on the grounds that it should not be penalised for performing at the industry upper quartile level. However, we note that the gap between the deadband and PC target level is small, and the relatively stable trajectory of the deadband raises concerns that the company will not be incentivised to continue improving performance once the deadband threshold is passed.	Leakage PC: The company should either remove the proposed deadband or otherwise provide compelling evidence to justify why its usage is appropriate and the overall interest of customers.	YKY.OC.A25	1 April 2019
	Timing	No concern	None	N/A	N/A
PR19YKY_23 Unplanned outage	Definition	Unplanned outage PC: We identified in the Annual Performance Report 2018 (APR18) submission evidence (shadow reporting table 3S) that there are	Unplanned outage PC: The company should provide details on the actions needed to comply with the standard definition of this common performance metric and its timetable for completing them	YKY.OC.A26	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		sub-components assessed as 'Amber' or 'Red'. The company does not provide sufficient evidence to demonstrate that plans and timetables are in place to achieve compliance with these measures by 2019-20.	(where there is a sub-component rated Amber or Red in table 3S of the 2018 APR submission).		
	Stretch	Unplanned outage PC: We have some concerns that the company's forecast performance level is not determined using data consistent with the common definition.	Unplanned outage PC: The company is required to provide fully audited 2018-19 performance data by 15 May 2019. This should take the form of an early APR submission, but only for Unplanned Outages. Board assured data can be provided with the main APR in July 2019, any changes will be taken into account for the Final Determination. Based on the latest performance and updated methodologies, the company should resubmit 2019-20 to 2024-25 forecast data in the 15 May 2019 submission. The company should also report its current and forecast company level peak week production capacity (PWPC) (MI/d), the unplanned outage (MI/d) and planned outage (MI/d) in its commentary for the May submission.	YKY.OC.A27	15 May
	ODI type	Unplanned outage PC: The company proposes a non-financial incentive without providing sufficient justification. The company states that its "customers consider unplanned outage to be of	Unplanned outage PC: The company should change the type of this PC to a financial ODI and propose an underperformance payment..	YKY.OC.A28	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		<p>moderate importance and would strongly support a financial incentive. However as reporting of the measure is not sufficiently mature, a non-financial incentive has been applied.”</p>			
	ODI rate	<p>Unplanned outage PC: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies’ comparative and historical performance, or exogenous factors such as household income or water stress.</p>	<p>Unplanned outage PC: The company should propose an underperformance payment and explain how the proposed rate is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.</p> <p>The company should also provide the additional information set out in ‘Technical appendix 1: Delivering outcomes for customers’ to allow us to better understand the causes of variation in ODI rates for unplanned outages and assess the appropriateness of the company’s customer valuation evidence supporting its ODI.</p>	YKY.OC.A29	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	Timing	No concern	None	N/A	N/A
	Definition	No concern	None	N/A	N/A
PR19YKY_24 Mains repairs	Stretch	<p>Mains repairs PC: The company does not provide sufficient evidence that its proposed service levels for 2020 to 2025 are stretching. The company is forecasting a significant deterioration in performance during from 2017/18 to 2019/20, due to increased leak detection activity, with service levels recovering to 2017/18 values by 2024/25. The company does not provide sufficient evidence to demonstrate the relationship between leakage levels and the total number of repairs.</p>	<p>Mains repairs PC: The company should reconsider its proposed service levels and ensure that they are stretching. If the company continues to propose performance that is worse than its historical levels, we will expect compelling evidence that increased active leakage control impacts the total number of mains repairs using the company's own data, including the relationship between pro-active and reactive mains repairs. As a minimum the evidence should show the historical correlation between active leakage control, pro-active and reactive mains repairs. It should also show the impact of this relationship on forecast repair rates from the output of asset performance modelling. The company should also demonstrate that reduced (worse) performance levels are in the interests of customers and the assets.</p>	YKY.OC.A30	1 April 2019
	ODI type	<p>Mains repairs PC: The company is proposing an outperformance incentive which would only apply after a deadband set at industry</p>	<p>Mains Repairs PC: The company should provide a rationale that sufficiently justifies the inclusion of an outperformance payment for this PC and evidence of customer support for this approach. The company</p>	YKY.OC.A31	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		average level. However, the company did not provide sufficient evidence of customer support of the inclusion of an outperformance incentive for this PC.	should demonstrate how the outperformance will benefit its customers and the assets. If the company cannot do this, it should remove the outperformance payment.		
	ODI rate	Mains repairs PC: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies' comparative and historical performance, or exogenous factors such as household income or water stress.	Mains repairs PC: The company explain and evidence how its proposed ODI rates for mains repairs are coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (including leakage, supply interruptions and low pressure) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term. The company should also provide the additional information set out in ' Technical appendix 1: Delivering outcomes for customers ' to allow us to better understand the causes of variation in ODI rates for mains repairs and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	YKY.OC.A32	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
PR19YKY_32 Treatment works compliance	Definition	No concern	None	N/A	N/A
	Stretch	Treatment works compliance PC: The company does not provide sufficient evidence that its proposed service levels for 2020 to 2025 are stretching. It has a forecast of 98.72% for 2024-25 which does not meet the expected compliance level of 100%.	Treatment works compliance PC: The company should set the forecast performance level for the 2020-2025 period at 100%, although we note a deadband to 99% may be appropriate.	YKY.OC.A33	1 April 2019
	ODI type	Treatment works compliance PC: The company proposes an outperformance incentive without providing compelling evidence of customer support. The company is proposing an outperformance incentive which we consider is inappropriate for a compliance measure that should have a target of 100%.	Treatment works compliance PC: The company should remove the outperformance incentive.	YKY.OC.A34	1 April 2019
	ODI rate	Treatment works compliance PC: The company does not provide sufficient evidence that its proposed underperformance is appropriate. The proposed level is too low to provide a sufficient incentive and is not well supported by customer engagement evidence.	Treatment works compliance PC: The company should explain and evidence how its proposed ODI rate for treatment works compliance is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (such as river water quality) and demonstrate how the package of ODIs across the relevant group of PCs	YKY.OC.A35	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
			<p>appropriately incentivises performance in the long and short-term.</p> <p>The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for treatment works compliance and assess the appropriateness of the company's customer valuation evidence supporting its ODI.</p>		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_33 Sewer collapses	Definition	<p>Sewer collapses PC: We are concerned that the company states the collapses pro-actively identified will result in a deterioration in the performance of the measure. But the definition clearly states that collapses that are found pro-actively should be excluded from this measure.</p>	<p>Sewer collapses PC: The company should provide further information on the actions it will take, and associated timetable, in order to ensure compliant reporting by 2020. In particular, the company should provide clarification for its treatment of proactive events.</p>	YKY.OC.A36	1 April 2019
	Stretch	<p>Sewer collapses PC: The company does not provide sufficient evidence that its proposed PC levels for 2020 to</p>	<p>Sewer collapses PC: The company should reconsider its proposed service levels and ensure that they are stretching, because the forecast performance level is worse than the</p>	YKY.OC.A37	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		2025 are stretching. It has the highest industry forecast of 25.04 sewer collapses per thousand kilometres of all sewers in 2024-25.	historical average of the 2015-2020 period, and the company has the worst comparative performance. Appropriate evidence should be provided to show how the new service level has been determined.		
	ODI type	Sewer collapses PC: The company does not provide sufficient evidence to support its proposed outperformance payment for this PC.	Sewer collapses PC: The company should provide sufficient evidence to justify the use of an outperformance incentive for this PC and evidence of customer support for this approach. The company should also provide sufficient evidence to demonstrate how the outperformance incentive will benefit customers and the assets. The company should remove the outperformance incentive if it is unable to provide this evidence.	YKY.OC.A38	1 April 2019
	ODI rate	Sewer collapses PC: The company does not provide sufficient evidence that its proposed underperformance ODI rate for 2020 to 2025 is appropriate. The proposed level is too low to provide a sufficient incentive and was not well supported by customer evidence.	Sewer collapses PC: The company should explain and evidence how its proposed ODI rate for Sewer collapses is coherent with the rates proposed for all other sewerage PCs (including Internal sewer flooding, External sewer flooding and Pollution incidents) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term. The company should also provide the additional information set out in ' Technical appendix 1: Delivering outcomes for customers ' to allow us to better understand	YKY.OC.A39	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
			the causes of variation in ODI rates for sewer collapses and assess the appropriateness of the company's customer valuation evidence supporting its ODI.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_26 Drinking water contacts	Definition	No concern	None	N/A	N/A
	Stretch	Drinking water contacts PC: The company does not provide sufficient evidence that its proposed service levels for 2020 to 2025 are stretching. The company targets straight line performance for the 2020-2025 period only to resume reductions again in the 2025-2030 period.	Drinking water contacts PC: The company should reconsider its proposed PC levels and ensure that they are stretching for the 2020-2025 period. The company should clearly set out the evidence and rationale for the revised targets.	YKY.OC.A40	1 April 2019
	ODI type	No concern	None	N/A	N/A
	ODI rate	Drinking water contacts PC: The company does not provide sufficient evidence that its proposed outperformance and underperformance ODI rates for 2020 to 2025 are appropriate. The	Drinking water contacts PC: The company should consider the proposed underperformance and outperformance ODI rates and either increase the rates (in absolute terms) in line with customer evidence so that the rate provides a	YKY.OC.A41	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
		proposed levels are too low (in absolute terms) to provide a sufficient incentive for a PC of high customer priority.	sufficient incentive or provide compelling evidence why the ODI rates are considered appropriate.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_28 Low pressure	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_35	Definition	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
External sewer flooding	Stretch	External sewer flooding PC: The company proposes to improve performance, but the resulting service level is still comparatively high. It has not provided convincing evidence that it cannot reach forecast upper quartile performance.	External sewer flooding PC: The company should reconsider its proposed service levels and ensure that they are stretching. The company should clearly set out the evidence and rationale for the targets. If it is not proposing to meet forecast upper quartile performance, it will need to provide sufficient evidence to justify its decision not to do so.	YKY.OC.A42	1 April 2019
	ODI type	No concern	None	N/A	N/A
	ODI rate	External sewer flooding PC: There is substantial variation in proposed ODI rates across companies for common and comparable PCs. This finding implies large differences in underlying costs and customer preferences that cannot plausibly be explained by companies' comparative and historical performance, or exogenous factors such as household income.	External sewer flooding PC: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in ' Technical appendix 1: Delivering outcomes for customers ') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in external sewer flooding The company should also provide the additional information set out in ' Technical appendix 1: Delivering outcomes for customers ' to allow us to better understand the causes of variation in ODI rates for external sewer flooding and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	YKY.OC.A43	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
			The company should explain and evidence how its proposed ODI rate for External sewer flooding is coherent with the rates proposed for all other sewerage PCs (including Internal sewer flooding, Sewer collapses and Pollution incidents) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term.		
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_1 Working with others	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	Working with others PC: The company does not provide sufficient evidence of the scope for outperformance from this ODI.	Working with others PC: The company should provide its P90 estimate for this PC.	YKY.OC.A44	1 April 2019

PC	Area	Concern	Required Action	Action reference	Date required
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_2 Land conserved and enhanced	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_3 Integrated catchment management	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_4 Length of river improved	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_5 Biosecurity implementation	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_6 Carbon	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_7 Education	Definition	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_8 Creating value from waste	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
PR19YKY_9 Water recycling	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_11 Affordability of bills	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	Timing	No concern	None	N/A	N/A
PR19YKY_12 Direct support given to customers	Definition	No concerns	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_13 Cost of bad debt	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_14 Priority services awareness	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Priority services awareness PC: The company does not provide sufficient evidence to justify the use of outperformance payments for this ODI.	Priority services awareness PC: The company should provide further evidence to justify the use of outperformance payments and demonstrate customer support for this decision.	YKY.OC.A45	1 April 2019
	ODI rate	Priority services awareness PC: The company does not provide sufficient evidence to justify the application of the totex sharing rate to this retail PC. As a result, the underperformance payment may not sufficiently penalise the company for underperformance.	Priority services awareness PC: Should the company propose to keep the outperformance payments on this PC, the company should either provide evidence to justify the application of totex sharing rates within this ODI or revise its underperformance penalties to provide a sufficient incentive, in line with sufficient evidence of customer support.	YKY.OC.A46	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
PR19YKY_15 Priority services satisfaction	Definition	Priority services satisfaction PC: The company does not provide sufficient evidence that its survey methodology will adhere to social research best practice.	Priority services satisfaction PC: The company should confirm that survey will be externally assured and conducted in line with social research best practice.	YKY.OC.A47	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concerns	None	N/A	N/A
PR19YKY_16 Inclusive customer service	Definition	Inclusive customer service PC: The company does not provide sufficient evidence on the sample size. In addition, there is no evidence that the survey will adhere to social research best practice.	Inclusive customer service PC: The company should provide additional evidence on the sample size used to determine the PC target. In addition, it should provide external assurance that the survey will be conducted in line with social research best practice.	YKY.OC.A48	1 April 2019
	Stretch	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_17 Gap sites	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Gap sites PC: The company does not provide sufficient evidence to justify the use of a non-financial incentive for this ODI.	Gap sites PC: The company should provide further evidence to justify the use of a non-financial incentive by demonstrating why a financial incentive would not be in the interests of customers. Alternatively, the company should formulate a financial ODI reflecting the reduction in customer bills that would result from an increase in the identification of gap sites.	YKY.OC.A49	1 April 2019
	ODI rate	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_18 Voids verification	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	Voids verification PC: The company does not provide sufficient evidence to justify the use of a non-financial incentive for this ODI.	Voids verification PC: The company should provide further evidence to justify the use of a non-financial incentive by demonstrating why a financial incentive would not be in the interests of customers. Alternatively, the company should formulate a financial ODI reflecting the reduction in customer bills that would result from a reduction in the proportion of occupied properties classified as voids.	YKY.OC.A50	1 April 2019
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
PR19YKY_27 Significant water supply events	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_29 Repairing or replacing customer owned pipes	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	Timing	No concern	None	N/A	N/A
PR19YKY_36 Bathing water quality	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_37 Surface water management	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_39 Abstraction incentive mechanism	Definition	AIM PC: We are concerned that company states it has carried out the relevant investigations and engagement with the EA and its stakeholder forum and found that, at present, no sites are appropriate for this measure. However, this statement is insufficient on its own to justify no AIM sites for PR19 given the PR19 methodology expectation.	AIM PC: The company should provide further evidence to justify why no AIM sites have been selected.	YKY.OC.A51	1 April 2019
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
PR19YKY_40 Quality agricultural products	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A
	ODI rate	Quality agricultural products PC: Evidence provided by the company suggests that the company applies the totex sharing rate to a PC which falls within the Bioresources price control.	Quality agricultural products PC: The company should either provide further evidence to demonstrate that its rates are appropriate or revise its rates to remove the totex sharing factor, such that the underperformance payment provides a sufficient incentive.	YKY.OC.A52	1 April 2019
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A
PR19YKY_41 Renewable energy generation	Definition	No concern	None	N/A	N/A
	Stretch	No concern	None	N/A	N/A
	ODI type	No concern	None	N/A	N/A

PC	Area	Concern	Required Action	Action reference	Date required
	ODI rate	No concern	None	N/A	N/A
	Caps, collars, deadbands	No concern	None	N/A	N/A
	Timing	No concern	None	N/A	N/A