July 2019

Trust in water

PR19 draft determinations

Yorkshire Water – Delivering outcomes for customers actions and interventions

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PR19 Draft Determinations: Yorkshire Water - Delivering outcomes for customers actions and interventions

Following our initial assessment of plans, we categorised two types of actions for slow-track and significant scrutiny companies:

- required actions for companies which in general were required for 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.

Table 1 below sets out the required company level actions, a summary of the company's response to the action, our assessment of the company's response, and any further interventions we are making as part of the draft determination.

Table 2 below sets out the required performance commitment-specific actions, a summary of the company's response to the action, our assessment of the company's response, and any further interventions we are making as part of the draft determination.

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 draft determinations: Glossary' for a key to 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.

Table 3 below sets out any further interventions that are not resulting from an action which we are making as part of the draft determination. Table 4 below sets out any company changes to performance commitments that do not result in an intervention.

Each further intervention that is not resulting from an action, and company changes to performance commitments not resulting in an intervention 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 draft determinations: Glossary' for a key to these acronyms. Intervention numbers are preceded with a 'C'. Company changes to performance commitments not resulting in an intervention are proceeded with a 'D'.

In Table 3 and Table 4, we also specify the performance commitment reference number provided by the company (the prefix 'PR19YKY_' denotes the company Yorkshire Water), the name of the performance commitment, and the action type (for example, stretch).

For all other documents related to the Yorkshire Water draft determination, please see the **draft determinations webpage**.

Table 1 – Yorkshire Water's response to required company level actions and interventions for draft determinations

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Delivering outcomes for customers	YKY.OC.A1	PC stretch	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.	1 April 2019	The company proposes not to change the service levels for its asset health performance commitments from those submitted in its business plan. The company sets out a high-level strategy for improving its asset management capability. The specific initiatives include: the implementation of an asset management directorate five years ago to ensure alignment of asset strategies, planning, integrity and delivery; implementation of a new 'SAP' system which will enhance operational monitoring and reporting; a long-term commitment in the 2015-20 business plan to capital expenditure to improve the health of the asset base. This has been rebalanced in the 2020-25 plan to take into account additional pressures on short-term service-related measures, and the development of a resilience framework which includes the assessment of shocks and stresses across the asset base over the long term. The company also sets out a long list of asset health challenges that it needs to resolve, including the historical focus on asset optimisation to deliver short-term service-related targets at the expense of capital investment to ensure longer-term asset health.	No intervention required at a company level. Intervention required at individual performance commitment level. The company sets out high-level strategies and initiatives, but does not detail strategies for individual asset types and how they will be implemented to improve performance over the long term. The company provides evidence of an understanding of its asset health issues and the intention to resolve them, but does not commit to stretching improvements for its asset health performance commitments between 2020-25. However, it proposes high levels of improvement in its longer-term forecasts for some performance commitments, but does not provide evidence to show how these will be achieved. The company is a poor performer for many asset health performance commitments, including mains repairs, sewer collapses, unplanned outage and treatment works compliance. We are therefore intervening to set stretching targets for those performance commitments during the 2020-2025 period.	NA
	YKY.OC.A2	ODI rates	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. 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	1 April 2019	The company confirms that it has not made any amendments to performance commitments or incentive rates resulting from revisions to enhancement expenditure or cost adjustment claims. The company also confirms that it does not have any performance commitments relating to specific schemes. The majority of the company's incentive rate calculations assume marginal costs are equal to marginal benefits, as the performance commitment levels have been informed through its approach to investment optimisation and cost benefit analysis. The company proposes linking its outcome delivery incentive calculations to its base totex plan where customer valuation evidence is not available, and incentive rates are based on forecast efficient marginal costs.	No intervention required at a company level. Where we are rejecting a cost adjustment claim or allowing it at a level different to that proposed by the company due to a different view of efficient costs, we reflect this in our assessment of the company's responses to individual performance commitment actions. The company provides sufficient evidence to justify its proposals by documenting the changes to performance commitment levels and comparing them to the submission for the initial assessment of plans (IAP). The company provides sufficient explanation of its incentive rate calculation. Where we have particular concerns about outcome delivery incentive rates these are discussed in our response to the relevant performance	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						commitment specific actions in Table 2 or additional interventions in Table 3.	
	YKY.OC.A3	Enhanced ODIs	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	1 April 2019	The company proposes to set its enhanced outcome delivery incentive rates at the maximum willingness to pay valuation used in the triangulation of its standard outcome delivery incentive rates.	Intervention required. The company proposes to set its enhanced outcome delivery incentive rates at the maximum willingness to pay valuation used in the triangulation of its standard outcome delivery incentive rates. The company does not sufficiently justify that an estimate of the willingness to pay of its own customers appropriately reflects the externalities associated with enhanced outperformance. The company's approach also results in enhanced incentive rates that exceed our estimate of the sector-wide benefits of enhanced outperformance (as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'). Other interventions relating to enhanced outcome delivery incentives, including caps on enhanced rates, are discussed in response to specific performance commitment actions in Table 2, and Table 3.	We are intervening to set enhanced rates for water supply interruptions, per capita consumption, and leakage. In each case, we are intervening to set the enhanced rates based on our estimate of the sector-wide benefits of enhanced outperformance. For interruption to supply, this results in an outperformance rate of £3.445 million per minute per property for outperformance and an underperformance rate of -£3.445 million per minute per property. The rates we are setting for per capita consumption and leakage are set in response to our specific performance commitment actions in Table 2.
	YKY.OC.A4	Asset health ODI package	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. 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.	1 April 2019	The company proposes removing outperformance payments on its asset health performance commitments. This relates to mains repairs, sewer collapses and treatment works compliance. The company states that its research shows support for outperformance payments on asset health performance commitments was lower than on service related performance commitments.	No intervention required at a company level. The company is complying with the action, removing the outperformance payments where it does not have customer support. We note that it has provided evidence in specific cases, which are discussed in our response to the relevant performance commitment specific actions.	NA
	YKY.OC.A5	Customer protection	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	1 April 2019	The company proposes removing the outcome delivery incentive element of the financial sharing mechanism from its business plan. The company proposes adopting our outperformance payment sharing mechanism. However, the company is also proposing a 3% return on regulatory equity collar on underperformance payments within water and wastewater price controls.	Intervention required. The company complies with the first part of the action, proposing to adopt the standard payment sharing mechanism. However, the company also proposes a 3% return on regulatory equity collar without providing any justification or compelling arguments. Additionally, the company proposes not to	We are intervening to apply caps on material performance commitments. We are also intervening to remove the 3% return on regulatory equity collar.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			'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 payments to within-company remunerations or other areas that do not offer benefits to customers.		Additionally, the company is not proposing to include caps to material outcome delivery incentives and argues that this requirement is a new inclusion to the methodology, does not have sufficient supporting evidence of effectiveness, and that it might have an impact on the company's overall risk and return.	include caps on material performance commitments as it considers this is a new inclusion to the methodology. However, the need to appropriately protect customers from higher than expected outcome delivery incentive payments was set out in our 'PR19 methodology'. The company has provided insufficient evidence that it has in place protection for customers. As such, we are imposing our customer protection measures as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix' to make sure that customers are adequately protected.	

Table 2 – Yorkshire Water's response to required PC-specific actions and interventions for draft determinations

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
Delivering outcomes for customers	YKY.OC.A6	ODI rate	**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. 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.	1 April 2019	The company states that it uses customer valuations for customer facing performance commitments and marginal costs for asset health performance. The company argues that this provides coherence across the package of outcomes and avoids potential issues of double counting. The company states that is has amended the Drinking Water Quality outcome delivery incentive rate as a result of corrections to the customer valuation data.	No intervention required The company has explained the formulation of its outcome delivery incentive rate and its customer valuation evidence. The company sufficiently explains how its outcome delivery incentive rate is coherent with rates proposed for other asset health performance commitments. The company's underperformance payment rate is within our reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. Therefore we are not intervening on the outcome delivery incentive rate. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	NA
	YKY.OC.A7	Caps, collars,	**Drinking water quality PC:** We propose to intervene to ensure companies perform to the regulatory requirement of 100%	1 April 2019	The company proposes retaining its original deadbands. It considers that the application of standard performance commitment targets for	Intervention required.	We are intervening to set a standard deadband. The deadband

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
		deadbands	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.		Drinking Water Quality is an additional regulatory requirement that was not set out in the 'PR19 methodology'. The company is concerned with the application of the Drinking Water Quality performance commitment levels and deadband as it states that this measure is relatively immature and has only been formally reported for a single year in 2017-18. It also highlights its concerns around volatility and suggests introducing a glide path to achieve the performance over the period.	Our approach is in line with our 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. To comply fully with drinking water standards is not a new requirement. The measure can fluctuate, but existing performance data does not suggest volatility. Some variance may be due to the pesticide failures, which is expected to be reduced once the ban on the use of metaldehyde in place in the start of the 2020. We do however recognise that there may be a need to retain some flexibility for new metaldehyde legislation to be implemented therefore we have increased the deadband for the first two years of PR19 compared to our IAP proposals. A deadband set at the levels we are proposing allows for some fluctuation in performance, whilst providing a strong incentive to minimise compliance failures.	profile for the Compliance Risk Index is: 2020-21 – 2.0 2021-22 – 2.0 2022-23 – 1.5 2023-24 – 1.5 2024-25 – 1.5 Unit = Compliance Risk Index Score
	YKY.OC.A8	Stretch	**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.	1 April 2019	The company is not proposing to change its performance commitment levels. The company sites some general arguments against how we set all our performance commitment levels. The company argues our totex modelling approach provides insufficient expenditure for improvements in performance commitment levels. The company further challenges our methodology for setting performance commitment levels, saying it does not reflect customer expectations and that companies are only funded to provide performance levels consistent with an upper quartile cost efficient company.	Intervention required. The company proposes adopting more stretching levels than our expected upper quartile level. We have set a single benchmark level based on the upper quartile of company forecasts in business plans of upper quartile performance. We expect an efficient company to achieve sector forecast upper quartile performance within base service. We have revised our view on performance commitment levels. We consider that 2024-25 levels are achievable but that the forecast upper quartile levels in earlier years do not appear to be achievable for this performance commitment. We are therefore introducing a glide path with a starting point of the upper quartile based on 2019-20 forecast data. We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels are as follows: 2020-21 - 00:05:24 2021-22 - 00:04:48 2022-23 - 00:04:12 2023-24 - 00:03:36 2024-25 - 00:03:00 Units: minutes per property for year
	YKY.OC.A9	ODI rate	**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 April 2019	The company states its incentive rates are based on extensive customer valuation research conducted with over 10,000 customers in the Yorkshire region. The company argues that the reasonable ranges set out in Technical Annex 1	Intervention required. Our approach is in line with our PR19 draft determinations: Delivering outcomes for customers policy appendix.	We are intervening to: (i) set the underperformance rate at the value implied by the company's estimate of marginal benefit, after removing the outlier willingness to pay values

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			1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in supply interruptions. 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. 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.		are not comparable and adjustments to incentive rates on this basis will lead to significant customer detriment. The company states that it uses customer valuations for customer facing performance commitments and marginal costs for asset health performance. The company argues that this provides coherence across the package of outcomes and avoids potential issues of double counting.	Our draft determinations take into account customers' views on performance levels, as well as historical and forecast performance levels across the sector. In some instances this results in our draft decisions on performance commitment levels differing from the level supported by customers. We are satisfied that our decisions provide strong customer protection and appropriately incentivise the company. The company's proposed rates remain higher than the industry average, as defined by the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix '. The company's proposed rates are also materially greater than those that apply to its 2015-20 outcome delivery incentive. We have also identified concerns with the company's triangulation of the marginal benefit component of willingness to pay which appears to be biased upwards by an extreme value, an outlier. We consider that, following our interventions, the asset health outcome delivery incentives for the company are coherent with limited risk of double counting. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	from triangulation; and (ii) set the outperformance rate at the underperformance rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' September business plans (as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'). This results in outperformance and underperformance rates of £1.24 million and -£1.48 million per minute per property, respectively.
	YKY.OC.A10	Enhanced ODI	**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	1 April 2019	The company proposes to not cap enhanced outcome delivery incentive outperformance payments. It proposes to apply an overall cap on outperformance and underperformance payments beyond +/- 3% return on regulatory equity within the water and wastewater price controls. The company argues that, as with the approach to applying caps and collars on individual performance commitments where incentives incur beyond the p10 and p90 levels, the application of enhanced outperformance caps does not provide any additional protection benefits beyond that of the overall 3% return on regulatory equity cap.	Intervention required. Our approach is in line with 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. The company has not applied an enhanced outperformance cap to this enhanced outcome delivery incentive which we consider risks insufficient protection for customers and excessive management focus on a single performance commitment. As we set out in the PR19 draft determinations: Delivering outcomes for customers policy appendix, we consider enhanced outperformance caps are appropriate for this performance commitment.	We are intervening to set an enhanced outperformance cap at 1% of water regulated equity each year. See the PR19 draft determinations: Delivering outcomes for customers policy appendix for how this will operate in practice.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	YKY.OC.A11	Caps, collars, deadbands	**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.	1 April 2019	The company is proposing to apply an underperformance deadband of 00:06:00 for all years of the 2020-25 period. The company argues it should not receive underperformance payments for performance better than the forecast upper quartile since it would also not have been funded to meet this better performance level.	Intervention required. Our approach is in line with our 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. We do not consider the company has sufficiently evidenced its proposed underperformance deadband. We consider that deadbands reduce the incentive for companies to improve their performance. We want to ensure companies are incentivised to mitigate the risk of service failure during severe weather. Customers experience the down and upside of the fluctuations in terms of their service, so it seems reasonable that the appropriate adjustments are made to bills. Companies are able to manage the financial consequences of outcome delivery incentives using other mechanisms for example their in-period outcome delivery incentive determinations. The company also does not sufficiently explain how deadbands contribute to customer protection given the other mechanisms in place to support bill stability. Further, since we are moving the company's service level to the forecast upper quartile, the argument about a deadband to forecast upper quartile levels falls away.	We are intervening to remove the underperformance deadband.
	YKY.OC.A12	ODI rate	**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. 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	1 April 2019	The company states its incentive rates are based on extensive customer valuation research conducted with over 10,000 customers in the Yorkshire region. The company argues that the reasonable ranges set out in Technical Annex 1 are not comparable and adjustments to incentive rates on this basis will lead to significant customer detriment.	Intervention required. Our approach is in line with 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. The company is not proposing to amend its rates in response to our IAP action and its proposed rates remain below the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. The company has not attempted to quantify the marginal benefit to customers from a reduction in water consumption and has instead based its rates on the average bill reduction a customer would receive as a result of reducing their personal water consumption. The resulting outcome delivery incentive rates offer customers insufficient protection against underperformance.	We are intervening to: (i) set the underperformance rate at the industry average proposed rate for per capita consumption (on a normalised basis); and (ii) set the outperformance rate at the underperformance rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' September business plans (as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'). This results in underperformance and outperformance rates of -

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			appropriateness of the company's customer valuation evidence supporting its ODI.			We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	£0.486 and £0.405 million per litre per head per day, respectively.
	YKY.OC.A13	Enhanced ODI	**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.	1 April 2019	The company is not proposing to adjust its enhanced outcome delivery incentive rates in response to our action. The company argues that the application of a cap on enhanced incentive rates at twice the corresponding standard outcome delivery incentive rate is not supported by evidence and could lead to significant customer detriment by underestimating the value of performance changes at the frontier or upper quartile levels. The company argues that its proposed rates are consistent with the wider benefits of enhanced outperformance and that capping enhanced incentive rates at what it describes as "an arbitrary" level may result in risk and return positions significantly outside of our indicative range.	Intervention required. The company's proposed approach to deriving enhanced rates for per capita consumption is based on its quantification of the avoided cost of carbon resulting from a reduction in per capita consumption across its own customer base. The company has not demonstrated that the avoided carbon cost is an appropriate proxy of sector-wide benefits of enhanced outperformance on per capita consumption. The resulting rates also exceed our estimate of the sector-wide benefits of enhanced outperformance (as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix').	We are intervening to set enhanced rates based on our estimate of the sector-wide benefits of enhanced outperformance i.e. £1.171 million per litre per head for outperformance and -£1.171 million per litre per head for underperformance.
	YKY.OC.A14	Stretch	**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.	1 April 2019	The company is not proposing to change its performance commitment levels. As with the other upper quartile performance commitments, the company argues our totex modelling approach provides insufficient expenditure for improvements in performance commitment levels. The company has further challenged our methodology for setting performance commitment levels, saying it does not reflect customer expectations and that companies are only funded to provide performance levels consistent with an upper quartile cost efficient company.	Intervention required. We have set a single benchmark level based on the upper quartile of company forecasts in business plans of upper quartile performance. We expect an efficient company to achieve sector forecast upper quartile performance within base service. Our draft determinations take into account customers' views on performance levels, as well as historical and forecast performance levels across the sector. In some instances this results in our draft decisions on performance commitment levels differing from the level supported by customers. We are satisfied that our decisions provide strong customer protection and appropriately incentivise the company. We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels are as follows: 2020-21 - 24.51 2021-22 - 23.74 2022-23 - 23.00 2023-24 - 22.40 2024-25 - 19.50 Units: incidents per 10,000 km of sewer

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	YKY.OC.A15	ODI rate	**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. 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 appropriately incentivises performance in the long and short-term.	1 April 2019	The company states that it uses customer valuations for customer facing performance commitments and marginal costs for asset health performance. The company argues that this provides coherence across the package of outcomes and avoids potential issues of double counting.	No intervention required. The company's outperformance payment rate is not different from the industry average, as defined by the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix '. The underperformance rate exceeds the upper bound of the reasonable range that we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', however we have not identified any concerns with the basis on which the company has derived its rates and the company is not proposing a higher marginal incentive than currently applies to its corresponding outcome delivery incentive for the 2015-20 period. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	NA
	YKY.OC.A16	Enhanced ODI	**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. 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	1 April 2019	The company is not proposing to adjust its enhanced outcome delivery incentive thresholds, although sets out its view that we should set out a single industry wider threshold to ensure that companies are treated comparably. The company has not applied caps to enhanced outcome delivery incentives.	Intervention required. Our approach is in line with our PR19 draft determinations: Delivering outcomes for customers policy appendix. We have calculated a single enhanced outperformance threshold for the sector since we want to ensure companies only receive enhanced outperformance payments for pushing forward the industry frontier. Where companies have proposed worse levels than this we move them to our frontier. Due to information asymmetry, where companies proposed better levels we do not intervene. Since this company's proposal is less stretching than our assessment of the frontier, we are intervening on the company's enhanced outperformance thresholds for this performance commitment. The company has not applied a cap on this enhanced ODI which risks insufficient protection for customers and excessive management focus on a single performance commitment. As we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix' we consider enhanced outperformance caps are appropriate.	We are intervening to set the enhanced outperformance thresholds for this performance commitment at our assessment of the frontier over time. This is as follows: 2020-21: 15.05 2021-22: 14.57 2022-23: 14.12 2023-24: 13.75 2024-25: 11.97 Units are pollution incidents per 10,000km sewer We are intervening to set an enhanced cap at 1% return on regulatory equity (RoRE). 1% RoRE is the highest enhanced payment a company can receive in any single year.

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	YKY.OC.A17	Definition	**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 definitions of common performance metrics and its timetable for completing them.	15 May 2019	The company states that it has amended its business process to align with the common definition and has been using them fully for most of 2018-19. The company states that reporting is now based on actual incidents rather than estimates and all reported incidents are put through an internal review to ensure that the new systems and procedures in place have been followed correctly.	No intervention required. The company has provided sufficient evidence of the actions it has taken to be fully compliant and will be fully compliant before 2020.	.NA
	YKY.OC.A18	Stretch	**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.	1 April 2019	The company has not changed its performance commitment levels. As with the other upper quartile performance commitments, the company argues our totex modelling approach provides insufficient expenditure for improvements in performance commitment levels. The company has further challenged our methodology for setting performance commitment levels, saying it does not reflect customer expectations and that companies are only funded to provide performance levels consistent with an upper quartile cost efficient company.	Intervention required. We have set a single benchmark level based on the upper quartile of company forecasts in business plans of upper quartile performance. We expect an efficient company to achieve sector forecast upper quartile performance within base service. Our draft determinations take into account customers' views on performance levels, as well as historical and forecast performance levels across the sector. In some instances this results in our draft decisions on performance commitment levels differing from the level supported by customers. We are satisfied that our decisions provide strong customer protection and appropriately incentivise the company. We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to set performance commitment levels that are consistent with the rest of the industry for internal sewer flooding. These are as follows: 2020-21 - 1.68 2021-22 - 1.63 2022-23 – 1.58 2023-24 - 1.44 2024-25 - 1.34 Units are: internal sewer flooding incidents per 10,000 properties.
	YKY.OC.A19	ODI rate	**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 consistent with customers' underlying preferences and priorities for service improvements in internal sewer flooding. The company should provide the additional information set out in **'Technical appendix 1: Delivering outcomes for customers'** to	1 April 2019	The company states its incentive rates are based on extensive customer valuation research conducted with over 10,000 customers in the Yorkshire region. The company argues that the reasonable ranges set out in Technical Annex 1 are not comparable and adjustments to incentive rates on this basis will lead to significant customer detriment. The company states that it uses customer valuations for customer facing performance commitments and marginal costs for asset health performance. The company argues that this provides coherence across the package of	No intervention required. The company's proposed outcome delivery incentive rates are within the reasonable range that we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix '. We have not identified any concerns with the company's underlying valuation research nor the derivation of its outcome delivery incentive rates for this performance commitment. We set out our rationale for setting outcome delivery incentive rates for this common	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			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. 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.		outcomes and avoids potential issues of double counting.	performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	YKY.OC.A20	Enhanced ODI	**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. 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. 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.	1 April 2019	The company is not proposing to adjust its enhanced outcome delivery incentive thresholds, and presents its view that we should set out a single industry wider threshold to ensure that companies are treated comparably. The company is not proposing to apply caps to its enhanced outcome delivery incentives.	Intervention required. Our approach is in line with 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. We have calculated a single enhanced outperformance threshold for the sector since we want to ensure companies only receive enhanced outperformance payments for pushing forward the industry frontier. Where companies have proposed less stretching levels than this we are intervening to move them to our assessment of the frontier over time. Due to information asymmetry, where companies proposed more stretching levels we do not propose to intervene. Since this company's proposal is less stretching than our assessment of the frontier, we are intervening on the company's enhanced outperformance thresholds for this performance commitment. As we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', we have calculated a single enhanced underperformance threshold for the sector based on current lower quartile performance which should protect customers from poor performance. This will also provide balanced incentives and protect customers from companies taking unreasonable risks to achieve enhanced outperformance and potentially end up with very poor performance.	We are intervening to set the enhanced outperformance thresholds for this performance commitment at our assessment of the frontier over time. This is as follows: 2020-21: 1.11 2021-22: 1.08 2022-23: 1.04 2023-24: 0.95 2024-25: 0.89 We are intervening to set the enhanced underperformance thresholds for this performance commitment at the lower quartile of current company performance. This is as follows: 2020-21: 2.4 2021-22: 2.4 2022-23: 2.4 2023-24: 2.4 2024-25: 2.4 Units are the number of properties flooded internally per 10,000 sewer connections

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						The company has not applied a cap on this enhanced ODI which risks insufficient protection for customers and excessive management focus on a single performance commitment. As we set out in the PR19 draft determinations: Delivering outcomes for customers policy appendix we consider enhanced outperformance caps are appropriate.	We are intervening to set an enhanced cap at 1% RoRE. 1% RoRE is the highest enhanced payment a company can receive in any single year
	YKY.OC.A21	Definition	**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.	1 April 2019	The company confirms that it will adopt the full standard definition. The company provides full details of the assumptions in its measurement and reporting methodology and includes all the requested information. The company presents an alternative approach for company reporting that it considers would have several advantages for the industry and provide greater clarity and transparency to the metric. The company proposes that the reporting of this performance commitment be split to show the 1A and 1B methodologies and its associated flood risk. The company argues that its reported percentage at flood risk is inflated because all its unmodelled population is judged at risk despite its larger proportion of modelled catchments highlighting that the risk is likely much lower.	Intervention required. Our approach is in line with our PR19 draft determinations: Delivering outcomes for customers policy appendix. The company has provided detailed guidance on the assumptions it used in its analysis, and its full reporting tables, which appear to be appropriate. We are taking into account model percentage in our assessment of whether the performance commitment levels are set appropriately, and therefore do not think the measure needs to be separated in the way the company suggests. We have improved the definition of this common performance commitment in consultation with the industry following our IAP. We expect companies to confirm that they will be updating their approach to flooding resilience in line with the revised definition.	We are intervening to set out that the company should confirm that it is: using the updated parameters in the catchment vulnerability assessment (and setting out any additional criteria that it intends to use); reporting the extent to which it uses 2D or simpler modelling; and adopting FEH13 rainfall as standard, and if not, when it expects to do so. .
	YKY.OC.A22	Stretch	**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.	1 April 2019	The company is not revising its proposed performance commitment levels in response to the action. The company argues that the impacts of climate change will lead to increased risk over time.	Intervention required. The company does not provide sufficient justification that the deterioration in service is in the best interests of customers. We expect the company should aim to manage its systems and networks so that impact of changing environmental conditions on customer risk of sewer flooding is mitigated. We are intervening to set the performance commitment level for the 2020-25 period to the level the company forecasts for 2019-20, so that performance is not deteriorating compared to the 2015-20 period. We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19	We are intervening to set the company's performance commitment levels as 22.20 for every year of the 2020-25 period.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						draft determinations: Delivering outcomes for customers policy appendix'.	
	YKY.OC.A23	ODI rate	**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 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. 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.	1 April 2019	The company is not proposing to adjust its rates in response to our IAP actions. However, it is proposing a downward revision to its rates, which it states is required to account for an error, in response to an IAP query in which it re-stated its App1 data for the leakage performance commitment on a 3-year average basis. The company states its incentive rates are based on extensive customer valuation research conducted with over 10,000 customers in the Yorkshire region. The company argues that the reasonable ranges set out in Technical Annex 1 are not comparable and adjustments to incentive rates on this basis will lead to significant customer detriment.	Intervention required. The company's proposed outcome delivery incentive rates are below the reasonable range that we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix '. Whilst we have not identified any concerns with the quality of the underlying research nor the derivation of the outcome delivery incentive rate, the proposed rates imply a lower level of customer protection compared to the company's corresponding 2015-20 outcome delivery incentive. The company has failed to meet its 2018-19 performance commitment level and the level of stretch implied by its 2020–25 performance commitment level is amongst the highest in the industry (in percentage reduction terms). It is therefore of concern that the company is proposing rates so far below industry average. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to set the underperformance rate by re-triangulating across: (i) its 2020-25 proposed rate; (ii) industry average rate (on a normalised basis); and (iii) the company's equivalent 2015-20 rate. We are intervening to set the outperformance rate at the underperformance rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' September business plans (as explained in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'). This results in outperformance and underperformance rates of £0.139 million and -£0.167million per megalitre per day respectively.
	YKY.OC.A24	Enhanced ODI	**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. 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. 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. .	1 April 2019	The company is not proposing to adjust its enhanced outcome delivery incentive thresholds and states that we should set a single industry wide threshold to ensure that companies are treated comparably. The company has not applied caps to enhanced outcome delivery incentives. The company has not adjusted its enhanced outcome delivery incentive rates. The company argues that the application of a cap on enhanced incentive rates at twice the corresponding standard outcome delivery incentive rate is not supported by evidence and could lead to significant customer detriment by underestimating the value of performance changes at the frontier or upper quartile levels. The company argues that its proposed rates are consistent with the wider benefits of enhanced outperformance and that capping enhanced incentive rates at what it describes as "an arbitrary" level may result in risk and return positions significantly outside our guidance.	Intervention required. As we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', we have calculated a single enhanced outperformance threshold for the sector, since we want to ensure companies only receive enhanced outperformance payments for pushing forward the industry frontier. Where companies have proposed less stretching levels than this, we are intervening to move them to our assessment of the frontier over time. Due to information asymmetry, where companies proposed more stretching levels we do not propose to intervene. Since this company's proposal is less stretching than our assessment of the frontier, we are intervening on the company's enhanced outperformance thresholds for this performance commitment. As we set out in the 'PR19 draft determinations: Delivering outcomes for	We are intervening to set the enhanced outperformance thresholds for this performance commitment at our assessment of the frontier over time. This is as follows: 2020-21: 46.3% 2021-22: 47.9% 2022-23: 49.8% 2023-24: 51.5% 2024-25: 55.3% Units: percentage reduction in leakage from initial levels on a three-year average basis. We are intervening to set the enhanced underperformance thresholds for this performance

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						customers policy appendix', we have calculated a single enhanced underperformance threshold for the sector based on current lower quartile performance which should protect customers from poor performance. We consider that this will protect customers from companies taking unreasonable risks to achieve enhanced outperformance and potentially ending up with very poor performance. The company's approach to deriving enhanced rates is based on the assumption that a shift in the frontier will result in a 1:1 increase in performance for the rest of the sector. This assumption is unlikely to hold in practice and results in enhanced rates which are in excess of our estimate of the sector-wide benefits of enhanced outperformance (as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'). The company has not applied an enhanced outperformance cap to this enhanced outcome delivery incentive which we consider risks insufficient protection for customers and excessive management focus on a single performance commitment. As we set out in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix', we consider enhanced outperformance caps are appropriate.	commitment at the lower quartile of current company performance. This is as follows: 2020-21: -3.6% 2021-22: -3.6% 2022-23: -3.6% 2023-24: -3.6% 2024-25: -3.6% Units: percentage reduction in leakage from initial levels on a three-year average basis. We are intervening to set enhanced rates based on our estimate of the sector-wide benefits of enhanced outperformance. That is, £0.715 million and -£0.715 million per megalitre per day for outperformance and underperformance respectively. We are intervening to set an enhanced cap at 1% RoRE. 1% RoRE is the highest enhanced payment a company can receive in any single year.
	YKY.OC.A25	Caps, collars, deadbands	**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.	1 April 2019	The company explains that it proposes to retain the underperformance deadbands on performance commitments where the proposed target level goes beyond 15% since it believes that this is the level funded and hence underperformance payments for above 15% reduction is not appropriate.	Intervention required. Our approach is in line with 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. We consider that deadbands reduce the incentive for companies to improve their performance. We want to ensure companies are incentivised to mitigate the risk of service failure during severe weather. Customers experience the down and upside of the fluctuations in terms of their service, so it seems reasonable that the appropriate adjustments are made to bills. Companies are able to manage the financial consequences of outcome delivery incentives using other mechanisms, for example their in-period outcome delivery incentive determinations. The company also does not	We are intervening to remove the deadbands.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						sufficiently explain how deadbands contribute to customer protection given the other mechanisms in place to support bill stability. We note that we have intervened on the company's leakage reduction which will reduce the company's exposure to risk. For leakage, we consider that the 3 year average accounts for variability. As stated in Table 3, we are adjusting the company's proposed leakage reduction to 20% based on our comparative assessment so the company is not exposed to further risk above this level. We note that we viewed 20% for this company as the level that is funded by base cost allowances, not 15%.	
	YKY.OC.A26	Definition	**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 (where there is a sub-component rated Amber or Red in table 3S of the 2018 APR submission).	1 April 2019	The company provides details of the actions it needs to undertake in order to be compliant with the standard definition for this performance commitment. It also provides timelines in which it intends to achieve full compliance for each sub-component of the measure that is currently rated as amber or red. The company states that its programme of activity is expected to be complete by the 31st May 2019 in preparation for the 2019-20 reporting year.	No intervention required. The company has provided sufficient evidence of the actions it plans to put in place to be fully compliant by 2020. The company provides sufficient information on timelines by which it intends to reach full compliance for each sub-component of the definition. The company's timeline sets out that it will be fully compliant by June 2019.	NA
	YKY.OC.A27	Stretch	**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) (Ml/d), the unplanned outage (Ml/d) and planned outage (Ml/d) in its commentary for the May submission.	15 May 2019	The company provides a revised dataset of results and forecast that is based on a more complete and accurate data set. The company explains that before 2018, outage had not been recorded in the detail required by the reporting guidelines and it has now calculated peak week production capacity in line with the updated guidelines. The company provides a set of values that are lower than in its September business plan submission and explains that the rate of improvement forecast between 2018-19 and 2024-25 remains the same as the forecast in its business plan.	Intervention required. The company had provided the requested information. However, its proposed performance commitment level for 2024-25 is worse than the industry median proposed performance commitment level. Therefore, we will intervene to set a more stretching performance commitment level for 2024-25. This will be based on a linear profile from the forecast 2019-20 value to the industry median value of 2.34% by 2024-25. We have used median for this performance commitment since it is a new measure with no historical data to enable us to determine what 'good' looks like based on a forward projection. We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19	We are intervening to set the performance commitment levels to the following values: 2020-21 = 5.12% 2021-22 = 4.42% 2022-23 = 3.73% 2023-24 = 3.03% 2024-25 = 2.34%

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						draft determinations: Delivering outcomes for customers policy appendix'.	
	YKY.OC.A28	ODI type	**Unplanned outage PC:** The company should change the type of this PC to a financial ODI and propose an underperformance payment.	1 April 2019	The company continues to propose a reputational outcome delivery incentive for this performance commitment. The company does not provide additional evidence to support this proposal. The company states that it continues to caution the use of financial incentives on this measure when the industry has only finalised the definition and started reporting the measure in the most recent financial year (2017-18).	Intervention required. The company is not complying with the action to provide evidence to support its choice of a non-financial incentive. We will therefore intervene to introduce a financial incentive for this performance commitment. Financial incentives better align the interests of investors and company management with those of customers. The company has poor comparative performance on this measure and a financial incentive will also focus management on improving service performance for customers on unplanned outage and protects customers if the company does not deliver.	We are intervening to change the company's outcome delivery incentive type to financial (underperformance only).
	YKY.OC.A29	ODI rate	**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. 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.	1 April 2019	NA The company is not proposing a financial outcome delivery incentive for this performance commitment.	Intervention required. Our approach is in line with 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. The company has not proposed an underperformance payment outcome delivery incentive for its unplanned outage performance commitment. The company has poor comparative performance. As we are intervening to change the outcome delivery incentive type to financial (underperformance only), we are also intervening to set an underperformance rate which will protect customers if the company does not perform to the expected standard. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to increase the company's underperformance payment rate to -£1.802 million, based on the upper bound of the reasonable range as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix '.
	YKY.OC.A30	Stretch	**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	1 April 2019	The company is not proposing any changes to its performance commitment levels. The company provides a report from Insight Economics that challenges our methodology. The response and the appended report do not provide evidence to support the company's arguments. The company suggests that the Freeze-Thaw events in 2018 (together with an increase in activity) are the root cause to the overall increase in burst repairs during 2015-2020.	Intervention required. Our approach is in line with our PR19 draft determinations: Delivering outcomes for customers policy appendix. The company does not provide sufficient evidence that delivering its leakage performance commitment level of 25% would need an increase in its mains repair performance commitment level. The company provides evidence that there is relationship between full time equivalent staff	We are intervening to set the performance commitment levels to the following values. 2020-21 = 164.1 2021-22 = 164.1 2022-23 = 164.1 2023-24 = 164.1 2024-25 = 164.1 Units: Mains burst per 1,000km

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			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.			carrying out active leakage control activity and the number of proactive repairs but also provides its own evidence that increases in proactive repairs generated a symmetrical decrease in reactive repairs. As such, we are not accepting the company's justification, and are setting performance commitment levels based on the average of the three best recent years' actual performance (2012-13, 2013-14 and 2015-16). We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	YKY.OC.A31	ODI type	**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 should demonstrate how the outperformance will benefit its customers and the assets. If the company cannot do this, it should remove the outperformance payment.	1 April 2019	The company is proposing to remove its outperformance payment outcome delivery incentive on this performance commitment as it does not have sufficient customer support.	No intervention required. Our approach is in line with our PR19 draft determinations: Delivering outcomes for customers policy appendix. The company has not provided further evidence to support its outperformance payment but has instead removed the outperformance payment due to a lack of customer support for the outperformance payments.	NA
	YKY.OC.A32	ODI rate	**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.		The company states that it uses customer valuations for customer facing performance commitments and marginal costs for asset health performance. The company argues that this **p**rovides coherence across the package of outcomes and avoids potential issues of double counting.	No intervention required. The company has explained the formulation of its outcome delivery incentive rate for mains repairs and that it has used marginal costs for asset health performance commitment rates. The company's underperformance payment rate is above the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix '. The company has poor comparative performance on this performance commitment but the rate adequately protects customers. Therefore we are not intervening on the outcome delivery incentive rate. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	YKY.OC.A33	Stretch	**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.	1 April 2019	The company considers that applying standard targets for treatment works compliance is an additional regulatory requirement. It also states that achieving 100% compliance would require more investment and will result in increased customers' bills. The company states that it recognises that its treatment works compliance performance needs to improve and that it is not currently performing at an industry average level. From its current compliance performance of 97.77% it forecast to achieve 98.72% by the end of 2025 and 100% by 2031.	Intervention required. Our approach is in line with 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. The company acknowledges that it currently operates in the industry lower quartile performance level and that it needs to improve. We consider that 100% compliance against discharge consents is a statutory requirement as set out by the Environment Agency and is not as an additional requirement from us for 2020-25. We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix '.	We are intervening to set the service level to 100% in each year from 2020-25. We are intervening to set the deadband to 99% for all years of the regulatory period 2020-25. This a standard intervention for all companies.
	YKY.OC.A34	ODI type	**Treatment works compliance PC:** The company should remove the outperformance incentive.	1 April 2019	The company is proposing to remove its outperformance payment outcome delivery incentive on this performance commitment as it does not have sufficient customer support.	No intervention required. Our approach is in line with 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. The company has not provided further evidence to support its outperformance payment but has instead removed the outperformance payment due to a lack of customer support for the outperformance payments.	NA
	YKY.OC.A35	ODI rate	**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 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 treatment works compliance and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	1 April 2019	The company states that it uses customer valuations for customer facing performance commitments and marginal costs for asset health performance. The company argues that this provides coherence across the package of outcomes and avoids potential issues of double counting.	Intervention required. The company has explained the formulation of its outcome delivery incentive rate for treatment works compliance and that it has used marginal costs for asset health performance commitment rates. The company's underperformance payment rate is below the reasonable range that we set out in PR19 draft determinations: Delivering outcomes for customers policy appendix ', and the company has poor past performance and is comparatively poor on current performance. Therefore we are intervening on the outcome delivery incentive rate to protect customers adequately. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to increase the company's underperformance payment rate to the upper bound of the reasonable range which is - £1.186 million per percentage.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
	YKY.OC.A36	Definition	**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.	1 April 2019	The company proposes to update its performance commitment levels to align with the current definition by removing proactive events.	No intervention required. The company proposes to adopt the expected changes and supplied the compliant data. We will check the compliant data again at the annual performance review submission to ensure consistency and alignment.	NA
	YKY.OC.A37	Stretch	**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 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.	1 April 2019	The company proposes to revise its performance commitment levels to comply with the definition. It is proposing a 5% improvement over the 2020-25 period, with much more stretching long-term targets. The company states that its historical levels of sewer replacement are not sustainable and that it needs to increase investment. The company has provided some details of cost benefit modelling it has done to show the cost of improving performance by 5%.	Intervention required. The company has the worst comparative performance for this performance commitment in the industry. The company acknowledges that this is due to low levels of historical renewals to keep bills low. This does not represent a good asset management approach and passes the risk of asset failures on to future generations. The company's proposed 5% improvement over the 2020-25 period is not stretching – other companies with better performance are proposing greater improvement in percentage terms. We are intervening to set a more stretching target. This will be based on the maximum improvement proposed, equivalent to 28% improvement from 2019-20 to 2024-25. We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to set the performance commitment levels to the following values: 2020-21 = 17.93 2021-22 = 16.87 2022-23 = 15.80 2023-24 = 14.37 2024-25 = 13.67 Units: number of sewer collapses per 1,000km of pipes
	YKY.OC.A38	ODI type	**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.	1 April 2019	The company is proposing to remove its outperformance payment outcome delivery incentive on this performance commitment as it does not have sufficient customer support.	No intervention required. Our approach is in line with 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. The company has not provided further evidence to support its outperformance payment but has instead removed the outperformance payment due to a lack of customer support for the outperformance payments.	NA
	YKY.OC.A39	ODI rate	**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	1 April 2019	The company states that it uses customer valuations for customer facing performance commitments and marginal costs for asset health performance. The company argues that this provides coherence across the package of	Intervention required. The company has explained the formulation of its outcome delivery incentive rate for sewer collapses and that it has used marginal costs for asset health performance commitment rates. The company's	We are intervening to increase the company's underperformance payment rate to the average of the reasonable range which is -£0.685 million per 1,000km of sewer pipes.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			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 sewer collapses and assess the appropriateness of the company's customer valuation evidence supporting its ODI.		outcomes and avoids potential issues of double counting.	underperformance payment rate is below the industry average, as defined by the reasonable range set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix ', and the company is comparatively poor on current performance. Therefore we are intervening on the outcome delivery incentive rate to the average to protect customers adequately. We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	
	YKY.OC.A40	Stretch	**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	1 April 2019	The company is not proposing to change its proposed performance commitment levels in response to this action. The company states that it is facing operational and environmental challenges restricting it from achieving further improvements for this performance commitment beyond what it has already set as its target for 2020-25. It highlights operational challenges such as: winter and summer weather conditions leading to high demands for 2017-18 and 2018-19, resulting in disturbance of sediments in pipes; using source distribution mains flexibly to support elevated demand, leading to taste and odour events; environmental challenges, such as ground movement (dry weather), leading to mains bursts; and repairs for active leakage leading to air trapped, leading to 'milkyness'.	Intervention required. We have reviewed the company's resubmission and consider that issues highlighted are not sufficient to justify the performance commitment levels it proposes. The reasons highlighted are not new challenges to the industry, and it has been overcoming these challenges. Other companies with similar issues have not raised these to explain poor performance. For example: mains cleaning and flushing should help to minimise the accumulation of sediments; and disturbance of sediments can be avoided by training on valve operations ('calm network' training). We therefore propose that the company should revise its performance commitment levels to achieve 0.81 drinking water contacts per 1,000 population by 2024-25. We have set this performance commitment level based on our comparative analysis at the industry level. We describe our rationale for setting performance commitment levels for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to set the performance commitment levels to the following values: 2020-21 = 11.4 2021-22 = 10.6 2022-23 = 9.7 2023-24 = 8.9 2024-25 = 8.1 Units: number of contacts received about drinking water aesthetics per 10,000 customers.
	YKY.OC.A41	ODI rate	**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 sufficient	1 April 2019	The company is proposing to increase its rates to correct what it describes as an error in the units in which the rates were submitted in its data tables.	Intervention required. It has not been possible to reconcile the revised outcome delivery incentive rates with the underling marginal benefit value the company has reported. The revised rates remain materially below industry average which is concerning given the company is	We are intervening to set the underperformance rate by re-triangulating across: (i) the outcome delivery incentive rate implied by the company's stated marginal benefit value; (ii) industry average rate (on a normalised

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			incentive or provide compelling evidence why the ODI rates are considered appropriate.			forecast to earn a net underperformance payment of c.£14 million on its equivalent 2015-20 performance commitment. The proposed underperformance rate also provides a materially lower level of customer protection against underperformance relative to its 2015-20 outcome delivery incentive. We describe our rationale for setting outcome delivery incentive rates for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	basis); and (iii) the company's equivalent 2015-20 rate. We are setting the outperformance rate at the underperformance rate with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' business plans (as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. This results in outperformance and underperformance rates of £1.138 and -£1.366 million per contact per 10,000 population, respectively.
	YKY.OC.A42	Stretch	**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.	1 April 2019	The company is not proposing to change its performance commitment levels in response to this action. It has committed to a 15% reduction from 2020-25 then a further 62% reduction from 2025-30. It states that the performance commitment level chosen is at a cost beneficial level and that it has always prioritised internal sewer flooding before external (although it realises external sewer flooding is an important issue for customers).	Intervention required. The company has the worst comparative performance in the industry, even after its proposed 15% reduction. No new evidence has been presented to demonstrate why the company should not improve performance further. Although it is in the asset health long list, external sewer flooding is a direct customer impact measure and rates as 'high' importance for most customers. Therefore we want companies to push further to upper quartile levels or for laggards such as the company to close the gap to the upper quartile by using the upper quartile of percentage improvements. We are intervening to set a more stretching performance commitment level using the upper quartile (25%) of percentage improvements being proposed by all companies since we consider this level of reduction would be stretching for all companies. We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to set the performance commitment levels to the following values. 2020-21 = 7188 2021-22 = 6809 2022-23 = 6431 2023-24 = 6053 2024-25 = 5675 Units: number of external sewer flooding incidents
	YKY.OC.A43	ODI rate	**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	1 April 2019	The company states that its incentive rates are based on extensive customer valuation research conducted with over 10,000 customers in the Yorkshire region. The company argues that the reasonable ranges set out in Technical Annex 1 are not comparable and adjustments to incentive rates on this basis will lead to significant customer	Intervention required. Our approach is in line with our 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. The company is not proposing any changes to its outcome delivery incentive rates, which	We are intervening to set the outperformance rate at the value implied by re-triangulating across the company's marginal benefit estimates. We are setting the outperformance rate at the underperformance rate

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
			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. 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.		detriment. The company states that it uses customer valuations for customer facing performance commitments and marginal costs for asset health performance. The company argues that this provides coherence across the package of outcomes and avoids potential issues of double counting.	remain above the reasonable ranges that we set out in'PR19 draft determinations: Delivering outcomes for customers policy appendix '. We have identified concerns with the company's triangulation of the marginal benefit component of its outcome delivery incentive rate (in which it attaches equal weight to a piece of research which is less robust than its core willingness to pay research and which implies an outcome delivery incentive rate that is three times larger than the core willingness to pay research). We set out our rationale for setting outcome delivery incentive rates for this common performance commitment in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	with an adjustment to reflect customer preferences and the average ratio of underperformance to outperformance suggested in companies' business plans (as set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. The resulting outperformance and underperformance rates are £0.00790 million and -£0.00948 million per incident, respectively.
	YKY.OC.A44	ODI Rate	**Working with others PC:** The company should provide its P90 estimate for this PC.	1 April 2019	The company provides the P90 estimate for this performance commitment by using an estimation approach based on the 2015-2020 end of period forecast. The P90 outcome delivery incentive payment estimate is based on a financial incentive rate set at 5% of the total expenditure on partnerships.	Intervention required. The company provides a financial value in line with historical performance data, and the company's other outcome delivery incentive rates. However, due to the uncertainty around the number of future partnerships and the costs that the company's partnership related costs, we will add a cap to protect customers and ensure that outperformance does not exceed the benefits that are delivered to customers through partnerships.	We are intervening to set a cap that will ensure outperformance does not exceed 50% of the benefits that are delivered to customers as per the third party's PR24 assurance report.
	YKY.OC.A45	ODI Type	**Priority services awareness PC:** The company should provide further evidence to justify the use of outperformance payments and demonstrate customer support for this decision.	1 April 2019	The company has not undertaken any new customer research since our initial assessment of the plan. The company provides evidence of customer support based on the results of 13 workshops and 16 in-depth interviews that were conducted in 2018 which included a total of 150 participants. The company has not provided detailed information on the workshop it undertook prior to the business plan being submitted to us.	Intervention required. The company's evidence of customer support for outperformance payments relating to this performance commitment is not sufficient. The company refers to the results of the workshops it conducted prior to the submission of its business plan and does not provide sufficient details around the workshops, how they were conducted, or how it engaged with the attendees. Additionally, the company does not provide sufficient evidence of customer benefit from designing this performance commitment as a financial outcome delivery incentive. As such,	We are intervening to change the outcome delivery incentive type to reputational.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
						there is not sufficient evidence for a financial outcome delivery incentive.	
	YKY.OC.A46	ODI Rate	**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.	1 April 2019	NA. As we are removing the financial incentives on this performance commitment (YKY.OC.A45), the action is no longer relevant.	NA	NA
	YKY.OC.A47	Definition	**Priority services satisfaction PC:** The company should confirm that survey will be externally assured and conducted in line with social research best practice	1 April 2019	The company states that the priority services register satisfaction performance commitment will adhere to social research best practice and will be externally assured. It also states that the independent customer challenge group, the 'Yorkshire Water Forum for Water Customers', is part of the challenge and validation process for this performance commitment. Since the business plan submission, the company states that it has tendered and appointed an accredited market research company to develop and deliver the survey for this performance commitment. Yorkshire Water outlines the key principles of the approach and how they adhere to social research best practice. For example, sample size and inclusivity are detailed. The company states that external assurance will be through a combination of the Water Forum and the 'Affordability and Vulnerability sub-group' of the forum. The company is also committing to sharing its approach and results with other independent organisations in order to ensure year on year review. The company states that a 'good mix' of demographics will be selected rather than providing any further details.	No intervention required. The company provides additional evidence and states that the performance commitment will adhere to social research best practice. The company also confirms that external assurance will be conducted. Whilst the company does not provide detailed evidence of the survey demographic composition, it does outline the key principles it will adopt and has appointed an accredited organisation to develop and deliver the survey. In addition to the commitments on external assurance, we consider this to be sufficient.	.NA
	YKY.OC.A48	Definition	**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.	1 April 2019	The company states that the inclusive customer service performance commitment will adhere to social research best practice and will be externally assured. It also states that the independent customer challenge group, the 'Yorkshire Water Forum for Water Customers', is part of the challenge and validation process for this performance commitment. The measurement and evaluation of the performance commitment will be undertaken by an independent panel of third party national and regional organisations and experts. The panel membership will also vary each year in order to ensure appropriate expert representation. The company has also appointed	No intervention required. The company provides additional evidence on the approach for measurement of this performance commitment. It states that the performance commitment will adhere to social research best practice and that external assurance, through a variety of approaches, will be conducted. The company has appointed a market research organisation to help develop and deliver the approach for this performance commitment (including appropriate selection of sample sizes). Based on the information provided, we consider this approach follows best	.NA

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					a market research organisation to undertake a study in order to assess the most appropriate approach to measure the performance commitment. Based on the evidence provided, the scope of the study appears to align to social research best practice and potential sample sizes are discussed. At present, the company plans to conduct up to 16 in-depth evaluations with experts from each of the 4 key customers groups. The company also states it has taken best practice learning from the British Standards Institute and Ofgem. The interviews conducted with the panel will be undertaken by an independent facilitator.	practice social research and is aligned with relevant standards. The assessment itself will be conducted by an independent expert panel which should ensure impartiality as well as inclusion of good practice approaches. In addition to the commitments on external assurance, we consider this is sufficient.	
	YKY.OC.A49	ODI Type	**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.	1 April 2019	The company proposes including underperformance payments using the standard outcome delivery incentive formula. The company also proposes adding outperformance payments.	Intervention required. The company complies with the action and proposes including underperformance payments using the standard outcome delivery incentive formula. This is consistent with the action and our default position that outcome delivery incentives should be underperformance only, as outlined in our 'PR19 methodology'. However the company also proposes adding outperformance payments. The company does not provide sufficient evidence of customer support for outperformance payments for this performance commitment.	We are intervening to remove outperformance payments for this performance commitment.
	YKY.OC.A50	ODI type	**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.	1 April 2019	The company proposes changing the outcome delivery incentive type to financial.	No intervention required. The company has complied with the action.	.NA
	YKY.OC.A51	Definition	**AIM PC:** The company should provide further evidence to justify why no AIM sites have been selected.	1 April 2019	The company provides an independent audit by Halcrow in its document 'AIM Reconciliation Assurance Statement'. This document states that the company has followed the guidance and includes detail on why there are no appropriate sites, including which specific filter within the guidance removes the potential sites available. The company sets out that there are six sites under further investigation and states in the original business plan "[w]e may consider	Intervention required. The company is complying with the action. However, this results in a performance commitment with no sites, and potential sites mid-period. We consider that this is an incomplete performance commitment. We are removing incomplete performance commitments from the draft determination as explained in 'PR19 draft determinations:	We are intervening to remove this performance commitment.

Test area	Action reference	Action type	Action	Date required	Summary of the company's response to the action	Our assessment and rationale	Interventions
					introducing one, or more, sites under the AIM when we have completed AMP7 investigations in 2022" in reference to these sites. The company also provides a letter from the Environment Agency confirming there are no appropriate sites and that those under investigation are not appropriate for the abstraction incentive mechanism at this time.	Delivering outcomes for customers policy appendix'.	
	YKY.OC.A52	ODI Rate	**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.	1 April 2019	The company proposes removing the totex sharing factor from the outcome delivery incentive calculation.	No intervention required. The company is complying with the action.	NA
Addressing affordability and vulnerability	**YKY.AV.A4**	Affordability and vulnerability	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	Yorkshire Water proposes to adopt all three features of our common performance commitment by submitting a new performance commitment which commits it to reach 10% of households and complete data checking for 90% of customers every two years.	Intervention required. The company adopts all three elements of our common performance commitment. We consider that it has met the proposal we set out. However we are amending the performance commitment levels for all companies, and so intervention is required.	We are intervening to amend the performance commitment levels for this common performance commitment for all companies and will split the current data checking target into two, splitting out attempted and actual contacts. More information on this common performance commitment can be found in our Guidance Document titled 'Common performance commitment outline for the Priority Service Register' (https://www.ofwat.gov.uk/publication/common-performance-commitment-outline-for-the-priority-service-register/).

Table 3 – Interventions not directly related to IAP actions

Intervention reference	Our assessment and rationale	Interventions
YKY.OC.C1 PR19YKY_38 Risk of severe restrictions in a drought Definition	Intervention required. Intermediate calculations both give us confidence that companies have followed our definition appropriately and allow us to intervene appropriately if we do not consider the service levels are stretching. We would like companies to confirm that their performance commitment levels are reflective of their water resources management plan position.	This is a sector wide action. The company should provide a full set of intermediate calculations at a zonal level, underlying the risk calculation (for both baseline levels and performance commitment). The company should confirm that its performance commitment levels are reflective of its water resources management plan position. This should include the potential that it will have access to drought orders and permits The company should confirm which programmes of work will impact its forecasts.
YKY.OC.C2 PR19YKY_4 Length of river improved Definition	Intervention required. The company's proposed performance commitment levels do not take into account the risk of Amber schemes being removed from the water industry national environment programme. Given the uncertainty around the requirement to deliver schemes classified as "Amber", we have updated the performance commitment definition to only include schemes classified as "Green" by the Environment Agency as of the 1st April 2019. This avoids unnecessary complexity in the performance commitments and outcome delivery incentives framework, which could require several revisions through the 2020-25 period to align with changes in the water industry national programme.	We are intervening to set the definition to include only schemes specified as "Green" by the Environment Agency as of the 1st April 2019.
YKY.OC.C2 PR19YKY_4 Length of river improved Stretch and outcome delivery incentive type	Intervention required. There is no reason that performance cannot be measured each year and greater benefits will be realised if delivered more quickly. We have based the targets on the water industry national environment programme issued by the Environment Agency to water companies on the 29/03/2019. The company could update these figures if it has evidence that a different profile is more appropriate, but still stretching. Yearly levels of kilometres of river improved for the performance commitment are determined based on the number of Green schemes to be completed each year. There is no longer scope for outperformance of this performance commitment and we have removed the outperformance payments. Any changes required to costs to deliver schemes that were uncertain and designated amber on 1 April 2019 will be implemented by the cost adjustment mechanism.	We are intervening to set service levels for earlier years and remove the outperformance outcome delivery incentive rate. We have calculated the in-year targets by prorating the total km improved in WINEP to the number of schemes per year. The resulting service levels are: 2020-21 – 17.29 2021-22 – 55.96 2022-23 – 73.26 2023-24 – 92.65 2024-25 – 113.28 Units: km
YKY.OC.C3 PR19YKY_4 Length of river improved Outcome delivery incentive rate	Intervention required. The company proposes adjusting the outcome delivery incentive rate following an error in the IAP submission. The units were previously incorrectly stated as kilometers improved rather than percentage of kilometers improved. The proposed outcome delivery incentive rate is calculated through a triangulation that includes willingness to pay data. Following the intervention on the performance commitment level, which now excludes amber schemes, we have set the outcome delivery incentive as in-period and recalculated the outcome delivery incentive rate based on the total water industry national environment programme cost allowance for the green schemes. We have calculated an underperformance payment to reflect the foregone benefits from the improvements being delayed based on the approach set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to set an underperformance payment rate of £0.0827 million. We have allowed £132 million for the company's water industry national environment programme green schemes. We calculate the rate by multiplying the programme total expenditure by the weighted average cost of capital plus the run-off rate, and then dividing this by the relevant units.

Intervention reference	Our assessment and rationale	Interventions
YKY.OC.C4 PR19YKY_13 Cost of bad debt Stretch	Intervention required. The company proposes to update the performance commitment levels for this performance commitment. The percentage of the bill per customer resulting from bad debt has changed from 2.79% (2024-25) in the September 2018 submission to 3.18% (2024-25) in the April 2019 submission. The company states the changes are due to an increase in debt management costs of £0.225 million per annum resulting from the additional £1 million per year invested in 'WaterSupport' (see PR19YKY_12). The company also states that the doubtful debt charge has increased by £2.4 million per annum to account for the write-offs associated with the Resolve scheme. The company provides insufficient evidence for the proposed increase in the percentage of customer bills resulting from bad debt. In particular, the company provides limited evidence to support the additional £3 million in write-offs. The company assumes that the customer arrears on the 'Resolve' scheme will be greater than when they were paying charges directly through the Department for Work and Pensions, but has provided no evidence to support this. The Resolve scheme should continue to result in an element of bills being paid and it is not clear what change in write-offs will result.	We are intervening to re-instate the September 2018 submission performance commitment levels for this performance commitment.
YKY.OC.C5 PR19YKY_18 Voids verification Definition	Intervention required. This aspect of the performance commitment was not actioned at IAP but has been reviewed in depth and in context with the rest of the industry following the addition of outperformance payments. We have identified issues with the level of stretch (see below) for this performance commitment. As a consequence, we are intervening to change the level of stretch. However, as the company has a different definition for its 'voids' performance commitment to other companies, it is difficult for us to set a comparably stretching performance commitment level. As a consequence, in order to set a performance commitment with stretching performance commitment levels, given the data we have available, we are intervening to apply a new definition for this performance commitment which will instead target reductions in proportion of household voids as a percentage of properties.	We are intervening to apply a new definition for this performance commitment to measure the proportion of household voids as a percentage of properties. This percentage is calculated using data from R3100TOT_PR19 Total - Number of customers 000s and also data from WHV001TOTR Number of void properties (residential) (Total of Unmeasured + Measured).
YKY.OC.C6 PR19YKY_18 Voids verification Stretch	Intervention required. This aspect of the performance commitment was not actioned at IAP but has been reviewed in depth and in context with the rest of the industry following the addition of outperformance payments. The company forecasts a household void rate of 4.7% in 2019-20 according to data it submitted in its business plan. We have compared this to data obtained from the Ministry of Housing, Communities and Local Government on empty dwellings that we assess are within the area served by the company – this suggests a rate of empty properties of approximately 3.1% in 2017-18. In addition to this, the company forecasts reductions through the period of approximately 5% which is much lower than the industry average reduction and results in an effective target of 4.5% in 2024-25. As a consequence, we do not consider the company's proposed performance commitment levels to be sufficiently stretching. We recognise there may be valid reasons that the number of properties that correctly do not receive a bill from the company is different to the rate of empty dwellings in the Ministry of Housing, Communities and Local Government data, but it seems unlikely that such reasons could account for the entire differential, particularly considering the lower level of stretch proposed compared to other companies. To take this into account we are setting performance commitment levels between those proposed by the company and those suggested by the Ministry of Housing, Communities and Local Government data.	We are intervening to set the performance commitment levels to reduce the percentage of voids (as a percent of total households) by equal amounts from 2019-20 to 2024-25: 2019-20 - 4.7% 2020-21 - 4.50% 2021-22 - 4.33% 2022-23 - 4.15% 2023-24 - 3.98% 2024-25 - 3.80% Units: percentage of properties unbilled

Intervention reference	Our assessment and rationale	Interventions
YKY.OC.C7 PR19YKY_18 Voids verification Outcome delivery incentive rate	Intervention required. The company provides the formula and assumptions that were used in calculating the proposed outcome delivery incentive rate. We have reviewed the calculation approach for void performance commitments for all companies. The company's suggested formula includes both a payment rate and a Credit Rating Agency (CRA) rate in the calculation. These assumptions resulted in an outcome delivery incentive rate that does not reflect the expected decrease in customer bills that would result from identifying voids. In particular, they understate the benefits to customers from identifying voids, because customers receive a benefit from bill reduction from void identification regardless of whether the additional bill is paid. As such, we are intervening to remove these adjustments. We set out our rationale for setting outcome delivery incentive rates for this performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to adjust the outcome delivery incentive rate based on an average wholesale bill of £360, marginal costs of £30, a cost sharing factor of 50%, and property numbers as provided by the company. The new rates are: Underperformance: £7.945 million per 1% Outperformance: £4.145 million per 1%
YKY.OC.C8 PR19YKY_18 Voids verification Caps, collars and deadbands	Intervention required. We consider that caps, collars and deadbands are inappropriate for this performance commitment given the clear benefit to customers of bringing void properties in to billing. Caps, collars and deadbands would weaken the incentive of this performance commitment.	We are intervening to remove all caps, collars and deadbands.
YKY.OC.C9 PR19YKY_22 Leakage Stretch	Intervention required. The company significantly reduces the proposed leakage reduction, in both volumetric and percentage reduction terms, in comparison with its business plan, but retains its initial level in 2019-20. The company presents its assurer's opinion that they do not consider the company has robustly demonstrated the evidence that underpins the revised reduction profile. The company revises its leakage reduction proposal and the proposed change is not driven by an outcomes action. We do not identify the company's rationale for the revised performance commitment levels in the company's response. The company retains its enhancement line at a reduced level in comparison with its September 2018 plan. We set stretching performance commitment levels for leakage reduction over the 2020-25 period, taking into account the performance of each company relative to the forecast 2024-25 upper quartile performance commitment levels and whether the 2020-25 percentage reduction is above 15%. We set out our rationale for setting performance commitment levels for this common performance commitment in 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	We are intervening to reduce the percentage reduction over the period from its proposed 25% to 20% which we consider stretching, based on comparative assessment with the sector. We note the company had proposed 25% reduction and the company's water resources management plan proposes a 33% reduction. We welcome Yorkshire Water's ambitions to go beyond stretching levels for base service and outperformance payments can be used to fund performance above the performance commitment level.
YKY.OC.C10 PR19YKY_31 Internal sewer flooding Enhanced outcome delivery incentives– enhanced collars	Intervention required. In line with our approach in the PR19 draft determinations: Delivering outcomes for customers policy appendix, we have calculated a single enhanced underperformance collar for the sector based on current lower decile performance, which will limit the level of exposure to companies while protecting customers from poor performance. We have done this for all of the performance commitments with enhanced outcome delivery incentives.	We are intervening to set the enhanced underperformance collar for all five performance commitments with enhanced outcome delivery incentives at the lower decile of current company performance. In each case, the underperformance collar is the same for all years. This is as follows: Internal sewer flooding: 4.30
YKY.OC.C11 PR19YKY_22 Leakage Enhanced outcome delivery incentives– enhanced collars	Intervention required. In line with our approach in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', we have calculated a single enhanced underperformance collar for the sector based on current lower decile performance, which will limit the level of exposure to companies while protecting customers from poor performance. We have done this for all of the performance commitments with enhanced outcome delivery incentives.	We are intervening to set the enhanced underperformance collar for all five performance commitments with enhanced outcome delivery incentives at the lower decile of current company performance. In each case, the underperformance collar is the same for all years. This is as follows: Leakage: -12.4%

Intervention reference	Our assessment and rationale	Interventions
		Units: percentage reduction in leakage from initial levels on a three-year average basis.
YKY.OC.C12 PR19YKY_25 Per capita consumption Enhanced outcome delivery incentives– enhanced collars	Intervention required. In line with our approach in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', we have calculated a single enhanced underperformance collar for the sector based on current lower decile performance, which will limit the level of exposure to companies while protecting customers from poor performance. We have done this for all of the performance commitments with enhanced outcome delivery incentives.	We are intervening to set the enhanced underperformance collar for all five performance commitments with enhanced outcome delivery incentives at the lower decile of current company performance. In each case, the underperformance collar is the same for all years. This is as follows: Per capita consumption: -12.8% Units: percentage reduction in per capita consumption from initial levels on a three-year average basis.
YKY.OC.C13 PR19YKY_30 Pollution incidents Enhanced outcome delivery incentives– enhanced collars	Intervention required. In line with our approach in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', we have calculated a single enhanced underperformance collar for the sector based on current lower decile performance, which will limit the level of exposure to companies while protecting customers from poor performance. We have done this for all of the performance commitments with enhanced outcome delivery incentives.	We are intervening to set the enhanced underperformance collar for all five performance commitments with enhanced outcome delivery incentives at the lower decile of current company performance. In each case, the underperformance collar is the same for all years. This is as follows: Pollution incidents: 85.00
YKY.OC.C14 PR19YKY_21 Water supply interruptions Enhanced outcome delivery incentives– enhanced collars	Intervention required. In line with our approach in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', we have calculated a single enhanced underperformance collar for the sector based on current lower decile performance, which will limit the level of exposure to companies while protecting customers from poor performance. We have done this for all of the performance commitments with enhanced outcome delivery incentives.	We are intervening to set the enhanced underperformance collar for all five performance commitments with enhanced outcome delivery incentives at the lower decile of current company performance. In each case, the underperformance collar is the same for all years. This is as follows: Supply interruptions: 00:43:49
YKY.OC.C15 PR19YKY_22 Leakage Enhanced ODIs – underperformance threshold levels	Intervention required As we set out in the PR19 draft determinations: Delivering outcomes for customers policy appendix, we have calculated a single enhanced underperformance threshold for the sector based on current lower quartile performance, which should protect customers from poor performance. We consider that this will protect customers from companies taking unreasonable risks to achieve enhanced outperformance and potentially end up with very poor performance.	We are intervening to set the enhanced underperformance thresholds for this performance commitment at the lower quartile of current company performance. In each case, the underperformance threshold is the same for all years. Leakage: -3.6% Units: percentage reduction in leakage from initial levels on a three-year average basis.
YKY.OC.C16 PR19YKY_25 Per capita consumption Enhanced ODIs – underperformance threshold levels	Intervention required As we set out in the PR19 draft determinations: Delivering outcomes for customers policy appendix, we have calculated a single enhanced underperformance threshold for the sector based on current lower quartile performance, which should protect customers from poor performance. We consider that this will protect customers from companies taking unreasonable risks to achieve enhanced outperformance and potentially end up with very poor performance.	We are intervening to set the enhanced underperformance thresholds for this performance commitment at the lower quartile of current company performance. In each case, the underperformance threshold is the same for all years. Per capita consumption: -9.5% Units: percentage reduction in per capita consumption from initial levels on a three-year average basis.

Intervention reference	Our assessment and rationale	Interventions
YKY.OC.C17 PR19YKY_30 Pollution incidents Enhanced ODIs – underperformance threshold levels	Intervention required As we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', we have calculated a single enhanced underperformance threshold for the sector based on current lower quartile performance, which should protect customers from poor performance. We consider that this will protect customers from companies taking unreasonable risks to achieve enhanced outperformance and potentially end up with very poor performance.	We are intervening to set the enhanced underperformance thresholds for this performance commitment at the lower quartile of current company performance. In each case, the underperformance threshold is the same for all years. Pollution incidents: 39.7
YKY.OC.C18 PR19YKY_21 Water supply interruptions Enhanced ODIs – underperformance threshold levels	Intervention required As we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix', we have calculated a single enhanced underperformance threshold for the sector based on current lower quartile performance, which should protect customers from poor performance. We consider that this will protect customers from companies taking unreasonable risks to achieve enhanced outperformance and potentially end up with very poor performance.	We are intervening to set the enhanced underperformance thresholds for this performance commitment at the lower quartile of current company performance. In each case, the underperformance threshold is the same for all years. Supply interruptions: 00:32:54
YKY.OC.C19 PR19YKY_25 Per capita consumption Enhanced outcome delivery incentives – caps	The company has not applied an enhanced outperformance cap to this enhanced outcome delivery incentive, which we consider risks insufficient protection for customers and excessive management focus on a single performance commitment. As we set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix' we consider enhanced outperformance caps are appropriate.	We are intervening to set an enhanced outperformance cap at 1% of water or wastewater regulated equity each year. See PR19 draft determinations: Delivering outcomes for customers policy appendix for how this will operate in practice.
YKY.OC.C20 PR19YKY_2 Land conserved and enhanced Stretch	Intervention required. The company does not propose a performance level for every year. There is no reason that performance cannot be measured each year, and greater benefits will be realised if delivered more quickly. We have based this on equal improvement each year. The company could propose a different profile if it has evidence it is more appropriate, but still stretching.	We are intervening to set service levels for earlier years. The resulting service levels are: 2020-21 – 3048 2021-22 – 6096 2022-23 – 9143 2023-24 – 12,191 2024-25 - 15,239 The financial incentive still only applies for service delivery in 2024-25 as the performance commitment is cumulative and underperformance or outperformance should only be applied once.
YKY.OC.C21 PR19YKY_3 Integrated catchment management Stretch	Intervention required. The company does not propose a performance level for every year. There is no reason that performance cannot be measured each year, and greater benefits will be realised if delivered more quickly. We have based this on equal improvement each year. The company could propose a different profile if it has evidence it is more appropriate, but still stretching.	We are intervening to set service levels for earlier years. The resulting service levels are: 2020-21 – 1.51 2021-22 – 3.1 2022-23 – 4.6 2023-24 – 6.2 2024-25 – 7.7
YKY.OC.C22 PR19YKY_5 Biosecurity implementation Stretch	Intervention required. The company does not propose a performance level for every year. There is no reason that performance cannot be measured each year, and greater benefits will be realised if delivered more quickly We have based this on equal improvement each year, rounding down to the nearest whole number. The company could propose a different profile if it has evidence it is more appropriate, but still stretching.	We are intervening to set service levels for earlier years. The resulting service levels are: 2020-21 – 2 2021-22 – 4 2022-23 – 7 2023-24 – 9 2024-25 - 12

Intervention reference	Our assessment and rationale	Interventions
YKY.OC.C23 PR19YKY_8 Creating value from waste Stretch	Intervention required. The company does not propose a performance level for every year. There is no reason that performance cannot be measured each year, and greater benefits will be realised if delivered more quickly We have based this on equal improvement each year. The company could propose a different profile if it has evidence it is more appropriate, but still stretching.	We are intervening to set service levels for earlier years. The resulting service levels are: 2020-21 - 13 2021-22 - 26 2022-23 - 39 2023-24 - 52 2024-25 - 65
YKY.OC.C24 PR19YKY_16 Inclusive customer service Stretch	Intervention required. The company does not propose a performance level for every year. There is no reason that performance cannot be measured each year, and greater benefits will be realised if delivered more quickly. We have based this on equal improvement each year. The company could propose a different profile if it has evidence it is more appropriate, but still stretching.	We are intervening to set service levels for earlier years. The resulting service levels are: 2020-21 - 4 2021-22 - 8 2022-23 - 12 2023-24 - 16 2024-25 - 20
YKY.OC.C25 PR19YKY_NEP01 Delivery of WINEP requirements Performance commitment addition	Intervention required. We are intervening to add a reputational performance commitment that measures whether the company has met all of its water industry national environment programme requirements in each reporting year. The performance commitment will use the latest water industry national environment programme from the Environment Agency at the end of the reporting year. This will allow the inclusion of any changes to the water industry national environment programme between now and the end of 2025.	We are intervening to add an additional reputational performance commitment that measures whether the company has met all of its water industry national environment programme requirements in each reporting year.
YKY.OC.C26 PR19YKY_1 Working with others Stretch	Intervention required. The company does not propose a performance level for every year There is no reason that performance cannot be measured each year, and greater benefits will be realised if delivered more quickly. We have based this on equal improvement each year. The company could propose a different profile if it has evidence it is more appropriate, but still stretching. The outcome delivery incentive rate is outperformance only and based on project-specific factors. It is not directly related to service level. It is intending to stimulate behaviour that may not otherwise occur.	We are intervening to set service levels for earlier years. The resulting service levels are: 2020-21 - 9 2021-22 - 18 2022-23 - 27 2023-24 - 36 2024-25 – 45 The financial incentive still only applies for service delivery in 2024-25 as the performance commitment is cumulative and outperformance should only be applied once.
YKY.OC.C27 PR19YKY_6 Carbon Other intervention	Intervention required. We are concerned that there is a significant amount of uncertainty in the capital carbon baseline value which forms a significant portion of the overall baseline for this performance commitment. Given that there is no standardised approach to capital carbon estimation that can provide assurances that the baseline capital carbon value accurately represents solutions that would actually be delivered, it is not possible to assess whether the carbon reductions associated with this component of the performance commitment are stretching. Given this uncertainty around the capital carbon baseline we do not believe it is appropriate to allow outperformance payments for this part of the performance commitment. The operational performance commitment can be measured each year and greater benefits will be realised if delivered more quickly. We have based this on equal improvement each year. The company could propose a different profile if it has evidence it is more appropriate, but still stretching. We note that in the 2015-20 period the company has achieved a 23% reduction in capital carbon. The company set out that it would be more challenging to achieve this level of reduction in the 2020-25 period due to the increased WINEP	We have intervened to split this performance into two individual commitments. One performance commitment covers operational carbon reduction and retains outperformance and underperformance payments. However, this performance commitment will now measure % reduction in operational carbon from a 2019-20 baseline. The outcome delivery incentive rate still uses the same rate based on the £18.88 per tonne carbon price proposed by the company but has been converted into a rate based on achieving % reduction: £0.236 million per percentage change. The stretch has been set at a 12% reduction based on comparative performance of other companies and the company's own historic performance and includes year on year performance levels with the outcome delivery incentive applying to in-period performance. As this is a material PC we have included underperformance collars at -2% reduction from the 2019-20 baseline and outperformance caps at:

Intervention reference	Our assessment and rationale	Interventions
	programme. However we consider, in light of the industry commitment to reduce carbon emissions, that the company should at least aim to deliver the level of improvements it has delivered to date. We consider that the operational carbon performance commitment is financially material as outperformance could lead to unexpectedly high bill impacts without a cap. We consider that caps and collars are appropriate. How we assess financial materiality and our standard approach to setting caps and collars is set out in our PR19 draft determinations: Delivering outcomes for customers policy appendix	2020-21 – 5% 2021-22 – 10% 2022-23 – 15% 2023-24 – 20% 2024-25 – 25% The second performance commitment measures a reduction in capital carbon and emissions arising from land owned by the company with a 23% reduction. This performance commitment is reputational to account for the uncertainty in the capital carbon baseline and approach.
YKY.OC.C28 PR19YKY_36 Bathing water quality Caps, collars and deadbands	Intervention required. The company does not propose to include a cap or collar. As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals. We consider that a cap and collar are necessary, because the performance commitment is financially material. How we assess financial materiality and our standard approach to setting caps and collars is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix.'	We are intervening to set collars at the following levels 2020-21 = 10 2021-22 = 10 2022-23 = 10 2023-24 = 10 2024-25 = 10 Units: Number of bathing waters We are intervening to set cap at the following levels 2020-21 = 26 2021-22 = 26 2022-23 = 26 2023-24 = 26 2024-25 = 26 Units: Number of bathing waters
YKY.OC.C29 PR19YKY_35 External sewer flooding Caps, collars and deadbands	Intervention required. The company does not propose to include a cap or collar. As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals. We consider that a cap and collar are necessary, because the performance commitment is financially material. How we assess financial materiality and our standard approach to setting caps and collars is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix.'	We are intervening to set collar levels as follows: 2020-21 = 10,782 2021-22 = 10,782 2022-23 = 10,782 2023-24 = 10,782 2024-25 = 10,782 We are intervening to set cap levels as follows: 2020-21 = 3924 2021-22 = 3702 2022-23 = 3519 2023-24 = 3248 2024-25 = 2957 Units: Number of external sewer flooding incidents

Intervention reference	Our assessment and rationale	Interventions
YKY.OC.C30 PR19YKY_26 Drinking water contacts Caps, collars and deadbands	Intervention required. The company does not propose to include a cap or collar. As we did not raise an action at IAP regarding caps and collars for this performance commitment, the company has not provided any additional evidence to support its proposals. We consider that a cap and collar are necessary, because the performance commitment is financially material. How we assess financial materiality and our standard approach to setting caps and collars is set out in 'PR19 draft determinations: Delivering outcomes for customers policy appendix.'	We are intervening to set collar levels as follows: 2020-21 = 22.8 2021-22 = 22.8 2022-23 = 22.8 2023-24 = 22.8 2024-25 = 22.8 We are intervening to set cap levels as follows: 2020-21 = 6.1 2021-22 = 5.5 2022-23 = 4.9 2023-24 = 4.2 2024-25 = 3.6 Units: Number of contacts received about drinking water aesthetics per 10,000 population
YKY.OC.C31 PR19YKY_17 Gap Sites Definition	Intervention required The proposed performance commitment may have perverse incentives to act to only "find" gap sites that were easy to put into charge or allow processes to register newly built properties to deteriorate so that these could be registered in the future in order to improve performance. It is also not clear what would happen if a gap site was not billed within 12 months.	We are intervening to change the definition to: make clear that the percentage will be of the gap sites identified since 1 April 2019 but that were not billed at the start of the reporting year; include a requirement to have assurance that it has rigorous processes that are correctly implemented to identify and bill both gap sites: and report the number of new gap sites identified each year.

Table 4 – Company changes to performance commitments since IAP not resulting in interventions

PC reference	Company's response	Our assessment and rationale	Interventions
YKY.OC.D1 PR19YKY_12 Direct support given to customers Stretch	The company proposes updated performance commitment levels as part of the response to action YKY.AV.A3. The cumulative number of customers receiving financial support increases from 250,000 in the business plan submission to 364,000 in the revised business plan. In addition, the company proposes to increase the number of customers receiving financial support in the long term. The company provides details of how many customers are supported by each of its 'support schemes'. The change in target levels results from the company's proposals to increase its package of support. This includes an increase in direct support through the social tariff made possible by additional company funding. Areas of support not previously included are now reflected in this performance commitment. There appears to be an error in the company IAP action response where '58,00' is stated as the target for 2020-21. However, the business planning tables correctly record the 2020-21 target as 58,000 customers.	No intervention required. The company proposes to update the targets for this performance commitment following a company-level action in relation to affordability and vulnerability raised during the IAP assessment (YKY.AV.A3). The company provides additional detail on the performance commitment and proposes to increase the funding levels and customers benefitting from this service.	NA
YKY.OC.D2 PR19YKY_41 Renewable energy generation Stretch	The company proposes to reduce the performance commitment levels for this performance commitment. In the business plan, the proposed performance commitment level is increasing from 439GWh (2020) to 491GWh (2025). In the revised business plan the revised target now increases from 269GWh (2020) to 290GWh (2025). This represents a 40% reduction based on 2025 values. The company states this is due to discovering data issues on five critical instruments as part of a 'SAP refresh programme' which makes the original targets	No intervention required. Although the company proposes to reduce the targets for this reputational performance commitment by 40% since the September 2018 submission, we consider the evidence presented for this change is sufficient. The company's analysis corrects for the instrumentation error and back-casts the data	NA

	unachievable since they were based on incorrect input data. The longer term forecasts for this performance commitment have also been updated to reflect this. The company provides narrative and cross-company analysis discussing why the revised target, which has been corrected for the data instrumentation error, is stretching. The company states that the revised target is 91% of the theoretical maximum generation achievable.	appropriately. The company's analysis indicates that the revised target is 91% of the theoretical maximum generation achievable.	

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

Phone: 0121 644 7500
Fax: 0121 644 7533
Website: www.ofwat.gov.uk
Email: mailbox@ofwat.gov.uk

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