December 2019

PR19 final determinations

Anglian Water – Delivering outcomes for customers final decisions

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PR19 final determinations: Anglian Water – Delivering outcomes for customers final decisions

Amendment	Date
Page 4 – Amendment made to the description of the company representation on water supply interruptions to say the company proposed performance commitment levels as per September 2018 business plan.	30 April 2020

PR19 final determinations: Anglian Water – Delivering outcomes for customers final decisions

In our draft determinations we published the 'Delivering outcomes for customers actions and interventions' document for each company. This document set out the actions from our initial assessment of plans, a summary of the company's response to the action, our assessment of the company's response, and the interventions we made as part of the draft determination. It also set out any interventions that did not result from an initial assessment of plans action, which we made as part of the draft determination.

This final determination document sets out the decisions we make for the final determination in response to representations received on our draft determinations and any other changes for the final determination.

Table 1 below sets out the draft determination decisions on performance commitments that were the subject of representations from the company, a summary of the company representation, our assessment and rationale for the final determination decision and our decisions for the final determination. Table 2 sets out the draft determination decisions on performance commitments that were the subject of representations from other stakeholders, a summary of the other stakeholder representations, our assessment and rationale for the final determination decision and our decisions for the final determination. Table 3 sets out any changes for the final determinations that are not resulting from representations received relating to the company.

Each performance commitment has a unique reference. The prefix 'PR19ANH' denotes Anglian Water.

For all other documents related to the Anglian Water's final determination, please see the final determinations webpage.

Our 'Outcomes performance commitment appendix' for the company is published alongside this document. These documents are intended to be fully consistent. In the event of any inconsistency, then the 'Outcomes performance commitment appendix' takes precedence in all instances.

Table 1: Anglian Water - Representations in response to the draft determination

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
Overarching methodology	ODI rates	N/A	The company makes several methodological points in its representation. The company states it is inconsistent for us to agree its approach to incentive rates is correct but then change them using a different view of reasonable ranges. It states our approach to reasonable ranges does not reflect the varying quality of customer research, the varying approaches to calculating marginal costs, the existing relative performance of each company that customers value incremental improvements upon, the mixture of household and non-household valuations, and the varying rate calculations themselves. It also states that, as marginal willingness to pay is decreasing with increases in service quality and marginal costs are likely increasing, the increased	No change for the final determination. We use reasonable ranges as companies' proposed ODI rates vary considerable, in ways we are unable to correlate to plausible drivers of underlying customer preferences. To mitigate the risk of methodological differences leading to ODI rates which depart significantly from underlying customer preferences, we use reasonable ranges in one of our assessment checks, on the premise that a range based on the sector average will reduce the influence of the unexplained variance. Using the sector average will reduce the impact of the unexplained variance. Whilst we recognise the potential conceptual validity of the argument of diminishing marginal returns to service improvements, we consider that it cannot be sufficiently evidenced or feasibly implemented in a way which would reliably improve outcomes.	N/A

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			stretch in our draft determinations should be coupled with lower financial incentive rates. The company suggests that we have typically taken the most 'punitive' rate, resulting in us accepting the customer evidence on outperformance rates for a particular performance commitment for a company but rejecting it for the corresponding underperformance rate, or vice versa. It also states the overall balance of risk and reward is excessively skewed to downside risk. It notes that we have applied reasonable ranges only to some ODIs, and so companies with large financial incentives elsewhere are at greater financial risk.	We do not consider that our approach unduly 'skews' incentives towards underperformance and we consider that our overall approach to outcomes provides the right balance of underperformance and outperformance, and we have taken steps to better balance incentives and risks across performance commitments where we consider this not to be the case. For our detailed response to the methodology points on ODI rates and ODI type raised by the company see our 'Delivering outcomes for customers policy appendix'.	
Water Quality Compliance (Compliance risk index) PR19ANH_3	Caps, collars and deadbands	The intervention we made at draft determinations was to set a standard deadband which all companies were expected to adopt. The deadband profile for the Compliance Risk Index (CRI): 2020-21 = 2.00 2021-22 = 2.00 2022-23 = 1.50 2023-24 = 1.50 2024-25 = 1.50 Unit = Compliance Risk Index Score	The company proposes to retain its Compliance Risk Index (CRI) deadband of 3.56 in all years. The company considers that our proposed standard CRI deadband is too tight and could potentially put 75% of the industry into underpayment payments, risking a reduction in consumer confidence. In reference to Drinking Water Inspectorate's (DWI) expectation as set out in its response to our Water 2020 Consultation in 2017, the company states that any difference between the assessments of performance between regulators would risk a reduction in consumer confidence. The company highlights the overturning of this metaldehyde ban by the High Court, which will remove the expected benefit of pesticide compliance. It states that following the ban introduced in December 2018, it adjusted its original metaldehyde package programme by removing £68m. It seeks for us to consider introducing an adjustment mechanism, of the type we have undertaken for the development of Water Industry National Environment Programme schemes. The company says it is fully committed to 100% compliance, but considers that as CRI is a new measure the deadband should account for volatility in CRI performance. It considers that this volatility	Change for the final determination. The Compliance Risk Index (CRI) definition is set in collaboration with the industry and the Drinking Water Inspectorate (DWI), with no exceptions being identified as affecting a particular company for any aspects outside of the company's management control. We amend the deadband for CRI to a score of 2.00 throughout the period reducing the risk of underperformance payments in the last three years of the 2020-25 period. This allows more flexibility in performance to take into account the uncertainty created by the ban on the use of metaldehyde being overturned by the High Court and also aligns with the median level of current company performance. Please refer to the 'Delivering outcomes for customers policy appendix' for more detail on this sector wide change. Analysis of the company data from 2016, 2017 and 2018 shows that the median for all companies for these years respectively is 2.83, 2.31 and 2.09. This suggests that a deadband of 2.0 is appropriate and the data suggests an improving trend. A deadband set at the levels we are proposing allows for some fluctuation in performance, whilst providing a strong incentive to minimise compliance failures. The DWI's response to our PR19 methodology is over two years old and we have been in consultation with the Drinking Water Inspectorate throughout all phases of PR19, therefore this is not	The following is a sector wide change. We set a revised standard deadband for all companies. The deadband profile for the Compliance Risk Index is: 2020-21 = 2.00 2021-22 = 2.00 2022-23 = 2.00 2023-24 = 2.00 2024-25 = 2.00 Unit = Compliance Risk Index Score

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			can be driven by a range of factors some of which will be outside management control.	a relevant comparison. The DWI considers that a standard deadband level of 2.00 for all companies is appropriate. We do not consider the evidence the company provides to be sufficient or convincing for the company's proposed alternative deadband, however, as discussed above we set a sector wide deadband at 2.00 (CRI score) for all years during the period 2020-25.	
Water Supply Interruptions PR19ANH_4	Performance commitment levels	The intervention we made was to set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels are: 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 = Hours:minutes:seconds (HH:MM:SS) per property per year	[1]The company maintains its proposed performance commitment levels as per its September business plan. It states that our approach results in a 64% improvement, which it considers is unachievable. It does not agree with the methodology which it considers to be using the upper quartile of the upper quartile. It goes on to show that should each company deliver a 50% improvement on 2018-19, with the improvement made progressively and split evenly at 10% increments over each year of the 2020-25 period, the industry as a whole would be in approximately £285m underperformance payment. The company states that we should reconsider the upper quartile glide path to make it more achievable, it also states that we should take a standard approach to setting the collar level.	Change for the final determination. Based on the assessment of evidence from all companies, we adjust the water supply interruptions 2024-25 level to five minutes, with an amended glidepath in the first four years, taking account of wider evidence to calibrate stretch of the performance commitment for an efficient company. Please refer to the 'Delivering outcomes for customers policy appendix' for more detail on this sector wide change. We note that Anglian Water has performed better than expected in 2018-19 by 21%.	The following is a sector wide change. We set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels are: 2020-21 = 00:06:30 2021-22 = 00:06:08 2022-23 = 00:05:45 2023-24 = 00:05:23 2024-25 = 00:05:00 Units = Hours:minutes:seconds (HH:MM:SS) per property per year
Water Supply Interruptions PR19ANH_4	ODI rates	At draft determination we intervened to set the company's outperformance and underperformance ODI rates by re-triangulating across (i) the company's proposed rates and (ii) industry average (on a normalised basis). We set the underperformance payment rate at -£1.884m per minute per property, and the outperformance payment rate at £1.265m per minute per property.	The company proposes lower underperformance and outperformance payment rates. The company states that as a consequence of our draft determination its maximum outperformance is £11m compared to a maximum underperformance of £164m. It proposes revisions to our draft determination performance commitment levels. In the event we retain our draft determination performance commitment levels, it states that at these levels its customers' willingness to pay is lower and the marginal costs higher than those on which it based its proposed ODI rates. It bases its rates on a performance commitment level of 5	Change for the final determination. We change our draft determination performance commitment levels to be less stretching, and therefore Anglian Water's arguments made in its representation about its ODI rates being based on a less stretching performance commitment level than what was set at draft determination are no longer valid. The final performance commitment levels are close to those proposed by the company in its representations. We apply the same triangulation method to the final determination outperformance rate at final determination as we did at draft determination. Due to our updating the data to the latest available, the outperformance rate decreases for the final determination from £1.265m to £1.146m. For more information	We change the company's underperformance ODI rate to -£1.146m per minute per property, and the outperformance payment rate to £1.146m per minutes per property.

[1] Amendment made to the description of the company representation on water supply interruptions to say the company proposed performance commitment levels as per September 2018 business plan.

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			minutes and 34 seconds, and states that the rates are higher than they should be with the more stretching a performance commitment level. It states that if we are going to impose a level of 3 minutes, we should use the (lower) industry average incentive rates as these are more appropriate for this level of performance. The company proposes lower rates, whereas at draft determination we considered its rates were too high.	on data changes see our 'Delivering outcomes for customers policy appendix'. When considering the performance commitment package as a whole, we consider whether the balance of incentives for particular performance commitments is appropriate at both an industry and company level. We set all companies' underperformance rates symmetrically to outperformance rates to provide a more balanced spread of incentives and risk on water supply interruptions. For further details on our approach to sector wide interventions on ODI rates see our 'Delivering outcomes for customers policy appendix'.	
Water Supply Interruptions PR19ANH_4	Caps, collars and deadbands	Our intervention at draft determination was to set collars at the following levels: 2020-21 = 00:21:36 2021-22 = 00:21:36 2022-23 = 00:21:36 2023-24 = 00:21:36 2024-25 = 00:21:36 Units = Hours:minutes:seconds (HH:MM:SS) per property per year. We also set caps at the following levels: 2020-21 = 00:04:31 2021-22 = 00:03:33 2022-23 = 00:02:32 2023-24 = 00:01:31 2024-25 = 00:00:26 Units = Hours:minutes:seconds (HH:MM:SS) per property per year	The company proposes that there should be a consistent collar across the industry, arguing that currently there is an inconsistent approach to underperformance payment collars and the level at which these are set provides an imbalance to risk and reward. The company states that it considers that the caps and collars set at the draft determination that increased the downside risk are not appropriate. It considers that the levels of the caps and collars it proposed represent the maximum incentives that customers consider appropriate for each measure and should be used in the final determination.	Change for the final determination. As we explain in the 'Delivering outcomes for customers policy appendix' all companies have caps and collars for supply interruptions if the performance commitment is not covered by early certainty. We have made changes to the ODI rate and service level and the outperformance cap is set at a similar range to that which the company proposed following our standard approach to setting outperformance caps at the estimate of the P90 performance level. We consider that this is broadly in line with the customer evidence. We do not consider that customer's views on maximum underperformance payments should always be definitive on where collars should be set. While important it is also necessary to consider whether the levels provide appropriate incentives. Where the collars proposed by the company suggest a tight range of underperformance we consider that this would not give sufficient incentive for the company to adequately prepare for high impact low probability events. The company has not addressed this issue in its response to the draft determination. We therefore consider that the collar the company proposed does not give sufficient incentive.	We set collars at the following levels: 2020-21 = 00:22:45 2021-22 = 00:22:45 2022-23 = 00:22:45 2023-24 = 00:22:45 2024-25 = 00:22:45 Units = Hours:minutes:seconds (HH:MM:SS) per property per year. We set caps at the following levels: 2020-21 = 00:05:37 2021-22 = 00:04:53 2022-23 = 00:04:05 2023-24 = 00:03:17 2024-25 = 00:02:26 Units = Hours:minutes:seconds (HH:MM:SS) per property per year.

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
Leakage PR19ANH_5	Performance commitment levels	No intervention at draft determination.	Anglian Water states that our leakage policy: fails to recognise the higher costs of maintaining its current leakage performance, fails to reflect the costs of improving from this strong base and fails to incentivise the achievement of even lower levels of leakage beyond the performance commitment levels. The company proposes to increase its stretch from a 7.8% to a 12.7% reduction from 2019-20 on its performance commitment level in its draft determination. The company states that it is maintaining its commitment to deliver a 23 Ml/d reduction in leakage by 2024-25 and is therefore increasing its stretch. It still aims to deliver its Water Resources Management Plan, but does not consider the ODI rates provide sufficient funding to achieve its Water Resources Management Plan's reduction.	Change for the final determination. At draft determination we considered the company's performance commitment levels were appropriately stretching although not aligned to its Water Resources Management Plan, due to sufficient evidence demonstrating the company's frontier performance on leakage. However, Anglian Water's representation in relation to its leakage performance commitment levels is linked to the approval of additional funding claims. As such, we revise our draft determination decision on performance commitment levels to fully align with our funding approach. We consider the performance commitment levels should be aligned with the company's Water Resources Management Plan. Setting the performance commitment levels to equal the company's Water Resources Management Plan levels is more stretching than proposed at draft determination, and more stretching than the company proposes in its August 2019 representations. However, it is fully consistent with Anglian Water's stated aim to deliver the levels of leakage set out in its Water Resources Management Plan and it is aligned to the enhancement funding we are allowing. The company provides its 2019-20 and 2024-25 annual levels as 177.0 Ml/d in 2019-20 and 146.2 Ml/d in 2024-25, which are consistent with the company's Water Resources Management Plan (but revised to account for the actual 2018-19 performance) but does not provide the levels for the interim years. We therefore consider it appropriate to use the company's Water Resources Management Plan 2019 profile, which leads to a volumetric reduction of 30.8 Ml/d. On an annual basis it results in a reduction of 17.4% from 2019-20 level of 177 Ml/d. When converted into three-year averages it results in a reduction of 16.4%. We choose the annual Water Resources Management Plan profile 'shape' so that there is complete alignment from Water Resources Management Plan to enhancement funding to annual performance commitment levels. The three-year averages are then just a by-product of that alignment. The 'representation' shape which the company proposes, which allowed for some funding through ODI outperformance, is now redundant given the size of the change to Anglian Water's performance commitment levels.	We change the leakage performance commitment levels for the company to the following values: 2020-21 = 1.4% 2021-22 = 5.6% 2022-23 = 8.5% 2023-24 = 12.4% 2024-25 =16.4% Units: Percentage reduction from 2019-20 baseline using 3 year average (%)
Leakage	ODI rates	We intervened at draft determination to apply a two tier	The company states that the tier 1 underperformance rate is constructed by summing	Change for the final determination.	We change our draft determination decision and

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PR19ANH_5		underperformance rate, to reflect recovery of the enhancement allowance if the company failed to deliver the performance commitment level. We set the tier 1 underperformance rate to £0.840m. We did not intervene on the company's standard tier 2 outcome delivery incentive rate.	the normal underperformance rate of £0.439m per ML/day (which uses the standard ODI formula) and a cost recovery underperformance rate of £0.401m per Ml/day (which recovers the incremental costs of the enhancement spend). It states that in our methodology upper quartile performance is allowed through the base allowance, and that the enhancement allowance covers costs to reach its performance commitment level. However were the company to achieve upper quartile performance only, it would incur the full underperformance rate of both the cost recovery and the standard ODI components. It claims that if it achieves upper quartile performance, it should only pay the cost recovery component of the underperformance rate. It suggests this rate should be £0.548m, on the basis that its proposals regarding enhancement expenditure and the benefits from enhancement in ML/day are accepted. The company also states that its outperformance rate is insufficient, and should be £0.767m, rather than £0.219m per ML/day. It disagrees with our outperformance rate formula, stating that Ofwat expects outperformance payments and totex sharing of additional expenditure should be sufficient to finance the reduction in leakage to its Water Resources Management Plan level. The company states that it considers we have not factored the incremental costs of reducing leakage into the outperformance payment rate calculation, which must be done in order to claim that sufficient costs will be recovered through the ODI mechanism to reach the level of leakage set out by the company.	The company interprets the Tier 1 methodology incorrectly. The Tier 1 underperformance rate is not a summation of the standard underperformance rate and the cost recovery underperformance rate and is instead a standalone rate intended to reflect the incremental enhancement funding costs and the foregone marginal benefit to customers for underperformance. The company incorrectly reports the standard Tier 2 underperformance rate which is £0.365m per ML/day as per its April 2019 revised business plan, and not £0.439m per ML/day as stated in is representation. We agree with the company's argument that it should not be penalised for performing at or beyond its current performance level as this is already beyond the upper quartile and reflects industry-leading performance. For final determination we change the company's performance commitment level to raise it to the Water Resources Management Plan level, and are allowing the company enhancement funding to move from its current performance level to its new performance commitment level. We have therefore set a Tier 1 underperformance rate to recover this funding should the company perform at a level between its current performance level and its performance commitment level. This Tier 1 rate does not include the marginal benefit element, as the company's current performance is already above the industry upper quartile. If the company achieves leakage performance at or worse than its 2019-20 level, then it will incur a Tier 2 underperformance rate for the performance gap between its actual performance and the 2019-20 level, and then the Tier 1 rate for the performance gap from the 2019-20 level to its performance commitment level. We consider it appropriate to set the Tier 2 threshold at this level, as the company should incur underperformance payments that include customer's foregone marginal benefit for simply maintaining current performance. The amended Tier 1 rate is -£0.28m/Ml/d, and will apply to performance increments between its 2019-20 level and its performance commitment level. This is calculated in line with our approach for 'cost recovery ODIs for common performance commitments' set out in the 'Delivering outcomes for customers policy appendix' and in the ODI calculation sheet. The Tier 2 rate remains at the company's April 2019 revised business plan rate of -£0.365m per Ml/day.	remove the forgone marginal benefit element from the company's Tier 1 underperformance rate. This rate will only recover the enhancement funding where performance is better than 2018-19 levels but worse than the company's performance commitment level. We are setting the rate at -£0.280m/ Ml/d. The rate will apply between the company's performance commitment level each year and 0% reduction from the 2019-20 baseline. We retain the Tier 2 underperformance rate and the outperformance rate from the company's April 2019 revised business plan submission, with the outperformance rate applying to performance beyond the new performance commitment level set at the company's Water Resources Management Plan level.

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
				The outperformance rate set out in the company's draft determination is based on the company's April 2019 revised business plan submission. We did not intervene on the rate as it was within the reasonable range and we had no concerns with the basis on which it had been derived. The company has proposed a new performance threshold and a new outperformance rate for performance. We disagree with the outperformance formula that the company has used in its representation: Our formula is based on the assumption that marginal cost is equal to marginal benefit, to provide companies with an outperformance payment no greater than customers' valuation for the improvement, less the additional costs customers have to pay for the improved performance. Additional performance should not take place if the marginal costs of doing so are significantly greater than the marginal benefits. As we are intervening to increase the company's performance commitment level to its Water Resources Management Plan target, and providing enhanced funding for it to reach this level, we consider that any performance beyond the performance commitment level should receive outperformance payments on the basis of marginal benefit = marginal cost. The company has not provided new evidence of marginal benefit for performance beyond the Water Resources Management Plan value, we are retaining its April 2019 revised business plan outperformance rate of £0.219m per Ml/d.	
Leakage PR19ANH_5	Enhanced ODI threshold	In our draft determination, we used the methodology set out in Annex 4 of the 'PR19 draft determinations: Delivering outcomes for customers policy appendix' to estimate potential leakage outperformance thresholds using two values for the frontier level, normalised by km of mains and by households. We then took a 50:50 weighting of both of these values to reach our view of the appropriate enhanced threshold.	The company states that our approach to calculating the enhanced thresholds for its leakage performance commitment, by setting frontier performance on a m3/km/d basis and l/property/day basis separately and only subsequently normalising the final frontier level, risks setting unachievable enhanced threshold levels. The company states that this decision means that we set an enhanced reward threshold where a key driver of frontier leakage performance is the property/km of main ratio of the two leading companies. The company states that if a company with an urban region and a company with a rural region are the two frontier companies, this sets a more stretching level than if the two companies were less urban and less rural respectively. The company notes that its point is demonstrated using Hafren Dyfrdwy's leakage levels, the company is one of the	Change for final determination. We consider the company's rationale (that if a company with an urban region and a company with a rural region are the two frontier companies, this sets a very stretching level compared to a situation where the two companies were less urban and less rural respectively) carefully. The two frontier companies, by km of mains and population respectively, are Northumbrian Water and Anglian Water. Undertaking an analysis of the companies' concentration of properties to km of mains can be used as a proxy to determine how rural/urban the companies' demographic is. Relative to the rest of the industry, we find that Thames Water is the most 'urban' company and Hafren Dyfrdwy the most 'rural' company. Anglian Water and Northumbrian Water sit near the industry average in our analysis of all 17 companies. Therefore the enhanced thresholds are not skewed by companies that are	We change the company's enhanced outperformance thresholds to the following: 2020-21 = 6.6% 2021-22 = 8.2% 2022-23 = 11.1% 2023-24 = 14.9% 2024-25 = 18.7% Units: Percentage reduction from 2019-20 baseline using 3 year average (%) We change the company's enhanced underperformance thresholds to the following:

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			best performers in leakage per km of main, but average on a per property basis. The company states that without Anglian Water leading on leakage per km of main, Hafren Dyfrdwy would have been used to set the frontier despite being an average performer in leakage per property. The company proposes that its thresholds for enhanced outperformance payments should revert to the levels set out in its April 2019 revised business plan. The company states this level is both an industry and a globally leading performance level.	significant outliers with either very high concentrations of households to km of mains or very low concentrations. The company does not set out a solution to the problem it identifies in our methodology and proposes to amend its outperformance thresholds so that these are in line with the thresholds proposed in its April 2019 revised business plan. We consider a standard approach to estimating outperformance thresholds is appropriate, to ensure that companies are receiving enhanced outperformance payments only for pushing the industry frontier forward. Setting the company's enhanced outperformance thresholds at the level proposed by the company in its April 2019 revised business plan is not consistent with our methodology unless they are at a more stretching level than the outperformance thresholds calculated by our methodology outlined in the 'Delivering outcomes for customers policy appendix'. We retain our view at draft determination that on a normalised basis a single industry enhanced outperformance threshold as a minimum is appropriate, as it represents a level that improves the industry frontier as a whole, and does not reward companies that are behind for simply catching up with the rest of the industry. We make amendments to our methodology for calculating enhanced outperformance thresholds for the final determination, details of which can be found in the 'Delivering outcomes for customers policy appendix'. We also change outperformance thresholds if we have found errors in our draft determination calculations. We therefore update the enhanced outperformance thresholds for this performance commitment. We retain the same methodology used at draft determination to set enhanced underperformance thresholds, however we update enhanced underperformance thresholds to align with the lower quartile of the latest year of actual performance (2018-19). This is in line with our approach detailed in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. Further details can be found in the 'Delivering outcomes for customers policy appendix'.	2020-21 = -80.8% 2021-22 = -80.8% 2022-23 = -80.8% 2023-24 = -80.8% 2024-25 = -80.8% Units: Percentage reduction from 2019-20 baseline using 3 year average (%)
Per capita consumption PR19ANH_6	ODI rates	We intervened at draft determination to re-triangulate the underperformance rate given the company proposed rate was	The company proposes reverting its underperformance and outperformance rates to the levels set out in its April 2019 revised business plan.	No change for final determination. Our assessment for draft determination did not identify any specific concerns with the company's approach to deriving its	N/A

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		significantly lower than the reasonable range and its equivalent ODI rate for 2015-20. This was a concern given the company is forecast to earn a net underperformance payment for the 2015-20 period. We intervened to re-triangulate the rate across the: (i) industry average (ii) PR14 rate; (iii) company's proposed rate, and set the outperformance rate at underperformance rate divided by 1.2 according to our methodology. The rates we set at draft determination were -£0.365m and £0.304m per litre per person per day for under-and outperformance respectively.	The company states its incentive rates are based on its proposed performance commitment levels. It states its performance commitment levels are the third most stretching for a company with empirical willingness to pay data. It states that at these levels its customers' willingness to pay is lower and the marginal costs higher than at less stretching performance levels. It considers that in conjunction with the more stretching common percentage reduction, it should have incentive rates associated with these stretching levels and supported by its customer research.	incentive rates, supported by its customer research. However, its proposed underperformance rate was less than half that of its rate for the 2015-20 period. As such the company appears to be proposing a materially lower level of protection against incremental underperformance. We consider that this is a concern, given the company is forecast to earn a net underperformance payment for its performance for the period 2015-20. We intervened to re-triangulate the rate across the: (i) industry average (ii) PR14 rate; (iii) company's proposed rate, and set the outperformance rate at underperformance rate divided by 1.2 according to our methodology. The company challenges our intervention on the basis that its low rates were set in relation to a stretching performance commitment level, and that the higher rates set at draft determination do not take this into account The company proposed a performance commitment level in its April 2019 revised business plan of 130.7 litres per person per day for 2024-25. This performance level was neither better than the upper quartile in absolute or percentage reduction terms. It ranked 7th out of all companies' April 2019 revised business plans. Although the argument of diminishing marginal returns is theoretically valid, there is no clear evidence to suggest that Anglian Water's performance is significantly higher than many other companies', or that its incentive rates were based on 'very stretching' performance levels. We discuss the issue of diminishing marginal returns further in our 'Delivering outcomes for customers policy appendix'. In addition, the company's April 2019 revised business plan performance commitment level for 2024-25 represents a 4% improvement over the 2020-25 period, and a 4% improvement from its 2017-18 level. Six other companies proposed greater percentage reductions between 2024-25 and 2027-18 in their April 2019 revised business plans. This suggests that the company is not demonstrating significantly higher improvements that would warrant its customers' marginal benefit and marginal cost being materially different to levels or to other companies'. Of the 5 companies with the most stretching performance commitment levels at draft determination, Anglian Water is the only company where we intervene to increase the performance commitment level. However, compared with these companies, Anglian Water's normalised ODI rates at draft determination are second lowest.	

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				The performance level we set at draft determination implies a 5.6% improvement in performance across the period 2019-20 to 2024-25, versus a 4% improvement based on the company's proposed level, which does not appear to be a significant incremental performance increase imposed at draft determination. The company also does not provide updated marginal cost (or marginal benefit) information to support its argument of declining marginal benefit and increasing marginal cost in relation to more stretching performance levels. There remains a concern that the company is forecast to earn a net underperformance payment for its performance against its water consumption performance commitment for the period 2015-20. This suggests there could be a credible incentive for the company to understate its consumers' willingness to pay for service improvement to reduce the size of future potential underperformance payments, and raises the risk that customer protection may not be sufficient. Therefore we do not consider there to be sufficient and convincing evidence to change our draft determination.	
Mains repairs PR19ANH_11	Performance commitment levels	No intervention at draft determination.	The company proposes new performance commitment levels compared to those set in its draft determination. It proposes a profile of 138.5 (number of repairs per 1,000km to mains) in all years. The company states that, in assessing and setting performance commitment levels and in our assessment of 'good' levels of performance, we have not taken into account any external factors and our intervention based on three years of best historical performance does not acknowledge the variation caused by external factors, which affect all companies. The company states our assumption that companies should be able to meet their revised performance commitment levels as they met them before is incorrect and does not reflect how water networks react to external factors and does not align with our acknowledgement that 'external influences such as extreme weather could occur in the future'. The company states that in the past we accounted for this using control limits set around	Change for the final determination. Although the company provides evidence to show a high level relationship between mains repairs and weather, this is a known relationship. We consider that weather can impact in both ways and have a negative and positive impact. We use a historical dataset to determine the 'good' level, therefore different weather conditions were included in our analysis. Our PR19 definition for mains repairs is largely aligned to the historical serviceability measure and most 2015-20 mains bursts performance commitments; therefore we consider that use of historical data is valid when setting forward looking performance commitment levels. The company does not provide evidence to demonstrate how weather impacted its own region and in which years it might have impacted mains repairs performance. However we do consider our approach to setting mains repairs levels further. For the final determination, we amend the base levels (before the leakage allowance is added) of mains repairs to an average of the best five years performance. We now consider the use of best five historical years to set the forward looking base level provides a more representative performance commitment level (than three years) and ensures companies maintain good	We set the performance commitment levels to the following values: 2020-21 = 140.1 2021-22 = 138.1 2022-23 = 136.2 2023-24 = 134.2 2024-25 = 132.3 Units: Mains burst per 1,000km

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			serviceability reference levels as a buffer to account for this natural variation. The company states that using companies' historical data to assess the 'good' level may not be appropriate as the data may not have been produced in line with the new common definition. The company comments that our draft determination policy appendix says that 'there is historical evidence to show that proactive repairing of mains results in a leakage reduction' and that we're asking companies to significantly reduce their leakage to levels not previously achieved. Therefore, by accepting the link between increasing proactive leakage repair and decreasing leakage we must accept that in 2020-25 proactive leakage repair should be expected to rise significantly to meet the challenge. The company provides statistical evidence demonstrating a link between high levels of proactive mains repairs and low levels of leakage and states there is a strong link between high levels of proactive leakage detection and low levels of leakage.	performance to improve the overall health of the assets over the longer-term. The company provides a chart in the representation that shows a strong historical relationship (R^2 of 0.8) between proactive mains repairs and absolute leakage levels. However for recent years where leakage reduction has been slower, the relationship does not appear to be as strong. The company also does not provide a chart showing the relationship between reactive mains repairs and leakage. We consider that the company provides sufficient evidence to demonstrate the historical connection between proactive mains repairs and leakage levels. However, the company does not provide any quantification of the additional number of repairs required for its planned leakage reduction. Based on the data and evidence provided by all companies, our conclusion is that there is a link between increasing pro-active mains repairs and reducing leakage. However, the data is too inconsistent and inconclusive on reducing reactive repairs to enable quantification of the future impact on leakage levels by conducting additional mains repairs. Therefore we increase the performance commitment levels for mains repairs by a reducing percentage, for all companies, in all years, reducing the stretch. The aim is to allow all companies the flexibility to deliver the improvement in leakage reduction, allowing more flexibility in the earlier years to use proactive mains repairs to reduce leakage. Please refer to the 'Delivering outcomes for customers policy appendix' for more detail on this sector wide change.	
Mains repairs PR19ANH_11 PR19ANH_18	ODI type	We intervened to apply an underperformance-only financial incentive to the common mains repairs performance commitment. We also intervened to change the ODI type to reputational for the company's bespoke reactive mains repairs performance commitment.	The company challenges the financial incentive for total mains repairs and proposes returning the financial incentive to reactive burst mains instead. The company provides further evidence of the link between increasing proactive mains repairs and decreasing leakage. The company states that in its April 2019 revised business plan it provided evidence to demonstrate the inverse relationship between repairing water mains and leakage levels, and that eight other companies (Affinity Water, South East Water, Severn Trent Water, South Staffs Water, Thames Water, United Utilities, Wessex Water and Yorkshire Water) also demonstrated that	No change for the final determination. The company is requesting the we change the delivery incentive type for both the common and bespoke mains repairs performance commitments so that the underperformance payment is on reactive mains repairs and the reputational delivery incentive is on total mains repairs, to avoid perverse incentives on activity that could improve leakage performance. We do not consider its argument on the relationship between leakage and proactive mains repairs to be relevant for setting incentives – if this needs to be taken into account it is through the performance commitment level. Our assessment and	N/A

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			this relationship would cause the leakage and mains bursts performance commitment incentives to work against each other. The company proposes that financial incentives be based on reactive repairs only, to allow companies to be flexible with the amount of proactive mains repairs that they include in their leakage reduction strategies. This is particularly important for the company as it considers that it is the frontier company on leakage.	changes for the final determination to the performance commitment level are set out above. We consider that proactive mains repairs can be one way to improve leakage performance, but are also an important action in themselves (for example, they can require the disruptive digging up of roads) that needs to be appropriately incentivised to protect customers. Both proactive and reactive mains repairs are important indicators of long-term asset health. The company does not provide any additional evidence on customer support for financial or reputational incentives for reactive mains repairs compared to total mains repairs. The company does not provide any additional evidence that customers support a reputational only ODI for total mains repairs. The company notes that it would not be appropriate to financially incentivise both mains repairs performance commitments, as this would 'double count' the same activity.	
Unplanned Outage PR19ANH_12	Performance commitment levels	No intervention at draft determination.	The company proposes new performance commitment levels compared to those set in its draft determination, the new levels are 2.34 in all years. The company states that its proposed revised stretching performance commitment levels are based on the implementation of new reporting procedures, as it suggests that the level of outage it experiences is higher than previously reported against the shadow measure. The new levels are also in line with the 'good' level published in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'.	Change for the final determination. The company does not provide sufficient evidence to demonstrate how its new reporting procedures have materially impacted its reporting performance. We also note that the company's actual performance in 2018-19 is 1.61, which is better than its proposed performance commitment level. The company states it has implemented its new process since the start of 2018-19, therefore we consider the 2018-19 value is derived using the improved process. However, due to the maturity of this measure, we apply a sector wide change to this performance commitment. The outcome of the sector wide change matches the performance commitment levels the company proposes. Please see the 'Delivering outcomes for customers policy appendix' for more detail on the sector-wide change.	We set the performance commitment levels to the following values: 2020-21 = 2.34 2021-22 = 2.34 2022-23 = 2.34 2023-24 = 2.34 2024-25 = 2.34 Units: Percentage of peak week production capacity (%)
Unplanned Outage PR19ANH_12	ODI rate Caps, collars and deadbands	At draft determination we increased the company's underperformance rate to the average of the reasonable range (-£1.328m) from -£0.631m as the	The company states that our approach to assessing incentive rates is flawed as it does not consider the performance commitment levels when assessing the incentive rates. The company states that incentive rates would be expected to decrease as	Change for the final determination.	We change our final determination and including a collar at the following performance levels:

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
		company's proposed rate was substantially below the lower bound of our reasonable range and provided inadequate customer protection on this measure. At draft determination we did not set caps and collars.	service improves, therefore as we adjust performance commitment levels we should also adjust incentive rates downward so that they align with the new lower willingness to pay and the appropriate level of costs. The company states that it is inconsistent to agree that its approach to incentive rates is correct but at the same time change them to align with a different view of reasonable ranges. The company further states that we have applied our view of reasonable range only on selected ODIs where the net effect is to increase risk on companies. The company states that it carried out extensive customer engagement and followed our standard incentive rates formula, and that it has confidence that its rates are appropriate. The company states its April 2019 revised business plan underperformance rate of -£0.631m per percentage, which was then increased by us to -£1.328m per percentage in our draft determination, was based on the inclusion of a deadband and an underperformance collar, both of which our draft determination removed. As our draft determination removes the deadband and collar, the company proposes a revised underperformance rate of -£0.393m per percentage. This is based on the overall range of incentives supported by customers and the relative weighting of individual performance commitments, in particular by apportioning the incentives allocated by customers over the range between the performance commitment level and P10 performance. It states its approach is aligned to customer preferences, whereas our approach is not. This argument is set our more fully in our explanation of its representations on our overall ODI rates methodology.	We address the company's argument regarding diminishing marginal benefit in its methodology representation and our 'Delivering outcomes for customers policy appendix'. We address the company's representation on the appropriateness of the reasonable range in its overarching methodology point at the top of this table. We reassess the customer evidence that the company uses to calculate its ODI rates for this performance commitment. We conclude that the research is both high quality and shows customers support the maximum underperformance payments proposed by the company. However the company does not specifically test the performance range over which this applied with its customers. Therefore we do not find the company's evidence sufficiently supports the company's argument that its customers support lower underperformance rates than those set out in the company's draft determination. As we explain in the 'Delivering outcomes for customers policy appendix' all companies have caps and collars for unplanned outage if the performance commitment is not covered by early certainty. Some companies have enhanced ODIs and will have the opportunity to earn further outperformance as we set out in the methodology and explained further in the 'Delivering outcomes for customers policy appendix'. It was open to all companies to propose enhanced ODIs and Anglian Water did not propose an enhanced ODI for this performance commitment. For this performance commitment we consider that there is sufficient evidence to show that customers' support the maximum underperformance payment proposed by the company. We set a standard underperformance collar at a level that retains the maximum level of underperformance payment implied by the company's customer evidence in its April 2019 revised business plan submission. It is important to set collars as we are setting a higher underperformance rate than the company proposed and so the collar is necessary to limit the maximum payment to align with customer views. These collars are at levels wider than our standard approach to setting collars at a multiple to the performance commitment would deliver and will therefore provide appropriate incentives for the company to be resilient.	2020-21 = 5.22 2021-22 = 5.22 2022-23 = 5.22 2023-24 = 5.22 2024-25 = 5.22 Units: Percentage of peak week production capacity (%)

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
Risk of severe restrictions in a drought PR19ANH_9	Performance commitment levels	The intervention we made at draft determination was a sector wide action: The company should provide a full set of intermediate calculations (at a zonal level), for the underlying the risk calculation (both baseline levels and performance commitment). The company should confirm that its performance commitment levels are reflective of their water resources management plan position. This should include the potential that they will have access to drought orders and permits The company should confirm which programmes of work will impact its risk profile forecasts.	The company confirms that the performance commitment levels align with its water resources management plan and identifies five Water Resource Zones where a 1 in 200 year drought would lead to risk of severe restrictions (rota cuts); these zones see drought impacts on supply side deployable output. In the company's draft water resources management plan 2019 these Water Resource Zones have measures in place to avoid severe supply restrictions in a 1 in 200 year drought by 2025, so the company states that the populations in these zones are only at risk for the first five years of the planning period. The company indicates that interim risk will be managed through a combination of supply-demand headroom and temporary transfers from adjacent zones. The company identifies three schemes that are driven by drought risk only in the draft water resources management plan 2019 and states that if these are not delivered there is a greater risk of severe restrictions to customers in these zones. Other zones are mitigated by schemes with multiple drivers.	No change for the final determination. The company confirms that there is risk in the first years of this performance commitment, for which the solutions will not be implemented until 2025. We consider that as the company confirms that its performance commitment levels are consistent with its Water Resources Management Plan, which does not include the use of drought orders or permits, we assess that these levels are acceptable as time is required for the company to implement the solutions which reduce the risk to zero in 2024-25. This meets with our expectation of improvement by 2030 and as this is a long term resilience performance commitment, we consider the implementation time to be appropriate for the company to achieve long term resilience. We consider the evidence the company provides to be sufficient and we are retaining the draft determination performance commitment levels.	N/A
Risk of sewer flooding in a storm PR19ANH_10	Performance commitment levels	At draft determination we queried the company to confirm that it is: (i) using the updated parameters in the catchment vulnerability assessment; (And setting out any additional criteria that they intend to use) (ii) reporting the extent to which they use 2d or simpler modelling; and (iii) adopting FEH13 rainfall as standard and if not when it expects to do so. (iv) Can the company also provide any modelling assumptions and full reporting tables from the model?	The company provides additional evidence and confirmation as requested. It confirms that it is using the updated parameters in the catchment vulnerability assessment as requested and provides additional detail regarding the type of modelling that is being undertaken (Option 1B). The company confirms that all models will use the more robust and intensive 2D overland flood modelling approach and from 2019-20 the company will use FEH13. The company confirms that it will have 100% model coverage by the end of the 2015-2020 period, covering foul, combined and surface water sewers. The company states that it is not excluding small catchments as allowed by the approach but is instead including all 1,157 catchments and 6.2 million people in its region. It is excluding none of its customers from this measure. The company has classified all its catchments as being at grade 5 risk.	No change for final determination. The company intends to use 2D models to assess the risk for 100% of its population, which is more stretching and comprehensive than required by the methodology. The company excludes none of its 6.2 million customers. The company provides sufficient and convincing evidence to show that it has high model coverage and a low percentage of its population at risk.	N/A

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
		(v) Can the company confirm it will achieve 100% model coverage by April 2020?			
Sewer Collapses PR19ANH_13	Performance commitment level	No intervention at draft determination on the performance commitment levels.	The company proposes new performance commitment levels compared to those set in its draft determination, its proposed level is 6.1 collapses per 1000km of sewer in all years, which is equivalent to its 2019-20 forecast. The company states that it accepts the removal of the deadband for this performance commitment, but as a result revises its performance commitment level and ODI rate (it states the removal of the underperformance collar is also a factor). It states that Ofwat has not considered its package as whole and has 'cherry-picked' the favourable elements.	No change for the final determination. The company provides no evidence to demonstrate why removal of the deadband should impact the performance levels. We therefore consider that the draft determination levels should be retained (which are equal to what the company proposed in its April 2019 revised business plan). We have now set an underperformance collar (see next row), and therefore consider that the overall sewer collapses performance commitment suitably incentivises the company to provide stretching performance and provides sufficient protection to the company and to customers.	N/A
Sewer collapses PR19ANH_13	ODI rate Caps, collars and deadbands	The intervention we made at draft determination was to remove the deadband and collars for this performance commitment.	The company notes that its April 2019 revised business plan underperformance rate is the highest for any company, and was based on the inclusion of a deadband and an underperformance collar. The company proposes to revise its rates as a result of our draft determination removing the deadband on this performance commitment. The company proposes a revised underperformance rate of -£1.733m per collapse per 1,000km of sewer, if its proposed performance commitment level is accepted. This is based on the overall range of incentives supported by customers and the relative weighting of individual performance commitments, in particular by apportioning the incentives allocated by customers over the range between the performance commitment level and P10 performance.	Change for the final determination We reassess the customer evidence that the company uses to calculate its ODI rates for this performance commitment. We conclude that the research is both high quality and shows customers support the maximum underperformance payments proposed by the company. However the company does not specifically test the performance range over which this applied with its customers. Therefore we do not find the company's evidence sufficiently supports the company's argument that its customers support lower underperformance rates than those set out in the company's draft determination. As we explain in the 'Delivering outcomes for customers policy appendix', we consider collars should be applied if the company has provided sufficient evidence that it allowed customers to make an informed choice about the collar that it is proposing. For this performance commitment we consider that there is sufficient evidence to show that customers' support the maximum underperformance payment proposed by the company. We are setting a standard underperformance collar at a level that retains the maximum level of underperformance payment implied by the company's customer evidence in its April 2019 revised business plan submission. It is important to	We set collars at the following performance levels: 2020-21 = 7.86 2021-22 = 7.86 2022-23 = 7.76 2023-24 = 7.76 2024-25 = 7.76 Units: Number of collapses per 1000km of sewer network

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
				set collars as we are setting a higher underperformance rate than the company proposed and so the collar is necessary to limit the maximum payment to align with customer views.	
Treatment works compliance PR19ANH_14	ODI rate Caps, collars and deadbands	Our intervention at draft determination was to set the deadband to 99% for all years of the regulatory period 2020-25. This a standard expectation for all companies. We intervened to remove collars.	The company notes that its April 2019 revised business plan underperformance rate is higher than the average proposed by other companies, and was based on the inclusion of a deadband and an underperformance collar. The company states that it has revised its underperformance ODI rate as a result of as our draft determination intervention to remove the collar and amend its deadband. The company proposes a revised underperformance rate of -£1.214m per percentage. The company states that its rate is based on the overall range of incentives supported by customers and the relative weighting of individual performance commitments, in particular by apportioning the incentives allocated by customers over the range between the performance commitment level and P10 performance.	Change for the final determination. We reassess the customer evidence that the company uses to calculate its ODI rates for this performance commitment. We conclude that the research is both high quality and shows customers support the maximum underperformance payments proposed by the company. However the company does not specifically test the performance range over which this applied with its customers. Therefore we do not find the company's evidence sufficiently supports the company's argument that its customers support lower underperformance rates than those set out in the company's draft determination. As we explain in the 'Delivering outcomes for customers policy appendix', we consider collars should be applied if the company has provided sufficient evidence that it allowed customers to make an informed choice about the collar that it is proposing. For this performance commitment we consider that there is sufficient evidence to show that customers' support the maximum underperformance payment proposed by the company. We are setting a standard underperformance collar at a level that retains the maximum level of underperformance payment implied by the company's customer evidence in its April 2019 revised business plan submission. It is important to set collars as we are setting a higher underperformance rate than the company proposed and so the collar is necessary to limit the maximum payment to align with customer views.	We set collars at the following performance levels: 2020-21 = 95.40 2021-22 = 95.40 2022-23 = 95.40 2023-24 = 95.40 2024-25 = 95.40 Units: Percentage compliance (%)
External Sewer Flooding PR19ANH_17	Caps, collars and deadbands	Our intervention at draft determination was to remove the deadband for this performance commitment. We intervened to set collars at the following performance levels: 2020-21 = 6,287 2021-22 = 6,287 2022-23 = 6,287 2023-24 = 6,287	The company states that it considers that the caps and collars set at the draft determination that increased the downside risk are not appropriate. It considers that the levels of the caps and collars it proposed represent the maximum incentives that customers consider appropriate for each measure and should be used in the final determination.	Change for the final determination. As we explain in the 'Delivering outcomes for customers policy appendix'. We consider that all companies should have caps and collars for external sewer flooding. In the appendix we also explain how we set the level of caps and collars in the final determination. For this performance commitment we consider that there is sufficient evidence to show that customers' support the maximum underperformance payment proposed by the company. We therefore consider that the range between the service levels and the outperformance cap should remain the	We set outperformance caps at the following performance levels: 2020-21 = 2,292 2021-22 = 2,242 2022-23 = 2,192 2023-24 = 2,142 2024-25 = 2,092 Units: Number of properties flooded externally

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
		2024-25 = 6,287 We also set caps at the following levels: 2020-21 = 2,339 2021-22 = 2,339 2022-23 = 2,339 2023-24 = 2,339 2024-25 = 2,339 Units: Number of properties flooded externally		same as in the April 2019 revised business plan submission. As we change the service levels we change the caps to keep the range the same. The company estimate of its P90 performance level is generally in line with other companies and we have not changed this estimate. We do not consider that customer's views on maximum underperformance payments should be definitive on where collars should be set. While important it is also necessary to consider whether the levels provide appropriate incentives. Where the collars proposed by the company suggest a tight range of underperformance we consider that this would not give sufficient incentive for the company to adequately prepare for high impact low probability events. The company does not address this issue in its response to the draft determination. We therefore consider that the collar the company proposed does not give sufficient incentive and propose to continue to set the collar on a multiple of the service level as set out in the 'Delivering outcomes for customers policy appendix'. In any case we would expect that in most situations the company will deliver service within the P10 and P90 range and so we expect payments will be in the range that customers expected.	We do not change the collar levels.
Natural Capital PR19ANH_45	New performance commitment	Our intervention at draft determination was to remove this performance commitment until the company provided a finalised metric and approach to measuring performance before final determination, from which it can set a baseline for improvement across the period 2019/20 - 2024/25.	The company proposes a definition and service levels for two Natural Capital performance commitments that included a number of sub measures. (Please refer to the row directly below for the Regional Collaboration performance commitment). Having assessed the company's initial representation, we then engaged with the company, on several concerns with the measures. For example, how they did not fit with our PR19 methodology regarding the aggregation of sub-measures. In response to this engagement the company supplies new definitions for its Natural Capital performance commitments. The Natural Capital Impacts performance commitment relates to what it considers the direct impacts of its operations and consists of 4 metrics (water quantity, groundwater quantity, surface water, biodiversity) previously included. However, it has now changed the mechanism and proposes that this is a 'one fail, all fail' performance	Change for the final determination. The company sets out the reasons for the four measures it has selected, including complete definitions and targets for 2024-25. We consider that the measure should be reported as 'on track' if it is on track for delivering all four measures by 2024-25, 'met' if it has achieved all four targets and 'fail' otherwise. We consider the 'one fail, all fail' approach is sufficiently transparent, making the overall performance on the performance commitment easier for customers to understand and the outcomes clearer. We recognise that customers place a lower level of support on this area relative to other core areas of service. We consider that it is appropriate to be non-financial, as it is a new performance commitment and has a low level of customer support compared to other performance commitments. Our assessment on each element is as follows:	We add the reputational performance commitment the company provides as a new performance commitment for the 2020-25 period based on the new definition submitted by the company. For Ground water we add: 'Other positive actions as appropriate are to be accepted. However, all positive actions must be clearly documented and visible to both Ofwat and the Environment Agency at sign off, with appropriate assurance. The Company will provide assurance to confirm that the actions being presented as positive are appropriate methods of reducing nitrate leaching.'

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			commitment to overcome our concerns regarding aggregation. This means that to achieve its performance commitment, the company must meet the performance commitment level for each of the 4 metrics. The company considers this approach is stretching and demonstrates its commitment to these approaches.	Water quantity: The measure is now fully defined and the scale of reduction from the 2017/18 baseline appears sufficiently stretching. Groundwater quality: The company proposes an 80% first time performance commitment level for this measure. We consider this is sufficiently stretching However, we revise the definition for Ground Water quality to remove ambiguity created by the company as they have not provided a definitive list of all possible positive actions that could be undertaken Surface Water quality: The proposed measure that is based on the statutory obligation from the full Water Industry National Environment Programme. We specify that the commitment is to meet 100% of the programme. We consider that this would provide a more readily understandable reading of the company performance relative to its statutory obligations. Biodiversity: As the company uses an established external metric for its proposed performance commitment the definition is complete and transparent to customers. The scale of improvement, of 10%, is sufficiently. We consider that the company provides sufficient and convincing evidence to add the new Natural Capital performance commitment.	Furthermore, we revise the definition for surface water so that this metric reports the percentage of phosphate reduction compared to the volume required by the WINEP obligation; with a performance commitment level of 100%. We consider that the company should make it clear to customers if it is on track for delivery each year and that this should be reported as 'on track' or 'not on track' for each individual sub-measure, and therefore 'met' or 'not met' for the performance commitment as a whole in each year. Similarly for the 2024-25, the company should have met the requirements for all measure in order to state 'pass' or 'fail'.
Regional Collaboration PR19ANH_46	New performance commitment	Our intervention at draft determination was to remove this performance commitment until the company provided a finalised metric and approach to measuring performance before final determination, from which it can set a baseline for improvement across the period 2019/20 - 2024/25.	In its representations the company proposes a definition and service levels for two Natural Capital performance commitments that included a number of sub measures. (Please refer to the row directly above for the Natural Capital performance commitment). Having assessed the company's initial representation, we then engaged with the company, where we identified several concerns with the measures. For example, how they did not fit with our PR19 methodology regarding the aggregation of sub-measures. In response to this engagement the company supplies new definitions for its Natural Capital performance commitments.	Change for the final determination We recognise the need to work alongside a range of stakeholders in developing a strategy and metrics in this area, but consider that the company's timeline should be adjusted to allow for the learnings to be considered before PR24 is completed. We set the date that the region-wide set of metrics and a baseline should be completed by July 2024. We consider that the company provides sufficient and convincing evidence to add the Regional Collaboration performance commitment.	We add the reputational performance commitment the company provides as a new performance commitment for the 2020-25 period based on the new definition submitted by the company. We specify that the completion date of the Regional Collaboration performance commitment as July 2024. We consider that the company should make it clear to customers if it is on track for delivery each year and that this

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			The Natural Capital Regional Collaboration performance commitment relates to the development of a region wide approach to natural capital. This is a commitment to build a collaborative approach to developing a regional set of metrics and establishing a baseline over the 2020-25 period. The company states that its rationale for having this as a separate performance commitment is in recognition that the nature and measurement of this differs from the four other metrics which constitute the Natural Capital Impacts performance commitment as set out above.		should be reported as 'on track' or 'not on track' for each individual sub-measure, and therefore 'met' or 'not met' for the performance commitment as a whole in each year. Similarly for the 2024-25, the company should have met the requirements for all measure in order to state 'pass' or 'fail'.
Community Investment PR19ANH_43	New performance commitment	Our intervention at draft determination was to remove the 'Social Capital' performance commitment (PR19ANH_33) until the company provided a finalised metric and approach to measuring performance before final determination, from which it can set a baseline for improvement across the period 2019-20 – 2024-25.	In its representations the company proposes a definition and service levels for a social capital performance commitment that included a number of elements. Having assessed the company's initial representation, we then engaged with the company, where we identified several concerns with the measures. For example, how they did not fit with our PR19 methodology regarding the aggregation of sub-measures. In response to this engagement the company supplies new definitions for its Social Capital performance commitments. The company proposes to retain the two most mature elements of the performance commitment it proposed in its 30 August representations and have those as two individual performance commitments. These are Community Investment and CCWater Trust. (Please refer to the row directly below for the Company Trust performance commitment.) The other elements will still remain as internal metrics and will be reported on annually as part of its full 6 Capitals reporting process. Community investment measures the number of people supported by community and charitable programmes. The calculation is set out in an external framework by the London Benchmarking Group (LBG). Only programmes that are both charitable and voluntary are included. The company proposes an increase of 5% by 2024-25 from a	Change for the final determination. As the company uses an established external metric for its proposed performance commitment the definition is complete and transparent to customers. We consider that the company provides sufficient and convincing evidence to add the community investment performance commitment. The company does not specify a profile over the period and so we specify levels that increase each year from the 2020-21 baseline.	We introduce the 'Community Investment' performance commitment in our final determination. We set the following performance commitment levels: 2020-21 = N/A 2021-22 = 1.0 2022-23 = 2.0 2023-24 = 3.5 2024-25 = 5.0 Unit: Percentage (%) increase of people supported by community and charitable programmes from 2020-21 baseline

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			2020-21 baseline. It proposes that this is a non-financial performance commitment.		
Customer Trust PR19ANH_44	New performance commitment	Our intervention at draft determination was to remove the 'Social Capital' performance commitment (PR19ANH_33) until the company provided a finalised metric and approach to measuring performance before final determination, from which it can set a baseline for improvement across the period 2019-20 – 2024-25.	In its representations the company proposes a definition and service levels for a social capital performance commitment that included a number of elements. Having assessed the company's initial representation, we then engaged with the company, where we identified several concerns with the measures. For example, how they did not fit with our PR19 methodology regarding the aggregation of sub-measures. In response to this engagement the company supplies new definitions for its Social Capital performance commitments. The company proposes to retain the two most mature elements of the performance commitment it proposed in its September 2018 business plans and have those as two individual performance commitments. These are Community Investment and CCWater trust. (Please refer to the row directly above for the Community Investment performance commitment.) The other elements will still remain as internal metrics and will be reported on annually as part of its full 6 Capitals reporting process. Customer Trust measures the extent that customers trust their water company. It is calculated from the Consumer Council for Water's survey (CCWater) undertaken each year. The survey asks customers for feedback on their water and sewerage company. Customers are asked to what extent they trust their water company on a scale of 1 – 10 with 1 being 'do not trust them at all' and 10 being 'trust them completely'. The company proposes to target a trend of increasing trust over the 2020-25 period with the resulting ODI measure expressed as the difference between the company score and the Water and Sewerage Company average (less a baseline adjustment for its starting position). It	Change for the final determination. This performance commitment requires that the company is improving relative to industry peers and is a dynamic measure that benchmarks the company against the national average rather than fixed performance commitment levels set up front. The measure is the difference between the company score, and an average less the baseline. The company proposes that this be based only against other water and sewerage companies. We do not consider there is a reason to exclude water only companies. Even if, which we do not necessarily agree with, water only companies are not direct comparators, then deducting the baseline will help to address any lack of comparability. We consider the target of an improving trend over the 5 years from current performance is not sufficiently well defined. We have specified there must be an increase each year. We consider that the company provides sufficient and convincing evidence to add the company trust performance commitment, but we have clarified the performance commitment levels.	We include the 'Customer Trust' performance commitment in our final determination. We propose: 2020-21 = 0 2021-22 = 0.01 2022-23 = 0.02 2023-24 = 0.03 2024-25 = 0.05 Unit: Increase in relative performance against the industry average of the CCWater Trust Score.

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			proposes that this is a non-financial performance commitment.		
Customer Contacts (Water Quality) PR19ANH_34	Performance commitment level	The intervention we made at draft determination was to set the following performance commitment levels: 2020-21 = 1.09 2021-22 = 1.01 2022-23 = 0.93 2023-24 = 0.85 2024-25 = 0.77 Units: customer contacts per 1,000 population.	The company proposes new performance commitment levels compared to those set in its draft determination, the new levels are: 2020-21 =1.08 2021-22 =1.06 2022-23 =1.04 2023-24 =1.02 2024-25 =1.00 Units: customer contacts per 1,000 population. The reasons provided for this change are: • These are more in line with its customers' expectations from its willingness to pay research. The company states 'we received very little support from our customers to reduce the number of water quality contacts that we receive' • The company considers it is currently performing within the industry upper quartile and does not consider a 34% improvement would be appropriate or achievable. • It is however willing to improve performance and states its new level starting point is based on the 'good' level set out in the 'PR19 draft	No change for the final determination. The company does not conduct any new customer engagement to support its proposed levels. It instead restates what its customer engagement found (e.g. that its customers do not support an improvement in performance). Although we considered the quality of the customer engagement as part of the IAP assessment, for the draft determination and final determination stages our approach is focused on determining stretching levels through comparative analysis. We conduct comparative analysis based on forecast upper quartile for this performance commitment in order to set stretching service levels for companies. The company's current (2018-19) performance is better than the current upper quartile (1.11 compared to 1.20), however its forecast is not upper quartile (1.00 compared to 0.67). At PR14 we set performance commitment levels for the 2015-20 period based on historical and not forecast information and companies over achieved against these levels, often prior to the start of the price control. Anglian Water has outperformed its 2015-20 performance commitment levels in each year of the period, achieving an improvement of 25% over 5 year period from 2013-14 (1.48) to 2018-19 (1.11). This shows that, even compared to its own historical performance, the proposed performance commitment levels are not stretching on a percentage improvement basis.	N/A

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			determinations: Delivering outcomes for customers policy appendix' (1.08). In addition, the company also provides a table showing historical performance from other companies compared to their forecasts. It provides commentary to show that some companies (South East Water, Severn Trent Water and Hafren Dyfdwy) have forecast worsening forecast performance in 2019-20 compared to historical. The company implies that we have applied percentage reductions for some companies to "Less than "upper quartile" reductions allowed by Ofwat".	The company provides data to suggest that three other companies have provided worsening performance for 2019/20. However the data it provides does not match the April 2019 revised business plan data provided. The April 2019 revised business plan data for these 3 companies shows an improving profile from 2017-18 to 2024-25. The forecast data from the company data table submissions does not show deterioration in 2018-19 or 2019-20. Anglian Water compares actual 2018-19 with forecast 2019-20, therefore we do not consider this to be an issue. Moreover, if a company forecast its performance at or better than 0.67 customer contact per 1,000 population by 2024-25, then we did not intervene at draft determination, as outlined in our methodology approach 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. At draft determination, there was a mislabelling of the common performance commitment level table where the median was labelled 'good'. Table 3.2 of the 'PR19 draft determinations: Delivering outcomes for customers policy appendix' is correct and shows a good level of 0.67 (the upper quartile). As a result of our mislabelling, we consider that the company has misinterpreted the 'good' level for this performance commitment. Based on the assessment above, on balance we conclude that the company does not provide sufficient evidence to demonstrate why it cannot achieve the draft determination performance commitment levels (based on current performance this would be equivalent to a 31% improvement, not 34% based on 2019-20 forecast). In the last 5 years it has achieved 25% improvement and outperformed its 2015-20 performance commitment levels by a considerable margin.	
Customer awareness of the company's Priority Services Register PR19ANH_21	Performance commitment definition, levels and ODI type	Our intervention at draft determination was to ensure that the panel the company proposed to use as part of third party assurance operates independently of the company.	The company proposes to remove 'Supporting customers in vulnerable circumstances (qualitative) performance commitment. The company states that there is an overlap between this performance commitment and the broader suite of performance commitments on vulnerability. In particular, the company refers to the 'Achieving British Standards Institution 18477' performance commitment, which we asked the company to include at the initial assessment of plans, and to the priority services register common performance commitment. It states that there is therefore limited additional value to be added for	Change for the final determination. We consider that the company's revised proposal does not directly address the concern we had with the previous option of removing the performance commitment entirely. First, the survey will almost certainly include a lot of customers who will have never tried to contact the company, potentially limiting the utility of the results. Second, the performance commitment no longer focuses on vulnerability or vulnerable customers;	Remove 'Supporting customers in vulnerable circumstances (qualitative) performance commitment and add 'Customer awareness of the company's Priority Services Register' The new performance commitment will measure the percentage of customers who state, when asked, that they are aware of the company's Priority Services Register.

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			customers through retaining this performance commitment. The company also proposes an alternative performance commitment that measures ease of access for all customers, not just customers in vulnerable circumstances. The company also proposed that this performance commitment is reputational rather than financial.	Third, ease of access and satisfaction are very different indicators – one won't necessarily lead to the other; Fourth, the British Standards Institute standard on accessible services requires companies to have several methods for customers to contact them and to test products and services for accessibility so there does seem to be a measure of overlap still in the new proposal. We are removing the 'Supporting customers in vulnerable circumstances (qualitative)' performance commitment, and are replacing it with a reputational performance commitment that measures awareness of priority services as this will survey a broader audience and so will include customers who may experience transient vulnerability or be reluctant to share their vulnerability. The performance commitment is best suited to a reputational incentive, in line with other companies' similar performance commitments. We have set the baseline and performance commitment levels using data on historical performance and projections submitted by the company in its April 2019 revised business plan. We do not consider the company proposes sufficient evidence to remove this performance commitment.	The performance commitment levels for this new performance commitment are: 2020-21 = 47.5% 2021-22 = 52.0% 2022-23 = 56.5% 2023-24 = 61.0% 2024-25 = 65.0% Unit: Percentage of customers aware of the Priority Services Register The performance commitment has a reputational incentive.
Helping those who struggle to pay PR19ANH_37	Performance commitment levels	Our intervention at draft determination was to replace the 'Extra Care and collections' performance commitment with a 'helping those who struggle to pay' performance commitment.	In its representation the company changes the performance commitment definition to include the number of unique customers (rather than number of schemes) and included a glide path. It states that the draft determination has two inaccuracies for this performance commitment; firstly we use the 2020 to 2025 average figure for interventions rather than year-on-year. Secondly, we do not use the unique customer numbers as projected by the company. The company amends these aspects and includes a new performance commitment level.	Change for the final determination. The company changes its September 2018 business plan performance commitment with information that was not available to us at draft determination when creating the new performance commitment, the company is now able to provide more accurate data in its representation. We consider that the company provides sufficient and convincing evidence to update the performance commitment levels as we agree with the company that unique customers is a more accurate measure, and that a glide path is appropriate.	We revise the performance commitment to include the number of unique customers and have included a glide path. We set the performance commitment levels at: 2020-21 = 281,653 2021-22 = 288,958 2022-23 = 292,577 2023-24 = 296,618 2024-25 = 310,161 Unit: The number of unique customers, who are receiving financial assistance.

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Value for money PR19ANH_40	Performance commitment level	Our intervention at draft determination was to introduce a performance commitment with the following performance commitment levels: 2020-21 = 77 2021-22 = 79 2022-23 = 81 2023-24 = 82 2024-25 = 83 Unit: the average of water service and sewerage service score from CCWater	The company is concerned by the level of stretch with this performance commitment, which it considers is over-ambitious in the context of the performance achieved by industry in this area over the last few years. The company suggests a less stretching improvement: 2020-21 = 77 2021-22 = 78 2022-23 = 79 2023-24 = 80 2024-25 = 81 Unit: the average of water service and sewerage service score from CCWater	No change for the final determination. The company's proposal would make Anglian Water's performance commitment levels lower than some other companies. We also carry out an analysis of the impact of falling bills on customer views of value for money. We conclude that overall, and for most individual companies, as bills go down customers' views on value for money improve. As Anglian Water bills are falling in the 2020 to 2025 period, this formed part of our decision when setting the performance commitment levels. We set stretching performance commitment levels for all companies on value for money. Several performance commitment levels are therefore close to current frontier levels, although in setting them we took into account each company's historical performance. We consider that, although the performance commitment levels for the company are ambitious compared to historical levels for all companies, it is consistent with our interventions for other companies for stretching but achievable performance commitments. We do not consider the company provides sufficient and convincing evidence to make the proposed changes for the final determination.	N/A
Abstraction Incentive Mechanism (AIM) PR19ANH_20	Performance commitment levels	No intervention was made at draft determination.	The company sent a query in July 2019 raising that the performance commitment levels for its Marham-River Nar source are stated as -87 megalitres, rather than the 0 megalitres it proposed in its response to our initial assessment of plans (IAP).	Change for the final determination. We consider that the -87 megalitres figure for the company's Marham- River Nar source is an error and change the figure to 0 megalitres, as proposed by the company in its response to our initial assessment of plans (IAP).	We change the performance commitment levels for the company's Marham- River Nar source to 0 megalitres.
Abstraction incentive mechanism PR19ANH_20	Caps, collars and deadbands	We intervened to remove the deadband.	The company states that removing the deadband is not appropriate because it allows for an underperformance payments when abstractions are above past levels, but does not penalise the company for matching those historic levels. The company states that by removing the deadband, it will now be penalised for abstracting water that would have been considered a reduction against the baseline calculated using the our methodology.	No change for the final determination. A deadband provides an absence of financial incentive and, apart from very specific circumstances, we consider should only be applied if there is strong evidence as to why it is appropriate and in the interests of the company's customers. We see no reason why the company will not be able to deliver its performance commitment, as it has delivered this level of performance in recent years.	N/A

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				The company does not provide sufficient and convincing evidence supporting a deadband, and we consider that a deadband would not be in the interests of customers.	
Abstraction incentive mechanism PR19ANH_20	Caps, collars and deadbands	Our intervention at draft determination was to set the aggregate underperformance collar at P10 values supplied by the company: 2020-21 = 2,634 2021-22 = 2,634 2022-23 = 2,634 2023-24 = 2,634 2024-25 = 2,634 Units: total Ml per year We also intervened to set the aggregate outperformance caps using the P90 values supplied by the company: 2020-21 = -3,677 2021-22 = -3,677 2022-23 = -3,677 2023-24 = -3,677 2024-25 = -3,677 Units: total Ml per year	The company states that it does not consider the caps and collars set at the draft determination are appropriate. It considers that the levels of the caps and collars it proposed represent the maximum incentives that customers consider appropriate for each measure and should be used in the final determination.	Change for the final determination. We include caps in line with those proposed by the company as we consider there is sufficient supporting evidence.	We set outperformance caps to: 2020-21 = -8,886 2021-22 = -8,886 2022-23 = -8,886 2023-24 = -8,886 2024-25 = -8,886 Units: total Ml per year
Smart metering delivery PR19ANH_38	Performance commitment definition	We intervened to include a performance commitment to protect customers from partial or none delivery of the smart metering programme. We set a performance commitment level consistent with the delivery of the company's 2020-25 plan to replace existing non-smart meters with smart	The company notes that the performance commitment definition is currently too broad and considers 'smart meters' of materially different levels of what is considered smart. For example, the current definition would count meters which rely on walk by or drive by readings towards the achievement of the performance commitment. The company states this would deliver a materially poorer customer experience and environmental benefit, and reinforces the inappropriate comparison between the company proposal and the	Change for the final determination. The company states that we incorrectly assume that its smart metering program is comparable, in terms of cost with the Northumbrian Water smart metering program. In our draft determinations it was not clear that the proposed smart metering programs were different hence we applied the same smart meter uplift. Having now received more detailed information we are planning to account for the cost differences (and resulting cost uplift) between the two programmes.	We include the proposed text (both the additional text proposed by the company and the missing sentence) in the performance commitment definition. We update the definition to ensure that the performance commitment includes non-household meters.

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		meters and to roll-out smart meters to new connections by the end of the period. This is 1,096,397 meters in 2024-25 with a linear profile in preceding years.	Northumbrian's water metering program. The company states that our draft determinations assume these are suitable for cost comparison and performance monitoring but that this is incorrect. The company states that our final determinations need to reflect the material differences in the two metering programs as this would result in both different levels of expenditure requirements and differently defined performance commitments recognising the different service offerings and associated benefits to customers and the environment. The company therefore proposes a different definition for the performance commitment • 'For this performance commitment a smart meter is defined as a meter within that has the capacity as part of a system for metering water supplies to all the following: • Measures consumption over representative periods to legal metrology requirements; • Store measured data for multiple time periods; • Allow ready access to this data by customers as well as by the company; and • Transfer consumption data to the company for the purposes of accurate billing without requiring access to the property. • Capable of communication with a wide area network. Furthermore, the company notes that in our draft determinations, Northumbrian Water's performance commitment definition includes the following line, which is not included in Anglian Water's performance commitment: 'A meter can be counted if it has the capacity, even if the required systems are not in place to utilise this capacity'.	We consider that the current definition already includes a sentence ensuring that the performance commitment would not count meters which rely on walk by or drive by readings namely 'Allow ready access to this data by customers as well as by the company'. However, we consider that the company's suggested addition in the performance commitment definition would increase clarity and avoid confusion. Further, we acknowledge that Northumbrian's performance commitment definition includes an additional sentence which is missing in the company's performance commitment definition namely 'a meter can be counted if it has the capacity, even if the required systems are not in place to utilise this capacity'. We do not consider there is any specific reason why this sentence should be omitted in the company definition. Finally, in response to a query from us to clarify whether the smart metering program included non-household properties, the company responds that the new installations and replacement figure quoted include both household and non-household properties. We therefore update the definition to take into account non-household meters.	
Smart metering delivery PR19ANH_38	ODI rates	We intervened to set an underperformance payment only ODI. The unit rate was set to recover the costs of non-delivery, in line with the enhancement	The company states that it does not challenge our use of the ODI mechanisms to monitor the delivery of the company smart metering programme. The company proposes that the ODI underperformance rate for this performance commitment be uplifted to	Change for the final determination.	We use the update the cost allowance and cost sharing rate to calculate underperformance

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		spend allowance of £24.86/meter. Applying a cost-sharing of 50% gave an underperformance payment rate of £12.43/meter. The ODI will apply in the final year only, is end-of-period and has no underperformance collar.	be consistent with representing 50% of the allowed unit rate. However, the company states that it has increased the underperformance payments rate to reflect its updated view of smart meter unit costs. The company states that the commitment underperformance rate used in our draft determinations uses Northumbrian's unit costs which is inappropriate. In particular, the company states that the greater functionality commitment of its smart meter programme, it consider that the underperformance payment rate should reflect its unit costs for smart meter rollout. The company calculates the revised rates as follows: • Enhancement Totex requested: £51.80m (£29.39m for replacements before end of life, £22.41m for replacements at end of life or when faulty) • Volume replaced: 1,045,153 (602,380 replacements before end of life, 442,773 replacements at end of life or when faulty) • Anglian Water Unit rate: £49.56 per meter (lower than £50.61 reflecting a slight difference in unit costs between before end of life and at end of life replacements) • Underperformance payment rate: £24.78 per meter (reflecting 50:50 sharing rate with customers).	In our draft determinations we intervened to include a performance commitment to protect consumers from partial or non-delivery of the smart metering programme. The company states that we incorrectly assume that its smart metering program is comparable, in terms of cost with the Northumbrian Water smart metering program. In our draft determinations it was not clear that the proposed smart metering programs were different hence we applied the same smart meter uplift. Having now received more detailed information we account for the cost differences (and resulting cost uplift) between the two programmes. In particular, in our final determinations we update the cost allowance which is now equal to £48.750m for the delivery of 1,096,397 smart meters (replacing existing meters). Finally, in our final determinations we make an additional £40.570m allowance for the installation of networks to support smart meters. These networks are only needed if smart meters are delivered. Therefore, we consider that it is appropriate to add a clause to the performance commitment stating that if the company fails to deliver at least 50% of the metering scheme (namely less than 548,198 meters) the allowed networks cost will be returned at the next price review. We are adjusting ODI rates for this performance commitment to ensure that they fully recover the scheme costs in the event of non-delivery. We have also updated the ODI rates to take into account our final determination view of the cost sharing rates. For further details on our methodology see 'Delivering outcomes for customers policy appendix'.	ODI rate of -£0.000014m per meter. We add a clause to the performance commitment to ensure that if the company delivers less than 50% of the scheme, the network cost allowance will be returned at the next price review.
Internal sewer flooding PR19ANH_7	ODI rate	We did not intervene on the company's ODI rate at draft determination.	The company states it does not make a representation concerning its incentive rates, which remain unchanged from its September 2018 business plan submission. However it notes that it does not accept the justification for the common incentive rates, and that it has one of the highest underperformance rates despite being one of the best performers on internal sewer flooding.	Change for the final determination. The company does not propose alternative ODI rates for this measure. The company's representation on our ODI rates methodology is assessed in the methodology representations section of this document and in our 'Delivering outcomes for customers policy appendix'. When considering the performance commitment package as a whole, we consider whether the balance of incentives for particular performance commitments is appropriate at both an industry and company level. We set all companies' underperformance rates symmetrically to outperformance rates to provide a more balanced spread of incentives and risk on internal sewer flooding. For further details	In line with our industry-wide intervention on this measure we are changing the company's underperformance rate to -£10.994m/ incident per 10,000 connections.

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				on our approach to sector wide interventions on ODI rates see our 'Delivering outcomes for customers policy appendix'.	
Internal sewer flooding PR19ANH_7	Caps, collars and deadbands.	Our intervention at draft determination was to set collars to: 2020-21 = 3.35 2021-22 = 3.35 2022-23 = 3.35 2023-24 = 3.35 2024-25 = 3.35 Units: Number of properties flooded internally per 10,000 sewer connections	The company states that it considers that the caps and collars set at the draft determination that increased the downside risk are not appropriate. It considers that the levels of the caps and collars it proposed represent the maximum incentives that customers consider appropriate for each measure and should be used in the final determination. Further, the company notes in general that the draft determination has inconsistencies in the outperformance companies can earn and uses internal sewer flooding as an example. It states that the draft determinations have limited the outperformance payments that four companies can earn on this measure (in 2024-25 this equates to Anglian Water £3.3m, Thames Water £3.5m, Southern Water £1.7m and Dŵr Cymru £0.6m), based on these incentives being 'financially material', but for others it has allowed the potential for far more significant outperformance payments (in 2024-25 this equates to £35.5m Severn Trent Water, £8.2m South West Water, £17.0m Yorkshire Water, £21.3m Wessex Water).	Change required for the final determination. As we explain in the 'Delivering outcomes for customers policy appendix', we consider that all companies should have caps and collars for internal sewer flooding. In the appendix we also explain how we set the level of caps and collars in the final determination. Some companies have enhanced ODIs and will have the opportunity to earn further outperformance as we set out in the methodology and explained further in the 'Delivering outcomes for customers policy appendix'. It was open to all companies to propose enhanced ODIs and Anglian Water did not propose an enhanced ODI for this performance commitment. For this performance commitment we consider that there is sufficient evidence to show that customers' support the maximum underperformance payment proposed by the company. We therefore consider that the range between the service levels and the outperformance cap should remain the same as in the April 2019 revised business plan submission. As we have changed the service levels we have changed the caps to keep the range the same. The company estimate of its P90 outperformance level is slightly different to this level and is more pessimistic than most other companies' P90 estimates of performance. To set P90 performance levels, we follow the same approach as for outperformance caps and adjust the P90 performance levels in line with changes in performance commitment levels between business plan submission and final determination. Our broader approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. We do not consider that customer's views on maximum underperformance payments should be definitive on where collars should be set. While important it is also necessary to consider whether the levels provide appropriate incentives. Where the collars proposed by the company suggest a tight	We set outperformance payment caps to: 2020-21 = 1.35 2021-22 = 1.30 2022-23 = 1.25 2023-24 = 1.11 2024-25 = 1.01 Units: Number of properties flooded internally per 10,000 sewer connections We do not change the collar levels.

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				range of underperformance we consider that this would not give sufficient incentive for the company to adequately prepare for high impact low probability events. The company has not addressed this issue in its response to the draft determination. We therefore consider that the collar the company proposed does not give sufficient incentive and propose to continue to set the collar on a multiple of the service level as set out in the 'Delivering outcomes for customers policy appendix'. In any case we would expect that in most situations the company will deliver service within the P10 and P90 range and so we expect payments will be in the range that customers expected.	
Managing void properties PR19ANH_23	Performance commitment level	Our intervention at draft determination was to include unmetered properties in the company performance commitment.	The company states it has updated its performance commitment level for this performance commitment as a result. The company does not change the final year performance commitment level but amends the glide-path to its 2025 performance commitment level. The company states that this is due to it being more challenging to identify unmetered properties compared to metered properties. The proposed glide path is: 2020-21 = 0.50 2021-22 = 0.40 2022-23 = 0.35 2023-24 = 0.30 2024-25 = 0.25 Unit: long-term voids as a percentage (%) of billable properties The previous performance commitment level was 0.25% across the 2020-25 period. The company states it has conducted an initial trial to identify its performance against this commitment which showed a performance level of 0.69% (note that this was based on our previous definition which excluded unmetered properties) and that, as this is a new measure with no external or other historical data, it presents the best baseline on which to reflect its performance commitment level.	Change for the final determination. We acknowledge that unmetered properties are more difficult to identify because the meter cannot be read. In addition, we consider that the company provides sufficient and convincing evidence on the stretching nature of its updated performance commitment. In particular, the company has not changed the final year performance commitment level of 0.25% for false voids. It only updates the 2020-21 and 2023-24 glide-path and demonstrates, through its trial, a current performance level of 0.69% when unmetered properties are not included. We consider that the company provides sufficient and convincing evidence for us to revise the performance commitment levels for this performance commitment. This representation also contributes to a sector wide change to the performance commitment (see Table 3 below).	We revise the performance commitment levels to the following: 2020-21 = 0.50 2021-22 = 0.40 2022-23 = 0.35 2023-24 = 0.30 2024-25 = 0.25 Unit: The number of household false voids as a percent of the total number of household properties within the supply area

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			The company states that this evidence shows that the performance commitment level is very stretching. The company further states that we have inappropriately treated the company's performance commitment for voids the same as other companies despite it presenting different outcomes. The company bases its voids performance commitment on the number of occupied 'void' properties ('false voids'), where most other companies have a performance commitment based on the overall number of reported voids. It presents two examples showing that the other companies would receive outperformance payments thanks to favourable macroeconomic factors and that the other companies do not have the requirement of demonstrating that a proportion of the voids are genuinely void.		
Managing void properties PR19ANH_23	ODI type	At draft determination our intervention was to set an outperformance and an underperformance payment rate. We set the ODI type to financial, and intervened to add an ODI rate based on an average wholesale bill of £396, marginal costs of £30, a cost sharing factor of 50%, and property numbers as provided by the company. The rates were: Underperformance: £10.037 million per 1% Outperformance: £5.216 million per 1%	The company states that we have applied outperformance and underperformance payments to slow-track / significant scrutiny companies' performance commitments. However, we have allowed a reputational performance commitment for South West Water's ODI, despite the performance commitment definition aligning with other companies who have put forward a performance commitment based on total rewards. Additionally, the company states that United Utilities' voids performance commitment reflects the percentage of the connected household properties supplied by United Utilities that have either been verified as occupied or verified as unoccupied/void at year end. After those occupied (and therefore charged) properties, or unoccupied (and truly void) properties have been verified, the remainder will be false or unverified voids. The company states that this provides the closest industry comparison with the performance commitment identifying the proportion of properties classified as false voids. Further to this, the company states we have applied a different methodology to United Utilities' financial	No change for the final determination. We consider that underperformance payments are necessary to incentivise companies to identify void sites where services are being used. For this reason, as there is clear benefit for customers from doing so in the form of bill reductions, we have decided to set financial incentives (including both outperformance and underperformance payments). Further, financial incentives are needed to ensure that the companies have the right incentives to search and identify false voids. Reputational incentives alone do not always provide sufficient incentives. The company provides some evidence in regard to South West Water, where we have allowed a reputational incentive. We agree that the point the company makes is correct, but note that South West Water is a fast track company and received an early draft determination on its price, service and incentive packages for 2020-25, as a result of having produced a high-quality business plan in September 2018 (on voids they provide an initial value of 0.93% voids with a performance commitment level of 0.84% in 2020-25). South West Water opted into the 'early certainty' process on specific components of the draft determinations related to outcomes. As a result, we fixed its bespoke performance commitment levels and financial	N/A

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			incentives, allowing a symmetrical reward and underperformance payment at a significantly lower rate than the company's draft determination at £0.237m per %, rather than our £10.037m per % underperformance, and £5.216m outperformance payments. The company states it is taking forward a new approach with this metric of managing voids. There is no external benchmark in the industry, and historical data is limited to the company's performance which demonstrates that the performance commitment shows a significant level of stretch. Therefore in line with our approach with other new measures where stretching performance is uncertain (e.g. priority service register for vulnerable customers where the draft determination disallows financial incentives as stretching performance is deemed to be unclear) a reputational incentive should apply. The company states that this aligns with the approach we are allowing for South West Water's performance commitment, and in not applying an underperformance rate to Severn Trent Water's performance commitment. The company states that it will collect further data on the performance commitment and learn from the performance in reducing voids relative to other companies, with a view to applying a financial incentive in the 2025-30 period to this performance commitment (when there will be more performance data available, and smart metering will give greater certainty as to the occupancy of properties).	incentives on performance commitments. Early certainty is also the reason why Severn Trent Water, another fast track company, does not have an underperformance payment. Further, the company notes that for United Utilities we have applied a different methodology, allowing a symmetrical reward and underpayment payment at a significantly lower rate. Although United Utilities is a fast track company, it chose to opt out of the early certainty process. As such, we have made a number of changes to United Utilities' ODI rates in line with our methodology and as set out in the 'Delivering outcomes for customers policy appendix'. We, by default, expect that all performance commitments will have financial incentives as set out in our methodology as this helps to align company and customer interests. Given the above, we consider that the company does not provide convincing and sufficient evidence that a reputational incentive is more appropriate. A financial incentive is required so that the company incentives are aligned with customer incentives. We do not consider that the company provides sufficient or convincing evidence to change the ODI type to reputational.	
Managing void properties PR19ANH_23	Caps, collars and deadbands	No intervention at draft determination.	Anglian Water states that a collar should be applied to the underperformance payment. It argues that reflects the fact that its potential for outperformance is lower and potential for underperformance is greater because it has a differently defined and more stretching performance commitment than other companies. It argues that this approach also recognises that it faces greater costs of managing the number of false voids if the macroeconomic	Change required for the final determination. As we explain in the 'Delivering outcomes for customers policy appendix', we consider that performance commitments that measure the percentage of void properties are uncertain and all companies should have caps and collars. In the appendix we also explain how we set the level of caps and collars at final determination and adjust the estimate of P10 and P90 performance levels. For this performance commitment, collar levels are set equal to the P10 performance levels.	We set underperformance collars to the following levels: 2020-21 = 0.75 2021-22 = 0.65 2022-23 = 0.60 2023-24 = 0.55 2024-25 = 0.50

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			environment leads to a greater number of overall voids. Anglian Water provides evidence why it believes that its performance commitment is different from that proposed by other companies. It argues that we have inappropriately treated the company's performance commitment for voids the same as other companies despite it representing different outcomes.		Unit: The number of household false voids as a percent of the total number of household properties within the supply area
Water Industry National Environment Programme PR19ANH_32	Performance commitment definition	At draft determination we intervened to limit the scope of the performance commitment to 'Green' schemes only.	The company states that it accepts our proposal to only include green schemes in the measure. However, it states that the current proposal may limit the potential to deliver innovative natural capital schemes that would deliver greater contributions to natural capital than existing traditional solutions. The company accepts the creation of a reputational only measure for its amber schemes. The company proposes to measure the delivery of 14 green schemes using its natural capital performance commitment instead as this could mean greater contributions to natural capital. The company therefore proposes revised performance commitment levels for the WINEP performance commitment to take into account these proposed changes.	Change for the final determination. We understand the six capitals approach that the company proposes and that natural capital is one of the key strategic approaches for the 2020-25 period. The company provides sufficient evidence that it stands to deliver the natural capital solutions in a more innovative way when it applies the approach that its other specific measure provides for. The company provides sufficient explanation that this will also help the company to demonstrate that it is delivering in a more balanced way across the six capitals. However we consider that it is still appropriate to include the natural capital schemes in both this performance commitment and the natural capital measure. This does not complicate reporting of performance to customers and has no impact on the financial incentives as the natural capital measure is reputational.	NA
Water Industry National Environment Programme PR19ANH_32	Performance commitment levels; and Caps, collars and deadbands	At draft determination we intervened to increase performance commitment levels to increase the delivery profile by 10% beyond the Environment Agency's delivery profile to provide sufficiently stretching levels in the context of outperformance payments. We did not intervene to set a deadband at draft determination.	The company challenges our intervention at draft determination to apply a 10% stretch on early delivery of its statutory environmental obligations and proposes a 10% outperformance deadband on its performance commitment levels to capture stretching outperformance. It states that its customers understood the performance commitment and 77% of household customers and 97% of non-household customers agreed that it had stretching performance commitment levels. It states that it could deliver its statutory obligations and still incur underperformance payments and that a similar stretch has not been applied on Wessex Water's natural capital measure.	Change for the final determination. We do not consider that the comparisons the company makes with Wessex Water's performance commitments are appropriate. Wessex Water have a number of related performance commitments, however none are comparable to the company's performance commitment. For example Wessex Water's 'Length of river with improved water quality through WINEP delivery' does not have outperformance payments. Its 'Working with catchment partners to improve natural capital' which covers both the Water Industry National Environment Programme and non-Water Industry National Environment Programme schemes has outperformance payments, but this is for the delivery of additional non-Water Industry National Environment Programme schemes and so not comparable to the company's performance commitment which is to deliver	We change the performance commitment levels to the following: 2020-21= 280 2021-22= 1,006 2022-23= 1,126 2023-24= 1,577 2024-25= 1,856 Units: Number of schemes We change the company's outperformance deadband levels to the following:

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
				schemes early. In addition, Wessex Water's natural capital performance commitment is to deliver all schemes by 2021-22. In this case we consider that the company states sufficiently that it should not incur underperformance payments for delivering its environmental obligations with the Environment Agency on time and that the outperformance deadband ensures that the company receives outperformance payments only for convincingly stretching performance. We consider that we do not have sufficient confidence of the benefit/disbenefit at the margins for the general Water Industry National Environment Programme performance commitment which covers a multitude of schemes. Delivering late for this performance commitment needs to have an incentive against it and delivering well in advance is likely to deliver benefits for customers. For other performance commitments such as bathing water improvements there is a clear customer benefit to delivering early and it is therefore more appropriate to have financial incentives for the full range of performance without a deadband.	2020-21= 308 2021-22= 1,107 2022-23= 1,239 2023-24= 1,735 2024-25= N/A Units: Number of schemes
Bathing Waters Attaining Excellent Status PR19ANH_19	Performance commitment level	At draft determination we intervened to set stretch levels for this performance commitment.	The company claims that our proposal for setting the performance commitment levels is flawed and proposes that, if a performance commitment is set at on an annual basis, then there should be improvement from year 4 onwards because the previous 3 years are used, plus the year in which the assessment is made. The company states that the early years of the 2020-25 period performance are heavily influenced by performance in the current period.	No change for the final determination. Water companies are long term business and decisions taken in the past will impact performance now. We do not consider the potential of past performance to impact future performance sufficient rationale to change our draft determination performance commitment levels. We take into account performance up to 2018 in setting the performance commitment and so it is only a change from forecast performance in the last year of the period that could impact future performance. We also note that past performance directly influences reporting of performance for per capita consumption and leakage.	N/A
Bathing Waters Attaining Excellent Status PR19ANH_19	ODI type	At draft determination we did not intervene on ODI type for this performance commitment.	The company states that this performance commitment should have a non-financial incentive. It states that the Environment Agency concluded that as performance on this metric is not within company control it is not appropriate to include it in its Environmental Performance Assessment incentive. The company therefore states it should	No change for the final determination. We consider that the company has not provided sufficient and convincing evidence of how a non-financial incentive would align its incentives with those of its customers. The outcomes framework is focused on the end benefit to customers that will often be subject to external factors such as	N/A

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			no longer have a financial ODI. Recognising the importance of bathing water quality, it proposes to keep it as a reputational performance commitment.	weather and third parties. Companies are able to take action to mitigate these risks by engaging effectively and considering how its system can better manage the impact of weather. We consider that there are benefits for companies to be incentivised to manage these risks. To do otherwise places all the risk on customers (that is, in terms of the quality of service received). We consider that financial incentives are appropriate.	
Bathing Waters Attaining Excellent Status PR19ANH_19	ODI timing	At draft determination we intervened to set the company's ODI to in-period.	The company states that if this performance commitment is not made non-financial, then it should be an end-of period financial outcome delivery incentive. The company states that it has strong, consistent support from its customers for an end of period reconciliation. The company states that customers support this as there are external factors that can impact on performance and customers felt it was unfair to penalise the company immediately for this. It states that we has disregarded its customer evidence.	Change for the final determination. We remain concerned that it is possible that customers have not understood all relevant factors relating to the timing of the ODI and so may have not made an informed choice. In particular the timing of the ODI payment does not affect the size of the payment and so does not change the 'fairness' of the incentive, which appears to be customers concern. While we have concerns that customers may not have expressed an informed view, we consider that the timing of the ODI does not adversely impact the incentive intended for this performance commitment. We consider that on balance the company provides sufficient evidence for a change to the ODI timing.	We change the timing of this ODI to end-of-period.
Bathing Waters Attaining Excellent Status PR19ANH_19	Deadband	At draft determination we intervened to remove the deadbands on this performance commitment.	The company states that if this performance commitment is retained as financial then the deadband should be retained because it is supported by customers. It further states that this performance commitment is material and customers may be exposed to significant bill volatility from factors outside the company's control if a deadband is not retained.	No change for the final determination. We accept that there is evidence of customer support for deadbands, we do not consider that the company had demonstrated why a deadband at the levels proposed will benefit customers. 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 is reasonable that the appropriate adjustments are made to bills. Companies are able to manage the financial consequences of outcome delivery incentives using other mechanisms such as proposing to defer payments as part of the in-period ODI determinations.	N/A

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
				We see no reason why the company will not be able to deliver a more stretching performance commitment as it has proposed a financial incentive to do so. We consider the absence of a financial incentive would significantly reduce the incentive on companies to deliver this performance commitment and be detrimental to the interests of customers.	
Internal interconnection delivery PR19ANH_39	Performance commitment level and definition	The intervention we made at draft determination was to include a performance commitment to protect customers from partial or none delivery of the internal interconnection programme. We set a performance commitment level consistent with the delivery of the company's 2020-25 plan to add new water treatment capacity and new water transfers to improve internal interconnection. This is equivalent to 384.9 mega litres per day (Ml/d) of additional water treatment and transfer capacity by the end of 2024-25.	The company states that the interconnector programme is the largest area of investment associated with its Water Resources Management Plan supply side programme. It explains that the investment is driven by supply demand deficits associated with drought resilience, climate change impacts and sustainability reductions (reductions to abstraction licence volumes to protect the environment). The company asserts that are strong regulatory incentives already in place for it to deliver its water resources management plan and its duty to meet supply. The company confirms the need for a mechanism to deliver effective customer protection on such a large area of expenditure. However, it identifies a number of concerns relating to the design of the mechanism and proposes a series of amendments to the measure. The company also claims that our proposed mechanism accounts for 'output' delivery rather than rather than adopting its proposal for a mechanism based on managing deficits which it considers accounts for outcomes delivered for customers. It argues that our definition is restrictive and proposes that the definition makes it clear that while the table of capacities shows how the total has been derived, it is possible for the schemes that deliver the capacity to vary from the table. It proposes to exclude scheme delivery issues and interactions outside of management control, mainly planning related delays and metaldehyde ban related delays. It also proposes to exclude schemes which will be sourced via the direct procurement for customers method from the measure particularly as it considers that risk sharing and incentives are better reflected in the contracts and that the timescales associated with this new method may be	Change for the final determination. In 'PR19 draft determinations: Delivering outcomes for customers policy appendix', we stated that in June 2020 the ban on use of metaldehyde as a pesticide on farmland comes in to force across England and Wales. The ban has been overturned, however should it be reinstated this may affect this performance commitment as we consider that water treatment requirements to deliver the capacity benefit may need to be adapted, which may lead to delivery delays. However if the ban remains this has no impact on the performance commitment. We therefore consider that the company provides sufficient and convincing evidence in support of its proposal to exclude metaldehyde and we include its proposed wording in the definition. However the company does not make any proposals for adequate third party assurance. We do not consider the proposed exclusions on planning related delays and direct procurement are appropriate as we consider that it should retain the risk to give appropriate incentives to manage these and work closely with the other stakeholders. The company provides sufficient evidence for us to change our draft determination decisions to partially adopt the company's proposals to amend some of the performance commitment levels and to include in the definition the stated exclusion relating to the metalydehyde ban, but not for other reasons. We are amending the definition to state that the company shall have a third party to provide assurance that any exclusions are correctly reported. In addition we are updating the performance commitments to be consistent the with the cost allowance for the final determination.	We amend the performance commitment definition to include the stated exclusion relating to the metalydehyde ban. We amend the definition to state that the company shall have a third party to provide assurance that any exclusions are correctly reported. We set the performance commitment levels to the following: 2020-21= 0 2021-22= 3.3 2022-23= 45.8 2023-24= 45.8 2024-25= 355.2 Units: Mega litres per day

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			outside its full control. The company proposes amendments to the performance commitment levels in the form of corrected capacity transfers.		
Internal interconnection delivery PR19ANH_39	ODI rates	The intervention we made at draft determination was to set an underperformance only outcome delivery incentive. The unit rate was set to recover the costs of non-delivery, in line with the enhancement spend allowance which is equivalent to £0.734 million per Ml/d. Applying cost-sharing of 50% gives an underperformance payment rate of £0.367 million per Ml/d. The outcome delivery incentive will apply at the end-of-period only and has no collar.	The company considers that it is not appropriate for all of the funding to be returned in the cases where the company is committed to delivering a scheme and is actively incurring expenditure but the scheme is delivered late. It is therefore proposing a delivery delay outcome delivery incentive rate in addition to the non-delivery incentive rate. The company confirms our proposal for calculating the non-delivery underperformance payment rates and proposes a method to calculate the underperformance payment rate for late delivery. It also proposes the inclusion of outperformance payments.	Change for the final determination We consider that delivery delay incentives should apply. This in line with our policy at draft determination and decisions made for other performance commitments such as Southern Water's 'long-term supply demand schemes' performance commitment. The company proposes to calculate the delay incentive rates based on our default outcome delivery incentive rates. In practice, the company calculates the outcome delivery incentive rates using marginal benefits and marginal cost figures. It states the marginal benefit is expressed as the benefit associated to the reduction in the percentage of the population that is supplied by a single supply system. In other words, the company notes that because the program is planning to reduce the percentage population supplied by a single supply system by 13% and the benefit for each percentage reduction is £856,234.98 (based on the company's societal valuation submitted to us), the total benefit for the program are equal to £8.674m. Further, as the total programme aims at an incremental capacity of 91.927 megalitres per day (Ml/d), the incremental benefit for each Ml/d (which is the unit in which the performance commitment is expressed) is £94.353k. Using a marginal cost of £734k and a cost sharing ratio of 50%, the outperformance outcome delivery incentive rate equates to £47,177. For the underperformance rate, the company identifies an issue in its calculations because the rate is negative as the marginal cost is higher than the marginal benefit. To correct this anomaly it assumes that the marginal cost equals the marginal benefit which results in an underperformance outcome delivery incentive rate of £47,177. The reason why this happens is that it uses a per Ml/d marginal benefit but a marginal cost associated to the entire investment. To correct this issue one should be calculating the marginal cost per Ml/d (i.e. £734k/91.92 = £7,984.60) Correcting this calculation results in an underperformance rate of = £90,361.49.	We adopt the company's proposal to include a delivery delay underperformance payment rate and to maintain the method of calculating the non-delivery underperformance rate that we applied at draft determination. This results in a non-delivery underperformance rate of -£0.3158m per Ml/d and a delay underperformance rate of -£0.0683m per Ml/d.

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
				The company uses the same evidence that its customer support outperformance payments that it uses for the related 'percentage of population supplied by a single source' performance commitment which we consider to be insufficient. While the overall quality of this research is good, when asking customers about this measure it did not inform the customers on its current performance and of what improvements it is aiming to achieve. It also did not ask the consumers about outperformance and underperformance payments separately. There was no specific customer evaluation relating to the interconnection programme measure which we introduced at the draft determination. We adopt the company's proposal to include delivery delay underperformance payment rate and to maintain the method of calculating the non-delivery underperformance rate that we applied at draft determination. However, we use our standard formula for calculating delay penalties which we outlined in our 'Delivering outcomes for customers policy appendix'. This results in a delay underperformance rate of -£0.0676m per unit compared to its proposal of £0.047m per unit. We consider that the company does not provide sufficient evidence of customer support to include outperformance payments.	
Internal interconnection delivery PR19ANH_39	Caps, collars and deadbands	No intervention to deadbands was made at draft determination.	The company proposes a 10% deadband.	No change for the final determination. We do not consider that the company provides sufficient evidence of customer support to its proposal for a 10% deadband in addition to the performance commitment definitional exclusions. We consider that the potential for the required capacities to change during the 2020-25 period is low and therefore the company may be overstating the uncertainty around the targets. We do not consider that our definition is restrictive as it only prescribes the water resource zones from which water is transferred and those receiving the transfers. We consider that the company is funded for the capacities and not the actual schemes, for which it has flexibility as long as it meets the target capacities.	N/A

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
Percentage of population supplied by a single source PR19ANH_15	ODI rates	The intervention we made at draft determination was to remove financial incentives from this performance commitment.	The company proposes that the outperformance incentives attached to this performance commitment are retained to provide an incentive to improve the resilience of supplies. The company states that our draft determination decision to make the measure reputational removes incentives for it to outperform. The company states that there is compelling evidence that its customers support outperformance incentives for this performance commitment. The company proposes an outperformance rate of £0.428117m per percentage point.	Change for final determination. The performance commitment levels at draft determination are to reduce the percentage of the population supplied by a single source during the 2020-25 period from 24.1% to 14.1%, therefore we consider that there is scope for outperformance to reduce the percentage of customers supplied by a single source even further, which can be considered stretching. The company states that its customers support both underperformance and outperformance payments for this measure however it does not provide sufficient evidence of this. The company provides evidence that 97% of its household customers understood the measure and that 79% thought that it is sufficiently stretching. Only 9% of its household customers thought that the measure was not important. We therefore consider that the customers understand the benefits that the performance commitment provides. We consider that the overall quality of the research the company provides is good. We note that when asking customers about this measure it did not inform the customers on its current performance and of what improvement it is aiming to achieve. It also did not ask the consumers about outperformance and underperformance payments separately. There was no specific customer evaluation relating to the interconnection programme measure which we introduced at the draft determination. However, we consider that overall there is sufficient evidence of customer support. At draft determination we separately intervened to include a new performance commitment with associated financial incentives relating to the company's internal interconnection scheme. However the company points out that the internal connection outcome delivery incentive is underperformance only which means that we removed outperformance across both measures. We consider the company provides sufficient evidence for us to reinstate the outperformance payments for this performance commitment. The company uses the same evidence that its customer support outperformance payments that it uses for the related 'percentage of population supplied by a single source' performance commitment which we consider to be insufficient for this purpose. While the overall quality of this research is good, when asking customers about this measure it did not inform the customers on its current performance and of what	We reinstate outperformance payments only. This results in an outperformance payment rate of £0.428117m per percentage point.

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
				improvements it is aiming to achieve. It also did not ask the consumers about outperformance and underperformance payments separately. There was no specific customer evaluation relating to the interconnection programme measure which we introduced at the draft determination.	
Cyber Security PR19ANH_41	New performance commitment	N/A	The company proposes a new performance commitment in order to protect customers from under-delivery of its investment in cyber security for operational technology. It states that its proposal for a performance commitment relates to the non-SEMD (Security Emergency Measures Directive) costs associated with future investments to comply with the Network and Information Systems (NIS) Directive. Further details of the company's proposals are as below: • The measure is the percentage of sites identified in the high risk operational technology cybersecurity mitigation plan with actions fully completed. • It will assess the operational technology cyber risk at 106 sites and develop a plan of mitigation. This will set out the • Total number of sites from the 106 which require investment to mitigate risk. Following these investigations, each of the 106 sites will be given a risk rating. • These investigations will take place at the beginning of the 2020-25 period. • By the end of the 2020-25 period, the company commits to completing its action plan for 100% of the high risk sites identified. • It proposes this is a financial outcome delivery incentive underperformance performance commitment based on revenue. • The company proposes end of period timing for the incentive and argues that this is to enable two necessary steps to be completed: 1. To complete the full investigation of the 106 sites, in order to identify the high level sites; and	Change for the final determination. We consider that this new performance commitment provides additional customer protection in the event of non-delivery of the company's regulatory cyber security investment and is therefore providing a suitable outcome.	We adopt this new performance commitment, which incentivises the company to deliver its operational technology cybersecurity mitigation plan. By the end of the 2020-25 period, the company commits to completing its action plan for 100% of the high risk sites that are identified. We set the underperformance payment rate at -£0.0431m per percentage of high risk sites with mitigation actions completed.

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			2. To allow completion of the required actions to mitigate the risks at identified high risk sites during the 2020-25 period. • It proposes that the measure is 100 percent of high risk sites with mitigation actions completed. For example if identifies through its investigations that 50 of our 106 sites are high risk, then it would need to have completed the action plans at all 50 sites to achieve 100%. • The company does not propose a penalty collar. • It proposes an incentive rate based on the average cost per % of site not completed. The value would be subject to the 50% sharing rate.		
Partnership working on pluvial and fluvial flood risk PR19ANH_42	New performance commitment	N/A	The company, in its representation, notes that in our draft determinations we disallowed the partnership funding element of the Pluvial and Fluvial Flood protection, resulting in £15.817m being removed from the April 2019 revised business plan and we invited the company to provide additional evidence to demonstrate the need for this investment. The company provides additional evidence in its representations.	Change for the final determination. We consider that the company provides sufficient and convincing evidence for flood protection at Anglian Water's assets. In particular, the partnership part of the investment consists of 92 flood protection schemes through partnership working. We consider that a financial performance commitment is necessary to ensure customers are protected against the risk of under delivery using our standard approach.	We set the performance commitment to take the following form: Performance commitment definition: The number of flood protection schemes delivered through partnership working Performance commitment level: To deliver the 92 flood protection schemes through partnership working. Underperformance rate: -£0.0462m
Priority services for customers in vulnerable circumstances PR19ANH_22	Performance commitment level	Our intervention at draft determination was to change the definition of the performance commitment by splitting the measure into 'attempted' (i.e. an outbound contact that has not received a response) and 'actual' contacts (i.e. updates to data based on contact with the customer).	The company states in its representation that it has engaged with distribution network operators in the energy sector, and notes that two of these have been operating at an actual contact rate of 30%. The company adds that its customer engagement showed strong customer support for a 'tell us once' approach which avoids the need to explain their situation multiple times to multiple organisations.	Change for the final determination. Given this performance commitment places specific emphasis on companies to check data, it is reasonable to expect success rates that are greater than what has been achieved to now. The company, along with representations from other companies of a similar nature, provides evidence from experience in the energy sector that improves our understanding of likely success rates. We consider that this is convincing evidence and have revised the performance commitment levels.	We are changing the actual contacts element of the performance commitment levels as follows: 2020-21 = 17.5 2021-22 = 35.0 2022-23 = 35.0 2023-24 = 35.0 2024-25 = 35.0

Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			The company considers that the performance commitment level should be revised to reach 30% by year 2, rather than 50%.		Unit: Percentage of priority services customers that the company has made actual contact with
Direct Procurement for Customers: Elsham treatment works	ODI rates	We are setting outperformance and underperformance financial incentives relating to Elsham treatment works and transfer scheme.	All representations from companies and other stakeholders regarding Direct Procurement for Customers are summarised and assessed in the 'Delivering customer value in large projects'.	All representations from companies and other stakeholders regarding Direct Procurement for Customers are summarised and assessed in the 'Delivering customer value in large projects'.	See 'Delivering customer value in large projects'.
Customer measure of experience (C-MeX) PR19ANH_1	All	We set a common performance commitment for all companies regarding residential customer satisfaction.	All representations from companies and other stakeholders are summarised and assessed in the 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.	All representations from companies and other stakeholders are summarised and assessed in the 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.	See 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.
Developer services measure of experience (D-MeX) PR19ANH_2	All	We set a common performance commitment for all companies regarding developer services customer satisfaction.	All representations from companies and other stakeholders are summarised and assessed in the 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.	All representations from companies and other stakeholders are summarised and assessed in the 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.	See 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.

Table 2: Anglian Water - Representations from other stakeholders

Stakeholder	Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
Anglian Water Customer Engagement Forum	All performance commitments	Performance commitment levels	N/A	The Anglian Water Customer Engagement Forum notes that it considers Anglian Water's performance commitments are stretching, reflect customer priorities and have been developed based on extensive evidence of customers' views collected during the development of their business plans.	No change for the final determination. We welcome the view of the Anglian Water Customer Engagement Forum and we consider the performance commitment levels at final determination reflect stretching yet achievable levels to deliver beneficial outcomes for customers and the environment.	N/A
Anglian Water Customer Engagement Forum	Water Quality Compliance (CRI) PR19ANH_3	Caps, collars, deadband	The intervention we made at draft determinations was to set a standard deadband which all companies were expected to adopt. The deadband profile for the Compliance Risk Index: 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	The Anglian Water Customer Engagement Forum notes in its response that it understands that the company proposes to challenge Ofwat's proposed movement in the deadband based on strong evidence from customers on their Asset Health Measures. In the testing with the online community on the outline plan, the company tested deadband proposals for the four sub measures of CRI. This was combined into one measure at initial assessment of plans (IAP). The Anglian Water Customer Engagement Forum agrees that the company's approach is based on customer evidence from extensive engagement and notes that the proposed measure is potentially volatile.	Change for the final determination. Although the performance commitment is new, companies have been reporting against its component measures for many years. During the three years it has been reported, companies have improved performance. Median performance in 2016 was 2.82 and in 2018 is 2.09 (which almost the same as the deadband). There is no large year on year variation or volatility in the data. Therefore we consider that the data is suitable to enable comparative analysis and the setting of a standard deadband level. We do, however, consider there to be some uncertainty in the industry in light of the over-turning of the metaldehyde ban by the High Court. We revise our draft determination decision and are allowing flexibility to address the uncertainty by setting a deadband level of 2.00 for all the years between 2020-21 and 2024-25. Please refer to the 'Delivering outcomes for customers policy appendix' for more detail on this sector wide change.	The following is a sector wide change to the draft determination. We set a revised standard deadband for all companies. The deadband profile for the Compliance Risk Index is: 2020-21 = 2.0 2021-22 = 2.0 2022-23 = 2.0 2023-24 = 2.0 2024-25 = 2.0 Unit = Compliance Risk Index Score
Anglian Water Customer Engagement Forum	Water Supply Interruptions PR19ANH_4	Performance commitment levels	The intervention we made at draft determination was to set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels were: 2020-21 = 00:05:24 2021-22 = 00:04:48 2022-23 = 00:04:12 2023-24 = 00:03:36	The Anglian Water Customer Engagement Forum notes how on the level of performance, it would appear inevitable that the methodology, which requires each company to estimate the upper quartile threshold, would result in discrepancies, and that it was reasonable for us to propose greater consistency of approach, as proposed in the draft determination, through a performance commitment level and glidepath.	Change for the final determination. We welcome the comments from the Anglian Water Customer Engagement Forum and we consider that there are benefits to setting a common level across all companies, in terms of moving the sector to providing a common service to customers. We continue to propose greater consistency of approach through the performance commitment levels and glidepath for our final determinations.	The following is a sector wide change We set performance commitment levels that are consistent with the rest of the industry for supply interruptions. These levels are: 2020-21 = 00:06:30 2021-22 = 00:06:08 2022-23 = 00:05:45

Stakeholder	Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			2024-25 = 00:03:00 Unit = Hours:minutes:seconds (HH:MM:SS) per property per year			2023-24 = 00:05:23 2024-25 = 00:05:00 Unit = Hours:minutes:seconds (HH:MM:SS) per property per year
Anglian Water Customer Engagement Forum	Per Capita Consumption (PCC) PR19ANH_6	Performance commitment levels	The intervention we made at draft determination was to set the performance commitment levels to the following values. 2020-21 = 0.8% 2021-22 = 2.0% 2022-23 = 3.2% 2023-24 = 4.5% 2024-25 = 5.6% Units: percentage reduction in per capita consumption from initial levels on a three-year average basis	The Anglian Water Customer Engagement Forum welcomes the acceptance of the new more stretching performance commitment levels by Anglian Water, given the customer emphasis on water efficiency. However, it expresses concerns on whether sufficient resources would be made available by the company to meet this performance commitment level.	No change for the final determination. We expect the company to have considered the resources requirements to deliver the performance commitment level. Cost assessment makes specific funding available for metering and smart metering which are per capita consumption reduction options, and which we will expect the company to spend efficiently at its discretion in support of meeting its per capita consumption and leakage performance commitment levels.	N/A
Anglian Water Customer Engagement Forum	Mains repairs PR19ANH_11	Performance commitment levels	No intervention at draft determination.	The Anglian Water Customer Engagement Forum supports the company continuing to emphasise the distinction between 'reactive' mains bursts, and notes the likelihood that enhanced activity to reduce leakage will lead to the proactive detection of previously undetected bursts. The Anglian Water Customer Engagement Forum highlights how it would not be in customers' interests for incentives in this field to act perversely. The Anglian Water Customer Engagement Forum agrees that the proposals regarding deadbands arose from well conducted customer engagement in an area that is complex.	Change for the final determination. We welcome the view of the Anglian Water Customer Engagement Forum and agree that we continue to support the inclusion of both performance commitments for the total mains repairs and reactive only repairs in the company's April 2019 revised business plan. We consider the incentives are reflected in our final determination decisions. We continue to consider that the evidence does not sufficiently justify the application of the proposed underperformance deadband because the findings do not robustly confirm that the customers support deadbands for this performance commitment. As set out in Table 1, we revise the performance commitment levels for this performance commitment.	We set the performance commitment levels to the following values: 2020-21 = 140.1 2021-22 = 138.1 2022-23 = 136.2 2023-24 = 134.2 2024-25 = 132.2 Units: Number of Mains repairs per 1,000km
Anglian Water Customer Engagement Forum	ODI rates	Enhanced ODI rates	We intervened at draft determination to set enhanced rates based on our estimate of	The Anglian Water Customer Engagement Forum states that it is sceptical about the arguments used by some companies to justify the scale of enhanced rewards and the consequential inconsistency in September	No change for the final determination. We note the Customer Engagement Forum's comments regarding our establishing a clearer approach at an earlier stage – although it is backward-looking, this is a useful	N/A

Stakeholder	Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			the sector-wide benefits of enhanced outperformance.	2018 business plans. The Customer Engagement Forum states that the introduction of a more consistent approach at draft determination is welcomed but considers that, if a clearer approach had been established by us at an earlier stage, it would have avoided the risk, as here, that there would be a discrepancy between the approach being taken and evidence from well-conducted local customer engagement.	learning point for PR24. We welcome the Customer Engagement Forum's comments stating that it welcomes our more consistent approach to setting enhanced ODI rates. We retain our methodology of setting enhanced rates based on our estimate of the benchmarking externality.	
Anglian Water Customer Engagement Forum	Internal sewer flooding	ODI rates	We did not intervene on the ODI rates for this performance commitment at draft determination.	Regarding internal sewer flooding for Anglian Water, the Customer Engagement Forum advocates an approach to societal valuation that is more consistent to that taken earlier in the price review process, to avoid inconsistency between the scale of financial incentives for 2020-25 and the locally derived valuations from high quality customer research.	No change for the final determination. We note that Anglian Water does not propose alternative ODI rates for internal sewer flooding. We do not intervene on Anglian Water's ODI rates for internal sewer flooding in our draft determination – it is unchanged from its September 2018 business plan. As set out in Table 1, we are changing the ODI rates for our final determination.	N/A
Anglian Water Customer Engagement Forum	Mains repairs PR19ANH_11	ODI rates	We are intervening to apply a financial incentive to the common mains burst performance commitment. We are also intervening to remove the financial incentive from the reactive mains bursts bespoke performance commitment to avoid double counting.	Regarding mains burst, the Customer Engagement Forum supports Anglian Water's emphasis on the distinction between 'reactive' mains bursts and other mains bursts. It states it would not be in customers' interests for incentives in this field to act perversely.	No change for the final determination. We consider that it is important that both proactive and reactive mains repairs are financially incentivised to maintain an appropriate balance of ways of managing asset health. We expect companies to use a variety of methods to improve leakage performance, not just proactive mains repairs. We assess this more fully in our assessments of Anglian Water's representations on mains repairs.	N/A
Anglian Water Customer Engagement Forum	Pollution incidents PR19ANH_8	Performance commitment levels Caps, collars and deadbands	The intervention we made at draft determination was to set performance commitment levels that are consistent with the rest of the industry for pollution incidents. These levels are as follows: 2020-21 = 24.51 2021-22 = 23.74 2022-23 = 23.00 2023-24 = 22.40	The Customer Engagement Forum notes that it understands that Anglian Water proposes to adopt the common performance commitment levels on the basis that this does not represent a material change to the performance commitment levels it proposed, and remains largely consistent with customer views and priorities. Given the wider views on pollution incidents being unacceptable, Anglian Water proposes to remove caps and collars that are perceived as protecting the company from underperformance payment from unacceptable services failings. The Customer Engagement Forum welcomes the acceptance by the company of the common performance	No change for the final determination. We welcome the view from the Anglian Water Customer Engagement Forum regarding the acceptance of the common performance commitment levels.	N/A

Stakeholder	Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
			2024-25 - 19.50 Units: incidents per 10,000 km of sewer	commitment levels. It proposes 'further dialogue between Ofwat, Defra and the Environment Agency about the appropriateness of rewards for companies improving performance in this aspect of their activity'.		
Anglian Water Customer Engagement Forum	Treatment Works Compliance PR19ANH_14	Caps, collars and deadbands	The intervention we made was to set the deadband to 99% for all years of the regulatory period 2020-25. This a standard expectation for all companies. We intervened to remove collars.	The Anglian Water Customer Engagement Forum notes that the company proposes to adopt the deadband changes in our draft determination. It states that our common approach to the deadband and its alignment to the green assessment level under the Environment Agency's Environmental Performance Assessment (EPA) seems reasonable. The forum also notes that the company proposes to remove the collar. The Anglian Water Customer Engagement Forum welcomes these changes.	No change for the final determination. We welcome the view from the Anglian Water Customer Engagement Forum and we value the regulatory consistency and alignment with the Environment Agency on this performance commitment.	N/A
Business Stream	Smart metering performance commitments	Performance commitment definition	We set a bespoke performance commitment relating to delivering smart meters for several companies. We allow a substantial enhancement expenditure allowance to some companies, beyond their base maintenance allowance, for this programme of work in our final determinations. These performance commitments ensure that these enhancement costs will be recovered for customers if a company does not deliver or partially delivers the programme.	One retailer stakeholder (Business Stream) proposes extending the scope of smart metering performance commitments to include business properties. It argues that this could potentially contribute towards addressing the current shortage of metering capacity in the business retail market.	No change for the final determination. The inclusion of smart metering programmes in business plans is a result of the water resources management planning process, which identify options to increase supply and reduce demand. This will have included consideration of both business and residential smart metering options. It is important that both the funding and performance commitment definitions for these programmes are aligned to their scope. We do not consider it to be feasible to amend the performance commitments without a corresponding change to cost adjustment claims because they are so linked. The company has told us that its smart metering programme will be replacing both residential retail and business retail meters. We are revising the company's final determination to reflect this scope.	N/A
CCWater	Water Industry National	Performance commitment definition	At draft determination we intervened to limit the scope of the performance commitment to 'Green' schemes only.	CCWater raises concern about the inclusion of amber schemes in the company's Water Industry National Environment Programme (WINEP) at draft determination. It states that	No change for the final determination. We note CCWater's concerns. However the performance commitment definition states that it excludes amber	N/A

Stakeholder	Performance commitment	Type	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
	Environment Programme PR19ANH_32			the final determination should demonstrate that schemes allowed for will deliver statutory requirements, value for money and be based on robust evidence of environmental damage or risk caused by the company's activities.	schemes as at 1 April 2019. We consider that no changes are required to the definition for that reason.	
CCWater	Non-performance commitment specific	ODI rates	N/A	CCWater has conducted additional customer research, finding that 77% of Anglian Water's customers found the potential impact of ODIs on their water bills over the period to be acceptable. It notes this is a lower level of acceptability than that achieved by the 'base' plan. It states that a number of customers do not support ODIs.	No change for the final determination. We note the results of CC Water's research, which shows that the majority of customers support the bill impacts of our draft determinations including ODIs. We assess support for outperformance payments at a performance commitment-specific level, to most accurately reflect customer preferences.	N/A
CCWater	Internal sewer flooding PR19ANH_7	ODI rates	No intervention at draft determination.	CCWater is concerned that, as it is a leading performer on internal sewer flooding, it is relatively less stretching for the company to reach the 2024-25 performance commitment level. It questions why the outperformance rate for this ODI accounts for around 80% of the overall outperformance package available.	No change for the final determination. Our assessment of potential payments under a draft determination P90 scenario suggests it could account for a relatively small percentage of the total potential outperformance available for very good performance. It is not clear how CCWater arrived at the 80% figure. We consider the level of potential outperformance that we are allowing to be available to be consistent with its customers' preferences. Outperformance payments are intended to incentivise the company to stretch itself to deliver good performance in ways that matter to customers. Removing these incentives to outperform would not benefit customers.	N/A

Table 3: Anglian Water - Changes to the draft determination not due to a representation

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
N/A	ODI rates	We intervened on some ODI rates at draft determination.	Change for the final determination. For final determinations we revise some ODI rates on which we have previously intervened due to updates in the underlying data used to calculate the ODI rates. In particular, we update the data on the number of connections to reflect the latest information available. In most cases this has only a small impact on the ODI rates. For example, the ODI underperformance and outperformance rates for per capita consumption have reduced by £0.009m and £0.008m respectively. We update all ODI rates where we calculate a 'delay' or 'cost-recovery' rate using the weighted average cost of capital and/or other regulatory parameters to reflect the values we are using in our final determination. We also make a small number of corrections for where we have identified errors in our draft determination calculations. The final ODI rates are specified in the 'Anglian Water – Outcomes performance commitment appendix'.	We change ODI rates where the underlying data used to calculate the rate has been updated, or an error has been identified.
Leakage PR19ANH_5	Performance commitment definition	No intervention at draft determination.	Change for the final determination. To avoid any misinterpretation regarding the value for the company's 2019-20 leakage target, we amend the performance commitment definition to clarify the requirement for all companies.	We amend the wording of the performance commitment definition to the following: 'As a minimum, if, using the PR14 calculation of leakage set out in the PR14 performance commitment, a company does not meet its 2019-20 leakage performance commitment level (specified in our PR14 final determinations), the company's actual level for 2019-20 will, for the purposes of setting the baseline for the 2020-25 period, be adjusted downwards by one third of the difference between the value derived from the PR14 2019-20 performance commitment level and the actual level for 2019-20. For PR14 performance commitments set on a three or five year average basis, we assume the 2019-20 annual performance commitment level is equal to the average level specified in the PR14 performance commitment.'
Leakage PR19ANH_5	P90 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.	We estimate P90 performance levels as: 2020-21 = 7.8% 2021-22 = 13.1%

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			To estimate P90 performance levels in this case, we first adjust the P90 performance levels for changes in the performance commitment levels between business plan submission and final determination. We then adjust the P90 performance levels to increase linearly from the 2020-21 level up to the level of the enhanced outperformance threshold by 2024-25. We consider that we should take into account the additional incentive from enhanced ODIs on performance.	2022-23 = 18.5% 2023-24 = 23.8% 2024-25 = 29.1% Units: Percentage reduction from 2019-20 baseline, reported to one decimal place.
Leakage PR19ANH_5	Enhanced ODI rates	We intervened at draft determination to set the company's enhanced rates based on our estimate of the sector-wide benefits of enhanced outperformance i.e. £0.800 million per megalitre per day for outperformance and -£0.800 million per megalitre per day for underperformance.	Change for the final determination. We retain the same methodology that we used to assess enhanced ODI rates at draft determination. We update the data on standard ODI rates used to calculate the benchmarking externality for final determination and corrected any errors in our draft determination calculations. As a result the enhanced ODI underperformance and outperformance rate on this performance commitment are changing for the final determination. Further details can be found in the 'Delivering outcomes for customers policy appendix'.	We change the company's enhanced outperformance and underperformance ODI rate to £0.782m/ Mld and -£0.782m/Mld respectively.
Leakage PR19ANH_5	Enhanced ODI collar	We intervened at draft determination to set the enhanced underperformance collar for this performance commitment at the lower decile of current company performance.	Change for the final determination. We retain the same methodology used at draft determination to set enhanced underperformance collars, however we have updated enhanced underperformance collars to align with the lower decile of the latest year of actual performance (2018-19). This is in line with our approach detailed in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix'. We have updated enhanced underperformance collars for this performance commitment. Further details can be found in the 'Delivering outcomes for customers policy appendix'.	We change the company's enhanced underperformance collar on this performance commitment to the following: 2020-21 = -109.5% 2021-22 = -109.5% 2022-23 = -109.5% 2023-24 = -109.5% 2024-25 = -109.5% Units: Percentage reduction from 3 year average baseline.
Mains repairs PR19ANH_11	P10 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 performance levels in this case, we use the company's P10 performance levels that it proposed in its representations (table OC1, August 2019). We take this approach because P10 performance levels were not provided in the company's April 2019 revised business plan submission.	We estimate P10 performance levels as: 2020-21 = 163.0 2021-22 = 163.0 2022-23 = 163.0 2023-24 = 163.0 2024-25 = 163.0 Units: Number of repairs per 1000km of mains, reported to one decimal place.
Managing voids properties PR19ANH_23	ODI rates	At draft determination our intervention was to set an outperformance and an underperformance payment rate. We set the	Change for the final determination.	We revise ODI rates to:

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
		ODI type to financial, and intervened to add an ODI rate based on an average wholesale bill of £396, marginal costs of £30, a cost sharing factor of 50%, and property numbers as provided by the company. The rates were: Underperformance: -£10.037 million per 1% Outperformance: £5.216 million per 1%	As we explain in the 'Delivering outcomes for customers policy appendix', we revise our methodology for performance commitments concerning 'void properties'. We remove the cost sharing factor, as there is no cost sharing for the retail price control. We also calculate the financial incentive based on a weighted incentive rate based on the number of customers between single and dual services to more accurately align incentives to the customer benefit. We also apply a symmetric 50% sharing ratio to protect customers against the impact of macroeconomic factors. This is applied symmetrically to underperformance and outperformance payments. The change in methodology is due to representations from a number of companies, we consider that together the arguments and evidence provided are sufficient and convincing for us to change the voids ODI rate methodology to share the risk between the company and customers.	Underperformance: -£4.716m per 1%. Outperformance: £4.716m per 1%
Capital Carbon PR19ANH_25	Performance commitment definition.	No intervention at draft determination.	Change for the final determination. We consider that changes are required to the performance commitment due to representations from Yorkshire Water on a similar performance commitment. We maintain our position that we agree with the company's proposals to externally verify its approach to managing capital carbon in accordance with PAS2080. We consider that this should cover at least the quantification, baselining and monitoring of capital carbon. We remove the requirements that all data collection relating to greenhouse gas emissions is to be compliant with the international carbon reporting standard (ISO 14064, Part 1) and assured following an audit by the Certified Emissions Measurement and Reduction Scheme (CEMARS). We consider that these requirements are more applicable to operational carbon.	We revise the performance commitment definition to externally verify its approach to managing capital carbon in accordance with PAS2080 only. We consider that this should cover at least the quantification, baselining and monitoring of capital carbon.
Operational Carbon PR19ANH_24	Performance commitment definition	No intervention at draft determination.	Change for the final determination. Yorkshire Water states that should it continue on a green tariff, it intends to use a zero-emission factor rather than the 2019-20 emission factor. It further states that the guidance does not allow exported energy to count as an offset, however, it intends to use the national grid as a conduit to its excess energy generation to use at its other sites rather than exporting to the grid for consumption by others. It considers that it will therefore report its net electricity consumption to include this self-generated energy. As a result of Yorkshire Water's representation, we consider that an update to the definition should be applied to other companies' comparable performance commitment definitions. Please see the 'Yorkshire Water - Delivering outcomes for customers final decisions' document for the full assessment.	We revise the performance commitment definition to allow flexibility to use either the grid emissions factor within the carbon accounting workbook or a 'market-based' emissions factor for electricity supplied via the grid.

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
Pollution Incidents PR19ANH_8	Caps, collars and deadbands	Our intervention at draft determination was to remove caps and collars for this performance commitment.	Change for the final determination. As we explain in the 'PR19 draft determinations: Delivering outcomes for customers policy appendix', we consider that all companies should have caps and collars for pollution incidents. In the appendix we also explain how we set the level of caps and collars in the final determination. For this performance commitment we consider that there is sufficient evidence to show that customers' support the maximum underperformance payment proposed by the company. We therefore consider that the range between the service levels and the outperformance cap should remain the same as in the April 2019 revised business plan submission. As we have changed the service levels we have changed the caps to keep the range the same. The company estimate of its P90 outperformance level is much more pessimistic and is more pessimistic than most other companies' P90 estimates of performance. We widen the P90 estimates slightly to take account of its customers' expectations. We do not consider that customer's views on maximum underperformance payments should be definitive on where collars should be set. While important it is also necessary to consider whether the levels provide appropriate incentives. Where the collars proposed by the company suggest a tight range of underperformance we consider that this would not give sufficient incentive for the company to adequately prepare for high impact low probability events. The company does not address this issue in its response to the draft determination. We therefore consider that the collar the company proposed does not give sufficient incentive and propose to continue to set the collar on a multiple of the service level as set out in the 'Delivering outcomes for customers policy appendix'. In any case we would expect that in most situations the company will deliver service within the P10 and P90 range and so we expect payments will be in the range that customers expected.	We set cap levels to: 2020-21 = 9.51 2021-22 = 8.74 2022-23 = 8.00 2023-24 = 7.40 2024-25 = 4.50 We set collars levels to: 2020-21 = 36.76 2021-22 = 36.76 2022-23 = 36.76 2023-24 = 36.76 2024-25 = 36.76 We set P90 performance levels to: 2020-21 = 17.00 2021-22 = 16.50 2022-23 = 16.00 2023-24 = 15.50 2024-25 = 15.00 Units: incidents per 10,000 km of sewer
Bathing Waters Attaining Excellent Status PR19ANH_19	P10 and P90 levels	N/A	Change for the final determination. To estimate P10 and P90 performance levels in this case, we use the company's P10 and P90 performance levels that it proposed in its representations (table OC1, August 2019). We take this approach because a full set of P10 and P90 performance levels was not provided in the company's April 2019 revised business plan submission. We do not change the caps and collars as using the company P90 values would limit the scope of outperformance.	We estimate P90 performance levels as: 2020-21 = 33 2021-22 = 34 2022-23 = 35 2023-24 = 36 2024-25 = 41 Units = Number of bathing waters classified by the Environment Agency as Excellent We estimate P10 performance levels as: 2020-21 = 28 2021-22 = 28 2022-23 = 28

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
				2023-24 = 28 2024-25 = 28 Units = Number of bathing waters classified by the Environment Agency as Excellent
Cyber Security PR19ANH_41	P10 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 performance levels in this case, we use the performance commitment levels set at final determination. We take this approach because this performance commitment reflects delivery of a planned scheme, and we consider that the experience in the water industry is that planned schemes are delivered in most cases. It would be a scenario that would occur in less than 10% of cases that the company would not deliver its performance commitment.	We estimate P10 performance levels as: 2020-21 = N/A 2021-22 = N/A 2022-23 = N/A 2023-24 = N/A 2024-25 = 100% Units: Percentage of high risk sites with mitigation actions completed.
Partnership working on pluvial and fluvial flood risk PR19ANH_42	P10 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 performance levels in this case, we use the performance commitment levels set at final determination. We take this approach because this performance commitment reflects delivery of a planned scheme, and we consider that the experience in the water industry is that planned schemes are delivered in most cases. It would be a scenario that would occur in less than 10% of cases that the company would not deliver its performance commitment.	We estimate P10 performance levels as: 2020-21 = N/A 2021-22 = N/A 2022-23 = N/A 2023-24 = N/A 2024-25 = 92 Units: Number of schemes to zero decimal places.
Internal interconnection delivery PR19ANH_39	P10 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 performance levels in this case, we use the performance commitment levels set at final determination. We take this approach because this performance commitment reflects delivery of a planned scheme, and we consider that the experience in the water industry is that planned schemes are delivered in most cases. It would be a scenario that would occur in less than 10% of cases that the company would not deliver its performance commitment.	We estimate P10 performance levels as: 2020-21 = 0.0 2021-22 = 3.3 2022-23 = 45.8 2023-24 = 45.8 2024-25 = 355.2 Units: Cumulative increase in megalitres per day (Ml/d) to one decimal place
Managing void properties PR19ANH_23	P90 performance levels	N/A	Change for the final determination.	We estimate P90 performance levels as: 2020-21 = 0.25

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P90 performance levels in this case, we use the company's P90 performance levels that it proposed in its representations (table OC1, August 2019). We take this approach because P90 performance levels were not provided in the company's April 2019 revised business plan submission. However, we then adjust the 2020-21 P90 performance level such that this is set equal to the performance commitment level, since the company's P90 estimates imply underperformance for this year, and we do not consider this to be credible for an efficient company.	2021-22 = 0.25 2022-23 = 0.22 2023-24 = 0.20 2024-25 = 0.19 Unit: The number of household false voids as a percent of the total number of household properties within the supply area
Smart metering delivery PR19ANH_38	P10 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 and P90 performance levels in this case, we use the company's P10 and P90 performance levels that it proposed in its representations (table OC1, August 2019). We take this approach because this performance commitment was not included in the company's April 2019 revised business plan submission.	We estimate P10 performance levels as: 2020-21 = 109,640 2021-22 = 219,280 2022-23 = 328,919 2023-24 = 438,559 2024-25 = 548,199 Units: Number of smart meters to zero decimal places
Water Industry National Environment Programme PR19ANH_32	P10 and P90 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 performance levels in this case, we use the performance commitment levels set at final determination. We take this approach because this performance commitment reflects delivery of a planned scheme, and we consider that the experience in the water industry is that planned schemes are delivered in most cases. It would be a scenario that would occur in less than 10% of cases that the company would not deliver its performance commitment. To estimate P90 performance levels, we apply judgement on the likelihood of outperformance and estimate P90 performance levels as being equal to performance commitment levels.	We estimate P10 performance levels as: 2020-21 = 280 2021-22 = 1,006 2022-23 = 1,126 2023-24 = 1,577 2024-25 = N/A We estimate P90 performance levels as: 2020-21 = 280 2021-22 = 1,006 2022-23 = 1,126 2023-24 = 1,577 2024-25 = N/A Units: The cumulative number of schemes completed each year to zero decimal places

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
Underperformance incentive for Elsham treatment works and transfer scheme PR19ANH_47	P10 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P10 performance levels in this case, we use the performance commitment levels set at final determination. We take this approach because this performance commitment reflects delivery of a direct procurement process, and we would expect the company to avoid late delivery of control points in a P10 performance scenario.	We estimate P10 performance levels as: 2020-21 = £0 underperformance 2021-22 = £0 underperformance 2022-23 = £0 underperformance 2023-24 = £0 underperformance 2024-25 = £0 underperformance Units: Pounds
Outperformance payment for Elsham treatment works and transfer scheme PR19ANH_48	P90 performance levels	N/A	Change for the final determination. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'. To estimate P90 performance levels in this case, we use the performance commitment levels set at final determination.	We estimate P90 performance levels as: 2020-21 = £0 outperformance 2021-22 = £0 outperformance 2022-23 = £0 outperformance 2023-24 = £0 outperformance 2024-25 = £0 outperformance Units: Pounds

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales.

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