

December 2019

PR19 final determinations

Northumbrian Water – Delivering outcomes for customers final decisions

ofwat

www.ofwat.gov.uk

PR19 final determinations: Northumbrian 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 ‘PR19NES’ denotes Northumbrian Water.

For all other documents related to the Northumbrian 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: Northumbrian 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
Company level	Enhanced ODIs	At draft determination, we took a single industry view of the enhanced outperformance threshold for each performance commitment, to ensure that it represents a level that improves the industry frontier as a whole and does not reward companies simply for catching up.	<p>The company states that it disagrees with our draft decision to tighten the thresholds at which enhanced ODI payments apply. The company states that it believes its proposed thresholds in its April 2019 business plan are consistent with our guidance and with the thresholds set in the draft determinations for fast track companies.</p> <p>The company notes that we have further tightened its view of the forecast frontier level in 2020-21, which it notes may be partially a result of more recent improvements in performance. The company states that the continued ratcheting of thresholds and performance commitment levels compared to business plans incentivises companies to game the regulatory settlement by reducing planned</p>	<p>Change for final determination.</p> <p>The company does not provide any additional evidence in its representation explaining why its proposed thresholds are more appropriate than those in its draft determination.</p> <p>The company set its April 2019 business plan outperformance thresholds in line with the industry frontier performance level, as set out in the ‘Technical appendix 1 – delivering outcomes for customers’ published at the initial assessment of plans. For leakage, the company is proposing sector-leading performance commitment levels (Essex and Suffolk Water) and so it is proposing that, for this measure, its enhanced outperformance threshold is set equal to its performance commitment level.</p> <p>Our PR19 methodology states that companies should propose thresholds that are higher than the current leading company’s</p>	We change the company’s enhanced outperformance and underperformance thresholds across a number of performance commitments.

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
			<p>improvements at the end of the current period so these can be delivered in the next period.</p> <p>The company states that its enhanced outperformance thresholds should revert to those proposed in its April 2019 business plan, but does not state which performance commitments it is representing on, therefore we have assumed it is referring to all 3 performance commitments that it has enhanced ODIs on (leakage, pollution incidents and supply interruptions).</p>	<p>performance. In line with both our final methodology and draft determination methodology, we consider it is appropriate to have enhanced thresholds that are higher than the current frontier company.</p> <p>The company states that our intervention to set enhanced outperformance thresholds higher than its April 2019 business plan proposals incentivises companies to game the price review process. However, if a company were to attempt to manipulate the regulatory settlement, by withholding improvements to the end of the period, it would forgo the outperformance payments it would have received in 2015-20 if it had performed well.</p> <p>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 relevant performance commitments.</p> <p>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'.</p>	
N/A	Aggregate cap and collar	We put in place a mechanism for outperformance sharing, at 3% gross return on regulated equity. This applies separately to the water and wastewater regulated equities. Where companies had proposed a lower threshold this applied instead.	The company highlights that its proposed lower threshold for the sharing mechanism is based on net rather than gross.	<p>Change for the final determination.</p> <p>As a net sharing mechanism at a lower threshold may not lead to greater protection for customers, at the final determination, we apply the same gross sharing mechanism for all companies at 3% return on regulatory equity as we set out in 'Delivering outcomes for customers policy appendix'.</p>	We put in place a mechanism for outperformance sharing, at 3% gross return on regulated equity.
Leakage (NW) PR19NES_COM05	Performance commitment levels	<p>We intervened at draft determination. We set the performance commitment levels to:</p> <p>2020-21 = 0.9 2021-22 = 1.9</p>	The company disagrees with the draft determination adjustment to the way in which the baseline is calculated. The company states we have changed the baseline from which 2020-25 performance commitment levels are calculated from the end of the 2015-20 period performance commitment level to end of 2015-20 period actual performance. The	<p>No change for the final determination.</p> <p>We use three-year average actual performance as the baseline and percentage reduction from this baseline because we consider that this ensures that the performance commitment</p>	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
		2022-23 = 5.0 2023-24 = 8.0 2024-25 = 11.0 Unit = Percentage reduction from 2019-20 baseline using 3 year average (%)	company presents a view that this is not appropriate as it disincentivises companies who, through good management, attempt to make an early start on progressing towards very stretching 2020-25 performance commitment levels. The company considers we should revert to using the end of the 2015-20 period (2019-20) performance commitment level as the baseline.	relates to actual performance achieved in the 2020-25 period and not to any data or methodology changes. Companies' 2015-20 performance is incentivised through the 2015-2020 ODIs. If we used forecast performance to set the baseline, then companies who improved performance before the 2020-25 period begins would be rewarded twice for this activity. We consider that the company does not provide convincing evidence to change the 2019-20 baseline from actual performance.	
Unplanned outage PR19NES_COM13	ODI rates	We did not intervene at draft determination on the company's underperformance rate.	The company states that it should receive a lower underperformance payments for this performance commitment based on our methodology adopted for other companies. The company expresses concern that the upper quartile rate set out in the initial assessment of plans is not being applied consistently across the industry. The company proposes an underperformance rate that it states is aligned with other companies across the industry. It has applied a value of -£0.628/ household per percentage which it claims is the most used underperformance payments. This equates to a rate of -£1.204m per percentage.	No change for the final determination. At draft determination we did not impose the restriction that rates must lie within the reasonable range, and therefore did not automatically adjust rates to be within this range, for further details see the ' PR19 draft determinations: Delivering outcomes for customers policy appendix '. The company does not provide sufficient and convincing evidence outlining why moving its rates to the 'most used underperformance penalty' is a more appropriate method for setting its ODI rates, except for that it aligns with other companies across the industry. Our approach to intervention where a company is a poor comparative performer on unplanned outage is to move the underperformance rate to the industry upper bound. The company proposes to set its rate close to the industry average, We consider this inappropriate given the company's poor comparative performance with the rest of the industry.	N/A
Unplanned outage PR19NES_COM13	Caps, collars and deadbands	Our intervention at draft determination was to remove collars and deadbands for this performance commitment.	The company does not agree with our intervention to remove the underperformance collar. The company states that the intervention significantly increases the downside ODI risk to a level which is inappropriate for a performance commitment which is so new, with the definition only being finalised on 4 April 2019, and hence which contains an inherent level of uncertainty. It states that this view is supported by our own targeted review of the performance commitment in 2018.	Change required for the final determination. As we explain in the 'Delivering outcomes for customers policy appendix' we consider that unplanned outage is uncertain and all companies should have a collar set in line with our standard approach. In the appendix we also explain how we set the level of the collar in the final determination.	We set the underperformance collar to the following level: 2020-21 = 12.74 2021-22 = 12.74 2022-23 = 12.74 2023-24 = 12.74 2024-25 = 12.74 Units: Percentage (%) of maximum sustainable 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
<p>Risk of severe restrictions in a drought</p> <p>PR19NES_COM10</p>	Performance commitment levels	<p>No intervention at draft determination.</p> <p>We made the following sector wide action at draft determination:</p> <p>The company should provide a full set of intermediate calculations (at a zonal level), underlying the risk calculation (both baseline levels and performance commitment).</p> <p>The company should confirm that its performance commitment levels are reflective of its water resources management plan position. This should include the potential that it will have access to drought orders and permits.</p> <p>The company should confirm which programmes of work will impact its risk profile forecasts.</p>	<p>The company confirms that its performance commitment levels (that is, 0% of population at risk of severe restriction in a drought) is reflective of its Water Resources Management Plan position.</p> <p>It states that its Essex & Suffolk Water Industry National Environment Programme could impact its supply demand forecasts through the investigation of sustainability in its groundwater abstractions. The investigations could conclude that one or more of its abstractions are unsustainable, resulting in sustainability reductions.</p>	<p>No change for the final determination.</p> <p>We consider that the company provides sufficient evidence to show that its performance commitment levels are consistent with its Water Resources Management Plan, indicating that the zero level is achievable.</p> <p>The company states that the outcomes of its Water Industry National Environment Programme investigations could impact its supply demand forecasts, however, as this remains unknown until the outcome of the investigations, we consider that this is acceptable. When the outcomes of the investigations are known, we expect the company to recalculate its risk and reconsider its options as appropriate.</p> <p>The company provides sufficient evidence to retain the draft determination performance commitment levels.</p>	N/A
<p>Risk of sewer flooding in a storm</p> <p>PR19NES_COM11</p>	Performance commitment levels	<p>At draft determination we intervened to set out that the company should confirm that it is:</p> <ul style="list-style-type: none"> (i) using the updated parameters in the catchment vulnerability assessment (and setting out any additional criteria that it intends to use); (ii) reporting the extent to which it uses 2D or simpler modelling; and (iii) adopting FEH13 rainfall as standard, and if not, when it expects to do so. 	<p>The company provides additional clarification and information:</p> <ul style="list-style-type: none"> (i) It confirms it is using our vulnerability criteria. (ii) It is moving to FEH13 as part of its new Drainage and Wastewater Management Plan process (iii) It is using a simpler 1D approach as its default for the metric (it uses 2D for optioneering assessments). 	<p>No change for the final determination.</p> <p>The company provides sufficient evidence to demonstrate it has sufficient model coverage. It has the greatest reduction in risk over the 2020-25 period of any company, which appears sufficiently stretching. The company provides sufficient information as requested and its approach appears in line with the guidance; therefore, we are retaining our draft determination performance commitment levels.</p>	N/A
<p>Internal sewer flooding</p> <p>PR19NES_COM08</p>	Caps, collars and deadbands	<p>Our intervention at draft determination was to remove the underperformance collar.</p>	<p>The company does not agree with our decision to remove the underperformance collar for this performance commitment. It argues that it is the only company without such a collar when it is a common performance commitment, so it would expect a consistent approach. The company does</p>	<p>Change required for the final determination.</p> <p>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</p>	<p>We set the underperformance collars to the following levels:</p> <p>2020-21 = 2.75 2021-22 = 3.00 2022-23 = 3.40</p>

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
			not accept our argument that these underperformance payments are not material – the company considers its underperformance rates are now consistent with the industry range, and an extreme weather event could expose the company to a very high level of underperformance.	<p>determination. The company is one of three that are poor performers on internal sewer flooding relative to other companies.</p> <p>For each of these companies we are amending the underperformance collar that will apply to other companies to reduce the downside risk for the company in the first two years of the 2020-25 period and increase it in the last two years. This will provide a similar level of exposure over the five years as other companies, but reduces the downside risk for the first two years as the company progresses towards the 2024-25 level, while maintaining a strong incentive over the period.</p> <p>We set caps at the estimates of P90 performance.</p>	<p>2023-24 = 3.60 2024-25 = 4.00</p> <p>We set the outperformance caps to the following levels:</p> <p>2020-21 = 1.30 2021-22 = 1.25 2022-23 = 1.20 2023-24 = 1.17 2024-25 = 1.15</p> <p>Units: The number of internal flooding incidents per 10,000 wastewater connections per year.</p>
<p>Water Quality Customer Contacts- Discoloured water contacts</p> <p>PR19NES_BES11</p>	Performance commitment definition	The intervention we made at draft determination was to change the definition of this performance commitment to align with the standard definition as published on our website.	As indicated in the data tables submitted by the company as part of its representation, the company retains the performance commitment levels as set at the draft determination. However, there is no explicit commentary regarding adoption of the associated standard definition.	<p>No change for the final determination.</p> <p>We consider that the company adopts the performance commitment levels, however, there is no explicit commentary regarding adoption of the associated standard definition. As we set the performance commitment levels based on extended coverage of customer contacts, which the company adopts, we consider that the company also adopts the common definition as described in the draft determination. The performance will be reported and assessed as per the extended definition for appearance.</p>	N/A
<p>Greenhouse gas emissions</p> <p>PR19NES_BES21</p>	Performance commitment definition and performance commitment level	No intervention at draft determination.	<p>The company proposes a number of detailed changes to the definition regarding measurement and how the performance commitment levels are set. It states that it is not clear whether the ODI is based on 2019-20 emissions factors or actual year factors and suggests that multiple figures could cause lack of clarity.</p> <p>It states that the United Kingdom Water Industry Research carbon accounting workbook that is used to calculate greenhouse gas emissions will be updated in 2019-20 and it considers it could significantly affect the company's baseline level. It states that changes in the new carbon accounting workbook could produce underperformance or outperformance where no tangible action has been taken.</p> <p>It proposes to re-baseline emissions for 2017-18 using the new workbook when it is made available.</p>	<p>Change for the final determination.</p> <p>At draft determination we accepted the company proposals for this performance commitment, but added a number of clarifications to the wording of the definition.</p> <p>While we welcome the company's commitment to achieving the same level of reduction in tonnes of carbon dioxide equivalent as in the draft determination, the company does not sufficiently justify why it has selected 2017-18 as the baseline year. It also does not provide sufficient and convincing evidence why it cannot report against the 2019-20 baseline in line with the performance commitment definition.</p> <p>We consider that using 2019-20 United Kingdom Water Industry Research carbon accounting workbook to re-baseline back to 2017-18 levels with 2017-18 emissions factors potentially risks using higher grid emissions factors to set higher performance commitment levels than those for the baseline year from which performance will be measured. As a result we are</p>	<p>We change the performance commitment definition from an annual level to a net reduction. This will be from a 2019-20 baseline.</p> <p>We revise performance commitment levels to:</p> <p>2020-21 = 4,433 2021-22 = 5,602 2022-23 = 6,771 2023-24 = 7,941 2024-25 = 9,110</p> <p>Units: tCO2e reduction from 2019-20 baseline.</p> <p>We revise the performance commitment definition to allow</p>

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
			<p>The company states that it will commit to the same level of reduction in tonnes of carbon dioxide equivalent against the baseline as in the draft determination.</p> <p>It states that it is inappropriate that the draft determination limits the definition to using market-based emissions factors for electricity only. It proposes that the emissions figure should include market-based emissions factors for all energy supplies.</p>	<p>setting performance commitment levels on a 2019-20 baseline as opposed to 2017-18 baseline that the company proposes. We derive the change from the baseline from the company's 2019-20 forecast in its April 2019 business plan tables.</p> <p>Alongside the representations from Yorkshire Water, we consider that the company provides sufficient and convincing evidence that it is appropriate to update 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.</p>	<p>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.</p>
<p>Greenhouse gas emissions</p> <p>PR19NES_BES21</p>	<p>Performance commitment definition</p>	<p>At draft determination we accepted the company proposals for this performance commitment, but added a number of clarifications to the exact wording of the definition, particularly about assurance, in line with other companies with similar performance commitments.</p>	<p>The company proposes a number of detailed changes to the definition regarding assurance.</p> <p>It states that has not had adequate time to do a full assessment of whether it is compliant with ISO 14064-1 or the requirements of an audit by a Certified Emissions Measurement & Reduction Scheme (CEMARS) auditor. It proposes to take commercially reasonable steps to implement the recommendations of ISO 14064-1 and any recommendations from CEMARS audits, but does not consider this should require uneconomic changes to data recording systems and equipment.</p> <p>It notes that it is for the United Kingdom Water Industry Research (UKWIR), not the company, to ensure that any data inputs required in the carbon accounting workbook are compliant with the ISO 14064-1 standard.</p>	<p>Change for the final determination.</p> <p>We consider that the company is not accountable for the quality of the data inputs in relation to the carbon accounting workbook as these are not under its control, and we make this clear in the final definition.</p> <p>The company does not provide sufficient detail on the extent of the 'commercially reasonable steps' and does not propose any exclusions where these may not apply. We consider that this does not sufficiently protect customers from inaccurate performance reporting.</p> <p>The company does not clarify to what extent it may require new practices and equipment and why these cannot be implemented economically or on time.</p> <p>We note there has been limited time for the company to be able to confirm that it can practically be compliant for the 2020-21 reporting year, if systems need to be in place at the start of the year.</p> <p>The company does not provide sufficient and convincing evidence because it does not demonstrate why it would be onerous for it to comply with the assurance requirements that have been included for all companies with similar performance commitments.</p>	<p>We will specify that the company will note if there are any areas in which it is not yet compliant with the assurance requirements for 2020-21. If it does so, the company will set out plans to achieve compliance alongside its compliance reporting.</p> <p>We amend the definition to make it clear that the company is not accountable for the quality of the data inputs which are not under its control in relation to the carbon accounting workbook.</p>
<p>Delivery of lead enhancement programme</p> <p>PR19NES_BES25</p>	<p>Performance commitment definition and ODI rates</p>	<p>Our intervention at draft determination was to update the definition of this measure so that it tracks percentage completion of its lead enhancement programme.</p>	<p>The company states that it does not accept the intervention by us to change the definition to track percent completion of the schemes with annual performance commitment levels and in-period underperformance payments and more complex end of period mechanism.</p>	<p>Change for the final determination.</p> <p>We consider that the company does not provide sufficient and convincing evidence to explain why the introduction of the updated definition and in period underperformance payments are inappropriate. In particular, the company states that our draft determination intervention is too complex and reduces</p>	<p>We do not remove the in-year targets, but we remove the financial incentives attached to them (delay ODIs).</p> <p>We revise the end-of-period underperformance payment, due</p>

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
		<p>We also intervened to set the underperformance payment rate to -£0.00834m per percentage of scheme complete.</p> <p>In addition, in the 2025-30 regulatory period we will recover allowed costs of any underperformance expected in 2024-25 using a rate of £0.0509 million per unit.</p>	<p>The company states that these interventions are also too complex which reduces transparency.</p> <p>The company states that the draft determination would potentially mean returning a sum greater than allowed costs for these projects. The company notes that the demand for the programme is primarily customer led. While customers in the round are supportive of these proposals, the extent of take up from individual customers remains uncertain. The company states that under these circumstances it is happy to return unused funding at the end of period, if volumes are lower than estimated.</p>	<p>transparency but it does not explain where the complexity arises (and what are the adverse consequences resulting from this additional complexity). We are therefore not changing the performance commitment definition for final determination.</p> <p>The company notes that our draft determination intervention could translate to returning a sum greater than the allowed costs for the project. We consider that the company returning more money than allowed can be appropriate as just returning expenditure not delivered means, all other things being equal, a company is indifferent to delivery (in terms of the financial incentive) and has no reason to consider the benefits that are foregone by customers.</p> <p>However, for consistency with other companies that have performance commitments that help to reduce lead in tap water, in our final determinations we remove the delay ODI rates (attached to the in-period performance commitment levels) and we only keep an end of period underperformance payment, which we update according to the adjusted cost sharing ratio.</p>	to the adjusted cost sharing ratio, to -£0.0474 per percentage (%) of scheme complete.
<p>Delivery of smart water metering enhancement programme</p> <p>PR19NES_BES26</p>	Performance commitment definition	We intervened to update the definition of this performance commitment so that it tracks the percentage completion of the company's smart water metering enhancement programme.	The company states that it does not accept the intervention by us to change the definition to track percent completion of the schemes. The company states that the intervention is too complex and reduces transparency. The company notes that the demand for each of the programmes is primarily customer-led. While customers in the round are supportive of these proposals, the extent of take up from individual customers remains uncertain.	<p>No change for the final determination.</p> <p>The company proposed in its April business plan to measure the performance commitment on the absolute numbers of meters installed and replaced. In our draft determinations we intervened to change the definition of this measure so that it measured the percentage completion of the smart water metering enhancement program and calculated separated percentage completion values for installation of new meters and upgrading existing meters.</p> <p>We consider that the company does not provide sufficient and convincing evidence for why the updated definition is not inappropriate. In particular, the company states that the intervention is too complex and reduces transparency but it does not explain where the complexity arises (and what are the adverse consequences resulting from this additional complexity). We therefore do not change the definition for the final determination.</p>	N/A
<p>Delivery of smart water metering enhancement programme</p> <p>PR19NES_BES26</p>	Performance commitment levels	We intervened to change the measurement units to percentage of scheme complete, and set performance commitment levels in each year of the period.	<p>The company states that it does not accept the intervention by us to include annual performance commitment levels.</p> <p>The company states that the intervention is too complex and reduces transparency. The company notes that the demand for each of the programmes</p>	<p>No change for the final determination.</p> <p>We consider that the company does not provide sufficient and convincing evidence to explain why annual performance commitment levels are not appropriate. In particular, the company states that the intervention is too complex and reduces transparency but it does not explain where the</p>	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
		<p>The performance levels for each year are as follows:</p> <p>2020-21 = 20.4% 2021-22 = 40.6% 2022-23 = 60.6% 2023-24 = 80.4% 2024-25 = 100.0%</p> <p>Units: Percentage of scheme complete (%)</p>	<p>is primarily customer-led. While customers in the round are supportive of these proposals, the extent of take up from individual customers remains uncertain.</p> <p>The company notes that our interventions would potentially translate in returning a sum greater than the allowed costs for the project.</p>	<p>complexity arises (and what are the adverse consequences resulting from this additional complexity).</p>	
<p>Delivery of smart water metering enhancement programme</p> <p>PR19NES_BES26</p>	<p>ODI rates</p>	<p>Our intervention at draft determination was to set the delay underperformance payment rate as -£0.0344m per percentage of metering programme delivery.</p> <p>In addition, we stated in our draft determination that in the 2025-2030 regulatory period we will recover the allowed costs of any underperformance expected in 2024-25 using a rate of -£0.2099m per percentage of metering programme delivery.</p>	<p>The company states that it does not accept the intervention by us to include in-period and end-of-period underperformance payments. The company considers that this would potentially mean returning a sum greater than allowed costs for these projects.</p> <p>Further, the company states that the interventions are also too complex which reduces transparency. The company notes that the demand for each of the programmes is primarily customer-led. While customers in the round are supportive of these proposals, the extent of take up from individual customers remains uncertain. The company states that this is, and will remain, outside of its control. The company states that under these circumstances it is happy to return unused funding at the end of period, if volumes are lower than estimated.</p>	<p>Change for the final determination.</p> <p>In the company's April 2019 business plan the single performance commitment was based on multiple ODI rates and performance levels for delivering new and replacement smart meters. We changed the definition so that it measured the percentage completion of the smart water metering enhancement program, with one ODI rate to incentivise the company to deliver in a timely manner and a further ODI rate to recover expenditure if there was overall underperformance in the period set at -£0.2099m per percentage.</p> <p>The company states that these interventions are too complex and reduce transparency but it does not explain where the complexity arises (and what are the adverse consequences resulting from this additional complexity). The company has provided insufficient evidence that the interventions are too complex or reduce transparency.</p> <p>We consider that the company has a degree of control over customer take-up of smart metering, for example through the actions it can take to encourage customers to adopt smart meters.</p> <p>The company notes that our draft determination intervention could translate to returning a sum greater than the allowed costs for the project. We consider that the company returning more money than allowed can be appropriate as just returning expenditure not delivered means, all other things being equal, a company is indifferent to delivery (in terms of the financial incentive) and has no reason to consider the benefits that are foregone by customers.</p> <p>However, for consistency with other companies that have performance commitments that relate to metering, in our final determinations we remove the delay ODI rates (attached to the</p>	<p>We remove the delay ODI rates and set an ODI underperformance rate of -£0.199m per percentage (%) of metering programme delivery, adjusted for the new cost sharing ratio.</p>

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
				in-year performance commitment levels) and we only keep an end of period underperformance payment, which we update according to the adjusted cost sharing ratio.	
Water Industry National Environment Programme PR19NES_BES31	Performance commitment definition Performance commitment levels	We intervened at draft determination to add an additional reputational performance commitment that measures whether the company has met all of its Water Industry National Environment Programme requirements in each reporting year.	The company requests that the proposed delivery profile is updated, if required, in line with any changes agreed through the Environment Agency's change control protocol. We sent a query to the company to ensure the delivery profile we were setting aligned with the company's view of its Water Industry National Environment Programme obligations. In response to a query from us the company provided a revised profile in line with its understanding of its obligations under the Northumbrian Water Industry National Environment Programme for the 2020-25 period as at 1 April 2019.	Change for the final determination. The company does not sufficiently demonstrate that its proposals to change the performance commitment definition provide better incentives for it to deliver environmental benefits to customers and outweigh the benefits of having stable performance commitments. There are a number of disadvantages to changing the performance commitment definition during the price control period, including the risk of it leading to a disconnect between the cost/service package specified at the start of the period and that which is delivered, the fact that costs will remain fixed and so should the service package, the additional complexity of in-period changes, and the risks that companies may focus on convincing regulators to change performance commitment levels rather than delivery. The company can use the process set out in annex 2 of the performance commitment appendix to propose changes that are in the interests of customers. The company provides sufficient evidence in its response to our query, we are therefore changing the delivery profile to align with its proposed performance commitment levels in its response to our query.	We change the performance commitment levels on this performance commitment to align with the company's proposed profile in its query response. These are as follows: 2020-21 = 170 2021-22 = 397 2022-23 = 460 2023-24 = 535 2024-25 = 657 Units: Cumulative number of schemes completed each year.
Delivery of cyber resilience enhancement programme PR19NES_BES28	Performance commitment definition	At draft determination we updated the definition to measure the percentage completion of the cyber resilience enhancement programme. The company was expected, under the updated definition of this measure, to annually report on the activities it is undertaking under the cyber resilience enhancement claims, including the following details: <ul style="list-style-type: none"> what has been and is to be delivered and the benefits this will deliver; how this related to the original enhancement claim; 	The company states that it accepts the performance commitment that relates to its enhancement funding, however the company wishes to clarify a point relating to the implementation of two of its activities relating to Microsoft. The company states that technology changes rapidly and it would like to ensure its commitments are robust for the future by adding a caveat to the definition that would include equivalent security control to the ones listed in the definition should there be a change in Microsoft's offerings.	Change for the final determination. The company provides sufficient and convincing evidence to justify the change, because this appears to be an improvement to the definition that will allow it to account for further changes to technology that are beyond the control of the company.	We amend the performance commitment definition to add a caveat to the definition that would include equivalent security control to the ones listed in the definition should there be a change in Microsoft's offerings.

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
		<ul style="list-style-type: none"> how much is to be spent; and target delivery date of the schemes. 			
Delivery of Howdon STW enhancement PR19NES_BES29	Performance commitment definition, ODI rate	The intervention we made at draft determination was to remove this performance commitment, as we did not allow the enhancement funding associated with this measure.	<p>The company does not make a specific representation regarding this performance commitment.</p> <p>The company restates in full its claim for the enhancement funding.</p>	<p>Change for the final determination.</p> <p>The company proposed a performance commitment which we removed at the draft determination as we did not allow the cost claim associated with the scheme based performance commitment. We make a partial allowance at final determination for the enhancement funding and therefore consider it appropriate to include the performance commitment for final determination.</p> <p>The company proposes a target date of the end of the period 31 March 2025 and underperformance payments based on cost of capital and proportion of totex for every day that the scheme elements are delivered late.</p> <p>However, for other companies we have recovered costs on a per month basis and propose to do that in this case as well in the same way we have for other companies.</p> <p>In order to be able to calculate underperformance payments we propose changing the definition so that it measures the expected delay beyond 31 March 2015 with the committed performance level of zero. The expected expenditure is divided by the expected scheme delivery time to find the average cost per month and this adjusted by the cost sharing rate to derive the underperformance rate.</p> <p>In order to be able to calculate underperformance payments we change the definition so that it measures the expected delay beyond 31 March 2025, with the committed performance level of zero. The expected expenditure is divided by the expected scheme delivery time to find the average cost per month and this is adjusted by the cost sharing rate to derive the underperformance rate.</p>	<p>We reinstate the performance commitment, but with a non-delivery underperformance rate for 2024-25.</p> <p>We change the definition so that it measures the expected delay beyond 31 March 2025 with the committed performance level of zero. This results in underperformance rate of - £0.0209m per month for non-delivery.</p>
Sewer flooding risk reduction PR19NES_BES10	Performance commitment definition and ODI rate	<p>No intervention on the performance commitment definition or ODI rates at draft determination.</p> <p>The underperformance payment applies to each unit that it is below its performance</p>	<p>The company does not accept our draft determination position that its 'Reducing Property Flooding Risk' activity is accounted for in base costs, and restates in full its claim for £86m of enhancement funding.</p> <p>In its representation the company provides further reasoning to support an increase in the cost</p>	<p>No change for the final determination.</p> <p>At draft determination, we took the approach that the costs that the company considered were required to deliver this performance commitment were part of base costs within our models. We continue to consider that base costs provide sufficient expenditure for an efficient company to deliver the required proactive reductions in the risk of sewer flooding. As</p>	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
		<p>commitment of 7,400 for 2024-25 and at the rate of -£0.0001m.</p>	<p>allowance and asks, if these are not accepted, that we remove the performance commitment.</p> <p>It states that the Environment Agency supports the outcome of flood risk reduction at 7,400 properties.</p>	<p>such, we do not allow the cost claim the company proposes. We propose no change to the performance commitment as we expect the company to deliver this investment and it is important to customers and stakeholders.</p> <p>The performance commitment set at draft determination is broader than the cost claim as it applied to all reductions in risk, whereas the company investment is to reduce risk where there has been no flooding. We consider that the company should reduce the risk at properties where this provides the greatest benefit. If a property has flooded before clearly shows that there is a risk it could flood again, these properties should not be excluded from this measure. We therefore consider that our draft determination definition is appropriate as it gives flexibility for the company to reduce risk where it provides greatest benefit.</p> <p>We make no change to our draft determination for this performance commitment and its associated outcome delivery incentive.</p>	
<p>Delivery wastewater resilience enhancement programme PR19NES_BES27</p>	<p>Performance commitment levels ODI rate</p>	<p>We intervened at draft determination to set performance commitment levels in each year of the period based on the figures provided by the company. The levels were set as follows:</p> <p>2020-21 = 0 2021-22 = 0 2022-23 = 0 2023-24 = 0 2024-25 = 41</p> <p>Units: Number of sites.</p>	<p>The company sets out a delivery profile based on its historical performance for the delivery of similar programmes of work, and in discussion with its key stakeholders and supply chain partner. It states that it assumes that in year 1, feasibility and design work will be undertaken and proposes a straight delivery curve for years 2, 3, 4 and 5 of the 2020-25 period. The profile that it proposes is as below:</p> <p>2020-21 = 0 2021-22 = 35 2022-23 = 35 2023-24 = 35 2024-25 = 36</p> <p>Units: Number of sites.</p> <p>The company states that its anticipated delivery programme is 141 sites as opposed to the 41 sites that was set out in its draft determination. It states that as the definition of the performance commitment is to increase the wastewater network resilience through the reduction of flooding risk to 141 sewage treatment works, not 41, the associated underperformance payment rate should be adjusted accordingly. It considers that using the same</p>	<p>Change for the final determination.</p> <p>The company provides sufficient and convincing evidence that the draft determination did not cover the full extent of its wastewater resilience programme. The wastewater investment case lists 123 'too critical to fail' sites which provide response and recovery benefits. However the investment also includes sites which are not listed which include smart network sites which also provide response and recovery benefits, as well as others which provide proactive flood risk reduction benefits. In the absence of any additional information we are setting a profile in line with the company's proposed performance commitment levels but on a cumulative basis. Underperformance payments will apply only to the final year (2024-25).</p> <p>We adjust the company's underperformance payment rate to take into account the new performance commitment levels. We set the rates using our standard methodology for calculating non-delivery underperformance payment rates. For further details see the 'Delivering outcomes for customers policy appendix'</p>	<p>We change the company's performance levels on this performance commitment to the following:</p> <p>2020-21 = 0 2021-22 = 35 2022-23 = 70 2023-24 = 105 2024-25 = 141</p> <p>Units: Cumulative number of sites.</p> <p>We change the company's ODI rate to -£0.0974m</p>

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
			methodology applied in the draft determination it calculates the rate as £0.1191 million per site instead of £0.410 million per site at draft determination.		
Delivery of water resilience enhanced programme PR19NES_BES24	ODI rate	We intervened at draft determination to set the underperformance rate at -£0.279 million.	The company states that its draft determination response outlines an increased value of funding for the water resilience enhancements from £55.775m to £96.54m. It states that it has applied Ofwat's methodology to calculate an underperformance rate per percentage of the total water resilience business case not completed to deadline. The company states that this increases the incentive rate from -£0.279m to -£0.483m per percentage point.	Change for the final determination. We make a partial allowance at final determination which differs from that at draft determination, therefore we change the underperformance payment rate. We calculate a new underperformance rate using our standard methodology for calculating non-delivery underperformance payment rates. For further details see the 'Delivering outcomes for customers policy appendix'	We change the company's ODI rate to -£0.294m per percentage point.
C-MeX	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'.
D-MeX	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'.

Table 2: Northumbrian 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
CCWater	Non-performance commitment specific	Performance commitment levels	N/A	CCWater considers 'Northumbrian Water's performance commitments are stretching, reflect customer priorities and were developed based on extensive evidence of customers' views.'	No change for the final determination. We welcome the view of CCWater.	N/A
CCWater	Non-performance commitment specific	ODIs	N/A	CCWater conducts additional customer research, finding that 76% of Northumbrian Water' customers, and 79% of Essex and Suffolk 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 notes that while Northumbrian Water's customers generally supported the principle of ODIs, not all customers wanted to pay outperformance financial incentives in all areas. It is concerned that Northumbrian Water's research presented the ODI financial incentives framework to customers as the accepted regulatory orthodoxy, and notes that previous research showed most customers did not support outperformance payments.	No change for the final determination. We note the results of CCWater's research, which shows that the majority of customers support the bill impacts of our draft determinations including ODIs. Whilst there is a lower level of support than for our baseline draft determination, it is still a clear majority. As discussed in our assessment of methodology representations, we assess support for outperformance payments at a performance commitment-specific level, to most accurately reflect customer preferences.	N/A
Northumbrian Water's Customer Challenge Group	Non-performance commitment specific	ODIs	N/A	The Customer Challenge Group welcomes the fact that the balance between potential outperformance and underperformance has moved towards the latter in the draft determination, because it means that customers are less exposed to bill increases driven by a company's high performance.	No change for the final determination. We welcome the company's Customer Challenge Group's support for the balance of outperformance and underperformance we propose in our draft determination.	N/A
Business Stream, UK Water Retailer Council	Non-household void sites	Performance commitment definition	We set a bespoke performance commitment for some companies (Severn Trent Water, SES Water, South East Water, Thames Water, and United Utilities) regarding non-household void sites. We set a bespoke performance commitment for some companies (Severn Trent Water, Northumbrian Water, United Utilities, and	Two retailer stakeholders (Business Stream, UK Retailer Water Council) welcome incentives to reduce non-household void and gap properties but said it significantly increases the likelihood of wholesalers unilaterally activating charges on retailers for void properties, introducing unmanageable cost and risk for retailers. They also note data quality issues in the market database. They also state that void and gap performance commitments are inconsistent in process,	No change for the final determination. With regards to the concerns raised in relation to the charging levels that wholesalers could apply to vacant properties and data quality issues, we are considering this point as part of our ongoing review of incumbent water company support for the development of effective markets. While we cannot require companies to share outperformance payments with retailers, we would expect this to be considered by companies given the joint role both play in identifying and reducing the level of gaps and void sites in the market.	NA

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
			Wessex Water) regarding non-household gap sites	<p>design and incentive rates. One representation proposes that we temporarily suspend the introduction of the PR19 incentives and charges for vacant properties until an industry-wide solution is agreed.</p> <p>They state that wholesalers might not share financial incentives with retailers, despite the costs of bringing vacant sites into charging potentially being incurred by retailers. One of the stakeholders proposes a consistent scheme for sharing payments with retailers.</p>	<p>Retailers may deal with multiple wholesalers and so bespoke performance commitments can risk exacerbating market frictions from cumbersome wholesaler-retailer interactions. The Retailer Wholesaler Group (RWG) is developing a set of consistent processes for implementing financial incentives relating to business gaps sites and voids by April 2020. In April 2020 we will ask each of the six wholesalers with bespoke performance commitments on gaps or voids to set out the steps they have taken to ensure that the introduction of these bespoke performance commitments will not exacerbate problems associated with wholesaler-retailer interactions.</p> <p>It is possible that, at some time during the 2020-25 period, a common financial incentive on gaps and/or voids is developed by market participants (for example this could be developed at part of the reform of the Market Performance Framework). If industry was planning to introduce a common financial incentive on business voids, we would consider, with those companies which have bespoke performance commitments on business retail gaps and voids, the appropriate way to take such a measure into account in their future in-period determinations. For performance commitments relating to non-household gaps or void sites, we therefore include a clause which confirms that we will take into account the financial consequences of any retail market mechanism which may be developed, for example, under the Market Performance Framework, when making in-period determinations. However, as Northumbrian Water's performance commitment has no financial incentives we have not included this clause.</p> <p>We discuss this topic in more detail in 'Business retail market representations'.</p>	
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	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.	<p>No change for the final determination.</p> <p>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</p>	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
			<p>this programme of work in our final determinations.</p> <p>These performance commitments ensure that these enhancement costs will be recovered for customers if a company does not deliver or partially delivers the programme.</p>		<p>programmes are aligned to their scope. We do not consider it to be feasible in this specific case to amend the performance commitments without a corresponding change to cost adjustment claims because they are so linked for this performance commitment.</p> <p>The company has told us that its smart metering programme will be focused on residential retail customers. As such, we do not consider there is sufficient and convincing evidence to change the performance commitment definition.</p>	

Table 3: Northumbrian 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.	<p>Change for the final determination</p> <p>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.</p> <p>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 update the ODI rates to take account of the final cost assumptions and cost sharing rates for the 'Delivery of cyber resilience enhancement programme' performance commitment.</p> <p>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 'Northumbrian Water – Outcomes performance commitment appendix'.</p> <p>One particular correction is for mains repairs where the draft determination outperformance rate was stated erroneously as £0.978m. As previously confirmed by the company in response to a query from us, this should have been £0.0978m and has been corrected for our final determination.</p>	We change ODI rates where the underlying data used to calculate the rate has been updated, or an error has been identified.
Water Quality Compliance (Compliance Risk Index) PR19NES_COM03	Caps, collars and deadbands	<p>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):</p> <p>2020-21 = 2.00 2021-22 = 2.00 2022-23 = 1.50 2023-24 = 1.50 2024-25 = 1.50</p> <p>Unit: Compliance Risk Index Score</p>	<p>Change for the final determination.</p> <p>We amend the deadband on the 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.</p> <p>Please refer to the 'Delivering outcomes for customers policy appendix' for more detail on this sector wide change.</p>	<p>The following is a sector wide change for the final determination.</p> <p>We set a revised standard deadband for all companies. The deadband profile for the Compliance Risk Index is:</p> <p>2020-21 = 2.00 2021-22 = 2.00 2022-23 = 2.00 2023-24 = 2.00 2024-25 = 2.00</p> <p>Unit: Compliance Risk Index Score</p>
Water supply interruptions PR19NES_COM04	Performance commitment levels	<p>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. The following values were set:</p> <p>2020-21 = 00:05:24 2021-22 = 00:04:48 2022-23 = 00:04:12</p>	<p>Change for the final determination.</p> <p>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 performance commitment for an efficient company.</p> <p>Please refer to the 'Delivering outcomes for customers policy appendix' for more detail on this sector wide change.</p>	<p>The following is a sector wide change to the draft determination.</p> <p>We set revised performance commitment levels to the following values:</p> <p>2020-21 = 00:06:30 2021-22 = 00:06:08 2022-23 = 00:05:45</p>

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 = 00:03:36 2024-25 = 00:03:00 Units: Hours:minutes:seconds (HH:MM:SS) per property per year		2023-24 = 00:05:23 2024-25 = 00:05:00 Units: Hours:minutes:seconds (HH:MM:SS) per property per year
Water supply interruptions PR19NES_COM04	ODI rates	We did not intervene on the company's ODI rate at draft determination.	Change for the final determination. 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 'Delivering outcomes for customers policy appendix'.	We change the company's underperformance payment rate to - £1.028m per minute per property.
Water supply interruptions PR19NES_COM04	Enhanced ODI thresholds	We intervened at draft determination to set the enhanced underperformance threshold for this performance commitment at the lower quartile of current company performance. We also intervened to set the company's enhanced outperformance threshold in line with our methodology.	Change for the final determination. 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 are therefore updating the enhanced outperformance thresholds for this performance commitment. We retain the same methodology used at draft determination to set enhanced underperformance thresholds, however 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 our 'Delivering outcomes for customers policy appendix'.	We change the company's enhanced outperformance threshold on this performance commitment to the following: 2020-21 = 00:02:38 2021-22 = 00:02:26 2022-23 = 00:02:15 2023-24 = 00:02:04 2024-25 = 00:01:48 Units: Minutes per property We change the company's enhanced underperformance threshold on this performance commitment to the following: 2020-21 = 00:16:59 2021-22 = 00:16:59 2022-23 = 00:16:59 2023-24 = 00:16:59 2024-25 = 00:16:59 Units: Minutes per property
Water supply interruptions PR19NES_COM04	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.	Change for the final determination. We retain the same methodology that we used to assess enhanced ODI rates at draft determination. We have updated 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 has	We change the company's enhanced outperformance and underperformance ODI rate to £2.966m/ minutes per property and - £2.966m/ minutes per property respectively.

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			changed for the final determination. Further details can be found in the 'Delivering outcomes for customers policy appendix'.	
Water supply interruptions PR19NES_COM04	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 update 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 = 00:19:17 2021-22 = 00:19:17 2022-23 = 00:19:17 2023-24 = 00:19:17 2024-25 = 00:19:17 Units: minutes per property.
Mains Repairs PR19NES_COM12	Performance commitment levels	No intervention at draft determination.	Change for the final determination. We increase the performance commitment levels for mains repairs by a reducing percentage, for all companies, in all years, making it easier to achieve. 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 further information.	We set the performance commitment levels to the following values: 2020-21 = 141.9 2021-22 = 137.1 2022-23 = 132.4 2023-24 = 127.9 2024-25 = 123.4 Units: Mains burst per 1,000km
Mains Repairs PR19NES_COM12	ODI rates	We intervened at draft determination to set the company's outperformance rate symmetrically to the company's underperformance payment rate. We set the rate at £0.182 million.	Change for the final determination. 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 at the normalised (per household) industry average on mains repair to provide a more balanced spread of incentives and risks across the company's performance commitments. This will ensure the company does not overly focus on mains repairs to the detriment of other performance commitments which will benefit its customers. For further details on our approach to sector wide interventions on ODI rates see the 'Delivering outcomes for customers policy appendix'.	We change the company's underperformance rates for final determination. We set the rate equal to - £0.149m/ number per 1,000km of mains.
Mains Repairs PR19NES_COM12	Caps, collars and deadbands	At draft determination we set collars levels to: 2020-21 = 197.0 2021-22 = 197.0 2022-23 = 197.0 2023-24 = 197.0	Change for the final determination. The company does not make a representation regarding the caps and collars for this performance commitment. We explain in the 'Delivering outcomes for customers policy appendix' how we set the levels for caps and collars. For mains repairs we set the collar at 1.4 times the 2020-21 performance commitment level for this company, in line with our standard policy.	We set collar levels to: 2020-21 = 198.6 2021-22 = 198.6 2022-23 = 198.6 2023-24 = 198.6 2024-25 = 198.6

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
		<p>2024-25 = 197.0</p> <p>Units = mains repairs per 1,000km of mains</p> <p>At draft determination we set cap levels to:</p> <p>2020-21 = 116.6 2021-22 = 114.3 2022-23 = 112.4 2023-24 = 109.9 2024-25 = 107.6</p> <p>Units = mains repairs per 1,000km of mains</p>	<p>The levels for the outperformance cap are based on estimates of the P90 performance, which has changed. We consider that the P90 estimates were pessimistic and therefore we adjusted these to the edge of the reasonable range. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p>	<p>Units: mains repairs per 1,000km of mains</p> <p>We set cap levels to:</p> <p>2020-21 = 127.1 2021-22 = 122.7 2022-23 = 118.7 2023-24 = 114.3 2024-25 = 110.0</p> <p>Units = mains repairs per 1,000km of mains</p>
<p>Voids</p> <p>PR19NES_BES08</p>	ODI rates	No intervention at draft determination.	<p>Change for the final determination.</p> <p>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.</p> <p>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.</p>	<p>We revise ODI rates to:</p> <p>Underperformance: -£2.665m per 1%.</p> <p>Outperformance: £2.665m per 1%.</p>
<p>Voids</p> <p>PR19NES_BES08</p>	Caps, collars and deadbands	We did not intervene at draft determination. There were no caps or collars for this performance commitment.	<p>Change for the final determination.</p> <p>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. We also explain how we set the level of caps and collars.</p> <p>We do not change the company P10 and P90 estimates of performance.</p>	<p>We set the underperformance collars to the following level:</p> <p>2020-21 = 4.94 2021-22 = 4.94 2022-23 = 4.94 2023-24 = 4.94 2024-25 = 4.94</p> <p>Units: The percentage of residential properties in the region verified as voids.</p> <p>We set the outperformance cap to the following level:</p> <p>2020-21 = 3.90 2021-22 = 3.85</p>

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
				2022-23 = 3.80 2023-24 = 3.75 2024-25 = 3.71 Units: The percentage of residential properties in the region verified as voids.
Internal sewer flooding PR19NES_COM08	ODI rates	<p>We intervened at draft determination to remove the downward adjustment the company had made to its ODI rates based on regional variation in house prices.</p> <p>This resulted in underperformance and outperformance payment rates of -£3.247 million and £2.523 million per incident per 10,000 connections, respectively.</p>	<p>Change for the final determination.</p> <p>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 on our approach to sector wide interventions on ODI rates see the 'Delivering outcomes for customers policy appendix'.</p>	We change the company's underperformance rates for final determination. We set the rate equal to -£2.523m/ incident per 10,000 connections.
Delivery of Drainage and Wastewater Management Plans (DWMPs) PR19NES_BES32	New performance commitment	N/A	<p>Change for the final determination.</p> <p>We allow a cost allowance in relation to the development of the company's Drainage Water Management Plans (DWMPs).</p> <p>To provide transparency of delivery and ensure that the company shares any learning from its investment in this area, we set a new performance commitment with reputational incentives.</p> <p>We design this performance commitment to incentivise companies to develop voluntary drainage and wastewater management plans in accordance with the Drainage and Wastewater Management Plan framework developed by Water UK, to support the government plans of making the drainage and wastewater management plans a statutory obligation for the wastewater and sewerage companies.</p>	<p>We set a new performance commitment with reputational incentives.</p> <p>The performance commitment will measure the cumulative percentage of catchments in which the company implements the Level 1 water company drainage and wastewater management plan, in accordance with the drainage and wastewater management plan framework guidelines.</p>
Pollution incidents PR19NES_COM09	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.	<p>Change for the final determination.</p> <p>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'.</p>	We change the company's enhanced outperformance and underperformance ODI rate to £0.874m/ incident per 10,000km of sewer and -£0.874m/ incident per 10,000km of sewer.
Pollution incidents PR19NES_COM09	Enhanced ODI thresholds	We intervened at draft determination to set the enhanced underperformance threshold for this performance commitment at the lower quartile of current company performance. We also intervened to set the	<p>Change for the final determination.</p> <p>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</p>	<p>We change the company's enhanced outperformance threshold on this performance commitment to the following:</p> <p>2020-21 = 11.83 2021-22 = 11.46</p>

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
		company's enhanced outperformance threshold in line with our methodology.	<p>calculations. We therefore update the enhanced outperformance thresholds for this performance commitment.</p> <p>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'.</p>	<p>2022-23 = 11.11 2023-24 = 10.82 2024-25 = 9.42</p> <p>Units: Incidents per 10,000km of sewer.</p> <p>We change the company's enhanced underperformance threshold on this performance commitment to the following:</p> <p>2020-21 = 41.60 2021-22 = 41.60 2022-23 = 41.60 2023-24 = 41.60 2024-25 = 41.60</p> <p>Units: Incidents per 10,000km of sewer</p>
<p>Pollution incidents</p> <p>PR19NES_COM09</p>	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.	<p>Change for the final determination.</p> <p>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: Delivery outcomes for customer's policy appendix'. We update the enhanced underperformance collars for this performance commitment. Further details can be found in the 'Delivering outcomes for customers policy appendix'.</p>	<p>We change the company's enhanced underperformance collar on this performance commitment to the following:</p> <p>2020-21 = 98.00 2021-22 = 98.00 2022-23 = 98.00 2023-24 = 98.00 2024-25 = 98.00</p> <p>Units: Incidents per 10,000km of sewer.</p>
<p>Pollution incidents</p> <p>PR19NES_COM09</p>	P90 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p> <p>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.</p>	<p>We estimate P90 performance levels as:</p> <p>2020-21 = 13.34 2021-22 = 12.34 2022-23 = 11.34 2023-24 = 10.34 2024-25 = 9.34</p> <p>Units: Number of pollution incidents per 10,000 km of the wastewater network reported to two decimal places.</p>
<p>Leakage</p> <p>PR19NES_COM05</p>	Performance commitment definition	No intervention at draft determination.	Change for the final determination.	We amend the wording of the performance commitment definition to the following:

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			<p>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.</p>	<p>'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.'</p>
<p>Leakage (NW) PR19NES_COM05</p>	<p>Enhanced ODI thresholds</p>	<p>We intervened at draft determination to set the enhanced underperformance threshold for this performance commitment at the lower quartile of current company performance. We also intervened to set the company's enhanced outperformance threshold in line with our methodology.</p>	<p>Change for the final determination.</p> <p>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.</p> <p>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'.</p>	<p>We change the company's enhanced outperformance threshold on this performance commitment to the following:</p> <p>2020-21 = 37.7% 2021-22 = 38.3% 2022-23 = 39.2% 2023-24 = 40.3% 2024-25 = 42.2%</p> <p>Units: Percentage reduction from 3 year average.</p> <p>We change the company's enhanced underperformance threshold on this performance commitment to the following:</p> <p>2020-21 = -20.2% 2021-22 = -20.2% 2022-23 = -20.2% 2023-24 = -20.2% 2024-25 = -20.2%</p> <p>Units: Percentage reduction from 3 year average.</p>

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
Leakage (NW) PR19NES_COM05	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 update the 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 = -38.0% 2021-22 = -38.0% 2022-23 = -38.0% 2023-24 = -38.0% 2024-25 = -38.0% Units: Percentage reduction from three year average baseline.
Leakage (ESW) PR19NES_COM06	Enhanced ODI thresholds	We intervened at draft determination to set the enhanced underperformance threshold for this performance commitment at the lower quartile of current company performance. We also intervened to set the company's enhanced outperformance threshold in line with our methodology.	Change for the final determination. 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 have updated 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'.	We change the company's enhanced outperformance threshold on this performance commitment to the following: 2020-21 = 18.2% 2021-22 = 19.3% 2022-23 = 20.9% 2023-24 = 22.7% 2024-25 = 24.9% Units: Percentage reduction from 3 year average. We change the company's enhanced underperformance threshold on this performance commitment to the following: 2020-21 = -56.6% 2021-22 = -56.6% 2022-23 = -56.6% 2023-24 = -56.6% 2024-25 = -56.6% Units: Percentage reduction from 3 year average.
Leakage (ESW) PR19NES_COM06	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.	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	We change the company's enhanced outperformance and underperformance ODI rate to £0.488m/ Mld and -£0.488m/ Mld respectively.

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			determination. Further details can be found in the 'Delivering outcomes for customers policy appendix'.	
Leakage (ESW) PR19NES_COM06	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 update the 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 = -77.3% 2021-22 = -77.3% 2022-23 = -77.3% 2023-24 = -77.3% 2024-25 = -77.3% Units: Percentage reduction from three year average baseline.
Leakage (NW region) PR19NES_COM05	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 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.	We estimate P90 performance levels as: 2020-21 = 9.7 2021-22 = 18.9 2022-23 = 28.1 2023-24 = 37.3 2024-25 = 46.5 Units: Percentage reduction from 2019-20 baseline
Leakage (ESW region) PR19NES_COM06	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 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.	We estimate P90 performance levels as: 2020-21 = 19.2 2021-22 = 23.9 2022-23 = 28.5 2023-24 = 33.1 2024-25 = 37.8 Units: Percentage reduction from 2019-20 baseline
Water Industry National Environment Programme PR19NES_BES31	ODI rates	We intervened at draft determination to set the underperformance rate for this performance commitment to -£0.00969 million.	Change for the final determination. We charge the company's ODI rate on this performance commitment to reflect its final cost allowances and cost sharing rates. We update the company's ODI rates	We change the company's underperformance rate to -£0.0178 per unit.

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			using our standard methodology in our 'Delivering outcomes for customers policy appendix'.	
Water supply interruptions PR19NES_COM04	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 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.	We estimate P90 performance levels as: 2020-21 = 00:04:38 2021-22 = 00:03:56 2022-23 = 00:03:13 2023-24 = 00:02:30 2024-25 = 00:01:48 Units: Hours:minutes:seconds (HH:MM:SS) per property per year
Priority services for customers in vulnerable circumstances PR19NES_COM16	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).	Change for the final determination. The company does not make a representation regarding the performance commitment level. However, we receive a number of representations from companies and other stakeholders. Based on the evidence set out in these representations, we revise the performance commitment levels for the actual contacts element of the performance commitment.	The following is a sector-wide change for the final determination. We revise the performance commitment levels for the actual contacts to: 2020-21 = 17.5 2021-22 = 35.0 2022-23 = 35.0 2023-24 = 35.0 2024-25 = 35.0 Unit: Percentage of priority services customers that the company has made actual contact with
Event Risk Index (ERI) PR19NES_BES13	Underperformance collar	We did not intervene at draft determination. There were no collars for this performance commitment.	Change for the final determination The company does not make a representation regarding the performance commitment level. On further review we consider that performance measure is uncertain and should have underperformance collars. We set collars at the estimate of P10 performance.	We set the underperformance collars to the following level: 2020-21 = 300.000 2021-22 = 260.000 2022-23 = 220.000 2023-24 = 180.000 2024-25 = 150.000 Units: Numerical ERI score

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
Delivery of water resilience enhanced programme PR19NES_BES24	P10 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p> <p>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.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 0.0 2021-22 = 0.0 2022-23 = 0.0 2023-24 = 0.0 2024-25 = 100.0</p> <p>Units: Percentage completion to one decimal place</p>
Delivery of lead enhancement programme PR19NES_BES25	P10 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p> <p>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 the performance commitment levels associated with this commitment have changed considerably since business plan submission, and therefore it would not be appropriate to use the company's business plan P10 performance levels as per our standard approach.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 12.1 2021-22 = 29.1 2022-23 = 45.1 2023-24 = 63.0 2024-25 = 80.0</p> <p>Units: Percentage of scheme completed to one decimal place</p>
Delivery of smart water metering enhancement programme PR19NES_BES26	P10 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p> <p>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 the performance commitment levels associated with this commitment have changed considerably since business plan submission, and therefore it would not be appropriate to use the company's business plan P10 performance levels as per our standard approach.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 14.4 2021-22 = 28.6 2022-23 = 42.7 2023-24 = 56.6 2024-25 = 70.4</p> <p>Units: Percentage to scheme completed to one decimal place</p>
Delivery wastewater resilience enhancement programme PR19NES_BES27	P10 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p> <p>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</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 0 2021-22 = 35 2022-23 = 70 2023-24 = 105 2024-25 = 141</p>

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			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.	Units: Number of sites to zero decimal places
Delivery of cyber resilience enhancement programme PR19NES_BES28	P10 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p> <p>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.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 0.0 2021-22 = 40.4 2022-23 = 40.4 2023-24 = 40.4 2024-25 = 100.0</p> <p>Units: Percentage completion to one decimal place</p>
Interruptions to supply between one and three hours PR19NES_BES14	P10 and P90 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p> <p>To estimate P90 performance levels in this case, we use the company's 2024-25 P90 performance levels that it proposed in its representations (table OC1, August 2019). We take this approach because the P10 and P90 performance levels provided within the company's business plan submission are not fully compatible with the final determination definition of this performance commitment.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = N/A 2021-22 = 110.0 2022-23 = 105.0 2023-24 = 100.0 2024-25 = 98.0</p> <p>We estimate P90 performance levels as:</p> <p>2020-21 = N/A 2021-22 = 72.0 2022-23 = 70.0 2023-24 = 68.0 2024-25 = 60.0</p> <p>Units: Percentage to one decimal place</p>
Greenhouse Gas Emissions PR19NES_BES21	P10 and P90 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p> <p>To estimate P90 performance levels in this case, we form our own estimates of P90 performance based on judgement. We take this approach because the performance commitment has undergone substantial definitional changes since draft determination, and company estimates of P10 and P90 performance could not therefore be applied in this case.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 3,990 2021-22 = 5,042 2022-23 = 6,094 2023-24 = 7,147 2024-25 = 8,199</p> <p>We estimate P90 performance levels as:</p>

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
				2020-21 = 4,876 2021-22 = 6,162 2022-23 = 7,448 2023-24 = 8,735 2024-25 = 10,021 Units: Tonnes CO2e reported to zero decimal places
Sewer flooding risk reduction PR19NES_BES10	P10 performance levels	N/A	<p>To estimate P10 performance levels we should take the company's representations view of P10 performance, because the company's business plan submission does not provide a complete set of P10 performance levels for this performance commitment.</p> <p>In completing final checks we note the estimates we used in our ODI return on regulated equity calculations incorporate an incorrect set of P10 performance levels. We do not consider that this would have led to any change to our decisions, and we note that the difference between this view of P10 performance and the company's view is small.</p>	<p>Following our policy we should have estimated P10 performance levels as:</p> 2020-21 = N/A 2021-22 = N/A 2022-23 = N/A 2023-24 = N/A 2024-25 = 6,882 However, the P10 estimates of performance we use to calculate our estimate of P90 ODI return on regulated equity and for illustration in the company summary document are: 2020-21 = N/A 2021-22 = N/A 2022-23 = N/A 2023-24 = N/A 2024-25 = 6,971 Units: Cumulative number of properties to zero decimal places We do not consider that this would have led to any change to our decisions.
Delivery of Howdon STW enhancement PR19NES_BES29	P10 performance levels	N/A	<p>Change for the final determination.</p> <p>Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p> <p>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</p>	We estimate P10 performance levels as: 2020-21 = 0 2021-22 = 0 2022-23 = 0 2023-24 = 0 2024-25 = 0

Performance Commitment	Type	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			<p>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.</p>	<p>Units: Months to zero decimal places</p>

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

Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

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

December 2019

© Crown copyright 2019

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3.

Where we have identified any third party copyright information, you will need to obtain permission from the copyright holders concerned.

This document is also available from our website at www.ofwat.gov.uk.

Any enquiries regarding this publication should be sent to us at mailbox@ofwat.gov.uk.

