

December 2019

# PR19 final determinations

**Yorkshire Water – Delivering outcomes for customers final decisions**

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## PR19 final determinations: Yorkshire 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 ‘PR19YKY’ denotes Yorkshire Water.

For all other documents related to the Yorkshire 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: Yorkshire Water - Representations in response to the draft determination**

Performance commitment	Area	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
All performance commitments	ODI rates and performance commitment levels	N/A	The company repeats its previous methodological concerns raised during the 'consultation and assessment' process, referring to consultant reports. The company argues there is a lack of coherence in the regulatory framework between the assessment of efficient costs and the performance commitment levels and incentives for delivery. It also argues that the cumulative impact of the individual interventions has not been adequately considered, resulting in a disproportionate skew to downside risk.	<p>No change for the final determination.</p> <p>In line with our PR19 methodology, we consider and take account of the quality of customer evidence as well as other relevant factors such as comparative assessment in setting our final determination levels and outcome delivery incentives. We assess all performance commitment levels alongside our tests for cost assessment to set appropriate performance commitment levels for companies. We set out our approach to assessing performance commitment levels in the ‘Delivering outcomes for customers policy appendix’.</p> <p>We set out in the ‘Delivering outcomes for customers policy appendix’ how we conduct an overall assessment of each performance commitment package, considering both performance commitment levels and ODI rates. Where we identify a need to provide a more balanced spread of risks and</p>	N/A

Performance commitment	Area	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
				incentives for particular performance commitments we make a change to our draft determination to address the issue.	
Water Quality Compliance (Compliance Risk Index) PR19YKY_20	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>The company proposes to retain its CRI deadband profile from its September 2018 business plan (a reducing profile from 3.4 in year 1 to 2.5 in year 5). It states that in its April 2019 revised business plan, it removed enhancement expenditure following the metaldehyde ban in December 2018, but retained the same profile as the impact wasn't expected instantaneously.</p> <p>It considers that the measure is too immature to set deadbands and that the lifting of metaldehyde ban makes it even harder to predict a baseline, as there will be unpredictable changes in the use of metaldehyde over the course of 2018-19 and 2019-20 (such as stocks being 'run down' and larger quantities entering the system ahead of summer 2019).</p> <p>The company considers it is difficult to see how a comparative performance commitment level can be derived on an evidential basis, or how the limited shadow reporting data can confidently be used to assess the measure volatility or forecast future performance.</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>We analyse the company data from 2016, 2017 and 2018 and note that the median for all companies for these years respectively is 2.83, 2.31 and 2.09. This suggests that a deadband of 2.0 is appropriate and the data suggests an improving trend. A deadband set at the levels we are proposing allows for some fluctuation in performance, whilst providing a strong incentive to minimise compliance failures.</p> <p>We consider that the company does not provide sufficient evidence to demonstrate why its chosen deadband levels are appropriate and the revised deadband level of 2.00 in each year provides sufficient allowance for any uncertainties related to the metaldehyde ban. We also note that the company's current performance (2018-19) is 1.90, which is better than the deadband level.</p>	<p>The following is a sector wide change to the draft 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>
Leakage PR19YKY_22	Performance commitment level	<p>The intervention we made at draft determination was to reduce the percentage reduction over the period from its proposed 25% to 20%, which we consider stretching, based on comparative assessment with the sector.</p>	<p>The company proposes an amendment to its performance commitment target to a 15% reduction over the period, as the company does not consider it feasible to continue to offer performance improvements in leakage beyond the industry standard (15%) when enhancement expenditure for service improvements has been removed by us at draft determination.</p> <p>The company acknowledges the 15% reduction in leakage is far from its original ambitions, set out in its September 2018 business plan. The company</p>	<p>Change for the final determination.</p> <p>The company is a comparatively poor performer on leakage.</p> <p>The company's draft determination performance commitment level of a 20% reduction on a 3 year average basis in 2024-25 is likely to deliver higher leakage reduction than a 15% reduction from the 2019-20 PR14 performance commitment level. The company is not receiving any cost assessment funding in relation to this performance commitment.</p>	<p>We set the performance commitment levels to the following values:</p> <p>2020-21= 3.4% 2021-22= 7.4% 2022-23= 9.4% 2023-24= 11.7% 2024-25= 15.0%</p>

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			<p>states it developed a 7-year leakage plan, starting in 2018, on the basis that the costs for such a large improvement plan would be fairly assessed in the price review but decisions surrounding leakage performance and cost allowances have been made as a matter of policy rather than through analytical or evidence-based assessments and, therefore, that plan is no longer achievable.</p> <p>The company also states that given the targets that have been set in relation to mains repairs, and the interactions between mains repairs and leakage improvements, maintaining a 20% leakage target is not achievable within these parameters.</p>	<p>On leakage, we set the 2024-25 level to the company's August representation proposal of a 15% leakage reduction on a three year average basis, since we consider this is stretching and consistent with the wider sector challenge to reduce leakage with base cost allowance. The company expects to deliver at least a 15% improvement on PR14 levels. The company can earn outcome delivery incentives if it improves performance beyond these stretching levels to fund further service improvement including Water Resource Management Plan levels where these go beyond the performance commitment level.</p> <p>We address the interaction between mains repairs and leakage as part of the mains repairs performance commitment. Please refer to the 'Delivering outcomes for customers policy appendix' for more detail on this.</p> <p>We consider that the company's proposal of a 15% reduction is in line with our overall policy as outlined in the 'Delivering outcomes for customers policy appendix' and therefore we change the performance commitment levels to a 15% reduction in 2024-25.</p>	<p>Unit = Percentage reduction from 2019-20 baseline using 3 year average (%)</p>
<p>Mains Repairs PR19YKY_24</p>	<p>Performance commitment levels</p>	<p>The intervention we made at draft determination was to set the performance commitment levels to the following values:</p> <p>2020-21 = 164.1 2021-22 = 164.1 2022-23 = 164.1 2023-24 = 164.1 2024-25 = 164.1</p> <p>Units: Number of repairs per 1000km of mains</p>	<p>In its August representation, the company accepts the levels we set at draft determination. However, in a later representation the company changes this to a new profile with the following values:</p> <p>2020-21 = 236.1 2021-22 = 227.5 2022-23 = 218.9 2023-24 = 210.3 2024-25 = 201.7</p> <p>Units: Number of repairs per 1000km of mains</p> <p>In this later representation the company makes several points.</p> <p>The newly published UK Water Industry Research (UKWIR) report<sup>1</sup> shows that the overall number of</p>	<p>Change for the final determination.</p> <p>Based on the data and evidence provided by several companies, our conclusion is that there is a link between increasing pro-active mains repairs and reducing leakage. However, the data is too inconsistent and inconclusive on reducing reactive repairs to enable quantification of the future impact on leakage levels by conducting additional mains repairs. 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.</p> <p>We also amend the base levels of mains repairs (before the leakage allowance is added) to an average of the best five years performance, we now consider the use of best five historical years to set the forward looking base level provides a more</p>	<p>We set the performance commitment levels to the following values:</p> <p>2020-21 = 186.1 2021-22 = 183.6 2022-23 = 181.0 2023-24 = 178.4 2024-25 = 175.8</p> <p>Units: Number of repairs per 1000km of mains</p>

<sup>1</sup> THE IMPACT OF REDUCTIONS IN LEAKAGE LEVELS ON REPORTED AND DETECTED LEAK REPAIR FREQUENCIES - Report Ref. No. 19/WM/08/68 published October 2019

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			<p>mains repairs is likely to increase if proactive mains repairs are increased to reduce leakage.</p> <p>Historically it has conducted active leakage control as the most efficient and effective way of reducing leakage, but it states that it will need to do more customer side repairs which are not as beneficial as repairs on the mains network. It also states companies with higher meter penetration can find those leaks more easily.</p> <p>It states that the 3 years used to set the performance commitment level are based on years where the level of mains repairs conducted by the company was not enough to arrest the natural rate of rise of leakage (and therefore leakage increased). It also states that some of those years are associated with benign weather and are not representative.</p> <p>The company states that the draft determination level would require it to improve its performance by 100 repairs per 1000km, which would be equivalent to the replacement of approximately one third of its water network (12,550 km) at a cost in excess of £1bn.</p> <p>It also provides additional analysis to show that if 2018-19 had not been atypical weather years, then its leakage performance would have been around 20M/d better due to its significant increase in proactive mains repairs.</p>	<p>representative performance level (than three years) and incentivises companies to maintain good performance to improve the overall health of the assets over the longer-term.</p> <p>Please refer to the 'Delivering outcomes for customers policy appendix' for more detail on this sector wide change and the company summary document annex for additional detail on our assessment of the company evidence.</p>	
Mains Repairs PR19YKY_24	Caps, collars and deadbands.	No intervention at draft determination.	The company proposes to add collars to its asset health performance commitments as a consequence of the draft determination changes to its asset health performance commitment levels. It considers there is a disconnect between costs and outcomes, and to mitigate the additional risk that the company considers it is accepting, it is proposing to add underperformance collars to restrict the totality of the risk exposure for the company. Without these protections, it states that it cannot commit to achieving these targets. The company states the	<p>No change for the final determination.</p> <p>As we explain in the 'Delivering outcomes for customers policy appendix' we consider that caps and collars should be applied to performance commitments which are financially material, where there is considerable uncertainty around the data or if the company has customer support for a collar.</p> <p>We do not set a collar on this common performance commitment for the following reasons:</p>	N/A

Performance commitment	Area	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>draft determination interventions substantially alter the balance of risk and reward across the package of outcomes.</p> <p>It considers that our approach in the draft determination to setting collars to limit exposure to underperformance for enhanced ODIs should also be used for its other asset health performance commitments. The company has proposed collars set at the level of 1% of return on regulatory equity for the relevant price controls in the year. It considers that this provides a fair balance of protection for customers for severe underperformance, while providing it with some limitation to disproportionate underperformance payments which may create financeability issues.</p>	<ul style="list-style-type: none"> <li>It is not financially material. Taking account of evidence provided in representations we have set a higher performance commitment and reduced the ODI rate which significantly reduces the downside risk since draft determination.</li> <li>The company does not provide sufficient evidence that it allowed customers to make an informed choice about the collar that it is proposing.</li> <li>We consider that for this performance commitment there is not considerable uncertainty.</li> <li>Across the sector, less than 70% of the mains repairs performance commitments had standard underperformance collars at draft determination.</li> </ul>	
Unplanned Outage PR19YKY_23	Performance commitment levels	<p>The intervention we made at draft determination was to set the performance commitment levels to the following values:</p> <p>2020-21 = 5.12% 2021-22 = 4.42% 2022-23 = 3.73% 2023-24 = 3.03% 2024-25 = 2.34%</p> <p>Units: Percentage of peak week production capacity (%)</p>	<p>The company accepts our draft determination levels, but states that this measure is new and not all companies have corporate systems in place to capture the required information for this performance commitment. It states that the measure does not take into account company specific circumstances to record the risk accurately; for example it considers that it has an integrated network system where it can transfer water from one area of supply to another without impacting customer service. As such the company considers it is being penalised despite having this robust outage mitigation mechanism.</p>	<p>No change for the final determination.</p> <p>We recognise there is limited historical data available, but consider that the industry has made significant progress towards full compliance with the common definition. We expect all companies to be fully compliant with measuring and reporting this measure by March 2020 and companies have told us that they will be compliant.</p> <p>We recognise that the company has the ability to manage its network in an integrated way, however, we consider this metric primarily to be an asset health indicator which helps to identify how companies perform in maintaining non-infrastructure assets, rather than a customer service measure. This is because it is measured proportionately to both the frequency of asset failure as well as the criticality and scale of the assets that are causing an outage.</p>	N/A
Unplanned Outage PR19YKY_23	Caps, collars and deadbands.	No intervention at draft determination.	<p>The company proposes to add collars to its asset health performance commitments as a consequence of the draft determination changes to its asset health performance commitment levels. It considers there is a disconnect between costs and outcomes, and to mitigate the additional risk that the company considers it is accepting, it proposes to add underperformance collars to restrict the totality of the risk exposure for the company. Without these protections, it states that it cannot commit to</p>	<p>Change for final determination.</p> <p>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.</p>	<p>We set the underperformance collar to the following level:</p> <p>2020-21 = 10.23 2021-22 = 10.23 2022-23 = 10.23 2023-24 = 10.23 2024-25 = 10.23</p>

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			<p>achieving these targets. The company states the draft determination interventions substantially alter the balance of risk and reward across the package of outcomes.</p> <p>The company states that the unplanned outage measure is new and has previously not been reported or standardised in the industry, and it is one of several companies who did not have corporate systems in place to capture the required information until recently, when the performance commitment was finalised in 2018.</p> <p>It considers that our approach in the draft determination to setting collars to limit exposure to underperformance for enhanced ODIs should also be used for its other asset health performance commitments. The company proposes collars set at the level of 1% of return on regulatory equity for the relevant price controls in the year. It considers that this provides a fair balance of protection for customers for severe underperformance, while providing it with some limitation to disproportionate underperformance payments which may create financeability issues.</p>		<p>Units: Percentage (%) of peak week production capacity</p>
<p>Risk of severe restrictions in a drought</p> <p>PR19YKY_38</p>	<p>Performance commitment levels</p>	<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</p>	<p>The company confirms that the performance commitment levels align with its Water Resources Management Plan and states that Table 10 in its Water Resources Management Plan tables shows that even in the event of a drought with a return period of greater than 1 in 400 years, the company would implement long term drought options, but not severe restrictions (which it estimates would be required 1 in 500 years). The company indicates that since it has no risk of severe restrictions (rotas or standpipes) for events with a return period of 1 in 200 years, the population at risk of restrictions in this event is zero.</p>	<p>No change for the final determination.</p> <p>We consider that the evidence the company provides is sufficient to demonstrate consistency with the company's Water Resources Management Plan and we consider zero risk to be appropriate.</p> <p>We retain our draft determination decision, as this is supported by the additional evidence provided.</p>	<p>N/A</p>

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		<p>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>Risk of sewer flooding in a storm</p> <p>PR19YKY_34</p>	Performance commitment levels	<p>At draft determination we intervened to set the company's performance commitment levels at 22.20 for every year of the 2020-25 period.</p> <p>We also intervened to set out that the company should confirm that it is:</p> <ul style="list-style-type: none"> <li>(i) using the updated parameters in the catchment vulnerability assessment (and setting out any additional criteria that it intends to use);</li> <li>(ii) reporting the extent to which it uses 2D or simpler modelling; and</li> <li>(iii) adopting FEH13 rainfall as standard, and if not, when it expects to do so.</li> </ul>	<p>The company provides additional clarification and information:</p> <ul style="list-style-type: none"> <li>(i) It confirms it is using our vulnerability criteria;</li> <li>(ii) The company will incorporate FEH13 over the 2020-25 period and apply to all its catchments;</li> <li>(iii) It is using the simpler 1D approach as its default for the metric but will move towards 2D methodology over 2020-25 period.</li> </ul>	<p>No change for the final determination.</p> <p>The company provides evidence to show it has high model coverage and a flat risk profile over the period. We consider that the high model coverage implies a good understanding of the risks and that our intervention at draft determination to set a flat profile remains 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>Treatment works compliance</p> <p>PR19YKY_32</p>	Caps, collars and deadbands	No intervention at draft determination.	<p>The company proposes to add collars to its asset health performance commitments as a consequence of the draft determination changes to its asset health performance commitment levels. It considers there is a disconnect between costs and outcomes, and to mitigate the additional risk that the company considers it is accepting, it is proposing to add underperformance collars to restrict the totality of the risk exposure for the company. Without these protections, it states that it cannot commit to achieving these targets. The company states the draft determination interventions substantially alter</p>	<p>No change for the final determination.</p> <p>As we explain in the 'Delivering outcomes for customers policy appendix' we consider that caps and collars should be applied to performance commitments which are financially material, where there is considerable uncertainty around the data or if the company has customer support for a collar.</p> <p>We do not set a collar on this common performance commitment for the following reasons:</p> <ul style="list-style-type: none"> <li>• It is not financially material.</li> </ul>	N/A



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			<p>the balance of risk and reward across the package of outcomes.</p> <p>It considers that our approach in the draft determination to setting collars to limit exposure to underperformance for enhanced ODIs should also be used for its other asset health performance commitments. The company proposes collars set at the level of 1% of return on regulatory equity for the relevant price controls in the year. It considers that this provides a fair balance of protection for customers for severe underperformance, while providing it with some limitation to disproportionate underperformance payments which may create financeability issues.</p>	<ul style="list-style-type: none"> <li>The company does not provide sufficient evidence that it allowed customers to make an informed choice about the collar that it is proposing.</li> <li>We consider that for this performance commitment there is not considerable uncertainty.</li> <li>Across the sector, less than 70% of the treatment works compliance performance commitments had standard underperformance collars at draft determination.</li> </ul>	
<p>Internal Sewer Flooding</p> <p>PR19YKY_31</p>	<p>Performance commitment levels</p>	<p>The intervention we made at draft determination was to set performance commitment levels that were consistent with the rest of the industry for internal sewer flooding. These were as follows:</p> <p>2020-21 = 1.68                  2021-22 = 1.63                  2022-23 = 1.58                  2023-24 = 1.44                  2024-25 = 1.34</p> <p>Units: internal sewer flooding incidents per 10,000 properties.</p>	<p>The company accepts the draft determination levels in its August representations. However, in a later representation the company changes this to a new profile with the following values:</p> <p>2020-21 = 3.43                  2021-22 = 3.17                  2022-23 = 2.92                  2023-24 = 2.66                  2024-25 = 2.41</p> <p>Units: internal sewer flooding incidents per 10,000 properties.</p> <p>The company states it is committed to improvement but considers that the gap between 2015-20 and 2020-25 cannot be resolved in the timescale available. It provides a new performance commitment level profile and states that adjusting the glidepath provides a robust challenge but also provides realistic delivery timescales.</p> <p>It states that it has an atypically high proportion of cellars in its area (4.6 times the national average), which means that the company has around 200,000 properties of this type at risk of internal sewer flooding. The company states that the most efficient method of reducing this risk is to install individual control devices to these properties. Whilst the</p>	<p>No change for the final determination.</p> <p>The company is currently outperforming its 2015-20 performance commitment levels and is on course to earn an outperformance payment, but it is by far the worst performer on internal sewer flooding on a comparative basis (based on the common 2020-25 definition of the measure). It has the second lowest improvement of just 15% over a period from 2014-15 to 2018-19 (the maximum improvement over the same period was South West Water improving by 51%). We have seen from other companies that performance in sewer flooding can be improved dramatically over a short period of time with targeted operational improvement programmes. We consider that the company needs to do more to bring it in line with the rest of the sector, as its customers suffer repeat flooding far more than customers of other companies.</p> <p>The company has an action plan in place to install mitigation measures, which should improve performance by 2020-21. We do not consider that having more cellars than other companies is sufficient evidence to allow worse performance, as other companies have factors specific to them that impacts their performance, such as higher property density. To protect companies from disproportionate exposure in the case of very poor performance, we have set collars for all companies for internal sewer flooding. The setting of both caps and collars is explained in our 'Delivering outcomes for customers policy appendix'.</p>	<p>N/A</p>

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			<p>company is confident that it can achieve its performance commitment level in time, it has learned that gaining access to cellars to carry out this work can take a lot longer than it originally predicted.</p> <p>The company considers that this new learning is a product of it proactively contacting customers regarding this issue, whilst its prior approach had been based on customers approaching the company to carry out the work. In the case of proactive contact, the company has seen a take up rate of around 10% and it is actively trying different methods of increasing this percentage.</p>	<p>Please see the ‘Yorkshire Water - Delivering outcomes for customers additional information appendix’ for additional detail on our assessment of the company evidence.</p>	
Internal Sewer Flooding PR19YKY_31	Enhanced ODI	We intervened at draft determination to set enhanced thresholds and an enhanced underperformance collar on this performance commitment.	In the company’s additional representations in November 2019, it requests ‘that the enhanced incentive rate be removed for this measure’ due to its ‘improved understanding’ of the achievability and deliverability of the performance commitment level.	<p>Change for final determination.</p> <p>It is at the discretion of a company to put forward an enhanced ODI. Therefore we are removing the enhanced ODI from this performance commitment.</p>	We remove the enhanced ODI from this performance commitment.
Sewer Collapses PR19YKY_33	Performance commitment level	<p>The intervention we made at draft determination was to set a more stretching performance commitment level.</p> <p>We set the performance commitment levels to the following values:</p> <p>2020-21 = 17.93 2021-22 = 16.87 2022-23 = 15.80 2023-24 = 14.37 2024-25 = 13.67</p> <p>Units: Number of sewer collapses per 1,000km of sewer</p>	The company accepts the draft determination levels, but states that the performance commitment level is very challenging and has never been achieved before.	<p>Change for the final determination.</p> <p>We re-assess our level of stretch based on both Yorkshire Water’s and other companies’ representations on achievability. At draft determination we used the maximum percentage improvement from company business plans, which was 28%. After taking into account further evidence, we now consider that using the upper quartile percentage improvement (which is 19%) is a more suitable level for an outlier company in a comparatively poor position to improve further. We consider that significant improvements can be made through the adoption of best practice operational methods, to better pro-actively identify and repair collapses before they are reported, and that large scale capital investments may not be required.</p> <p>Please see our ‘Delivering outcomes for customers policy appendix’ for further information on our methodology.</p> <p>The company’s 2018-19 shadow reporting level is slightly better than expected, making it slightly easier to achieve the 2020-21 starting level than previously expected.</p> <p>We change our draft determination decision to set less stretching performance commitment levels.</p>	<p>We set the performance commitment levels to the following values:</p> <p>2020-21 = 18.26 2021-22 = 17.55 2022-23 = 16.83 2023-24 = 16.11 2024-25 = 15.39</p> <p>Units: Number of sewer collapses per 1,000km of sewer</p>

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<p>Sewer Collapses</p> <p>PR19YKY_33</p>	<p>ODI rates</p>	<p>We intervened at draft determination to set an underperformance rate of -£0.685m per collapse per 1,000km of sewer network, the average of the reasonable range.</p>	<p>The company states there is no evidence that the incentives for this performance commitment have been calibrated with the totex allowances or relative performance levels.</p> <p>The company states that as the marginal cost information provided by companies in September did not take account of the efficiency challenges in the totex allowances, it follows that the industry average marginal costs we use to determine the 'reasonable range' will overstate the cost (and therefore benefit) for customers. The company does not propose any changes to its ODI underperformance rate but proposes to apply collars.</p>	<p>Change for the final determination.</p> <p>The company's proposed April 2019 business plan underperformance rate was below the reasonable range and the company is a comparatively poor performer on this measure.</p> <p>We use reasonable ranges to assess ODI rates to mitigate the risk of methodological differences leading to rates that depart significantly from underlying customer preferences. We use reasonable ranges on the basis that a range based on the sector average will reduce the impact of the unexplained variance. We do not use reasonable ranges mechanistically. The company has poor performance on this measure and therefore it is a concern that the company's proposed rate is below the reasonable range.</p> <p>The company states that the marginal cost information used by companies in September did not take account of the efficiency challenges and therefore the reasonable range has overstated the costs for customers. Companies have proposed a variety of differing methods to calculate ODI rates on this performance commitment including methods that have not utilised marginal cost estimates. The company does not propose new rates based on an updated view of marginal cost, and the variety of methods used by companies means it is not always feasible or desirable to make specific adjustments to companies' ODI rates on this performance commitment.</p> <p>We receive representations from several companies stating that the median and interquartile range is a more appropriate basis on which to construct the ODI reasonable range. We consider this for all performance commitments where we use the reasonable range as part of our testing of the appropriateness of the proposed ODI rates. We recognise the wide variation in underperformance ODI rates for sewer collapses and are therefore changing the industry average to the median. Where we have intervened at draft determination to set a company's ODI rate using the reasonable range we change our draft determination so that the rates align with our updated view of the reasonable range, defined by the median and interquartile range.</p>	<p>We change the company's underperformance payment rate to -£0.221m per collapse per 1,000km of sewer.</p>

Performance commitment	Area	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
				For further details on our assessment of how we construct the reasonable range see our 'Delivering outcomes for customers policy appendix'.	
Sewer Collapses PR19YKY_33	Caps, collars and deadbands.	No intervention at draft determination.	<p>The company proposes to add collars to its asset health performance commitments as a consequence of the draft determination changes to its asset health performance commitment levels. It considers there is a disconnect between costs and outcomes, and to mitigate the additional risk that the company considers it is accepting, it proposes to add underperformance collars to restrict the totality of the risk exposure for the company. Without these protections, it states that it cannot commit to achieving these targets. The company states the draft determination interventions substantially alter the balance of risk and reward across the package of outcomes.</p> <p>It considers that our approach in the draft determination to setting collars to limit exposure to underperformance for enhanced ODIs should also be used for its other asset health performance commitments. The company proposes collars set at the level of 1% of return on regulatory equity for the relevant price controls in the year. It considers that this provides a fair balance of protection for customers for severe underperformance, while providing it with some limitation to disproportionate underperformance payments which may create financeability issues.</p>	<p>No change for the final determination.</p> <p>As we explain in the 'Delivering outcomes for customers policy appendix' we consider that caps and collars should be applied to performance commitments which are financially material, where there is considerable uncertainty around the data or if the company has customer support for a collar.</p> <p>We do not set a collar on this common performance commitment for the following reasons:</p> <ul style="list-style-type: none"> <li>• It is not financially material.</li> <li>• The company does not provide sufficient evidence that it allowed customers to make an informed choice about the collar that it is proposing.</li> <li>• We consider that for this performance commitment there is not considerable uncertainty.</li> <li>• Across the sector, less than 70% of the sewer collapses performance commitments had standard underperformance collars at draft determination.</li> </ul>	N/A
Working with others PR19YKY_1	Performance commitment level	<p>The intervention we made at draft determinations was to set annual milestones for this performance commitment:</p> <p>2020-21 = 9 2021-22 = 18 2022-23 = 27 2023-24 = 36 2024-25 = 45</p> <p>Units: The number of projects delivered in partnership with</p>	<p>The company proposes an alternative profile to the linear annual delivery profile we set at draft determination. It states that many of its partnership schemes are multi-year projects and it can only finalise the projects once they have completed and are delivering benefits to customers and the environment. The company also points out that these types of projects tend to run for more than a single year. The company states that there will inevitably be a cumulative increase in the number of projects delivered towards the end of the period.</p>	<p>Change for the final determination.</p> <p>We consider that multi-year projects will form a key component of this performance commitment given its nature and the company may struggle to deliver nine standalone projects to full completion (in terms of delivering full benefits) in year one.</p> <p>The company provides sufficient and convincing evidence with identifiable milestones and no compromise on the overall levels of stretch proposed.</p>	<p>We revise the performance commitment levels to the following values:</p> <p>2020-21 = 3 2021-22 = 9 2022-23 = 18 2023-24 = 30 2024-25 = 45</p> <p>Units: The number of projects delivered in partnership with</p>

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		<p>independent agencies, organisations or individuals</p>	<p>The company proposes a preferred annual profile for this measure which takes our linear profile from draft determination and updates it to take account of the factors above:</p> <p>2020-21 = 3 2021-22 = 9 2022-23 = 18 2023-24 = 30 2024-25 = 45</p> <p>Units: The number of projects delivered in partnership with independent agencies, organisations or individuals.</p>		<p>independent agencies, organisations or individuals</p>
<p>Integrated Catchment Management  PR19YKY_3</p>	<p>Performance commitment level</p>	<p>The intervention we made at draft determinations was to set annual milestones for this performance commitment:</p> <p>2020-21 = 1.51 2021-22 = 3.1 2022-23 = 4.6 2023-24 = 6.2 2024-25 = 7.7</p> <p>Units: Percentage (%) of catchments in which Yorkshire Water operates, where they implement the Natural Capital Operator approach in practice</p> <p>Our definition stipulates that in order to be marked as 'complete' each catchment must have: a multi-stakeholder catchment plan, a list of actions, an engagement strategy, a communications plan, an interactive Geographical Information Systems (GIS) map and a final report on the outcomes delivered for customers. We also stipulate in the definition that implementation can only be claimed once sign off</p>	<p>The company proposes an alternative profile to the linear annual delivery profile we set at draft determination. It commits to implement an integrated catchment approach in three catchments by the end of the period.</p> <p>The company states that the first of these catchments can only fully complete by 2022. The company states that this delivery profile is appropriate because it will need to carry out some trials and other enabling works on one catchment in the first two years of the 2020-25 period, prior to implementing the remaining catchment management schemes later in the period.</p> <p>The company proposes its preferred annual profile for this measure which takes its considerations into account:</p> <p>2020-21 = 0 2021-22 = 0 2022-23 = 2.6 2023-24 = 2.6 2024-25 = 7.7</p> <p>Units: Percentage (%) of catchments in which Yorkshire Water operates, where they implement the Natural Capital Operator approach in practice</p>	<p>Change for the final determination.</p> <p>We consider that as this is a new approach for the company, the delivery profile the company proposes reflects any uncertainty and learning.</p> <p>The profile the company proposes protects customers from any unintended or perverse delivery incentives. For example, our draft determination profile may incentivise the company inappropriately on early delivery or the potential installation/delivery of inappropriate solutions.</p> <p>The performance commitment is non-financial, reflecting the novel nature of the performance commitment so customers are not at risk from adverse impacts on bills.</p> <p>The company provides sufficient and convincing evidence with easily identifiable milestones and no compromise on the overall levels of stretch proposed.</p>	<p>We revise the performance commitment levels to the following values:</p> <p>2020-21 = 0 2021-22 = 0 2022-23 = 2.6 2023-24 = 2.6 2024-25 = 7.7</p> <p>Units: Percentage (%) of catchments in which Yorkshire Water operates, where they implement the Natural Capital Operator approach in practice</p>

Performance commitment	Area	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
		by the Yorkshire Forum for Water Customers' Environment sub group is received.			
<p>Biosecurity implementation</p> <p>PR19YKY_5</p>	Performance commitment level	<p>The intervention we made at draft determinations was to set annual milestones for this performance commitment:</p> <p>2020-21 = 2 2021-22 = 4 2022-23 = 7 2023-24 = 9 2024-25 = 12</p> <p>Units: The number of pathways of invasive species spread, where biosecurity interventions have reduced the risk of that spread</p>	<p>The company proposes an alternative profile to the linear annual delivery profile we set at draft determination. It states that the performance commitment is underpinned by several Water Industry National Environment Programme measures relating to invasive non-native species, due for delivery by March 2025.</p> <p>The company states that for each biosecurity plan it is not feasible to undertake consultations and then carry out implementation, as well as post implementation audits for external review, within a single financial year.</p> <p>The company proposes an annual profile for this measure which takes its arguments into account:</p> <p>2020-21 = 0 2021-22 = 3 2022-23 = 6 2023-24 = 9 2024-25 = 12</p> <p>Units: The number of pathways of invasive species spread, where biosecurity interventions have reduced the risk of that spread</p>	<p>Change for the final determination.</p> <p>The company is correct that several of its requirements for invasive non-native species are not due to deliver until 2025.</p> <p>The pathway management plans require up-front consultation, development, delivery of any relevant infrastructure and post project audits before they can be confirmed as 'complete' and count towards the measurement of this performance commitment.</p> <p>The enabling works and success criteria in the definition protect customers and ensure a robust approach to the measurement and reporting of this performance commitment, but carry an inevitable time cost in the early part of the period. The linear profile will therefore carry a risk that the plans outlined for delivery in year one are not achievable.</p> <p>A more phased delivery profile, as proposed by the company, protects customers from any unintended or perverse delivery incentives. For example, the draft determination profile may incentivise the company inappropriately on early delivery or the potential installation/delivery of inappropriate solutions.</p> <p>The performance commitment is non-financial, reflecting the novel nature of the performance commitment so customers are not at risk from adverse impacts on bills.</p> <p>The company provides sufficient and convincing evidence with easily identifiable milestones and no compromise on the overall levels of stretch proposed.</p>	<p>We revise the performance commitment levels to the following values:</p> <p>2020-21 = 0 2021-22 = 3 2022-23 = 6 2023-24 = 9 2024-25 = 12</p> <p>Units: The number of pathways of invasive species spread, where biosecurity interventions have reduced the risk of that spread</p>
<p>Creating Value from Waste</p> <p>PR19YKY_8</p>	Performance commitment level	<p>The intervention we made at draft determination was to set annual milestones for this performance commitment:</p> <p>2020-21 = 13 2021-22 = 26 2022-23 = 39</p>	<p>The company proposes an alternative profile to the linear annual delivery profile we set at draft determination. It states that inherent to the nature of any innovation related project, is the time needed upfront to research, develop and implement new approaches.</p>	<p>Change for the final determination.</p> <p>This new performance commitment will require potential research and development activities so there will be a lag between the commencement of the period and benefits realisation. Some of the options for value creation will also require partnership working to implement and deliver.</p>	<p>We revise the performance commitment levels to the following values:</p> <p>2020-21 = 0 2021-22 = 5 2022-23 = 10 2023-24 = 20</p>

Performance commitment	Area	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>2023-24 = 52 2024-25 = 65</p> <p>Units: The additional environment, social and financial benefit (£m) created</p>	<p>The company also states that the process to measure and report this new performance commitment is currently being trialled to ensure robust reporting in the next period.</p> <p>The company proposes an annual delivery profile for this measure which takes our linear profile from draft determination and updates it to take account of the factors above:</p> <p>2020-21 = 0 2021-22 = 5 2022-23 = 10 2023-24 = 20 2024-25 = 65</p> <p>Units: The additional environment, social and financial benefit (£m) created</p>	<p>A more phased delivery profile, as proposed by the company, protects customers from any unintended or perverse delivery incentives, for example, the draft determination profile may focus the company inappropriately on early delivery or the potential installation/delivery of inappropriate solutions.</p> <p>The performance commitment is non-financial reflecting the novel nature of the performance commitment so customers are not at risk from adverse impacts on bills.</p> <p>The company provides sufficient and convincing evidence with easily identifiable milestones and no compromise on the overall levels of stretch proposed.</p>	<p>2024-25 = 65</p> <p>Units: The additional environment, social and financial benefit (£m) created</p>
<p>Cost of Bad Debt PR19YKY_13</p>	<p>Performance commitment level</p>	<p>The intervention we made at draft determinations was to reinstate the September 2018 business plan performance commitment level of 2.79% cost of debt as a percentage of the annual bill (2024-25).</p>	<p>The company proposes to update the performance commitment levels to take account of the draft determination values for average bill and weighted average cost of capital (WACC), which are used in calculating the cost of bad debt as a percentage of the annual bill.</p> <p>It also proposes we reverse our draft determination intervention not to increase the value of its debt costs (it proposes that debt costs are changed to 3.41% cost of debt as a % of annual bill (2024-25)) related to expanding its Resolve programme to customers that pay bills directly through the Department of Work and Pensions.</p> <p>The company reiterates that write-offs will increase due to the additional £3m per annum for customers in its Resolve programme. The company requires a commitment to make regular payments over a 12 month period after which the company makes credit to the customer's water arrears. The company states that it receives no financial benefits in writing the debts off and that this is purely to relieve those in financial hardship who currently have no access to support schemes</p>	<p>Change for the final determination.</p> <p>Given the additional information, we consider that the company provides sufficient and convincing evidence for the additional write-offs. However, as the company states that only 58% of customers successfully pay off their arrears (and assuming that the £3m figure is based on the assumption that all customers pay off their arrears), we consider it is appropriate to only allow 58% of the £3m requested by the company which results in £1.74m. This is because only customers successfully paying off their arrears for 12 months have this reward.</p> <p>The company does not provide convincing evidence that its updated household average bill levels and weighted average cost of capital (WACC) calculations are accurate. In particular, we expect that a decrease in the average bill level would correspond to a decrease in arrears and write offs which instead stay constant. In response to a query, the company agrees that values should take into account the impact of a bill reduction in its write offs figures. However, as we have not been able to fully interpret and replicate the company's proposed figures, we do not use the company's calculations.</p> <p>We recalculate the performance commitment level based on the change in write offs and arrears (i.e. allowing only an additional £1.74m write-offs), use the debt management cost figure</p>	<p>We revise our position on write-offs and allow for an additional £1.74m.</p> <p>We revise our performance commitment levels to:</p> <p>2020-21 = 3.23 2021-22 = 3.37 2022-23 = 3.48 2023-24 = 3.61 2024-25 = 3.75</p> <p>Units: cost of debt as percentage (%) of annual bill.</p>

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			<p>In a response to a query we sent, the company explains that the £3m write-off is for the customers under the Department of Work and Pension scheme who demonstrate continued effort to pay their Department of Work and Pensions deduction for 12 months. In other words, this scheme is an addition to the standard scheme company scheme. The company provides additional information that 58% of customers successfully pay off their arrears.</p>	<p>submitted by the company in its September 2018 business plan, and update the calculations using our final determinations household average bill and WACC. Given the company's evidence we consider that a change in the Household Average Bill does not affect Write Offs/Arrears.</p>	
<p>Managing void properties PR19YKY_18</p>	<p>Performance commitment definition and performance commitment level</p>	<p>The intervention we made at draft determinations was to apply a new definition for this performance commitment: 'The number of household properties classified as void as a percentage of the total number of household properties served by the company'.</p> <p>Our draft determination set a performance commitment level at the average of the level proposed by the company and the level implied by the Ministry of Housing, Communities and Local Government data. These were:</p> <p>2020-21 = 4.5 2021-22 = 4.33 2022-23 = 4.15 2023-24 = 3.98 2024-25 = 3.8</p> <p>Units: percentage of households classified as voids</p>	<p>The company states that our definition simply measures the total number of void properties on the system (which may include legitimate empty properties).</p> <p>The company states that the performance commitment definition proposed by us does not sufficiently target water company performance, instead it includes the measurement of wider economic and social factors such as empty dwelling rates, and does not measure the company's ability to keep accurate billing records. The company proposes the following definition 'The commitment measures the percentage of residential voids that the company has confirmed through its rigorous verification process.'</p> <p>The company further claims that our draft determination intervention, to amend the performance commitment definition, has not been applied consistently across the industry. The company states it is concerned that a mix of bespoke and common definitions for a performance commitment is confusing and erratic, as it is difficult to understand why some companies have had interventions applied while others have not, leading to uneven treatment of companies.</p> <p>The company states that it considers its definition more appropriate for the performance commitment as it measures the verification of void properties on the billing system rather than our definition which simply measures the total number of void properties on the system.</p>	<p>No change for the final determination.</p> <p>The definition the company proposes measures whether the company has carried out a verification exercise, rather than an outcome.</p> <p>A particular problem with the company's proposed definition is that a property's status can change over time. Therefore, unless the verification exercise is carried out frequently it would not give confidence that it reflects the latest information. The definition provides no clarity on how frequently properties will be verified. Whilst we could in principle specify the frequency in the definition, it may not be cost effective and it is for management to decide how best to deploy its resources in improving voids performance. There is also a risk that it may not lead to the desired outcome if the checks are not carried out diligently.</p> <p>Exogenous factors, such as the number of empty dwellings, is a common risk in many other performance commitments. We do not consider that we can in this circumstance remove the exogenous risks (that are fully outside of management control) whilst preserving the incentives on the company.</p> <p>We acknowledge that some of the void properties on the system may be legitimate empty properties. However, at the draft determination stage, the company forecast a household void rate of 4.7% in 2019-20, according to data it submitted in its April 2019 business plan, compared to a 3.1% voids rate in the Ministry of Housing, Communities and Local Government on empty dwellings data in 2017-18. There may be valid reasons that the number of properties that correctly do not receive a bill from the company is different to the rate of empty dwellings in the Ministry of Housing, Communities and Local Government data, but no sufficient or convincing evidence or reasons have</p>	<p>N/A</p>



Performance commitment	Area	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 acknowledges that, as the performance commitment is bespoke, it is not as easy for us to identify the level of stretch in the performance commitment level through comparative regulation. It therefore proposes the revised profile:</p> <p>2020-21 = 86 2021-22 = 87 2022-23 = 88 2023-24 = 89 2024-25 = 90</p> <p>Units: percentage (%) of void properties verified</p>	<p>been provided which could account for the entire differential, particularly considering the lower level of stretch proposed.</p> <p>We note that as void performance commitments are bespoke there are some differences between companies.</p> <p>The company does not provide evidence as to why it considers the approach we have taken, where there are differences in the definitions, is problematic. We have conducted a comparative assessment on a company by company basis on the definitions proposed by companies and adjust these on a company by company basis where necessary to ensure that the appropriate outcomes are being incentivised.</p> <p>Overall, the company does not provide sufficient and convincing evidence as to why a different definition would be more appropriate.</p>	
Managing void properties PR19YKY_18	ODI rates	<p>The intervention we made at draft determination was to set ODI rates for all companies based on an average wholesale bill of £360, marginal costs of £30, a cost sharing factor of 50%, and property numbers as provided by the company. The draft determination ODI rates were:</p> <p>Underperformance: -£7.945m per 1%. Outperformance: £4.145m per 1%.</p>	<p>The company proposes to resubmit its incentive rate (based on its previous performance commitment definition) without any adjustments for the Payment Rate and Credit Ratings Agency in response to our concerns at the initial assessment of business plans stage.</p>	<p>We do not consider the company's proposal in relation to the new stretch and consequent ODI rates as these are based on the rejected performance commitment definition.</p>	N/A
Managing Void Properties PR19YKY_18	<p>Caps, collars and deadbands.</p> <p>P10 and P90 performance levels</p>	<p>Our intervention at draft determination was to remove all caps, collars and deadbands.</p>	<p>The company states that our definition includes the measurement of wider economic and social factors, such as empty dwelling rates, and does not measure the company's ability to keep accurate billing records. It proposes the final determination should revert back to its September 2018 business plan proposal, but update some elements such as applying a cap and collar on the outcome delivery incentive. It states that this is in line with our policy</p>	<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 and adjust the estimate of P10 and P90 performance levels.</p>	<p>We set the underperformance collar to the following level:</p> <p>2020-21 = 5.13 2021-22 = 5.13 2022-23 = 5.13 2023-24 = 5.13 2024-25 = 5.13</p>

Performance commitment	Area	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>guidance on materially significant performance commitments.</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 = 3.87 2021-22 = 3.53 2022-23 = 3.17 2023-24 = 2.83 2024-25 = 2.47</p> <p>Units: The percentage of residential properties in the region verified as voids.</p>
<p>Length of River Improved PR19YKY_4</p>	<p>Performance commitment definition and performance commitment level</p>	<p>At draft determination we intervened to set the definition to include only schemes specified as 'Green' by the Environment Agency as of the 1st April 2019.</p>	<p>The company states that it is not appropriate for the interventions we made at draft determination to be applied at such an advanced stage in the price review process. It states that, due to our draft determination, 88% of schemes which are amber at 1 April 2019 would be removed from the performance commitment. The company claims that this would reduce the incentive to provide environmental enhancements to the region and reduces customer protection for the full programme. It does not agree with both the draft determination performance commitment levels and how they are profiled.</p> <p>The company states that the performance commitment will be limited to 2020-21, which is the timeline for the delivery of the green schemes, and which constitutes only 45.48km through four schemes compared to the 767.63 km in the overall programme, as at 1 April 2019.</p> <p>The company proposes that amber schemes be included in the measure. It provides a letter from the Environment Agency which supports that there has been a significant number of schemes which have turned green between 1 April and 13 May 2019. The company offers to mitigate the risk of any amber schemes not turning green by committing to seek to</p>	<p>Change for the final determination.</p> <p>In response to the company's statement that our interventions could have been made earlier, we consider that the draft determination is a consultation and provides adequate opportunity for the company to raise concerns.</p> <p>We consider the company's revision provides confidence that the performance commitment levels are stretching because it is over and above the statutory requirements, which are significant.</p> <p>We consider that the company has a high number of amber schemes and that this warrants special consideration. We accept the evidence from the Environment Agency that there have been significant changes in statuses from amber to green for the company's phosphorus removal schemes (with driver code UWWTD – Urban Waste Water Treatment Directive) between 1 April 2019 and 13 May 2019.</p> <p>The company's proposal to bring forward non-Water Industry National Environment Programme schemes to fully protect customers means that the performance commitment will not need to be amended. However the company does not provide convincing evidence of how it plans to provide assurance that the non-Water Industry National Environment Programme schemes it will seek to implement will be schemes that deliver the most benefit to customers and there remains a risk of the</p>	<p>We change the definition of this performance commitment, with the following amendments:</p> <ul style="list-style-type: none"> <li>- Inclusion of amber schemes</li> <li>- A requirement for the company to include a clear governance process with third party assurance for the selection of non-Water Industry National Environment Programme schemes</li> <li>- Inclusion of an annual delivery profile which excludes double-counting. This profile is set out below;</li> </ul> <p>2020-21 = 0 2021-22 = 45.6 2022-23 = 47.3 2023-24 = 69.7 2024-25 = 741.6</p> <p>Units: Km of river improved</p>

Performance commitment	Area	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>implement non-Water Industry National Environment Programme schemes to make up the performance commitment level.</p>	<p>company targeting lower benefit schemes and potentially low-cost benefit schemes. We are changing the definition to include a requirement for a clear governance process with third party assurance for the selection of non-Water Industry National Environment Programme schemes. This is to mitigate the risk that the outputs related to amber schemes would be foregone since the replacement non-Water Industry National Environment Programme schemes will still deliver an outcome that customers' value.</p> <p>The company proposes to maintain the double-counting aspect of the performance commitment measurement which were removed at draft determination. Following a query response, we have considered the evidence that the company provides and we conclude that the evidence provided is insufficient in providing a rationale for double-counting. Although the length of river improved is not claimed for until each determinant, such as ammonia or phosphorus, is removed to acceptable levels on a particular stretch of river, we consider that customers value overall improvement in river quality and that the company has not sufficiently informed them about how the individual determinants contribute to this.</p> <p>The definition states that only non-Water Industry National Environment Programme schemes will count towards outperformance. Customers will also be protected from excessive outperformance through a robust governance process for selecting and implementing these schemes.</p>	
<p>Length of River Improved PR19YKY_4</p>	<p>ODI rate and type</p>	<p>At draft determination we intervened to remove outperformance payments on this performance commitment following the intervention on performance commitment level and definition. We further intervened to set an underperformance ODI rate of £0.0827m to incentivise early delivery of schemes.</p>	<p>The company states that its proposed outperformance incentive encourages greater benefits to its customers and the regional river environment and builds on it, and the wider industry experience, of delivering in partnership to achieve multi-beneficial outcomes.</p> <p>It claims that our setting of the incentive rates is inappropriate and does not take into account its customer valuations evidence.</p>	<p>Change for the final determination.</p> <p>We change the definition for final determination to include non-WINEP schemes. We therefore consider outperformance payments appropriate for this performance commitment. Customers will be protected against excessive outperformance payments due to a robust process for selecting and implementing these schemes. The company provides sufficient and convincing evidence that it has customer support for outperformance payments for this performance commitment.</p> <p>We change underperformance rates to the company's proposed rate given the change in performance commitment definition to include Amber schemes.</p>	<p>We change the ODI type to include underperformance and outperformance payments.</p> <p>We set the underperformance ODI rate to -£0.0558m per kilometre and an outperformance ODI rate of £0.0558m per kilometre.</p>

Performance commitment	Area	Our intervention for the draft determination	Summary of company representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
Length of River Improved PR19YKY_4	ODI timing	At draft determination we set the ODI type to in-period.	The company proposes amending the performance commitment with an end of period performance commitment level. It states that this is because only a small number of schemes have compliance dates earlier than 2024-25, and these timescales are agreed with the Environmental Agency on the basis of detailed technical understanding of what is feasible, desirable and achievable. The company argues that an end of period performance commitment level provides the most cost beneficial approach to allowing delivery to be phased in line with environmental requirements and maximising the appropriate sequencing of schemes.	Change for the final determination.  The company provides convincing evidence that an in-period ODI would not be appropriate if the majority of schemes are uncertain and expected to be completed in the last year.  However, the company does not provide convincing evidence of why it should not compare its annual performance with its current expectations. An annual delivery profile will provide transparency for customers and provide a reputational incentive to deliver benefits to customers as soon as possible. We therefore will include an annual delivery profile which prevents double-counting in order to provide transparency to customers and which will provide a reputational incentive to deliver benefits as quickly as possible.  We consider an end of period incentive is appropriate.	We change the company's ODI on this performance commitment to end of period and including an annual delivery profile.
Operational Carbon PR19YKY_6a	Performance commitment definition	Our intervention at draft determination was to split the 'Carbon PR19YKY_6' performance commitment into two individual commitments.  This performance commitment retains outperformance and underperformance payments, and is measured in percentage reduction in operational carbon from a 2019-20 baseline. We did not intervene on the ODI rate (£0.236m per percentage change).  The stretch was set at a 12% reduction.  We included underperformance collars at -2% reduction from the 2019-20 baseline and outperformance caps at:  2020-21 = 5% 2021-22 = 10%	The company states that it understands that our draft determination requires it to use the carbon accounting workbook for calculating its operational emissions. It states that the workbook allows it to report with either the current emission factor or a zero-emission factor. It states that should it continue on a green tariff, it intends to use a zero-emission factor rather than the 2019-20 emission factor.  The company states that the guidance does not allow exported energy to count as an offset, however, it intends to use the national grid as a conduit to its excess energy generation to use at its other sites rather than exporting to the grid for consumption by others. It considers that it will therefore report its net electricity consumption to include this self-generated energy.	Change for the final determination.  We consider that it is not appropriate for the company to account within its net electricity any surplus self-generated electricity which is exported to the grid and later purchased, Once the surplus electricity is exported it would then require the company's other sites to purchase additional electricity directly from the grid, and which would not necessarily be self-generated. Other parties will be able to purchase that 'green' energy. The company should purchase 'green' energy to ensure that two different parties are not claiming using the same 'green' energy.  The carbon accounting workbook from version 12 onwards does allow for specific tariff details to be inputted in the 'Electricity Details' tab. This allows the percentage of electricity consumption supplied through green tariffs and includes input for percentage offset allowance, which the green tariff supplier should provide.  We consider 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	We revise the performance commitment definition to allow flexibility to use either the grid emissions factor within the carbon accounting workbook or a 'market-based' emissions factor for electricity supplied via the grid.

Performance commitment	Area	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>2022-23 = 15% 2023-24 = 20% 2024-25 = 25%</p> <p>Units= Percentage reduction in operational carbon emissions from a 2019-20 baseline (%)</p>		<p>‘market-based’ emissions factor for electricity supplied via the grid.</p> <p>We consider that an update to the definition should be applied to other companies’ comparable performance commitment definitions even if they do not make representations. (See Table 3 of Northumbrian Water, South East Water, SES Water, South Staffs Water, Wessex Water, Anglian Water and Portsmouth Water’s representation trackers).</p> <p>However, we consider that the company does not provide sufficient and convincing evidence for its proposals to account within its net electricity consumption any surplus self-generated electricity which exported to the grid and later purchased.</p>	
<p>Capital carbon and emissions arising from owned land</p> <p>PR19YKY_6b</p>	<p>Performance commitment level and performance commitment definition.</p>	<p>Our intervention at draft determination was to split the ‘Carbon PR19YKY_6’ performance commitment into two individual commitments.</p> <p>This reputational performance commitment measures a reduction in capital carbon and emissions arising from land owned by the company with a 23% reduction.</p>	<p>The company states that the ‘Reporting &amp; Assurance’ section of the draft determination performance commitment definition relates to operational carbon reporting and assurance, rather than capital carbon. It states that it notes the reference to using the government forecast grid emission factors and 2019-20 grid emission factors for reporting the capital carbon performance commitment but does not understand how the grid emission factor is relevant to capital carbon.</p> <p>The company states that our performance commitment definition also states it should provide third party assurance of performance through the Certified Emissions Measurement and Reduction Scheme (CEMARS). It argues that it understands that this is only relevant to operational carbon. It proposes to instead use PAS2080 for assurance purposes in line with others in the water industry, and considers that PAS2080 is seen as best practice in reporting capital carbon performance.</p> <p>The company states that the draft determination performance commitment definition states that the baseline of its capital and land emissions is 947kt CO<sub>2</sub>e. It proposes to provide an updated baseline figure after final determination to ensure an accurate reflection of the size of the final programme and to provide an accurate starting point to compare its performance against throughout the 2020-25 period.</p>	<p>Change for the final determination.</p> <p>We agree with the company’s suggestion that reference to grid emissions factors in the capital carbon performance commitment are inappropriate.</p> <p>We agree with the company’s proposals to externally verify its approach to managing capital carbon in accordance with PAS2080. We consider that this should cover at least the quantification, baselining and monitoring of capital carbon.</p> <p>We consider the company provides sufficient and convincing evidence in line with its proposal that it will need to provide an updated baseline value for the performance commitment. As the performance commitment relates to a percentage reduction from a baseline value, removal of a specific baseline figure from the performance commitment definition will not cause any issues with how performance is measured. In line with the company’s other proposals to adopt PAS2080, we expect the company to produce a baseline in compliance with this standard.</p> <p>We consider the baseline should:</p> <ul style="list-style-type: none"> <li>• Create a reference level against which future performance can be compared with respect to the company’s April 2019 business plan outcomes;</li> <li>• Assist with finding carbon emissions hotspots;</li> </ul>	<p>We revise the definition in accordance with PAS2080.</p> <p>We also remove the outdated baseline value from the definition. The new baseline should be in accordance with PAS2080.</p>

Performance commitment	Area	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"> <li>Transparently state any assumptions used to fill gaps in data and the limitations this may have on the relevance of the baseline; and</li> <li>Follow the principles of greenhouse gas emissions quantification in PAS2080 Clause 7.</li> </ul>	
Customer measure of experience (C-MeX) PR19YKY_19	All	We set a common performance commitment for all companies regarding residential customer satisfaction.	All representations from companies and other stakeholders are summarised and assessed in the 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.	All representations from companies and other stakeholders are summarised and assessed in the 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.	See 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.
Developer services measure of experience (D-MeX) PR19YKY_10	All	We set a common performance commitment for all companies regarding developer services customer satisfaction.	All representations from companies and other stakeholders are summarised and assessed in the 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.	All representations from companies and other stakeholders are summarised and assessed in the 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.	See 'Customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) policy appendix'.

**Table 2: Yorkshire Water – Company-specific representations from other stakeholders**

Stakeholder	Performance commitment	Type	Our intervention for the draft determination	Summary of stakeholder representation	Our assessment and rationale for the final determination decision	Decisions for the final determination
Consumer Council for Water	All performance commitments	ODI rates	N/A	CCWater has conducted additional customer research, finding that 80% of Yorkshire 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 also states that it does not consider that the research Yorkshire Water carried out for its April 2019 business plan demonstrated clear customer support for both the principle and the range of ODI payments.	<p>No change for the final determination.</p> <p>We note the results of the 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 that for our draft determination, it is still a clear majority. We assess support for outperformance payments at a performance commitment-specific level, to most accurately reflect customers' preferences.</p>	N/A
Consumer Council for Water	Pollution incidents PR19YKY_30	Performance commitment level	<p>The intervention we made at draft determination was to set performance commitment levels that are consistent with the rest of the industry for pollution incidents. These levels were as follows:</p> <p>2020-21 = 24.5 2021-22 = 23.7 2022-23 = 23.0 2023-24 = 22.4 2024-25 = 19.5</p> <p>Units: incidents per 10,000 km of sewer</p>	CCWater notes how it is disappointed in Yorkshire Water's PR19 plans for some key performance commitments. It considers that Yorkshire Water 'showed a lack of ambition and would not improve sufficiently to avoid being an industry outlier.' CCWater states its 'support [for] Ofwat's intervention to set performance commitment levels to bring them in line with other water and sewerage companies' for specific performance commitment's, including pollution incidents.	<p>No change for the final determination.</p> <p>We welcome the view from Consumer Council for Water in the setting of common and stretching performance commitments, bringing the sector into alignment. We note that pollution incidents is a common performance commitment with the same levels set for all companies aside from Hafren Dyfrdwy.</p>	N/A

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

Performance commitment	Area	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 have updated 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.</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 'Yorkshire Water – Outcomes performance commitment appendix'. In particular for water quality contacts, we used an incorrect 2015-20 ODI rate in our triangulation. We correct this for final determination, which reduces both the underperformance and outperformance rates by approximately 10%, to -£12.287m and £10.239m per contact per 1,000 population respectively.</p>	We change ODI rates where the underlying data used to calculate the rate has been updated, or an error has been identified.
Water Supply Interruptions PR19YKY_21	Performance commitment level	<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 2023-24 = 00:03:36 2024-25 = 00:03:00</p> <p>Units = Hours:minutes:seconds (HH:MM:SS) per property per year</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 for the final 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 2023-24 = 00:05:23 2024-25 = 00:05:00</p> <p>Units = Hours:minutes:seconds (HH:MM:SS) per property per year</p>
Water supply interruptions YKY_21	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</p>	<p>We estimate P90 performance levels as:</p> <p>2020-21 = 00:04:03 2021-22 = 00:03:17 2022-23 = 00:02:31</p>



Performance commitment	Area	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			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.	2023-24 = 00:01:46 2024-25 = 00:01:00  Units: Hours:minutes:seconds (HH:MM:SS) per property per year
Water supply interruptions PR19YKY_21	ODI rates	We intervened at draft determination to set the outperformance and underperformance rates of £1.235 million and -£1.482 million per minute per property, respectively.	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 our 'Delivering outcomes for customers policy appendix'.	We change the underperformance payment rate to -£1.228m per minute per property.
Water Supply Interruptions PR19YKY_21	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.	Change for the final determination  We retain the same methodology used at draft determination to set enhanced underperformance thresholds, however we update the 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 'Delivery outcomes for customer's policy appendix'. Further details can be found in the 'Delivering outcomes for customers policy appendix'.	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 PR19YKY_21	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 enhance ODI underperformance and outperformance rate on this performance commitment are changing for the final determination. Further details can be found in the 'Delivering outcomes for customers policy appendix'.	We change the company's enhanced outperformance and underperformance ODI rate to £3.173m/ minutes per property and -£3.173m/ minutes per property respectively.
Water Supply Interruptions PR19YKY_21	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 update the enhanced underperformance	We change the company's enhanced underperformance collar on this performance commitment to the following:  2020-21 = 00:19:17

Performance commitment	Area	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			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 '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'.	2021-22 = 00:19:17 2022-23 = 00:19:17 2023-24 = 00:19:17 2024-25 = 00:19:17  Units: Minutes per property
Internal Sewer Flooding PR19YKY_31	Caps, collars and deadbands.	No intervention at draft determination.	<p>Change for the final determination.</p> <p>Yorkshire Water does not propose a change to the internal sewer flooding caps and collars.</p> <p>We explain in the 'Delivering outcomes for customers policy appendix' our standard approach to setting underperformance collars and outperformance caps and as this performance commitments. The company is one of three that are poor performers on internal sewer flooding relative to other companies. For each of these companies we amend 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 outperformance caps to the following levels :</p> <p>2020-21 = 0.82            2021-22 = 0.81            2022-23 = 0.80            2023-24 = 0.69            2024-25 = 0.63</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            2023-24 = 3.60            2024-25 = 4.00</p> <p>Units = Number of incidents per 10,000 sewer connections</p>
External sewer flooding YKY_35	P90 performance levels	NA	<p>We set outperformance caps at the estimate of the P90 level.</p> <p>We consider the estimates of P90 performance levels we derive from our standard approach to estimating P90 performance levels, as set out in the company's 'Delivering outcomes for customers policy appendix' document, would be overly optimistic and setting caps at these levels would not provide sufficient protection to customers. We have limited estimates of P90 performance to the average of P90 estimates for all companies for external sewer flooding performance commitments minus one standard deviation. We make this adjustment by calculating P90 performance levels as a ratio of the performance commitment levels set at draft determination, and we identify the mean and standard deviation of these ratios. Since the company's P90 estimates lie outside of the reasonable range given by the mean plus/minus one standard deviation, we adjust the company's estimates to the outer bound of this reasonable range.</p>	NA

Performance commitment	Area	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
External sewer flooding PR19YKY_35	Caps, collars, deadbands	No intervention at draft determination	<p>Change for the final determination.</p> <p>The company proposes an outperformance payment deadband of 4538 properties in all years. The company states that this is because they will only earn an outperformance once they improve beyond the industry average performance level.</p> <p>The company is comparatively the worst performer on this metric and we consider that the use of an outperformance deadband will reduce the incentive to improve. Therefore we remove the outperformance deadband.</p>	We remove the outperformance deadband for external sewer flooding.
External sewer flooding YKY_35	P10 performance levels	NA	<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 first adjust the P10 performance levels for changes in the performance commitment levels between business plan submission and final determination. We then adjust the P10 profile for years 2023-24 and 2024-25 to allow for a steady improvement in performance over the period, rather than the sharp deterioration in performance implied by the company's business plan data, as we do not consider the latter profile to be credible for an efficient company. We instead apply the year-on-year reduction in P10 performance in the company's OC1 representations data table, from 2022-23 to derive P10 performance level estimates for 2023-24 and 2024-25.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 8625 2021-22 = 8171 2022-23 = 7717 2023-24 = 7208 2024-25 = 6699</p> <p>Units: Number of external sewer flooding incidents</p>
Managing Void Properties PR19YKY_18	ODI rates	<p>The intervention we made at draft determination was to set ODI rates for all companies based on an average wholesale bill of £360, marginal costs of £30, a cost sharing factor of 50%, and property numbers as provided by the company. The draft determination ODI rates were:</p> <p>Underperformance: -£7.945m per 1%.</p> <p>Outperformance: £4.145m per 1%.</p>	<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 and we consider that together the arguments and evidence provided are sufficient and convincing for us to change the voids ODI rate methodology.</p>	<p>We revise ODI rates to:</p> <p>Underperformance: -£3.616m per 1%.</p> <p>Outperformance: £3.616m per 1%.</p>
Mains Repairs PR19YKY_24	ODI rates	We did not intervene on the company's ODI rate at draft determination	<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'</p>	We change the company's underperformance ODI rate to -£0.167m per number of repairs per 1,000km mains.

Performance commitment	Area	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			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 our 'Delivering outcomes for customers policy appendix'.	
Pollution incidents YKY_30	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 = 12.95 2021-22 = 12.04 2022-23 = 11.13 2023-24 = 10.22 2024-25 = 9.31</p> <p>Units: Number of pollution incidents per 10,000 km of the wastewater network to two decimal places</p>
Pollution incidents PR19YKY_30	ODI rates	We intervened at draft determination to set the company's performance commitment levels at our upper quartile values. We did not intervene on the ODI rate.	<p>Change for the final determination.</p> <p>The company's underperformance ODI rate set at draft determination is significantly above the industry average on a normalised basis and the company has an above average level of stretch on this performance commitment. Adjusting the ODI rate provides a more balanced spread of incentives and risks across its performance commitments.</p> <p>We decrease the underperformance risk for the company by triangulating across the industry average and the company's proposed underperformance ODI rate.</p>	We set the company's underperformance ODI rate at -£0.686m per incident per 10,000km of sewer.
Pollution incidents PR19YKY_30	Enhanced ODI thresholds	We intervened at draft determination to set the company's enhanced rates based on our estimate of the sector-wide benefits of enhanced outperformance. We also intervened at draft determination to set the enhanced underperformance threshold 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 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 '<a href="#">PR19 draft determinations - Delivering outcomes for customers policy appendix</a>'. Further details can be found in the 'Delivering outcomes for customers policy appendix'.</p> <p>We amend 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</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 2022-23 = 11.11 2023-24 = 10.82 2024-25 = 9.42</p> <p>Units: Incidents per 10,000km of sewers</p>

Performance commitment	Area	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			found errors in our draft determination calculations. We therefore update the enhanced outperformance thresholds for this performance commitment.	<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 sewers</p>
Pollution incidents PR19YKY_30	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 update 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 '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>
Per Capita Consumption (PCC) PR19YKY_25	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 set P10 performance levels in this case, we first adjust the P10 performance levels for changes in the performance commitment levels between business plan submission and final determination. We then conduct reasonable range analysis on the ratio of P10 performance levels to performance commitment levels, and we determine that the P10 performance level was outside the reasonable range. We therefore increase the stretch of the P10 performance levels to align them to the reasonable range outer bound one standard deviation away from the mean.</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</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = -8.7            2021-22 = -1.8            2022-23 = 0.5            2023-24 = 1.1            2024-25 = 0.4</p> <p>Units: Percentage reduction from 2019-20 baseline, reported to one decimal place.</p> <p>We estimate P90 performance levels as:</p> <p>2020-21 = 22.0            2021-22 = 21.8            2022-23 = 21.6</p>

Performance commitment	Area	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			enhanced outperformance threshold by 2024-25. We consider that we should take into account the additional incentive from enhanced ODIs on performance.	2023-24 = 21.3 2024-25 = 21.1  Units: Percentage reduction from 2019-20 baseline, reported to one decimal place.
Per Capita Consumption (PCC) PR19YKY_25	ODI rate	We intervened at draft determination to set the underperformance and outperformance rates of -£0.486 and £0.405 million per litre per head per day, respectively.	<p>Change for the final determination.</p> <p>We consider the impact of our intervention at draft determination on the company's overall level of risk on this performance commitment and consider that a change is necessary to better balance incentives and risks across the company's performance commitments.</p> <p>We retain our view that an intervention on the company's rate at draft determination was appropriate given the company's did not quantify the marginal benefit from service improvements and therefore the proposals it set out in its April plan could understate the rate.</p> <p>As the company is a frontier performer on this performance commitment we consider it to be appropriate to align the company's ODI underperformance rate with the lower bound of the reasonable range, rather than setting the at the industry average, to recognise the stretching performance commitment level that the company has proposed. Adjusting the ODI rate in this way provides a more balanced spread of incentives and risks across its performance commitments.</p> <p>We also adjust the outperformance rate to align with the change to the company's underperformance rate. In particular, we set the outperformance rate at the underperformance rate with a 1.2 adjustment, as set out in our 'Delivering outcomes for customers policy appendix'.</p>	We change the company's underperformance and outperformance ODI rates to -£0.222m per litre per person per day and £0.185m per litre per person per day respectively.
Per Capita Consumption (PCC) PR19YKY_25	Enhanced ODI thresholds	We intervened at draft determination to set the enhanced underperformance threshold 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 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 '<a href="#">PR19 draft determinations - Delivering outcomes for customers policy appendix</a>'. Further details can be found in the 'Delivering outcomes for customers policy appendix'.</p>	<p>We change the company's enhanced underperformance threshold on this performance commitment to the following:</p> <p>2020-21 = -16.0% 2021-22 = -16.0% 2022-23 = -16.0% 2023-24 = -16.0% 2024-25 = -16.0%</p> <p>Units: Percentage reduction from 3 year average baseline</p>

Performance commitment	Area	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
Per Capita Consumption (PCC) PR19YKY_25	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 determination. Further details can be found in the 'Delivering outcomes for customers policy appendix'.	We change the company's enhanced outperformance and underperformance ODI rate to £0.787m/ litre per household per day and -£0.787m/ litre per household per day respectively.
Per Capita Consumption (PCC) PR19YKY_25	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 ' <a href="#">PR19 draft determinations - Delivering outcomes for customers policy appendix</a> '. 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 = -17.6% 2021-22 = -17.6% 2022-23 = -17.6% 2023-24 = -17.6% 2024-25 = -17.6%  Units: Percentage reduction from 3 year average baseline
Leakage PR19YKY_22	Performance commitment definition	No intervention at draft determination.	Change for the final determination.  To avoid any misinterpretation regarding the value for the company's 2019-20 leakage target, we amend the performance commitment definition to clarify the requirement for all companies.	We amend the wording of the performance commitment definition to the following:  'As a minimum, if, using the PR14 calculation of leakage set out in the PR14 performance commitment, a company does not meet its 2019-20 leakage performance commitment level (specified in our PR14 final determinations), the company's actual level for 2019-20 will, for the purposes of setting the baseline for the 2020-25 period, be adjusted downwards by one third of the difference between the value derived from the PR14 2019-20 performance commitment level and the actual level for 2019-20. For PR14 performance commitments set on a three or five year average basis, we assume the 2019-20 annual performance commitment level is equal to the average

Performance commitment	Area	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
				level specified in the PR14 performance commitment.'
Leakage YKY_22	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 set P10 performance levels in this case, we first adjust the P10 performance levels for changes in the performance commitment levels between business plan submission and final determination. We then conduct reasonable range analysis on the ratio of P10 performance levels to performance commitment levels, and we determined that the P10 performance level was outside the reasonable range. We therefore increase the stretch of the P10 performance levels to align them to the reasonable range outer bound one standard deviation away from the mean.</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 P10 performance levels as:</p> <p>2020-21 = -13.5 2021-22 = -16.4 2022-23 = -9.5 2023-24 = -9.1 2024-25 = -9.9</p> <p>Units: Percentage reduction from 2019-20 baseline.</p> <p>We estimate P90 performance levels as:</p> <p>2020-21 = 13.3 2021-22 = 22.4 2022-23 = 31.4 2023-24 = 40.5 2024-25 = 49.6</p> <p>Units: Percentage reduction from 2019-20 baseline.</p>
Leakage PR19YKY_22	Enhanced ODI thresholds	We intervened at draft determination to set the enhanced underperformance threshold for this performance commitment at the lower decile of current company performance. We also intervened to set enhanced outperformance thresholds in line with our methodology.	<p>Change for the final determination.</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 '<a href="#">PR19 draft determinations - Delivering outcomes for customers policy appendix</a>'. Further details can be found in the 'Delivering outcomes for customers policy appendix'.</p> <p>We have 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 e therefore update the enhanced outperformance thresholds for this performance commitment.</p>	<p>We change the company's enhanced outperformance threshold on this performance commitment to the following:</p> <p>2020-21 = 47.7% 2021-22 = 47.7% 2022-23 = 47.7% 2023-24 = 48.3% 2024-25 = 49.6%</p> <p>Units: Percentage reduction from 3 year average baseline</p> <p>We change the company's enhanced underperformance threshold on this performance commitment to the following:</p>



Performance commitment	Area	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
				2020-21 = -4.7% 2021-22 = -4.7% 2022-23 = -4.7% 2023-24 = -4.7% 2024-25 = -4.7%  Units: Percentage reduction from 3 year average baseline
Leakage PR19YKY_22	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 determination. Further details can be found in the 'Delivering outcomes for customers policy appendix'.	We change the company's enhanced outperformance and underperformance ODI rate to £0.702m/Mld and -£0.702m/Mld respectively.
Leakage PR19YKY_22	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 update the 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 ' <a href="#">PR19 draft determinations - Delivering outcomes for customers policy appendix</a> '. 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 = -20.0% 2021-22 = -20.0% 2022-23 = -20.0% 2023-24 = -20.0% 2024-25 = -20.0%  Units: Percentage reduction from 3 year average baseline
Length of river improved YKY_4	P10 performance levels	N/A	Change for the final determination.  Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.  To estimate P10 performance levels in this case, we make a judgement that an efficient company would at most not deliver 200km at P10 performance by 2024-25,	We estimate P10 performance levels as:  2020-21 = NA 2021-22 = NA 2022-23 = NA

Performance commitment	Area	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			which is 541.6km. We take this approach because we do not consider the company's business plan P10 estimate of 203.1km to be credible for an efficient company.	2023-24 = NA 2024-25 = 541.6  Units: Kilometres of river to one decimal place.
Length of river improved  PR19YKY_4	Caps, collars and deadbands	No intervention at draft determination.	Change for the final determination.  As a result of our change to allow outperformance payments we consider the need for outperformance caps on this performance commitment. We consider that the company has discretion in this area and there is potential uncertainty for customers. As set out in the 'Delivering outcomes for customers policy appendix', we consider that it is appropriate to have an outperformance cap to provide protection for customers.  The outperformance cap applies to 2024-25 (outperformance payments are only for 2024-25 and apply only to non-WINEP schemes).  To set the cap we used the company's 2024-25 P90 performance level that it proposed in its representations (table OC 2.1, August 2019).	We set the outperformance cap to the following level:  2020-21 = N/A 2021-22 = N/A 2022-23 = N/A 2023-24 = N/A 2024-25 = 1131.3  Units: Km of river improved
Water quality compliance (CRI)  YKY_20	P10 performance levels	N/A	Change for the final determination.  Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.  To estimate P10 performance levels in this case, we use the company's 2024-25 P10 performance levels that it proposes in its representations (table OC1, August 2019). We take this approach because we do not consider the company's business plan P10 estimate of 0.0 to be credible for an efficient company.	We estimate P10 performance levels as:  2020-21 = 5.49 2021-22 = 5.29 2022-23 = 5.10 2023-24 = 4.70 2024/25 = 4.02  Units: Numerical CRI score, reported to two decimal places.
Water quality compliance (CRI)  PR19YKY_20	Caps, collars, deadbands	We did not set a collar at the draft determination.	Change for final determination.  As we explain in the 'Delivering outcomes for customers policy appendix' we consider that CRI 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 = 9.5 2021-22 = 9.5 2022-23 = 9.5 2023-24 = 9.5 2024-25 = 9.5  Units: Numerical CRI score

Performance commitment	Area	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
Drinking Water Contacts PR19YKY_26	Caps, collars, deadbands	<p>We set the outperformance cap to the following levels:</p> <p>2020-21 = 6.1 2021-22 = 5.5 2022-23 = 4.9 2023-24 = 4.2 2024-25 = 3.6</p> <p>Units: Number of consumer contacts per 10,000 population</p>	<p>Change for final determination.</p> <p>The levels for the outperformance cap are based on estimates of the P90 performance, which has changed. Our approach to adjusting the estimates of P10 and P90 performance levels is set out in 'Delivering outcomes for customers policy appendix'.</p>	<p>We set the outperformance cap to the following level:</p> <p>2020-21 = 3.7 2021-22 = 2.9 2022-23 = 2.0 2023-24 = 1.2 2024-25 = 0.4</p> <p>Units: Number of consumer contacts per 10,000 population</p>
Working with others YKY_1	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 proposes in its representations (table OC1, August 2019). We take this approach because the company's business plan data, provided in April 2019, did not include P90 performance levels for the years 2020-24.</p>	<p>We estimate P90 performance levels as:</p> <p>2020-21 = 15 2021-22 = 29 2022-23 = 44 2023-24 = 58 2024-25 = 73</p> <p>Units: Number of projects</p>
Unplanned outage YKY_23	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 proposes in its representations (table OC1, August 2019). We take this approach because P10 performance levels were not provided in the company's April business plan submission.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 6.84 2021-22 = 5.61 2022-23 = 4.98 2023-24 = 4.05 2024-25 = 3.13</p> <p>Units: Percentage of peak week production capacity, reported to two decimal places</p>
Treatment works compliance YKY_32	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>We assess the P10 performance levels provided in the company's business plan submission not to be credible for an efficient company. We also consider the company's P10 performance levels that it proposes in its representations (table OC1, August 2019) are also unduly pessimistic for an efficient company, taking into account historical performance on this metric.</p>	<p>We consider appropriate P10 performance levels are</p> <p>2020-21 = 96.72 2021-22 = 96.72 2022-23 = 96.75 2023-24 = 96.75 2024-25 = 96.75</p>

Performance commitment	Area	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
			<p>We made a judgement of appropriate P10 performance levels. In completing final checks on our P10 ODI RoRE estimates we note we should have used slightly different P10 estimates.</p>	<p>Units: Percentage compliance to two decimal places</p> <p>However, the P10 estimates of performance we use to calculate our estimate of P10 ODI RoRE and for illustration in the company summary document are:</p> <p>2020-21 = 98.37            2021/22 = 98.37            2022-23 = 98.70            2023-24 = 98.70            2024-25 = 98.70</p> <p>Units: Percentage compliance to two decimal places</p> <p>We do not consider that this would have led to any change to our decisions.</p>
<p>Quality agricultural products YKY_40</p>	<p>P10 performance levels</p>	<p>N/A</p>	<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>We do not consider the P10 performance levels set out in the business plan, nor the P10 performance levels set out in the company's representations, to be credible for an efficient company. We instead estimate alternative P10 performance levels which we consider to be credible for an efficient company that has financial incentives to deliver the performance commitment.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 80            2021-22 = 90            2022-23 = 90            2023-24 = 90            2024-25 = 90</p> <p>Units: Percentage of biosolids sent to agricultural land that achieves Biosolids Assurance Scheme (BAS) certification to zero decimal places</p>
<p>Operational carbon YKY_6a</p>	<p>P10 and P90 performance levels</p>	<p>N/A</p>	<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 and P90 performance levels in this case, we use the company's P10 and P90 performance levels that it proposed in its representations (table OC1, August 2019). This approach is taken because the performance commitment was not included in the company's April business plan submission, and it was introduced at a later stage.</p>	<p>We estimate P10 performance levels as:</p> <p>2020-21 = 1.0            2021-22 = 2.1            2022-23 = 3.1            2023-24 = 4.2            2024-25 = 5.2</p> <p>Units: Percentage reduction</p>

Performance commitment	Area	Our intervention for the draft determination	Our assessment and rationale for the final determination decision	Decisions for the final determination
				<p>We estimate P90 performance levels as:</p> <p>2020-21 = 3.5            2021-22 = 7.1            2022-23 = 10.6            2023-24 = 14.2            2024-25 = 17.7</p> <p>Units: Percentage reduction</p>
<p>Priority services for customers in vulnerable circumstances            PR19YKY_42</p>	<p>Performance commitment level</p>	<p>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).</p>	<p>Change for the final determination.</p> <p>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.</p>	<p>The following is a sector-wide change for the final determination.</p> <p>We revise the performance commitment levels for the actual contacts to:</p> <p>2020-21 = 17.5            2021-22 = 35.0            2022-23 = 35.0            2023-24 = 35.0            2024-25 = 35.0</p> <p>Units: Percentage of priority services customers that the company has made actual contact with</p>

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

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