

# Glossary of Regulatory Terms

July 2020

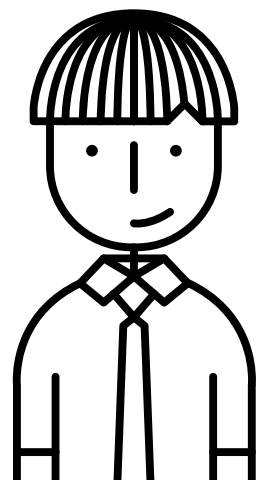
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Term	Definition
AMP	See Asset Management Period.
AMP Adjustment	The revision in the real value of fixed assets arising periodically from improved information in the five-year Asset Management Plan process.
Appointed Business	The appointed business comprises the regulated activities of Yorkshire Water. These are the activities necessary in order for us to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.
Annual Performance Report (APR)	A report that we publish each year to show our performance against the promises we have made to you.
Arm's-length Trading	Trading in which Yorkshire Water treats the other party, usually an associate company on the same basis as an external party.
Asset Management Period (AMP)	An 'Asset Management Period' is the term given to the five-year period covered by a water company's business plan. AMP1 refers to the first planning period after the water industry was privatised and this covers the period from 1990 to 1995. We are currently in AMP6, which covers 2015 to 2020 and we are now starting to plan through the latest Price Review for AMP7, which will cover 2020 to 2025.
Associate Company	Condition A of the Licence defines an associate company to be any group or related company. Condition F of the Licence requires all transactions between the company and its associated companies to be disclosed subject to specified materiality considerations.
Board	The Board of Yorkshire Water Services Limited is accountable and responsible for the control of the business, its strategy and its decisions. The Board is accountable for the quality of our information and our publications.
Board Assurance Statement	This is a statement reviewed and signed by our Board which confirms its approval of information for publication.
Board Audit Committee	Board Audit Committee review the process and controls in place and the level of assurance in place. It reports its views of audit quality to the Board.
Board Investment Committee (BIC)	Board Investment Committee review and monitor our performance against our commitments. They review the financial investment and any outperformance or penalty payments. It reviews these for our internal business planning and year-end reporting.
Capital Expenditure	Capital Expenditure (capex) is expenditure to acquire or upgrade physical assets such as property, pipes and treatment works.
Company Monitoring Framework	Ofwat's framework that sets out the way in which companies provide performance information to their customers and stakeholders between 2015 and 2020.
Confidence Grades	Confidence Grades combine elements of reliability and accuracy to provide a clear base for companies to qualify their data.
Consumer Prices Index	The Consumer Prices Index is a measure of economic inflation based on a set series of goods and services set by the Office for National Statistics. This is the headline measure of inflation used in the Government's target for inflation.

Term	Definition
Code	The UK Corporate Governance Code. This sets out good standards in relation to Board leadership and effectiveness, remuneration, accountability and relations with shareholders.
Cost Allocation	Cost allocation is the means by which all costs are allocated to appointed and non-appointed businesses, price control units, or specific supplies, works and services, ensuring a fair share of overheads, even where costs cannot be directly attributed to specific activities and associated services.
Cost driver	A cost driver is the factor or factors which cause the cost to occur. This can be further divided between the driver that causes an activity to occur, and a driver that determines how often it occurs. Costs may vary in relation to the cost driver over the short or longer-term, depending on the nature of cost concerned.
Cross-subsidy	Cross-subsidy in this context is monetary aid or contributions from the appointee to the associate, or between price control units, which does not reflect the value of the services received. It also relates to services provided by the appointee to associate companies where there has been an under-recovery of costs incurred by the appointee.
Customer Side Leakage	Leakage from customer side pipes that form part of our treated water distribution network.
Data Assurance	Processes in place to ensure that the data we produce is accurate.
Day-to-day Controls	These are the activities that we complete every day as part of our front line operations. Everything that we do supports the information that we eventually report. These controls provide the first level of assurance that the information we publish is accurate.
Deadband	Performance level classed as a 'neutral zone' where there is no financial consequence, to account for uncertainty.
Defra	Defra is the Department for Environment, Food and Rural Affairs. It is a UK government department responsible for safeguarding our natural environment, supporting the food and farming industry, and sustaining a thriving rural economy.
Delivery Assurance Groups	These are teams made up of managers and operational colleagues. They are responsible for monitoring our performance as we deliver the performance commitments that we agreed with you.
Deteriorating	We have four performance commitments that are titled Stability and Reliability Factors (S&R factor). These are given an overall assessment of stable, improving or deteriorating. An overall assessment of performance is made based on the performance of several sub-measures. If these fail to meet the levels agreed with Ofwat over a continued period of time, the overall S&R Factor will be assessed as deteriorating.
Final Determination	The outcome of a price review setting out water companies' price limits that will operate for a five-year period and the specific outputs that they will have to deliver. The last final determination was made in 2014 for 2015-2020.
Financial Incentives / Rewards & Penalties	In our business plan, we consulted with you to set stretching performance commitments. We agreed with you that some of our performance commitments would carry a financial as well as a reputational incentive. The incentives are set to reward performance that beats stretching commitments and penalise performance that falls short.
Financing Adjustment	The impact of RPI on the real value of net finance for the business.

Term	Definition
Full Time Equivalent	For the purposes of cost allocation, FTEs (or ‘full-time equivalents’) should include all full-time staff, and contractors/temporary staff directly employed. Where there is an existing contractual arrangement in place with an associate or third party for example a third party billing arrangement, FTEs (or ‘full-time equivalents’) will include all full-time staff, and contractors/temporary staff directly employed by the associate or third party involved in providing that service to the appointee.
Households	These are properties used as single domestic dwellings (normally occupied), receiving water for domestic purposes which are not factories, offices or commercial premises. These include cases where a single aggregate bill is issued to cover separate dwellings having individual standing charges. (In some instances, the standing charge may be zero.) The number of dwellings attracting an individual standing charge and not the number of bills should be counted. Mixed/commercial properties and multiple household properties – for example, blocks of flats having only one standing charge – should be excluded.
Improving	We have four performance commitments that are titled Stability and Reliability Factors (S&R factor). These are given an overall assessment of stable, improving or deteriorating. An overall assessment of performance is made based on the performance of several sub measures. If we have substantially exceeded the target over a continued period of time for the majority of the sub measures, the overall S&R Factor will be assessed as improving.
Infrastructure Assets	Infrastructure assets are mainly our below-ground assets, such as pipes, water mains, sewers, dams and reservoirs.
Instrument of Appointment	Water companies operating the public water networks hold appointments as water undertakers, and those operating the public wastewater networks hold appointments as sewerage undertakers, for the purposes of the Water Industry Act 1991. They also supply water and wastewater services direct to household and non-household customers who are connected to their networks.
ISO 9001: 2015 Quality Standard	ISO 9001:2015 is the internationally recognised Quality Management System (QMS) standard. It is the quality management standard that our regulatory reporting process has been externally judged to meet. By being ISO 9001:2015 accredited, our regulatory reporting process is considered to consistently provide information that meets customer and applicable statutory and regulatory requirements.
Licence	Our licence is also known as the Instrument of Appointment. The Secretary of State for the Environment appoints companies as water and sewerage undertakers. We have been issued with a licence to allow us to deliver the services we do. We need to comply with the requirements of the licence.
Measured	These are properties where some or all of the charges for supplies are based on measured quantities of volumes.
Modern Equivalent Asset (MEA)	The cost of an asset of equivalent productive capability to satisfy the remaining service potential of the asset being valued if the asset would be worth replacing, or the recoverable amount if it would not. The gross MEA value is what it would cost to replace an old asset with a technically up to date new asset with the same service capability allowing for any difference both in the quality of output and in operating costs. The net MEA value is the depreciated value taking into account the remaining service potential of an old asset compared with a new asset, and is stated gross of third-party contributions.
MOSL	Market Operator Services Limited (MOSL). They work with Ofwat and water wholesale and retail companies in managing the world’s largest water retail market for business customers across England and Wales.

Term	Definition
Non-appointed Business	The non-appointed business activities of the Company are activities for which the Company as a water and sewerage undertaker is not a monopoly supplier (for example, the sale of laboratory services to an external organisation) or involves the optional use of an asset owned by the Company (for example, the use of underground assets for cable television).
Non-households	These are properties receiving water for domestic purposes but which are not occupied as domestic premises, or where domestic dwellings are combined with other properties, or where properties are in multiple occupation but only have one standing charge. In this case, it is the number of bills that should be counted.
Non-infrastructure Assets	Non-infrastructure assets are those mainly found above ground, such as water and sewage treatment works, pumping stations, laboratories and workshops.
Ofwat	The Office of Water Services, which is the economic regulator of water services in England and Wales.
Operating Expenditure	Payments for the day-to-day operations of our business, such as operating and maintaining our network and treatment works, paying our staff and our energy bills.
Outcome Delivery Incentive (ODI)	ODIs is a collective term for the financial incentives – positive and negative – that Ofwat has applied to the delivery of our five-year plan. ‘Rewards’ allow us to charge more over the next five years (in this case, 2020-2025), while ‘penalties’ require us to charge less. Some of these ODIs measure performance in each of the five years of our current plan, while others apply only to the whole five years.
Outcome Totex	The total expenditure (totex) we can invest between 2015-2020 allocated between each of our seven customer outcomes.
Penalty Value	(S&R Factors) - The amount of outcome totex the company is required to pay if one or more of the S&R Factors is assessed as deteriorating based on our agreed penalty process. (General) – For ODIs with an associated penalty this is the calculated value based on the extent to which we have failed our agreed target for that ODI, outside of any agreed deadband.
Persistent	We have four performance commitments that are titled Stability and Reliability Factors (S&R factor). Each S&R factor is made up of several sub measures. A sub measure will be labelled as persistently failing where it is recognised that it has been failing over a continued period of time. This will have an impact on the overall assessment for the S&R Factor.
PR14	Periodic Review 2014; the Ofwat periodic review of price limits completed in 2014 to set prices for 2015 to 2020.
PR19	Periodic Review 2019; the Ofwat periodic review of price limits to be completed in 2019 to set prices for 2020-2025.
Price Control Units	At the 2014 price review Ofwat introduced separate binding price controls. These include wholesale water, wholesale wastewater, retail household and retail non household.
Price Review (PR)	The price determination process undertaken by Ofwat every five years. Each water and sewerage undertaker submits a Business Plan covering the five-year period for which Ofwat will determine cost and revenue allowances.
Publication Manager	They will review the guidance, design the format of the final report, assign data providers required, develop the timeline for publication, collate all the information, write the publication in Plain English and ensure the publication is delivered on time.

Term	Definition
Reference Level	We have four performance commitments that are titled Stability and Reliability Factors (S&R factor). These are given an overall assessment of stable, improving or deteriorating. Each S&R factor is made up of several sub measures. Each sub-measure will have a reference level. This is the minimum yearly performance level expected for each sub measure as agreed with Ofwat.
Regulatory Accounting Guidelines (RAG)	The accounting guidelines for regulatory accounts issued, and amended from time to time, by Ofwat.
Regulatory Capital Value (RCV)	The capital base used in setting price limits. The value of the appointed business that earns a return on investment. It represents the initial market value (200-day average), including debt at privatisation, plus subsequent net new capital expenditure including new obligations imposed since 1989. The capital value is calculated using the Ofwat methodology (i.e. after current cost depreciation and infrastructure renewals accrual).
Regulatory, Financial & Legal Oversight	The teams that provide oversight of the publications, regulations and legal obligations. The teams will review the information and the publications to ensure they meet our requirements and meet any guidance that we have.
Retail	Retail services are customer-facing activities such as billing, account handling (payments, debt management, meter reading), customer queries, as well as water efficiency advice and tackling leaks on customers' pipes.
Retail Price Index (RPI)	The RPI is compiled and published monthly by the Office for National Statistics. RPI is an average measure of change in the prices of goods and services bought for the purpose of consumption by the vast majority of households in the United Kingdom.
Risk	An uncertain future outcome that, if it occurs, will have negative effects on the quality of our publications. A risk is assessed both on the probability of it occurring and on the impact should it occur.
SAP	SAP is an IT system designed to provide efficient working practices, consistent information, joined-up systems across Yorkshire Water and standardised ways of working.
Service Incentive Mechanism (SIM)	The Service Incentive Mechanism was introduced by Ofwat to replace the Overall Performance Assessment (OPA) as a measure of the service customers experience from their water company. There are two elements to the SIM: 1) A quantitative measure awards penalty points for issues ranging from callers to our customer centre receiving an engaged tone, through to complaints. 2) A qualitative measure is calculated via telephone interviews to assess the satisfaction of customers who have contacted us to resolve queries.
Stability & Reliability Factor	The four stability and reliability performance commitments agreed with our customers and regulator, Ofwat, to determine our ability to deliver our core water and wastewater services and protect public health.
Stability & Reliability Sub-measure	Each of the four Stability and Reliability Factors have several supporting measures. These measures are used to assess the overall S&R assessment of stable, improving or deteriorating.
Stable	We have four performance commitments that are titled Stability and Reliability Factors (S&R factor). These are given an overall assessment of stable, improving or deteriorating. An overall determination of performance for the S&R factor is based on the assessment of a number of indicators and sub measures, which confirm the annual performance levels agreed with Ofwat are being consistently met over a continued period of time.

Term	Definition
Stakeholders	Customers, independent companies and any other parties who may have an interest in Yorkshire Water's activities.
Targeted Assurance	Areas that we have identified as being important to you or being higher risk should have more assurance to give the confidence that the information is correct.
Total Expenditure (Totex)	Totex (total expenditure) is the mechanism, introduced in PR14 (price review 2014) for planning and reporting capital and operational spend. The object is to achieve the optimum combination to deliver the required business plan outcomes. It applies to both water and waste but not to retail.
Transfer Pricing	A transfer price is the price paid by one group company to another for transactions between the two companies or for transactions within the appointee between price control units or between appointed and non-appointed business.
UK Customer Satisfaction Index (UKCSI)	UK Customer Satisfaction Index (UKCSI) is the national measure of customer satisfaction. It gives a unique insight into the quality of customer service in the UK as a whole and 13 sectors of the economy. It is based on a six-monthly online survey of consumers which is demographically representative of the UK population.
Unmeasured	These are properties where none of the charges for supplies are based on measured quantities of volumes. These include properties which receive an assessed charge because metering is not possible or economic.
Water 2020	An Ofwat work programme, which aims to establish what will be required of water and sewerage companies in the 2019 Price Review.
Water Resource Management Plan (WRMP)	Our 25-year Water Resources Management Plan is updated every five years and sets out how we aim to meet the predicted demand for water in our region over that period.
Wholesale	Wholesale services are the delivery of water via networks of pipes to and from customers' property boundaries, including abstracting, treating and transporting water, as well as collecting, treating and disposing of wastewater.
Yorkshire Forum for Water Customers (the Forum)	Independent group of domestic customers, business customers and environmental representatives, to ensure that we continue to be held to account for delivering our commitments and meeting the promises we made to our customers.



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