

# **Yorkshire Water**

## **Blind Year Reconciliation**

### **2024/2025: Supporting**

### **Commentary**

July 2025



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# Introduction

When Ofwat reconciled 2020–2025 performance in the PR24 final determinations, forecasts for 2024–25 were used, since outturn data was not available at that time. The blind year reconciliation allows us to assess actual performance for 2024/2025 against the forecasts included in the PR24 final determination. The blind year process will account for any difference between the forecast 2024/2025 performance included in our PR24 final determination and our actual performance for 2024/2025. Adjustments will be made with respect to these differences either through adjustments to bills from April 2026, through adjustments at PR29 or through in-period ODI determinations.

The reconciliation of performance through 2020–2025 consists of a suite of completed and assured data tables and reconciliation models submitted in accordance with the requirements of the PR19 reconciliation rulebook, the PR24 Final Methodology, and Ofwat's Information Notices IN25/01 Expectations for the PR19 blind year reconciliation and IN25/02 Expectations for monopoly company annual performance reporting 2024–25.

This document provides the supporting commentary and information on all elements of our blind year submission and includes:

- populated PR19 reconciliation models;
  - ODI performance
  - C-Mex
  - D-Mex
  - Revenue forecasting incentive (RFI)
  - Cost of new debt
  - Tax
  - Totex
  - Developer services
  - Accelerated/transition programme
  - RPI-CPIH wedge
  - Strategic regional water resources
  - Bioresources
  - Residential retail
  - Land sales
  - Note: Water trading model has not been provided as this is a nil return for Yorkshire Water. Green recovery cost adjustment, green recovery time value of money and Business retail models have not been provided as they are not applicable to Yorkshire Water.
- past delivery data tables for the reconciliation models;
  - RR27 Revenue Analysis
  - CW12 Transitional Expenditure – water resources and water network+
  - CW17 Accelerated programme expenditure – water resources and water network plus
  - CWW12 Transitional expenditure – wastewater network+
  - CWW17 Accelerated programme expenditure – wastewater network+
  - BIO1 Bioresources sludge data

- RET2 Residential retail
  - DS4 Developer services – New connections, properties and mains
  - PD1 Inflation
  - PD4 Analysis of land sales
  - PD5 Revenue reconciliation – wholesale
  - PD6 Water bulk supply information
  - PD8 Totex analysis – wholesale
  - PD9 Totex performance
  - PD10 Capital allowance super deductions for PR19 tax reconciliation
  - PD11 RCV midnight adjustments
  - PD12 PR19 reconciliation adjustments summary
  - Note: Data tables SUP4, SUP5, SUP10, PD2, PD3, PD7 and PD7a have not been updated as these are not applicable to Yorkshire Water.
- data table to support the strategic regional water resources reconciliation model;
  - populated ODI differences model;
  - populated in-period adjustments model;
  - populated RCV adjustments feeder model;
  - populated revenue adjustments feeder model;

# Past delivery data tables

## RR27 Revenue analysis

RR27 has been updated to align with Table 2I in the 2024/25 APR submission, converted to 2022/23 average CPIH values where appropriate.

## CW12 Transitional expenditure

CW12 has been updated to align with Table 4L in the 2024/25 APR submission, converted to 2022/23 average CPIH values where appropriate.

## CW17 Accelerated expenditure

CW17 is a nil return as Yorkshire Water has no accelerated expenditure.

## CWW12 Transitional expenditure

CWW12 has been updated to align with Table 4M in the 2024/25 APR submission, converted to 2022/23 average CPIH values where appropriate.

## CWW17 Accelerated expenditure

CWW17 has been updated to align with Table 4M in the 2024/25 APR submission, converted to 2022/23 average CPIH values where appropriate.

## BIO1 Bioresources sludge data

BIO1 has been updated to align with Table 8A in the 2024/25 APR submission, converted to 2022/23 average CPIH values where appropriate.

## RET2 Residential retail

RET2 has been updated to align with Table 2F in the 2024/25 APR submission, converted to 2022/23 average CPIH values where appropriate.

## DS4 Developer services

DS4 has been updated to align with Table 4Q in the 2024/25 APR submission, as this table does not report on any £m values no conversions to 2022/23 average CPIH values where required.

## PD1 Inflation

PD1 has been updated using the ONS published RPI and CPIH indices, the indexation for indexed linked debt has been restated for December 2024 actual inflation.

## **PD4 Land sales**

PD4 has been updated to align with Table 2L in the 2024/25 APR submission, converted to 2022/23 average CPIH values where appropriate.

## **PD5 Revenue reconciliation – wholesale**

PD5 has been updated to align with Table 2M in the 2024/25 APR submission, converted to 2022/23 average CPIH values where appropriate.

## **PD6 Water bulk supply information**

PD6 has been updated to align with Table 4A in the 2024/25 APR submission, converted to 2022/23 average CPIH values where appropriate.

## **PD8 Totex analysis – wholesale**

PD8 has been updated to align with Table 2B in the 2024/25 APR submission, converted to 2022/23 average CPIH values where appropriate.

## **PD9 Totex performance**

PD9 has been updated using the latest information supplied in Table 4C.

## **PD10 Capital allowance super deductions for PR19 tax reconciliation**

PD10 has been confirmed as staying the same as submission following a review of the draft HMRC tax return.

## **PD11 RCV midnight adjustments**

We can confirm that this information has been populated from the updated PR24 RCV adjustment model.

## **PD12 PR19 reconciliation adjustments summary**

We can confirm that this information has been populated from the updated PR24 revenue adjustment model.

## PR19 reconciliation models

Within this section, we provide supporting commentary on our PR19 reconciliation models, including a table summarising our view of the blind year differences / adjustments by reconciliation model.

### ODI performance

As per IN25/02, we have adjusted the PCC end of year to replicate the COVID-19 adjustment. We have also included our requested intervention on Bathing Waters (PR19YKY\_36). Information on our requested interventions are included in Appendix A.

The table below shows the movement in the penalty from the FD24 forecast to the actuals for 2024/25:

Description	Price base	FD24	PR19 BYR	Variance
ODI performance	2017-18 average CPIH	(39.3)	(50.6)	(11.3)

We have included a reconciliation by ODI to show the movements between the blind year and 2024/25 actual outputs, our performance on common performance commitments improved by £3.6m, however the deterioration on bespoke PCs was £14.9m.

ODI	2024/25 FD24 forecast Reward/ Penalty £m	2024/25 actual Reward/ Penalty £m	Variance
<b>Common ODIs</b>	<b>(28.9)</b>	<b>(25.3)</b>	<b>3.6</b>
PR19YKY_20 Water quality compliance (CRI)	(2.5)	(2.6)	(0.1)
PR19YKY_21 Water supply interruptions	(3.7)	(4.2)	(0.6)
PR19YKY_22 Leakage	(0.0)	0.0	0.1
PR19YKY_25 Per capita consumption	(4.0)	(4.1)	(0.1)
PR19YKY_24 Mains repairs	(2.8)	-	2.8
PR19YKY_23 Unplanned outage	-	-	-
PR19YKY_31 Internal sewer flooding	(8.0)	(7.3)	0.7
PR19YKY_30 Pollution incidents	(7.9)	(6.4)	1.4
PR19YKY_33 Sewer collapses	-	-	-
PR19YKY_32 Treatment works compliance	-	(0.7)	(0.7)

ODI	2024/25 FD24 forecast Reward/ Penalty £m	2024/25 actual Reward/ Penalty £m	Variance
<b>Bespoke ODIs</b>	<b>(10.4)</b>	<b>(25.3)</b>	<b>(14.9)</b>
PR19YKY_1 working with others	-	-	-
PR19YKY_2 land conserved and enhanced	(1.7)	3.5	5.2
PR19YKY_4 Length of river improved	2.7	(6.4)	(9.1)
PR19YKY_6a Operational carbon	(3.3)	(3.3)	-
PR19YKY_7 Education	-	-	-
PR19YKY_9 Water recycling	(0.1)	(0.1)	-
PR19YKY_17 Gap sites	-	-	-
PR19YKY_18 Managing void properties	0.4	0.1	(0.3)
PR19YKY_26 Drinking water contacts	(1.5)	(1.6)	(0.1)
PR19YKY_27 Significant water supply events	(0.5)	(1.9)	(1.3)
PR19YKY_28 Low pressure	-	-	-
PR19YKY_28 Repairing or replacing customer owned pipes	(2.1)	(1.9)	0.3
PR19YKY_35 External sewer flooding	6.8	(0.1)	(6.9)
PR19YKY_36 Bathing water quality	(3.7)	(6.2)	(2.5)
PR19YKY_37 Surface water management	-	-	-
PR19YKY_40 Quality agricultural products	-	-	-
PR19CMA_YKY-01 - Living with Water scheme	(7.3)	(7.5)	(0.2)
<b>Total ODI Payments</b>	<b>(39.3)</b>	<b>(50.6)</b>	<b>(11.3)</b>



## C-Mex

Description	Price base	FD24	PR19 BYR	Variance
C-Mex	2017-18 average CPIH	-	(0.2)	(0.2)

As per the PR24 guidance no forecast was submitted, the current calculation for 2024/25, based on our comparative ranking, is a penalty of £0.180m.

## D-Mex

Description	Price base	FD24	PR19 BYR	Variance
D-Mex	2017-18 average CPIH	-	(1.9)	(1.9)

As per the PR24 guidance no forecast was submitted, the current calculation for 2024/25, based on our comparative ranking, is a penalty of £1.908m.

## Revenue forecasting Incentive (RFI)

Description	Price base	FD24	PR19 BYR	Variance
RFI	2017-18 average CPIH	(4.3)	(11.6)	(7.3)

The actuals for 2024-25 have been updated from Table 2M of the Annual Performance Report 2025, which relates to Table PD05. The commentary for this data table has been included here for completeness.

### Water resources price control

In 2024/25 the wholesale water resources revenue recognised is £84.4m compared to the revenue cap of £84.7m, an under recovery of £0.3m – (0.37%).

Within our PR24 submission we assumed that the revenue recovered would be aligned with the revenue allowance, the impact of this variance will be assessed through the PR24 blind year reconciliation process.

### Water Networks+ price control

In 2024/25 the wholesale water network+ revenue recognised is £507.1m, however within this revenue number there is £1.4m of third party recharges that have to be excluded when comparing to the revenue cap of £501.7m.

This results in an over recovery of £4.0m, 0.79%.

Within our PR24 submission we assumed that the revenue recovered would be £3.4m under the revenue allowance, the impact of this variance will be assessed through the PR24 blind year reconciliation process.

## Wholesale wastewater Network+ price control

In 2024/25 the wholesale wastewater network+ revenue recognised is £571.5m, however within this revenue number there is £0.2m of third party recharges that have to be excluded when comparing to the revenue cap of £571.8m.

This results in an under recovery of £0.4m, (0.07%).

Within our PR24 submission we assumed that the revenue recovered would be £0.6m under the revenue allowance, the impact of this variance will be assessed through the PR24 blind year reconciliation process.

## Cost of new debt

Description	Price base	FD24	PR19 BYR	Variance
Cost of new debt	2017-18 average CPIH	42.2	42.5	0.3

This has been updated to reflect the 2024-25 actual "1 Year average of iBoxx adjusted for 'outperformance wedge' (base)".

## Tax

Description	Price base	FD24	PR19 BYR	Variance
Tax	2017-18 average CPIH	(6.26)	(5.1)	1.2

This has been updated to reflect the 2024-25 current forecast tax position.

## Totex

Description	Price base	FD24	PR19 BYR	Variance
Totex - cost sharing - RCV	2017-18 average CPIH	68.0	70.3	2.3
Totex - cost sharing - Revenue	2017-18 average CPIH	111.4	108.8	(2.6)
<b>Totex - cost sharing</b>	<b>2017-18 average CPIH</b>	<b>179.3</b>	<b>179.1</b>	<b>(0.3)</b>

The actuals for 2024-25 from Table 2B of the Annual Performance Report 2025, which relates to Table PD8 have been used to update table PD9.

PD9 is then used to update the cost sharing model, we have also updated the 2024-25 actual CPIH values from table PD1.

## Developer services

Description	Price base	FD24	PR19 BYR	Variance
Developer services	2017-18 average CPIH	5.4	4.1	(1.3)

The actual customer number for 2024-25 have been updated from Table 4Q of the Annual Performance Report 2025, which relates to Table DS4.

## Green recovery cost adjustment

This is not applicable for Yorkshire Water.

## Green recovery time value of money

This is not applicable for Yorkshire Water.

## Accelerated/transition programme

Description	Price base	FD24	PR19 BYR	Variance
Accelerated/transitional - RCV	2022-23 average CPIH	92.6	91.9	(0.7)

We have updated the actuals for 2024-25 within the 24-25 ADD data from Tables 4L and 4M of the Annual Performance Report 2025, which relates to Tables CW12/CW17 (4L) and CWW12/CWW17 (4M).

We have under spent against the 2024-25 forecast by £28m, this has led to an update to the time value of money adjustment.

## RPI-CPIH wedge

Description	Price base	FD24	PR19 BYR	Variance
RPI/CPIH wedge - RCV	2017-18 average CPIH	114.7	89.3	(25.4)
RPI/CPIH wedge - Revenue	2017-18 average CPIH	28.5	22.4	(6.1)
<b>RPI/CPIH wedge</b>	<b>2017-18 average CPIH</b>	<b>143.2</b>	<b>111.7</b>	<b>(31.5)</b>

We have updated the model to reflect actual RPI/CPIH values for 2024-25. The reduction in inflation compared to the FD24 forecast has resulted in this movement.

## Water trading

This is not applicable for Yorkshire Water.

## Strategic Water Resources

Description	Price base	FD24	PR19 BYR	Variance
SRO – revenue	2017-18 average CPIH	1.4	0.8	(0.6)
SRO – RCV	2017-18 average CPIH	0.3	0.2	(0.1)
<b>Strategic water Resources</b>	<b>2017-18 average CPIH</b>	<b>1.8</b>	<b>1.0</b>	<b>(0.8)</b>

The cumulative totex for AMP7 has been updated to take into account the actual values for 2024-25.

We have also completed the published data table to support the strategic regional water resources reconciliation model.

## Bioresources

Description	Price base	FD24	PR19 BYR	Variance
Bioresources	2017-18 average CPIH	(0.9)	(1.4)	(0.5)

The actual revenue recovered for 2024-25 have been updated from Table 2M of the Annual Performance Report 2025, which relates to Table PD05. The commentary for this data table has been included here for completeness.

### Bioresources price control.

In 2024/25 the bioresources revenue recognised is £90.8m compared to the revenue cap of £92.7m, an under recovery of £1.9m – (2.05%).

Within our PR24 submission we assumed that the revenue recovered would be £0.06m under the revenue allowance, the impact of this variance will be assessed through the PR24 blind year reconciliation process.

We have also updated the 2024-25 actual tonnes of total sewage sludge produced from table 8A of the Annual Performance Review, which relates to table BIO1.

## Residential retail

Description	Price base	FD24	PR19 BYR	Variance
Residential retail	2017-18 average CPIH	1.1	0.1	(1.0)

The actual revenue recovered for 2024-25 have been updated from Table 2F of the Annual Performance Report 2025, which relates to Table RET2.

## Business retail

This is not applicable for Yorkshire Water.

## Land sales

Description	Price base	FD24	PR19 BYR	Variance
Land sales	2017-18 average CPIH	(3.7)	(3.8)	(0.04)

The actual land sales for 2024-25 have been updated from Table 2L of the Annual Performance Report 2025, which relates to Table PD4.

## Other models

The South West Water merger model is for South West Water only. This is not applicable for Yorkshire Water and not included as part of our submission.

### ODI differences model

The ODI differences model has been updated. The outputs from this model have been included in the in-period adjustments model.

### In-period adjustments model

The in-period adjustments model has been updated with the output of the ODI differences model.

### Strategic regional water resources model data table template

This has been updated with the information from the FD25 SRO model and the PR19BYR SRO model.

### RCV adjustments feeder model

The RCV adjustments feeder model has been updated with relevant information from models.

### Revenue adjustments feeder model;

The revenue adjustments feeder model has been updated with relevant information from models.

# Assurance

To satisfy ourselves that our published information is accurate and complete, our 2024/2025 regulatory reporting is subject to an appropriate assurance process. It is important to us that the information we publish can be trusted. Assurance is the process of ensuring the work we do, and the information we provide, is correct and trustworthy. Assurance on the blind year reconciliation has utilised the well embedded annual reporting assurance processes. It is risk-based and follows the three levels of assurance approach. Key points to note from our assurance process include:

- Checks and reviews are completed by Data Providers, Data Managers, Senior Managers and Directors ahead of publication.
- The assurance process for the blind year reconciliation includes review and challenge by our technical independent external assurance provider for regulatory reporting, AtkinsRéalis. We have reviewed and actioned all findings from these assurance processes, taking action to ensure that any exceptions and weaknesses in the assurance approaches have been addressed. AtkinsRéalis independently reported their findings to the Audit and Risk Committee in July 2025.
- The Board has utilised specific individual Directors to support regulatory reporting activities. The Chief Financial Officer and the Director of Strategy and Regulation have accountability for the development, assurance and publication of the various regulatory and financial submissions at the end of the reporting year. They ensure appropriate resources are in place to deliver the requirements to an appropriate standard and review and challenge compliance with the requirements.
- Internal Audit have audited the management controls and procedures in relation to Yorkshire Water's Annual Performance Report compliance and reporting processes to review whether these are adequately designed and operating effectively. The audit concluded as significantly effective with four actions agreed with management to further improve controls.
- The Board uses the Audit and Risk Committee to support key assurance activities for regulatory reporting. This Committee takes an active role in engaging with and challenging the assurance approaches in place. The Audit and Risk Committee has reviewed the integrity of the regulatory reporting process relating to the APR and the blind year reconciliation as well as other regulatory submissions.
- The outputs from the completed assurance processes have been reviewed and challenged by the Audit and Risk Committee. The Committee has satisfied itself that the approaches taken have appropriately identified and addressed any risks to the provision of accurate and complete data and information in particular areas.

Our technical independent external assurance provider for regulatory reporting, AtkinsRéalis, was appointed to complete assurance over our blind year reconciliation. The scope of this assurance covered a review of this supporting commentary, the population of the models, the outputs and alignment with reporting within the 2024/25 Annual Performance Review (APR). We have reviewed and actioned all findings from this assurance process, ensuring that any exceptions and weaknesses have been addressed. AtkinsRéalis has provided a statement confirming that this assurance has been completed. This is included within their statement, published within the APR.

## Appendix A – ODI Interventions

Our performance commitments for 2020 to 2025 were set as part of the Periodic Review 2019 (PR19) process. In Asset Management Period 7 (AMP7), Yorkshire Water has 44 performance commitments. The majority of these performance commitments have associated outcome delivery incentives (ODIs), which attract a reward or penalty based on our performance to target.

There are 24 ODIs that are taken in-period, (annually), through adjustments to our allowed revenues for the next charging year. There are four ODIs (working with others, land conserved and enhanced, length of river improved and living with water) that are measured over the course of the whole AMP (2020 to 2025). There is an additional ODI, per capita consumption, which was an in-period measure but, due to the change in consumption patterns seen since the Covid-19 pandemic, the annual penalty / reward has been reported annually but the overall adjustment has been deferred until the end of the AMP.

The remaining 15 performance commitments are reputational measures and do not have a financial incentive attached to them. For more information on our performance commitments and how we performed last year, please see the Annual Performance Report (APR) for 2024/2025, which can be found at:

<https://www.yorkshirewater.com/about-us/reports/>

There are two intervention requests this year:

- PR19YKY\_25 Per capita consumption
- PR19YKY\_36 Bathing water quality

### **PR19YKY\_25 Per capita consumption**

As detailed within Ofwat's PR24 Final Determination, an adjustment factor will be applied to the Per Capita Consumption (PCC) penalty to take account of the impact of COVID-19 on PCC performance.

As required by IN/25/02, we have reported our actual performance on PCC for each year of the 2020–25 period in our ODI performance model and in tables 3A and 3F of our APR. We have not made any adjustment for the impact of COVID-19 on PCC and have not included the PR24 intervention for the impact of COVID-19 on PCC in our reported performance.

For completeness and transparency in our reporting, we are detailing the information here. The adjustment factor calculates a reduction to the penalty of £1.421m in Year 5.

We have updated the 2024/25 ODI model to include Years 1–4 unadjusted PCC penalties.

We have included this adjustment into the PR19 Blind Year Reconciliation to allow a reconciliation against the FD24 forecast, which included the adjustment.



This adjustment would reduce our cumulative AMP7 penalty from £11.255m to £4.052m.

### **PR19YKY\_36 Bathing water quality**

Skipsea is one of our designated bathing beaches. The coastline is formed of soft glacial till (clay, pebbles and sand) and is highly susceptible to coastal erosion. Since 2024, there has been no safe access from Skipsea onto the beach due to significant erosion, and the Environment Agency has been unable to carry out its regulatory sampling. We were first made aware of Skipsea being inaccessible and unable to be sampled by the Environment Agency in May 2024. The last regulatory sample taken at Skipsea was taken on 22 September 2023.

At the end of the 2023 bathing season, Skipsea was classified as 'Good', which will be the last time it will receive a classification. Since the introduction of the revised Bathing Water directive, Skipsea has always been classified as Good or Excellent.

Since the start of the 2024 bathing season, the beach has been formally 'closed'. Skipsea will remain 'closed', and without a bathing water classification until a de-designation process is undertaken by the beach managing authority, which is the East Riding of Yorkshire Council.

Our current AMP7 performance commitment for bathing water performance measures the number of designated bathing waters which exceed the European Bathing Water Directive requirements in the 2020-2025 period, as reported by those beaches achieving 'good' or 'excellent' status. There is no provision within our performance commitment definition for waters that are closed. Our performance commitment level is to reach this performance in 18 out of 18 of our designated coastal bathing waters.

We wrote to Ofwat on 17 October 2024 and provided supporting evidence as part of our request for an adjustment to this performance commitment. The reason for the request was because a third party, the Environment Agency, could not sample the beach following significant erosion and its closure.

On 13 February 2025, Ofwat wrote to Yorkshire Water to confirm that this request did not meet the criteria for an Annex 2 change but that it was recognised that even if all 17 of our remaining accessible beaches achieve good or excellent status, we would still be subject to an underperformance payment because the performance commitment level is set at 18 out of 18 beaches. Ofwat agreed to intervene to relieve Yorkshire Water of that proportion of any underperformance payment.

As requested, we have included the underperformance payment for Skipsea bathing water in our annual performance report and ODI performance model within Performance Commitment Data Tables (3A-3I).

In our PR19 reconciliation ODI performance model, we have included our requested intervention on PR19YKY\_36 Bathing water quality. This intervention to the automatic operation of this ODI as a result of Skipsea being classified as closed would reduce the ODI penalty amount by £1.235m.