
Draft Determination Representation: Changes to our plan

YKY-PR24-DDR-01A - Changes to our plan – Redacted



YorkshireWater

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1. Introduction

This section provides an overview of the key changes we have made to our business plan since our initial submission in October 2023. It also explains the reasons for these changes, and the customer bill impact.

1.1 Business plan submission (October 2023)

Our initial business plan was submitted to Ofwat in October 2023 and outlined our proposed investment of £7.8bn to deliver for customers and the environment for the 2025-30 period.

Our October plan set out our largest environmental investment since privatisation and was designed to:

- protect and improve the quality of our rivers and our coasts, leading to cleaner, safer water environments that support recreation and biodiversity across the region.
- get the basics right, accelerating improvements to service and maintaining the resilience of our activities.
- address strategic priorities, balancing the demands of service; and
- keep bills affordable for our customers.

Managing quality of service with affordability is a careful balance. Overall, we committed to improving our core performance, focusing on asset health and maintenance while delivering the best value and service for customers. To ensure best value for customers, we challenged ourselves to produce the most efficient plan possible.

1.2 Resubmission (January 2024)

As requested by Ofwat, we resubmitted our business plan in January 2024. This took into account changes made to our draft Water Resources Management Plan (WRMP) and rephrasing of our Water Industry National Environment Programme (WINEP) investment since our October 2023 business plan submission. The overall cost of our plan decreased to £7.6bn (post frontier shift, excluding grants and contributions).

2. Our plan at Draft Determination Representation

While we believe the plan, we submitted to Ofwat was right for customers and right for the environment, we recognise that, as set out in the draft determination, there are areas where the Ofwat has reached a different conclusion. We have thoroughly reviewed Ofwat's draft determination and, in a number of areas, have updated our plan to incorporate the feedback. These include:

- Storm overflows – we have accepted that schemes that in our October plan were to be delivered via DPC, should now be delivered through our proposed Storm Overflow Alliance.
- Net zero – we have accepted Ofwat's assessment with respect to solar renewables, investments related to CH4 leak detection and digester upgrades to implement 'in series' configuration.
- Industrial Emissions Directive – we have accepted the removal of covered sludge storage from our the IED investment programme.
- Resilience - we have accepted the need for the resilience uplift investment and first-time rural sewerage requirements and submit evidence in support of Ofwat's allowances in these areas.

In other areas, we respond with further evidence to support our position.

The primary cost changes we have made to our plan since the January resubmission are:

- **Additional allowances.** We have added £69m to our plan for additional investment funding allowed by Ofwat to improve resilience to the impacts of climate change, to provide first time sewerage to rural properties, and to continue delivering ongoing WINEP schemes.
- **New statutory requirements.** £220m of the additional costs will support further requirements that have arisen since April that increase the scope of our WRMP schemes, to address newly designated bathing waters, to investigate new sludge destruction technologies, and to meet increases in lane rental costs and the Environment Agency's licence fees.
- **Inclusion of storm overflow DPC.** £198m of the increase in our plan will support the inclusion of the storm overflows programme, previously proposed for DPC in our original business plan but not accepted by Ofwat in its draft determination.

In addition, we have made amendments to our modelling of selected investment areas to take into account updates to the availability of driver guidance, including updated actual and forecast data, challenges received from Ofwat, and greater certainty around contract unit rates. We removed items from our plan where we agree with Ofwat's challenge, or where the scope has decreased.

Overall, these changes see our plan increase to £8.2billion (a £232m increase from our January submission, pre-frontier shift). Also included within the plan is £198m for storm overflows which Ofwat has concluded does not to meet the criteria for DPC delivery. We have not incorporated Ofwat's approach to RCV runoff rates, to ensure financial resilience and to meet our customers' expectations of intergenerational fairness.

We consider that the changes we have made deliver a financially resilient plan that presents an acceptable risk tolerance to our investors.

The proposed investment in AMP9 and beyond has increased since the submission of our business plan in October 2023. This is, in the main, due to changes to our long-term storm overflow programme including the removal of DPC as a delivery mechanism, and subsequent inclusion in Yorkshire Water's overall totex plan.

As part of our draft determination response, we have reviewed the AMP8 storm overflow programme. We have prioritised discharge reduction during AMP8 and will potentially need to phase delivery of discharge reduction at coastal overflows into AMP9. The storm overflow plan may require reassessment or rephasing in response to ongoing engagement with Ofwat including in the context of enforcement proceedings.

We are, however, committed to delivering spill reduction at coastal overflows in AMP8, and we seek to identify an appropriate design, build and finance arrangement to facilitate this. Our customers have told us that they are happy to pay for this additional funding via an alternative payment route on top of the accepted bill increases, with 75% support from household customers and 78% from future customers.

2.1 Customer bills between 2025 and 2030

Since publication of our PR24 business plan in October 2023, we have updated the customer bill profile for the 2025-2030 period. This reflects changes to parts of our plan since October and changes made in the light of Ofwat's draft determination, including incorporating Ofwat's updated allowed return on capital.

As a result of these changes, we are forecasting an average bill for the 2025-30 period of £553, in line with our October plan. For 2029/30, we are forecasting an average bill of £583. This compares to £585 in our October plan. That's an extra £111 on average in 2025-30, compared to the average bill in 2020-2025; an average bill of approximately £1.51 per day.

We recognise that our customer bill remains higher than that set out by Ofwat in its draft determination. This is because:

- We have included additional investment in our plan, which is supported by our customers.
- We have retained the natural RCV run-off rate originally included in our plan, which is supported by our customers who do not wish bill rises to be deferred to future generations.

We have maintained a natural customer bill profile as included in our October plan, the preference of our customers¹. This means that the bill profile will reflect the investment that Yorkshire Water is making across the five years and will lessen the bill increases to customers in the early years of the 2025-2030 period.

2.2 Supporting financially vulnerable customers

We recognise that bill increases can be difficult, given the ongoing financial challenges our customers face. In our plan submitted in October, we increased our commitment to the financial support programmes we offer to customers who may be struggling financially. Our ambition is to provide bills that are affordable for all.

Since our business plan submission, we have undertaken further customer research and have achieved an increased 'willingness to pay' from customers allowing us to enhance the funding of our social tariff, WaterSupport. For further details of the customer research, please see section 3, below.

This increased 'willingness to pay' allows us to go further, providing capacity to help all income-deprived customers across our region.

We are increasing funding for WaterSupport from the £30m per year included in our October plan to £55m per year by 2029/30. This enables us to support an additional 65,000 customers through WaterSupport, increasing its reach to 7% of our customers, compared to a reach of 3% included in our October plan. By 2030, we will provide bill reductions to over 155,000 customers

¹ <https://www.yorkshirewater.com/media/uidfokph/billing-profile-research-report-final-project-report-pdf.pdf>

via WaterSupport. This support has been welcomed by the Yorkshire Forum for Water Customers.

Overall, across all the schemes we have in place to support customers with their bills, we now plan to support 535,000 households in the 2025-2030 period, up from 470,000 households included in our October plan. The combined value of this support across the 2025-2030 period is £375m, up from the £250m included in our October plan. Table 2-1 summarises the Yorkshire Water table changes made since January 2024.

2.3 Evolution of our plan

In Table 2-1 below, we provide a cost summary of our updated plan at draft determination representation, with comparisons to Ofwat’s draft determination and our January 2024 resubmission. We set out the changes between January 2024 and our draft determination representation and a high-level summary of the rationale for these changes. Please note that costs provided are pre frontier shift.

Table 2-1 Yorkshire Water table changes made since January 2024

Costs (Pre frontier shift)	YW January Submission (£m)	Ofwat DD (£m)	YW DDR (£m)	Change from January	Rationale
Base Costs Pre Frontier shift					
Clean water	2110.00	1986.00	2148.00	38.00	Increase changes to developer services capex
Wastewater	2016.00	2263.00	2103.90	87.90	Increase in licence fee costs & changes to developer services capex
Retail	446.00	446.00	446.00	0.00	No change
G&Cs	-133.00	-232.00	-232.00	-99.00	Increase in G&Cs due to increase developer services capex
Phosphorus opex cost adjustment claim	110.00	87.00	110.00	0.00	Representation for full inclusion of the CAC
Smart meters cost adjustment claim	110.00	164.00	115.00	5.00	Unit rate change
Combined sewers cost adjustment claim	88.00	0.00	49.10	-38.90	Representation for full inclusion of the CAC CAC value updated based on Ofwat’s new DD models
Infra renewals cost adjustment claim	251.00	106.00	251.00	0.00	Representation for full inclusion of the CAC
Non-infra cost adjustment claim	187.00	0.00	187.00	0.00	Representation against the removal of the CAC
Total Base	5185.00	4820.00	5178.00	-7.00	
Clean water Enhancement					
Supply – WRMP	29.65	29.03	56.08	26.43	Increase in scope and capex for 3x schemes in WRMP
Strategic resource options	20.21	19.59	35.43	15.22	2 additional SRO schemes increasing capex
Metering	134.07	153.28	142.63	8.56	Unit rate change
Resilience	0.00	52.95	36.07	36.07	New WTW as DPC development costs and, New schemes to improve resilience to drought and power outages
Cyber	34.51	24.16	34.51	0.00	Representation for the allowance of full costs

Costs (Pre frontier shift)	YW January Submission (£m)	Ofwat DD (£m)	YW DDR (£m)	Change from January	Rationale
Net zero	10.80	0.00	0.00	-10.80	Removal of net zero enhancement for CW
Other enhancement areas	242.04	183.97	244.63	2.58	Minor changes to WINEP & DWI programmes
Total CW Enhancement expenditure	471.28	462.99	549.34	78.06	
Waste Water Enhancement					
Continuous water quality monitoring	150.06	240.11	97.49	-52.57	Reduction in scope following updated guidance from the Environment Agency
Storm overflows	1126.28	1055.65	1450.61	324.33	Inclusion of statutory schemes where DPC delivery was rejected. Representation against the cost challenges applied by Ofwat. Reprioritisation of interventions to drive spill reduction
Microbiological Treatment	7.26	9.35	21.04	13.78	Additional microbiological treatment following the bathing water designation at Knaresborough, Nidd.
Investigations	87.64	58.47	155.93	68.29	Representation against Ofwat's applied cost challenge. Additional of new SOAF investigations to meet statutory compliance requirements
Net Zero Wastewater	42.75	0.00	23.21	-19.54	Representation against Ofwat's removal of actions for N20 and CH4 reductions
PR19 WINEP carryover	0.00	38.78	35.52	35.52	Updates to the reconciliation model
Other enhancement	552.29	561.15	556.76	4.48	Inclusion of flow monitoring at STWs and addition of new wastewater growth scheme
First Time Sewerage	0.00	7.20	5.84	5.84	Inclusions of First-time rural sewerage interventions in line with funding made available in DD
Destruction technology for Sludge to Land	0.00	0.00	10.00	10.00	Inclusion of funding to investigate delivery of an alternative sludge disposal route to mitigate against loss of landbank
Resilience	0.00	15.11	15.00	15.00	Power and flood resilience schemes in line with funding made available in DD
IED	118.20	13.46	72.51	-45.69	Representation for the allowance for full cost requirements in line with the industry
Total Wastewater Enhancement expenditure	2084.49	1999.27	2443.90	359.41	
Total Programme	7740.77	7282.26	8171.24	430.47	

** please note the values in the above table are values taken from the tables resubmitted in January 2024. This therefore does not include DPC or transitional double count.

3. Customer support of our plan

We have undertaken an extensive programme of customer engagement with current and future customers to inform and test both our initial business plan as well as our plan at representation and the associated revised elements of that plan. The needs and priorities of our customers are at the heart of everything we do, so to ensure they are properly addressed, we have had approximately 58,000 quality customer research conversations across the entirety of our PR24 business planning.

For the initial plan, we conducted two comprehensive acceptability and affordability testing (AAT) pieces (one Ofwat prescribed, and one independently led by a third-party research agency on our behalf, in order to address some content and methodological barriers experienced in the Ofwat piece). We spoke to over 3,500 customers across both.

Details of the full research programme that informed our initial plan, and the challenges associated with the Ofwat-led AAT can be found in Chapter 6 of our business plan ([Chapter 6: Customer and stakeholder engagement](#)).

Since October's business plan submission, we have conducted further research with our customers to ensure that our plan aligns with the expectations and needs of our customers in the 2025-2030 period and beyond. Our customers in Yorkshire are cognisant of the challenges we face and share our aspiration to improve our performance. They have told us that they are willing to pay more, than Ofwat proposed in the draft determination, to achieve this.

We presented our high-level plan at draft determination representation to our customers for acceptability and affordability testing, and they expressed strong support. 84% of customers supported our plan, which is higher than the 78% support for our October plan. We also asked our customers if they supported us in representing to Ofwat on the areas where we are asking Ofwat to change its position from that set out in its draft determination. 83% of customers supported us on this.

We engaged customers on the specific elements of our updated plan, focusing on our priority enhancement cases and cost adjustment claims, including the financial implications over the 2025-2030 period and beyond. These all received strong support, (70%-100%), from current, future, and non-household customers. Customers are of the view that these schemes are the 'right thing to do'.

Customers support our decision to refocus towards inland water courses costs previously allocated to coastal bathing waters in order to achieve Ofwat's target of 20 average monitored discharges by 2029-30. 86% of households were supportive. They also support our proposal for investing in coastal bathing waters ahead of the target set in the Storm Overflow Discharge Reduction Plan, funded by DPC/external investment. 75% of households were supportive.

Additionally, most customers still preferred to spread the balance of costs between current and future bill payers rather than shifting this to future bill payers. 85% of customers supported not deferring bill increases to beyond the 2025-2030 period, even if it means an increase in bills compared to the draft determination.

All our research has been independently conducted by third-party research agencies. Key highlights of projects conducted to inform our plan at representation are outlined in Table 3-1 below.

Table 3-1 Summary of customer research

Project name	Date	Key aims	Customers engaged	Key headlines
WaterSupport Social Tariff Willingness to Pay (Water support enhancement research)	Feb-24	To rectify an error, we identified in the original study we re-ran this study independently through a third-party research agency to understand customers' willingness to pay anything further to enhance our support to customers.	1,012 customers (incl. financially vulnerable and digitally excluded customers)	<p>82% are willing to contribute something extra.</p> <p>The vast majority of customers support an increase for WaterSupport and there is an opportunity to go further with average willingness to pay being for £28.72 per year.</p>
Enhancement Cases (EC) and Cost Adjustment Claims (CAC) research (PR24 Research documents)	Apr-24	Gauges support and perceived value for priority areas of enhancement and adjusted expenditure proposed in our submission in October 2023. This research went into greater detail on these cases and claims with our customers and ensured high levels of cognisance of the subject matter.	1,967 customers (Inc. Household (HH), Non-household (NHH) and Future Bill Payers (FBPs))	<p>This research has shown that support for our cases and claims are high with all those tested receiving high levels of support from both household, non-household and future customers (ranging from 70% up to 100% support). The support figures for each claim are listed below:</p> <p>Combined sewers: HH 78%, FBPs 84%, NHH 85%</p> <p>Phosphorus removal: 82% HH, FBPs 96%, NHH 86%</p> <p>WINEP: 88% HH, FBPs 94%, NHH 95%</p> <p>WINEP FWP mussel: 87% HH, FBPs 96%, NHH 96%</p> <p>Storm overflows: 90% HH, FBPs 100%, NHH 97%</p> <p>Inland bathing water: 92% HH, FBPs 98%, NHH 95%</p> <p>Coastal overflows: 87% HH, FBPs 97%, NHH 93%</p> <p>Infra App. measures: 84% HH, FBPs 100%, NHH 91%</p> <p>Asset health non-infra: 76% HH, FBPs 90%, NHH 85%</p> <p>DW quality: 87% HH, FBPs 95%, NHH 91%</p> <p>WRMP: 86% HH, FBPs 96%, NHH 88%</p> <p>Meter replacement: 70% HH, FBPs 90%, NHH 77%</p> <p>Smart metering: 79% HH, FBPs 90%, NHH 78%</p> <p>Mains replacement non-infra: 82% HH, FBPs 86%, NHH 84%</p>
Long Term Delivery Strategy research (PR24 Research documents)	Jul-24	We wanted to test whether or not our LTDS core and alternative pathways are supported by customers, including the likely ongoing costs of these up to 2050.	1,167 Household (HH) customers	This study found that 97% support the core pathway overall. Customers say the core pathway is comprehensive and covers the right areas; few can pinpoint anything specific that's missing from the plan. Acceptance of the bill impact is lower but still receives majority level of acceptance (54%). We also conducted an earlier study concerning our plans last year which helped to shape our LTDS and that showed similarly high levels of support (72%).
Common Performance Commitments Targets (PR24 Research documents)	Jun-24	Assessing customer support for adjusted Internal and External Sewer Flooding PC targets to reflect company-specific factors.	975 Household (HH) customers	This research found that over three quarters of customers (77%) are supportive of our request to adjust targets for internal and external sewer flooding. Over two thirds of customers (67%) say Ofwat should be willing to adjust common PC targets if this is supported with evidence. 81% feel it would be fair for Ofwat to adjust the targets based on the process that has been followed.
Draft Determination Response AAT	Aug-24	This research gauges the acceptability and	944 household customers	83% of HH customers supported Yorkshire Water challenging Ofwat's DD.

Project name	Date	Key aims	Customers engaged	Key headlines
(PR24 Research documents)		affordability of our new plan at representation as well as support specifically for our revised approach to achieving Storm Overflow targets and optional coastal overflow programme of work.	60 future bill payers 110 informed Customers	84% of HH find the plan at draft determination representation to be acceptable. 41% of households say that the bills would be easy to afford and a further 28% are neutral about affordability. 75% support optional additional investment for Coastal Storm Overflows.
Water Resources Management Plan (WRMP) research (PR24 Research documents)	Aug-24	This research tests customer support for our non-technical WRMP, its key initiatives and 5 pathways within in it as well as support for our approach and targets around Per Capita Consumption.	626 household customers	This research has found that, after reading the details of our WRMP, the vast majority of our customers (89%) are supportive of our plan, with a further 93% being supportive of the plan's key aims. In terms of our demand and supply plans specifically, these are also very well supported, 91% are supportive of our plans to reduce demand and 87% supportive of our plans to increase supply. 87% are also supportive of the balance between the contribution of supply and demand measures proposed. 89% also support the general direction and timeline of the plan to address the deficit up to 2073. 92% of customers were also supportive of our drought resilience target and 85% supportive of the timeline for delivery by 2040. In terms of PCC, the majority of customers believe our PCC targets are achievable (62%) and just under two thirds (64%) also believe them to be ambitious.

As outlined above, we have conducted a thorough, detailed and robust programme of research to inform our initial business plan and our updated plan at draft determination representation. These activities demonstrate support and acceptability for our updated plan and the key proposals outlined within it. Our customer insights programme has provided independently gathered, sound evidence, which reflects the unique challenges and circumstances of our region and the opinions and needs of our current and future customers.