



PR24 Data Table Commentary

Section 11. Summary

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2. Whole Business Plan Commentary

The water sector is under intense scrutiny, with rising customer and stakeholder demands, statutory requirements and environmental legislation. Affordability is a significant concern for our customers, particularly with the current cost of living challenges.

We have carefully considered all decisions in relation to this plan so that we are confident we have balanced competing interests, issues and risks appropriately. This has included the requirements of our stakeholders and customers, and ensuring we are not pushing investment costs into the future while recognising current economic challenges.

We acknowledge that whilst we have performed well in areas most important to customers, we have not performed as well as we would have liked in all areas during the 2020–2025 period. This is partly due to a variety of external factors, and partly because we have not been able to improve our performance as quickly as we had expected. We are closing the gap in areas where our performance has not yet achieved target.

Our AMP8 plan is a stretching plan that will deliver improved performance for our customers. In line with our discussions with Ofwat we have included in our plan the need for two targeted allowances, submitted as cost adjustment claims, to support greater infrastructure mains renewals and non-infrastructure asset health in the water network plus price control.

Our plan has been developed in line with Ofwat's guidance and focuses on getting the basics right, accelerating our performance improvements and future-proofing our activities. This will help deliver our vision – a thriving Yorkshire: right for customers, right for the environment.

Meeting rising expectations about what water companies need to deliver for their customer and communities

Our plan meets the needs of our customers and the communities that we serve. Since 2020, over 54,000 customers and stakeholders have contributed to our plan, through engagement activity, on a range of matters including ways to access our services, storm overflows, and our draft plan.

We have incorporated industry-wide research as undertaken by Ofwat and the Consumer Council for Water and carried out high-quality engagement activities as set out by Ofwat.

We tested our final plan with customers and 78% of them found our plan acceptable - meaning our plan will deliver what the majority of customers want and need.

Protecting and enhancing our environment, including sustainably managing our natural resources, and making rapid progress on the operation of storm overflows

We are embarking on our largest ever environmental improvement programme over the next 25 years, which will protect and improve the quality of water in our rivers and at our coasts leading to cleaner safe water environments that support recreation and biodiversity across the region.

Our investment plan for AMP8 is driven largely by the requirements of the WINEP including delivering reductions in storm overflows as well as improving and protecting river water quality, increasing our resilience, and through our WRMP. This includes an investment of £1.265 billion on 240 storm overflow interventions and the delivery of our wastewater treatment works improvements, and the commencement of installation of continuous water quality monitoring.

Our plan aims to improve biodiversity and features nature-based solutions that align to customer and government priorities, including solutions for nutrient removal, such as lagoons or wetlands.

Adapting to climate change and meeting net zero emissions

We are committed to reducing our emissions across all scopes, by 90% by 2050.

In this plan we will invest £49 million specifically to reduce carbon emissions across Yorkshire Water. We will focus on key emission reduction activities including process emissions reduction for wastewater, renewable energy equipment deployment and transitioning the fleet to electric vehicles. This builds on the progress we have made to date in reducing our carbon emissions.

Delivering affordable bills, in the context of increasing cost of living challenges

We know that affordability is a key concern for Yorkshire Water customers. Our plan for AMP8 is efficient and stretching, but will increase average customer bills to £553 per year, an extra £111 on the average bill each year across the five-year period. We are proposing a natural bill profile in this business plan which customers generally prefer.

We tested our final plan with customers providing them with a wider view of our plan and 60% of customers found our plan affordable - meaning when shown the

extent of services and improvements being made across the 2025–2030 period, our customers find our plan affordable.

This plan contains our biggest ever package of support for customers in vulnerable circumstances. By 2030, we will provide support to over 180,000 customers every year who are in financially vulnerable circumstances with bill reductions reaching £52 million per year. We will also increase the company contribution towards our social tariff, WaterSupport from £2 million to £2.5 million per year.

3.SUM1 – Performance commitments

While in the 2020–2025 period we have performed well on the things customers have told us they care about most, such as reducing leakage, we know we haven't always delivered improvements in other areas at the rate expected. As set out in our performance action plan we continuing to work towards improving performance in a sustainable and efficient way in the current period.

In AMP8 we are proposing an acceleration in performance where it matters most to our customers, including water supply interruptions and leakage. Our plan contains ambitious targets that are stretching and achievable and reflect performance improvements expected from both base and enhancement expenditure. We will deliver our best ever service to customers.

Our customers support our plan, the approach we have taken to prioritising our PCs and the targets we have set for each.

Due to our regional circumstances and in particular the proportion of combined sewers, we have proposed performance adjustment for internal and external sewer flooding.

After careful consideration, no bespoke PCs are proposed for the 2025–2030 period. The decision was made to focus on the delivery of our core services and an extensive enhancement programme, delivering the outcomes of greatest importance to our customers and the environment.

Further information on performance commitments can be found in Chapter 7 of our business plan.

4. SUM2 – Key business plan metrics

While in the 2020–2025 period we have performed well on the things customers have told us they care about most, such as reducing leakage, we know we

haven't always delivered improvements in other areas at the rate expected. As set out in our performance action plan we continuing to work towards improving performance in a sustainable and efficient way in the current period.

In AMP8 we are proposing an acceleration in performance where it matters most to our customers, including leakage. Our plan contains ambitious targets that are stretching and achievable and reflect performance improvements expected from both base and enhancement expenditure. We will deliver our best ever service to customers.

Our customers support our plan, the approach we have taken to prioritising our PCs and the targets we have set for each.

Improving our treatment and monitoring systems to improve our impact on the natural environment and investigate where we might make environmental investments in the future is an important element of our plan. This includes the removal of phosphorus where our plan exceeds the interim target for phosphorus reduction requirements set out in the Environment Act.

Further information can be found throughout our business plan.

5. SUM3 – Cashflows and WACC

Our business plan is financeable, both under Ofwat's notional structure and Yorkshire Water's actual capital structure.

Our investors continue to support the company – they injected funding into the company in June 2023, with further planned injections in FY25 and FY27 to enhance financial resilience and help fund the planned net investment costs of £7.8bn.

There have been material increases in the cost of debt since Ofwat published its early view of WACC in September 2022. In line with Ofwat's guidance we have adopted an allowed return, using Ofwat's methodology updated with latest market information. This allows the company to remain financeable and for us to be able to deliver our plan for the 2025-2030 period.

Further information on risk and reward can be found in Chapter 9 of our business plan and within Section 2: Risk and return data table commentaries.

6. SUM4 – Expenditure

In our plan we are proposing investment of £7.8billion, to accelerate performance improvements in our service and build future resilience. This represents a significant step up compared to the 2020–2025 period.

We have a statutory duty to comply with legal requirements such as environmental protection and water resource management planning and respond to external considerations including the Water Industry National Environment Programme (WINEP) and storm overflow reduction plan through to climate change and government net zero targets. The investment required to meet these requirements is a significant driver for the overall increase in expenditure in the 2025–2030 period.

We have included schemes in mandatory where there is a statutory driver, but there is choice over timing. For example, the accelerated coastal storm overflows are classed as mandatory as they will have to be completed under the Storm Overflow Discharge Reduction Plan. They have a mandated delivery date of 2035, so delivery could be over the next 10 years

We have classified any WINEP non–statutory ‘DEFRA–must do’ schemes as mandatory. Under the WINEP, we have classified bathing water non–statutory schemes as mandatory where there is a driver under the Storm Overflow Discharge Reduction Plan. For those components such as investigations and microbiological treatment as discretionary where no other driver exists.

For those investments that are discretionary or there is a choice as to the timing, such as net zero and accelerated coastal storm overflows, we have tested these with our customers who indicated their support. Overall 78% of customers found our plan to be acceptable.

Data in SUM4.18 and SUM4.20 are incorrect due to formulae errors that do not bring the correct wastewater values across from table CWW1a.

Further information can be found in Chapter 8, Appendix 25 Introduction to Our Enhancement Case and Appendix 43 WINEP Enhancement Case.