



# **PR24 Data Table Commentary**

## **Section 12. Past Delivery**

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# 1. Introduction

At PR24, Ofwat need to reconcile companies' 2020–2025 performance against the PR19 final determination. Reconciliation mechanisms form an important part of regulations over water companies and are important in ensuring that the right amount of revenue is collected over the price control period.

The reconciliation of performance through 2020–2025 consists of a suite of completed and audited data tables and reconciliation models submitted in accordance with the requirements of the PR19 reconciliation rulebook and the PR24 Final Methodology, including the detailed data table guidance.

This Data Table Commentary provides information on all the Past Delivery (PD) tables and all of the reconciliation models.

## 2. PD1 Inflation

Actual data to March 2023 – this has been pre-populated by Ofwat with the ONS inflation index.

Forecast data to December 2024 – Inflation forecasts for the 21 months ending December 2024 are calculated as the average of the forecasts received from up to six different banks (Barclays, BNP, DB, HSBC, Lloyds, and NatWest). The forecasts were received in June 2023 following publication of the actual May 2023 inflation data.

Forecast data for the calendar years 2025, 2026 and 2027 – Inflation forecasts for the calendar years 2025, 2026 and 2027 are taken as the medium term forecasts from several independent forecasters on Table M3 of the HM Treasury – Forecasts for the UK economy: a comparison of independent forecasts: May 2023.

Forecast data for the calendar years 2028, 2029 and 2030 – Inflation forecasts for the calendar years 2028, 2029 and 2030 are phased from the 2027 assumption to the long-term inflation assumptions of 2.0% (CPIH) and 3.0% (RPI) in 2030.

AMP9 and beyond – From April 2031 it is assumed CPIH and RPI are 2.0%, as RPI aligns to CPIH, and the MPC achieve their long-term inflation target of 2.0%.

Index linked debt indexation rate – The Indexation rate for index linked debt percentage increase is the December year on year percentage increase in inflation given the inflation assumptions above.

## 3. PD2 and PD3 non-household revenues

These tables are not applicable for Yorkshire Water.

## 4. PD4 land sales

**Actual data to March 2023** – This has been populated with data from the published APR for FY23. (Table 2L – Analysis of land sales for the 12 months ended 31 March 2023).

**Forecast data to March 2024** – The submission for FY24 was calculated by taking the FY23 actual results and stripping out the exceptional/one off items that appeared in that year. (one off sale of filter beds at Knostrop and the write off of the sale of an ATC plant) This left a total of £0.485m.

The price control split of the £0.485m was calculated by taking the most recent FY24 reforecast position and applying this pro rata across the price controls.

A decision was made not to use the most recent FY24 reforecast position in the submission, as it includes sales which require a change in policy in order to go ahead. It was felt that a continuation of the ‘normal’ level of land sales based on past actual performance was the best option for submission.

**Forecast data to March 2025** – The FY24 submission was rolled forward into FY25, with the same values being submitted for FY25. We have no better information on what land sales are likely to be in FY25 at this stage.

**Land sales reconciliation model** – This model calculates the adjustment to the Regulatory Capital Value (RCV) as at 1 April 2020 (the RCV midnight adjustment) for any disposal of land by the regulated business in the years from 2019/20 to 2024/25. No forecasted adjustments for land sales were included within the PR19 submission. The output from the model has been included within table PD11 and in the PR24 RCV adjustment feeder model.

## 5. PD5 revenue reconciliation – wholesale

Table PD5 shows the forecasted revenue performance within the 4-wholesale price control against the revenue allowances as set by the CMA FD19, adjusted for the impact of ODI performance, revenue under/over recovery in prior years and PR19 blind year adjustment values. All values have been included at 2022/23 average CPIH values as per the PR24 table guidance.

### **Lines PD5.1 – PD5.3**

PD5.1, wholesale revenue governed by price control, has been assumed to be in line with the forecasted allowances for 2023/24 and 2024/25. This assumption results in this line being equal to the sum of PD5.4 and PD5.6.

We will review this assumption before final submission to take into account any material changes to the forecasted CPIH values we have submitted in PD1 and for any adjustment to our submitted ODI performance for 2022–23.

PD5.2, Grants & contributions (price control), the forecasted income has been aligned to our internal year 4 business plan forecast for capital grants and contributions.

### ***Lines PD5.4 – PD5.8***

We have used an internal model to provide the split between lines PD5.4, allowed wholesale revenue before adjustments (or modified by CMA), and PD5.5, allowed grants & contributions before adjustments (or modified by CMA).

Our 2024–25 forecast for PD5.4 has been calculated to take into account the impact for our ODI performance for 2022–23 as submitted within our APR23 on the 15 July 2023, and the CPIH forecast values that we have submitted in PD1.

Line PD5.6 shows the impact of the anticipated revenue forecasting incentive (RFI) adjustments, we have included, within the forecast for 2024/25, the impact of our reported performance in table 2M within our APR23 submission on the 15 July 2023.

We have also included the impact within the bioresources revenue allowance of the updated forecast submitted in BIO1 for 2023/24 and 2024/25.

Line PD5.7 is where we would show any adjustments for any other changes to anticipated revenue allowances, this would include any residual blind year adjustment (BYA), however we have returned a zero value as we fully utilised our BYA in 2021/22.

***Water resources price control*** – We are forecasting no under or over recovery in 2023/24 and 2024/25 due to the underlying assumption that we will recover in line with our allowances.

***Water Networks+ price control*** – We are forecasting over recovery in 2023/24 and 2024/25 due to our current forecast for capital grants and contributions.

***Wholesale wastewater Network+ price control*** – We are forecasting under recovery in 2023/24 and 2024/25 due to our current forecast for capital grants and contributions.

***Bioresources price control*** – We are forecasting no under or over recovery in 2023/24 and 2024/25 due to the underlying assumption that we will recover in line with our allowances.

## **5.1 Changes compared to August 2023 early submission**

We have highlighted a discrepancy between what we published to Ofwat as an early submission requirement on the 7th August 2023, and our final PD5 table submission. These were errors within the first submission, and these have now been corrected. The below table summarises the changes:

Changes	Table	Cell	Data Line	Early Submission	Current Data Table
1	PD5	L9	PD5.1	411.235	412.602
2	PD5	M9	PD5.1	513.122	513.752
3	PD5	L22	PD5.10	429.465	430.832
4	PD5	M22	PD5.10	519.651	520.281
5	PD5	R9	PD5.1	451.659	453.026
6	PD5	S9	PD5.1	521.002	521.632
7	PD5	R22	PD5.10	468.166	469.533
8	PD5	S22	PD5.10	527.683	528.313

## 6. PD6 Water bulk supply information

This table provides details of the volumes, operating costs and revenues of bulk water supply imports and exports.

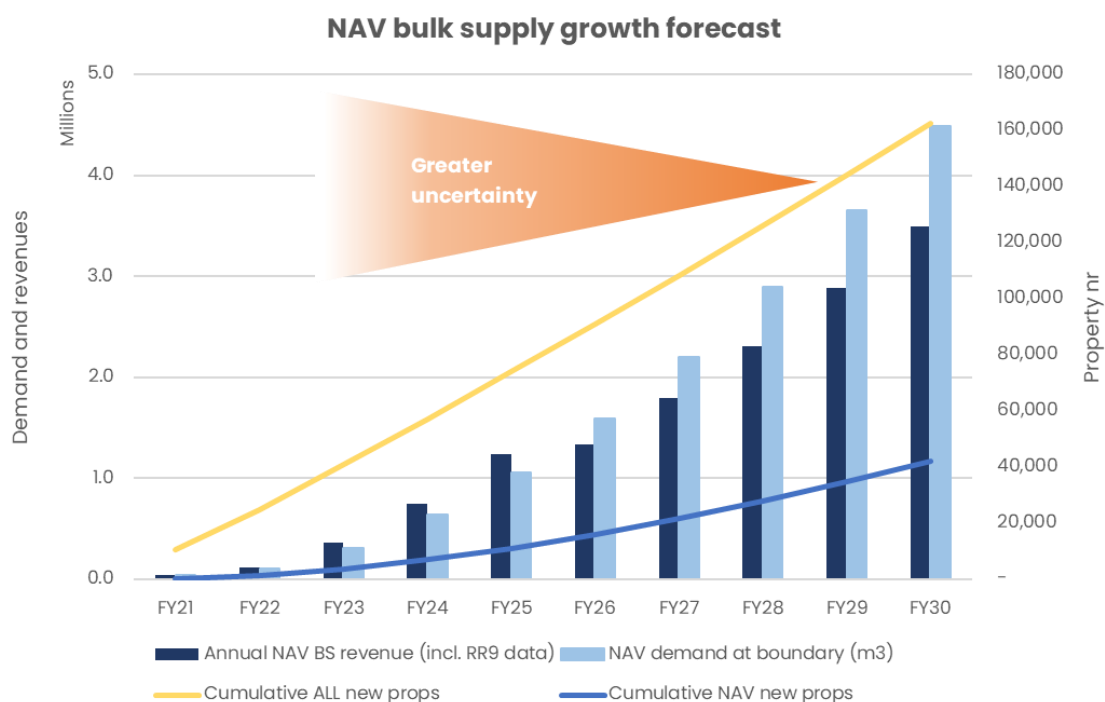
### ***Lines PD6.1 and PD6.2***

The exports from Anglian Water to Finningley and Severn Trent Water to Bradway Grange Farm are small supplies of treated water to a few properties. Volumes have been relatively consistent over the last 5 years, and the assumption is that this is unlikely to change in the future.

### ***Lines PD6.3 to PD6.6***

Lines 3 to 6 cover forecast exports that relate to water supplies in bulk from YW to NAV organisations. Presently we supply water to three NAV organisations across multiple sites. By 2024/25 year we expect to have live NAV sites from one or more additional NAV organisations and hence we have provided values in line 6 for 2024/25 year (and referenced the NAV organisation as 'TBC'). We have not provided an entry for each current or forecast active NAV site bulk supply agreement as this is impractical for business planning purposes.

In the Yorkshire region we have seen steady NAV market growth over the last three years, and we expect NAV market share to rise rapidly. Developer Services has forecast significant growth of NAV new connections for the remainder of AMP7 across AMP8 and AMP9. Using these forecasts for consistency we have developed a profile of related water demand and revenues from such bulk supplies. We have forecast demand to grow from 282MI in 2022/23 to 1158MI in 2024/25 as more NAV adopted sites are connected and premises occupied and using water.



We did not forecast NAV bulk supplies of any materiality at PR19 due to the market being in its infancy within the Yorkshire region. However, NAV participation in new connections and network adoptions has grown significantly in AMP7 and we are engaging with new NAV organisations on a regular basis. Similar to the levels of Developer Services activity and adoptions of incumbent companies, NAV organisations are also subject to the uncertainties of the house building and commercial construction markets. However, we believe these competitors will continue to gain significant market share during AMP7 into AMP8.

Our bulk supply forecasts include an extrapolation of historical performance of NAVs in our region adjusted to incorporate feedback we have received from NAVs about their growth ambitions. We are not certain that these numbers will hold up to reality as there are many factors outside our controls that will determine the volume and value of bulk supplies to NAVs in future, including macro-economic factors of the wider UK economy, political interventions and complex supply chains that can impact the house building market.

In order to help facilitate a more effective NAV market for customers and the environment, we continue to work with NAVs in our region and those looking to enter the market to help smooth any frictions of how we work together to enable bulk supplies to be connected and managed. In AMP8 we plan to increase the dedicated resources we deploy to manage our working relationships with NAVs, and our reported operating costs will reflect this into the future.

We will also look to the benefits of providing additional commercial services to NAVs that complement their service delivery to end customers, whilst ensuring no additional risks are created in serving Yorkshire Waters customers.

**Line 52 Bulk Supply Imports** – Import from Severn Trent to Ladybower. A review of Severn Trent’s Meter Data (RIVELIN LOWER RMP INLET SEVERN TRENT) back to 2015/16 shows little variation in Annual Totals (MI) year on year. It is assumed that there will be no significant change going forward.

**Water Trading Incentive Reconciliation** – The PR19 Water trading incentive model calculates incentives for qualifying trades starting in 2020 to 2025. This is a nil return for Yorkshire Water and therefore the model is not populated or submitted.

## 7.PD7 & PD7a Impact green recovery on RCV

This table is not applicable for Yorkshire Water.

## 8. PD8 Totex analysis – wholesale

The forecast for 2023/24 and 2024/25 are based on our latest Board approved internal business plan, which has been deflated to 2022-23 CPIH average price base. This plan has taken into account current performance and activity planned in Year 4 and Year 5.

Please see Section 13.2 of this report for more information on the PR19 Cost Reconciliation Model.

### 8.1 Changes compared to August 2023 early submission

We have highlighted a discrepancy between what we published to Ofwat as an early submission requirement on the 7th August 2023, and our final PD8 Table submission. These were errors within the first submission, and these have now been corrected. The below table summarises the changes:

Changes	Table	Cell	Data Line	Early Submission	Current Data Table
1	PD8	F32	PD8.18	27.018	25.943
2	PD8	G32	PD8.18	5.898	5.82
3	PD8	K11	PD8.3	4.153	10.141
4	PD8	K12	PD8.4	0	4.153
5	PD8	K14	PD8.6	9.178	0
6	PD8	K15	PD8.7	5.761	9.178
7	PD8	K16	PD8.8	0	5.761
8	PD8	M30	PD8.16	184.194	174.747
9	PD8	N30	PD8.16	29.106	27.535
10	PD8	S30	PD8.16	224.365	208.413
11	PD8	T30	PD8.16	25.201	23.245



## 9.PD9 Totex performance

The forecasts for 2023/24 and 2024/25 are based on our latest Board approved internal business plan, which has been deflated to 2022/23 CPIH average price base.

We continue to forecast an overspend in the wholesale water price controls, water resources and water network plus, over the final two years of the AMP.

We are forecasting to see an overspend in the wholesale wastewater network plus price control, this is due to the phasing of the delivery of the WINEP enhancement expenditure. As stated in previous APRs we anticipated the delivery in the last three years, whilst the FD19 allowance assumed a phasing over 5 years.

The CMA redetermination did not provide an allowance for Industrial Emissions Directive (IED). However, we were provided with a 75% sharing mechanism with customers.

As per the PR19 reconciliation rulebook guidance we have excluded non price control grants and contributions, these can be found using the following APR lines 2E.4-6, 2E.17-19 and 2E.29-31. They cover:

- Diversions - NRSWA
- Diversions - other non-price control
- Other Contributions (non-price control)

Please see Section 13.2 of this report for more information on the PR19 Cost Reconciliation Model.

## 10.PD10 Capital allowance super deductions for PR19 tax reconciliation

Due to the disclaim of capital allowances by Yorkshire Water in relation to all its capital expenditure qualifying for the special rate pool in FY22 and FY23, no amounts were treated as qualifying for the 50% 'super-deduction' in relation to the special rate pool.

Capital allowance claims in the submitted FY22 corporation tax computations and the draft FY23 computations, yet to be submitted to HMRC, have been subject to third party review.

Please see Section 14.7 of this report for more information on the tax reconciliation model.

## 11. PD11 RCV midnight adjustments

There are no commentary requirements for this table. Yorkshire Water confirms that this information has been populated with information taken from the PR24 RCV adjustment model. It should be noted that there is a further impact on RCV of c.(£8m) due to an update required in the cost reconciliations model.

## 12. PD12 PR19 reconciliation adjustments summary

Information is taken from the PR24 revenue adjustment model. Yorkshire Water confirms that the table has been completed in accordance with the guidance.

See commentary provided under Section 15.1 for PR24 revenue adjustment model.

It should be noted that there are further amendments to be incorporated into the models as follows:

- Developer services model adjustment c.(£2m)
- Strategic regional water resources reconciliation model c.(£0.017m)
- Residential retail reconciliation model c.(£0.3m)
- Cost reconciliations model – revenue adjustment c.(£20m)
- Cost reconciliations model – RCV adjustment ~ (£8m)

## 13. Early submission reconciliation models

### 13.1 Bioresources revenue reconciliation model.

This model shows how bioresources revenue reconciliation work over 2020/25. The model shows how the average revenue control is modified each year based on the difference between outturn and forecast sludge production. In addition, the model shows the adjustment of allowed bioresources revenue in one year to correct for any under or over-recovery of revenue in earlier years. Finally, it also shows the application of the bioresources forecasting accuracy incentive.

This model was submitted in August 2023 with supporting tables completed for years up to and including 2024/25 for tables PD5, BIO1 and PD1.

Yorkshire Water can confirm that there have been no changes to the bioresources revenue reconciliation model since it was last submitted in August 2023.

### **13.2 PR19 cost reconciliation model**

This is the model used to reconcile actual performance against the totex allowances from PR19. This model was supported with completed business plan data tables up to 2024/25 for tables PD8, PD9, CW1, CWW1, and PD1.

Yorkshire Water can confirm that there have been no changes to the cost reconciliation model since it was last submitted in August 2023.

Ofwat provided Yorkshire Water with some feedback on its early submission of the cost sharing total cost reconciliation, which stated that we had not inputted the business rates and abstraction charges from the company's perspective and asked us to reverse the percentage inputted. We included outperformance rates of 90% for business rates and 75% for abstraction charges but these should be 10% and 25% respectively. We have reviewed our model and the CMA redetermination and agree with this amendment that needs to be made. Unfortunately, we received this feedback from Ofwat following Yorkshire Water's Board approval of the final numbers within the PR24 business plan. Making this adjustment leads to approximately (£20m) in revenue and would have impacted on the opening RCV by (£8m) and would have an impact on a number of data tables. This amendment has not been made ahead of submission and we will liaise with Ofwat on the adjustment still to be made.

## **14. Reconciliation Models**

### **14.1 PR19 revenue forecasting incentive (RFI)**

This model shows how the Revenue Forecasting Incentive (RFI) is applied. The RFI is a symmetric revenue adjustment applied in-period to reconcile any revenue under or over-recovery in an earlier year. Where differences between actual and allowed revenues are greater than 2%, the RFI applies a financial penalty. The RFI is applied to the network plus and water resources controls.

The inputs for 2020/21, 2021/22 and 2022/23 have been taken from actuals reported in table 2M from the annual performance report (APR).

The outputs for the impact on revenue allowances are shown in PD5, and the forecasted revenue adjustment has been included in the revenue adjustment model and table PD12.

### **14.2 Residential retail reconciliation model**

This model shows reconciliation of retail revenues over 2020/25.

The inputs for 2020/21 to 2022/23 are taken from the actuals values reported in table 2F from the annual performance reports (APR).

Forecast for 2023/24 and 2024/25 have been calculated using the average customers numbers from table SUP1a.

The modification factor for 2024/25 has been calculated based on the submitted in period ODIs from APR 2022/23.

The output from the model has been included within table PD12 and in the PR24 revenue adjustment feeder model.

### **14.3 Water trading incentive reconciliation**

The PR19 Water trading incentive model calculates incentives for qualifying trades starting in 2020 to 2025. This is a nil return for Yorkshire Water and therefore the model has not been populated or submitted.

### **14.4 Developer services model**

This model is designed to reconcile developer services revenues within the network-plus control for PR19.

The inputs for 2020/21 to 2022/23 are taken from the actual connection numbers reported in table 4Q.11 of the annual performance reports (APR).

Forecast connection numbers for 2023/24 and 2024/25 have been taken from table DS4.11 in the PR24 table submission.

The output from the model has been included within table PD12 and in the PR24 revenue adjustment feeder model.

### **14.5 Water industry national environment programme (WINEP) reconciliation model**

The purpose of this model is to account for the impact of ministerial decisions on the scale of companies' environmental enhancement programmes where this differs from the assumptions made at final determinations.

Requirements that were termed 'amber' schemes - were uncertain when the PR29 final determination was made in December 2019. The anticipated programme was funded, with an appropriate cost adjustment mechanism to account for a potential discrepancy between the scale of the assumed and confirmed programmes.

The WINEP model has been completed and Yorkshire Water can confirm that all amber schemes have gone ahead and that they are all planned to be delivered. For those requirements that have had a due date to date, we have delivered 100% of the AMP7 WINEP commitments on or ahead of their due date. We are on track to deliver 99% of AMP7 WINEP commitments by the end of AMP7, with activity in place regarding the nine commitments (1%) where a risk to delivery has been identified as being at risk. Of these nine commitments, four are related to amber schemes in delivery.

The six commitments at risk are detailed in the table below.

Commitment	WINEP Reference	Risk position
<b>Dewsbury</b> wastewater treatment works	7YW200803	The project is currently four weeks behind delivering on the regulation commitment date due to managing complexities interfacing with existing assets. The project team are accelerating work over the warmer months to bring the time back. The programme phasing is also being re-sequenced to optimise the programme and the contract partner has been contractually instructed to look at other ways to accelerate the works. Industrial Emissions Directive (IED), UMON4 and UIMP6 drivers are also being delivered as part of this scheme, which are all forecasting to achieve the regulatory dates of 31st March 2025.
<b>Blackburn Meadows</b> wastewater treatment works	7YW200850	The scheme at Blackburn Meadows is currently forecasting completion 8 weeks later than the regulation commitment date. Offsite build construction methods have been implemented to improve the programme and the project team are planning to increase subcontractor resources utilising multiple suppliers. The project is also undergoing a peer review with one of our other tier one partners to explore further opportunities for learning from one of our other large schemes.
Hough Side	7YW300068	We have now shared our intention to progress with an innovative and sustainable wetland solution with the Environment Agency and have agreed, in principle, to a regulatory date of 31st March 2027 for completion. This has not been finalised with the Environment Agency at this point.
Farnley Ring Road (Pudsey Beck)	7YW200641	The scheme at Farnley Ring Road forms part of the Pudsey Beck programme. The scheme was previously approved by LCC based on the documentation submitted, however concerns have recently been raised over the proximity to the carriageway, and the potential impact this may have on structural integrity. This is still currently forecasting to hit the regulatory obligation but is now at risk. Negotiations ongoing with Leeds City Council to manage this risk.

We are working to mitigate the risks identified and still aiming on delivering these before March 2025, with Hough Side still being delivered but an amended regulatory

date is to be agreed with the Environment Agency. As a result, the model submitted by Yorkshire Water proposes no adjustment required.

#### **14.6 Cost of new debt reconciliation model**

This model will index the cost of new debt by reference to a market benchmark in 2020–25, with an end of period reconciliation adjustment.

InpC inputs are per suggested default, except where the value was updated within the CMA PR19 final determination.

InpR RCV year start and year end balances have been input based on data included in the CMA PR19 final determination financial model.

InpIndex populated with actual i-boxx rates up to 12th June 2023. Thereafter, forecasts for future i-boxx rates are based on 10 year gilt curves provided by our independent debt adviser at July 2023 plus a 1.70% spread. An overall combined rate was provided therefore we have assumed a 0.35% discount for the A rate and a 0.35% premium for the BBB rate based on the recent spread around the A/BBB average figures. A fixed rate has been assumed for each forecast financial year.

#### **14.7 Tax reconciliation**

At PR19, Yorkshire Water was forecast a tax allowance in respect of FY21 and FY25 only. Recalculation of the tax allowance has reduced the allowance for both those periods mainly due to the effect of increased finance costs as a result of changes in cost of debt.

- The change in corporation tax rate from 19% (assumed for all years at PR19) to 25% in FY24 and FY25 increases the expected tax charge for FY25 only. As noted, there was no expected tax charge for FY24 in the PR19 submission.
- The increase in the SBA capital allowance rate assumption from 2% to 3% has created a small amount of additional capital allowances. The small reduction in taxable profits only affects those periods with a tax allowance, i.e. FY21 and FY25. FY22–FY24 have increased tax losses.
- The 130% ‘super-deduction’ in FY22 and FY23 increases the overall capital allowance claims for both those periods. As there are no taxable profits for these periods, this only increases tax losses available to carry forward and there is no impact on tax allowances for these periods. As lower amounts of capital expenditure will be allocated to the general pool for FY22 and FY23, there are lower b/fwd general pool balances available to claim in FY24 and FY25. Due to only 50% of taxable profits being available to offset with b/fwd tax losses, the resultant increased taxable profits cannot be offset fully in those periods.

- However, changes to the cost of debt have increased the net interest costs in the tax calculations and is the main driver resulting in a reduction in tax allowance for FY21 and FY25. As noted above at PR19, we had no tax allowance for FY22–24.
- Yorkshire Water has paid full tax value for group losses in 2020–25 so no adjustments are required.

#### **14.8 Land sales**

This model calculates the adjustment to the Regulatory Capital Value (RCV) as at 1 April 2020 (the RCV midnight adjustment) for any disposal of land by the regulated business in the years from 2019/20 to 2024/25. No forecasted adjustments for land sales were included within the PR19 submission. The output from the model has been included within table PD11 and in the PR24 RCV adjustment feeder model.

#### **14.9 RPI-CPIH wedge true up model**

This is the model used to reconcile for the difference between the actual RPI-CPIH (measures of inflation) wedge observed over the price control period, and the RPI-CPIH wedge included in the final determination.

Company specific inputs, including opening RCV, run-off rates and WACC have been input based on data included within the CMA PR19 final determination financial model.

Inflation figures up to May 2023 have been included based on actual inflation data reported on the ONS website.

Inflation forecast figures from June 2023 to March 2025 have been included in accordance with the inflation forecasts included within data table PD01.

#### **14.10 Strategic regional water resources reconciliation model**

This is the model that illustrates reconciliation of revenue allowances for the strategic regional water resource options. The reconciliation is required to account for the progression of strategic options through the gated process.

The Upper Derwent Valley Reservoir Extension solution seeks to support a continued bulk transfer agreement from Severn Trent to Yorkshire Water, whilst maintaining a surplus in Severn Trent's own supply-demand balance, and potentially providing support for environmental flows and abstractions downstream for other RAPID solutions. The solution proposes doing this through options of raising existing dams; building new dams downstream of existing dams or siting a new reservoir in the vicinity of the Upper Derwent Valley Reservoir complex.

Allowance: £5.98m allowance to Gate 2, based 50:50 split between Yorkshire Water (YKY) and Severn Trent Water (SVE). Gate 2 Development allowance calculated by percent of highest option cost (15% development allowance of 6% of the total capex estimate for raising Howden and Derwent dams).

**Table: UDVRE Funding Allowances**

	Gate one	Gate two	Gate three	Gate four	Total
Upper Derwent Valley Reservoir Extension-Draft Decision	N/A	£2.78m	£6.49m	£7.42m	£16.70m
Upper Derwent Valley Reservoir Extension-Final Decision	N/A	£5.98m	£13.94m	£15.94m	£35.86m
Comment	N/A	15% of development allowance calculated as 6% of option to raise Howden and Derwent dams	35% of development allowance calculated as 6% of option to raise Howden and Derwent dams	40% of development allowance calculated as 6% of option to raise Howden and Derwent dams	90% of development allowance calculated as 6% of option to raise Howden and Derwent dams

Status: The original G2 deadline of July 2023 was postponed following confirmation that RAPID was unlikely to support the reservoir expansion option any further than Gate 2. At this stage Severn Trent Water also confirmed its intention to terminate the existing bulk supply to Yorkshire Water from 2025.

A decision has been made in principle with RAPID to progress with a 'backfill only' SRO focussing specifically on the development of a solution to replace the bulk supply. The programme for this will be agreed following finalisation of water company WRMPs. Severn Trent Water and Yorkshire Water have agreed to provide draft, projected costs of a revised Gate 2 submission to RAPID 26/09/23. Our working assumption is that Gate 2 will be completed no later than March 2025.



**Table: Strategic regional water resources reconciliation assumptions**

Ofwat reconciliation rulebook					entry	YW notes/assumptions
#	Input	Description	Source	Units		
1	Proportion of costs allocated to gate	An overview of the proportion of the cost allowance allocated to each gate	Ofwat	%	25%	Reflecting best available forecast to complete gate 2 by April 2025. 25% is cumulative total for 10% (g1) and 15% (g2)
2	Years of discounting required for project abandoned at gate (x)	The number of years of discounting that needs to be applied to any adjustment to account for time value of money, based on which gate the project is abandoned at	Ofwat	#	zero	No project abandonment
3	Totex sharing rate	The totex sharing rate applicable to under or overspend compared to the allocated allowance	Ofwat	%	zero	No sharing up to and including gate 2, therefore zero
4	Totex sharing threshold – cumulative spend	The cumulative proportion of costs beyond which we apply totex sharing – equivalent to cumulative allowance to gate 2	Table 3.4 of 'PR19 final determinations: Strategic regional water resource solutions'	%	zero	Allocation not included in PR19 FD, project agreed mid-AMP. Cost sharing not specified in YW determination but document states that 'This funding is allowed in accordance with the conditions and requirements as outlined in PR19 final determinations: Strategic regional water resources solution appendix.
5	Discount rate	The discount rate used to provide a time value of money adjustment	This is the wholesale allowed return on capital	%	Zero	Not applicable for unfunded schemes
6	Gate funded scheme has progressed to (up to gate 4)	The final gate to which the funded scheme has progressed to	Ofwat	#	n/a	n/a – unfunded scheme
7	Company cumulative percentage of allocated spend given gate reached	The cumulative percentage of the allocated spend that the company is eligible for given the gate the funded scheme it participates in has reached	Table 3.4 of 'PR19 final determinations: Strategic regional water resource solutions'	%	n/a	n/a – unfunded scheme
8	Company totex allowance for funded scheme	The full totex allowance for a funded scheme for the company	Table 3.3 of 'PR19 final determinations: Strategic regional water resource solutions'	£m	n/a	n/a – unfunded scheme
9	Company PAYG ratio	The overall PAYG ratio of the company for 2020-25	Tables 2.1 and 2.2 of companies' 'PR19 final determinations: Allowed revenue appendix'	%	n/a	n/a – unfunded scheme
10	Company outturn totex for funded scheme	The actual totex for a funded scheme for the company	Company APRs. Table 4L, RAG 4 reference 4L.37	£m	n/a	n/a – unfunded scheme

Ofwat reconciliation rulebook					entry	YW notes/assumptions
#	Input	Description	Source	Units		
11	Company penalty for funded scheme	A penalty deducted from a company's development allowance for a funded solution based on gate deliverables. Note that this should be entered as a negative value	RAPID	£m	n/a	n/a – unfunded scheme
12	Gate unfunded scheme has progressed to (up to gate 4)	The final gate to which the unfunded scheme has progressed to	Ofwat	#	2	Gate 2 as per best available forecast
13	Company cumulative percentage of allocated spend given gate reached	The cumulative percentage of the allocated spend that the company is eligible for given the gate the unfunded scheme it participates in has reached	Table 3.4 of 'PR19 final determinations: Strategic regional water resource solutions'	%	100%	Assumes this is 100% to Gate 2 based on allocated spend in AMP7 to be reconciled (AMP7 forecast only includes G1 and G2)
14	Company totex allowance for unfunded scheme	The full totex allowance for an unfunded scheme for the company	RAPID	£m	£5.98m	as per RAPID mid-amp determination, split equally between Severn Trent Water and Yorkshire Water
15	Company PAYG ratio	The overall PAYG ratio of the company for 2020-25	Tables 2.1 and 2.2 of companies' 'PR19 final determinations: Allowed revenue appendix'	%	n/a	n/a – unfunded scheme
16	Company outturn totex for unfunded scheme	The actual totex for an unfunded scheme for the company	Company regulatory reporting. The exact source of this input will be confirmed after the publication of RAPID's guidance for the transferring in of unfunded schemes.	£m	£2.649m	consistent with latest STW forecast and mirror's STW's reconciliation submission for UDVRE
17	Company penalty for unfunded scheme	A penalty deducted from a company's development allowance for an unfunded solution based on gate deliverables. Note that this should be entered as a negative value	RAPID	£m		FT - no penalties

# 15. Adjustment models

## 15.1 PR24 revenue adjustment model

This is an Ofwat published model, which produces the values for tables PD12 and RR6.1 – 12 and RR6.25–26. The input tab of the model in the most part feeds from tabs PD1 and PD12. In addition, the in period ODI values for 2023–24 and 2024–25 were required and these were obtained from the ODI in period models for 2023–24 and 2024–25.

Tab PD1 was completed to align with the PR24 PD1 data table.

Tab PD11 is copy of the output from the PR24 RCV adjustment model.

Tab RR6. Lines RR6.1 – 12 and RR6.25–26 are outputs from the model.

Tab PD12 has been completed in each section using the referenced sources.

PR14 Blind Year reconciliation end-of-period revenue adjustments

This section includes the end of period adjustment for household retail.

### ***PR19 reconciliation revenue adjustments***

We have included the outputs for all of the applicable reconciliation models:

- ODI forecast.
- WINEP (no adjustment required)
- C-Mex we have forecasted zero.
- D-Mex we have forecasted zero.
- RFI forecast.
- Bioresources revenue adjustment (no adjustment required)
- Bioresources forecasting incentive (no adjustment required)
- Residential retail revenue
- Developer services
- Cost of new debt
- Totex costs
- Tax
- RPI-CPIH wedge

### ***PR19 reconciliation end-of-period RCV midnight adjustments as at 31 March 2025 in PR24 base year prices***

This feeds from tab PD11, and adjusts the values from 2017/18 average CPIH to 2022/23 average CPIH.

### ***PR14 Blind Year reconciliation end-of-period revenue adjustments in PR24 base year prices***

This section is an output from the model and adjust the inputs from 2017/18 CPIH average to 2022/23 CPIH average prices.

### ***PR19 reconciliation revenue adjustments in PR24 base year prices***

This section is an output from the model and adjust the inputs from 2017/18 CPIH average to 2022/23 CPIH average prices.

## **15.2 PR24 RCV adjustments model**

PR19 FD / CMA / IDoK closing RCV balances as at 31 March 2025: Input taken from the PR19 financial model.

PR14 Blind Year reconciliation end-of-period RCV midnight adjustments as at 31 March 2025: Inputs were taken from the final Ofwat BYA report.

PR19 reconciliation end-of-period RCV midnight adjustments as at 31 March 2025: We have included the outputs for all of the applicable reconciliation models:

- ODI forecast
- WINEP (no adjustment required)
- RFI forecast
- Totex costs
- Land sales
- RPI-CPIH wedge

PR24 end-of-period RCV midnight adjustments as at 31 March 2025: We have included the accelerated investment funding.

Opening RCV balances as at 1 April 2025: This is a calculated section.

Opening RCV balances as at 1 April 2025 expressed in PR24 base year prices: This is a calculated section.

## 16. ODI performance model

These models determine how we will reconcile the outcome delivery incentives (ODIs) that have been accrued by companies in each year of performance, based on the performance commitment set in the PR19 final determinations. The ODI model is published for the year in question alongside the Annual Performance Report.

The ODI models, populated with the forecasted performance for Year 4 and another one for Year 5, have been provided to Ofwat alongside the PR24 Business Plan. The forecasted performance against our performance commitments for 2023/24 and 2024/25 have been inputted into the models in line with our Board approved forecasts for the remainder of AMP7. We have considered our current performance; our improvement plans and planned activities during Year 4 and 5 to create a forecast for each performance commitment.

For more information on forecasted ODI performance, please see the commentary for Table OUT8 in Data Table Commentary – Section 1: Outcomes.

## 17. Models not applicable to Yorkshire Water

The following reconciliation models are not applicable for Yorkshire Water or no longer a requirement and therefore not included in Yorkshire Water's PR24 submission:

- Bilateral entry adjustment (BEA).
- Gearing outperformance sharing mechanism.
- Green economic recovery reconciliations.
- Innovation competition.