PR24 Draft Determination Representation
Executive Summary

YKY-PR24-DDR-01-Executive Summary - Redacted

YorkshireWater

Contents

1. Introduction

Yorkshire Water and Ofwat are aligned in wanting to deliver for customers in Yorkshire: getting the basics right; improving performance; supporting the environment; investing in infrastructure; and being sensitive to the affordability of bills. We also share Ofwat's view that PR24 is a vital opportunity to reset expectations, ultimately delivering a thriving Yorkshire, right for customers and right for the environment.

In its PR24 draft determination, Ofwat has clearly acknowledged the scale of change needed in investment. It is in this context that we welcome Ofwat's view that we must all work together and contribute to meet this challenge. Regulated licence holders and their shareholders as well as current and future customers all have a role to play, supported by a forward-looking regulator.

It is imperative for customers and the environment that Ofwat plays its part in restoring confidence in the sector and ensures the ability of the UK water sector to raise the funding needed to support investment in the 2025-30 period, and beyond. This will ensure that Yorkshire Water is able to finance the substantial investment required from now until 2050.

We recognise the challenge of striking an appropriate balance between Ofwat's various statutory duties and the interests of a range of stakeholders. We also recognise the decisions Ofwat has taken in the draft determinations that demonstrate its intent to strike this balance, such as adjusting its approach to investor returns and increasing protections for factors outside of company control, such as rises in chemical and energy input costs.

However, following careful consideration of both the detailed elements of the draft determination and the overall package, we firmly believe that it fails to get the overall balance right. The Board considers that significant changes to the draft determination are required before the sector can be considered investible. Therefore, it would not allow us to deliver for customers and the environment, now and in the longer term.

- **Totex plan sufficiency:** The service we are required to deliver is not funded sufficiently which presents significant risk to customers, both in the 2025-2030 period and beyond. In Ofwat's draft determination, the cost challenges are most apparent across three elements of our totex plan pre-frontier shift, totalling £909m: storm overflows (£325m challenge); targeted allowances cost adjustment claims (£332m); and new Water Treatment Works DPC (£105m). There is a serious shortfall in cost allowances, as costs needed for clean water resilience (75%) and enhancement (25%) have been removed while delivery obligations have been increased. The combined impact on the delivery of our plan makes the overall risk too high. These allowances are critical to the delivery of our plan, including the essential investment needed to meet the challenges of increasing customer and stakeholder expectations, and require robust reconsideration by Ofwat ahead of the final determination. As part of our representation, we have provided additional explanation where we think there is a risk that Ofwat has misunderstood our plan, and we are submitting additional evidence to Ofwat in support of those elements of our plan that Ofwat has challenged. We think this evidence meets Ofwat's challenges and firmly underpins our plan.

- **Performance commitment incentives**: It is important that Ofwat reassesses the performance commitment regime to provide a framework that supports a fair balance between risk and reward, rather than a solely punitive regime. In several critical areas including internal sewer flooding, storm overflows, per capita consumption and mains repairs, the performance commitment starting points are clearly unachievable. On some of our commitments we would have to improve by 40% or 50% from this year to the next to avoid penalty. In some instances, delivery profiles do not reflect Environment Agency agreed compliance dates and bring forward the output deliverables, increasing the inevitability of company penalties. This is not supposed to be a punitive regime, but it clearly will be one in PR24. Rather, it is supposed to be a regime that provides an incentive at the margin to improve outcomes for customers and hence a 'fair bet' for the company.

- **Investability:** The draft determinations cause significant issues for the UK water sector's ability to raise the funding needed to support investment plans. Despite a welcome movement on cost of capital, the nominal equity return on offer to investors is, at 6.80%, only marginally above other types of asset classes, such as investment grade corporate bonds. However, it carries significant downside risk given substantial reductions to totex allowances, the challenging performance commitments and related penalties, restrictions on dividends, and the potential for reputational risk. It is also below the level available in similar UK utilities like the energy sector[1] where there is less reputational, government and regulatory risk. As such, the draft determination for Yorkshire Water does not represent a balanced risk and reward package for investors. This therefore affects our ability to secure the financing needed to meet future investment needs and the performance required by our customers. This approach is not consistent with Ofwat's duty to secure that Yorkshire Water is able to finance the proper carrying out of its functions as a water undertaker and of a sewerage undertaker.

The draft determination appears to have focused on the short-term, without proper consideration of the long-term implications for our customers. By limiting average bill increases for current customers, costs will be pushed onto future generations. This approach is inconsistent with Ofwat's duty to further the consumer objective. This deferral also puts asset resilience at risk, potentially compromising service for current and future customers. It is not consistent with Ofwat's duty to further the resilience objective and threatens our ability to tackle our most pressing challenge: investing in the future for our customers and the environment. This higher resilience risk will also jeopardise the recovery of the sector's reputation. This is vital for improving customer satisfaction, and for regaining public confidence over the next five years, ultimately supporting further investment from 2030 to 2035.

1.1 Our representation

While we believe the plan we submitted to Ofwat was right for customers and right for the environment, we recognise that Ofwat has sometimes reached a different conclusion. We have thoroughly reviewed Ofwat's draft determination and, in a number of areas, updated our plan to incorporate Ofwat's feedback. In other areas, where we disagree with Ofwat's provisional views, we respond with further evidence and some additional explanation to support our position.

We remain acutely aware of the challenges facing some of our customers when it comes to paying their bills and propose to improve the support we can offer in these situations. Further market research revealed the extent of our customers' willingness to support those who are struggling. As a result, we are increasing funding for our social tariff from £30m per year to £55m per year. This enables us to support a further 65,000 customers through WaterSupport, increasing the reach of our social tariff to 7% of our customers.

Our plan at representation receives a high level of support (84%) from our customers, both current and future, who are supportive of our decision to challenge certain key aspects of Ofwat's draft determinations to ensure we are getting the best outcome for the region.

Compared with Ofwat's draft determination, our updated plan at representation allows us to do more to meet the expectations of customers in Yorkshire. We will implement a full storm overflow programme, improve maintenance of assets, build longer term resilience and deliver the programmes important to our customers such as net zero and Living with Water.

[1] https://www.ofgem.gov.uk/sites/default/files/2024-07/RIIO_3_SSMD_Overview.pdf

2. Ofwat's draft determination

We have three fundamental concerns relating to the draft determination.

- The required investment is not sufficiently funded.
- The performance commitments and incentives regime is punitive; and
- The overall package is unlikely to be investible.

These are addressed in turn, below.

2.1 The required investment is not sufficiently funded

The draft determination does not support the essential investment needed to meet the challenges of increasing customer and stakeholder (including Ofwat) expectations. Ofwat requires Yorkshire Water to go beyond our original plan, while materially reducing the cost allowances to do so. The combined impact on the delivery of our plan makes the overall risk too high.

The challenges are most apparent across three elements of our totex plan, pre frontier shift:

- storm overflows (£325m challenge),
- targeted allowances cost adjustment claims (£332m), and
- New Water Treatment Works DPC (£105m).

2.1.1 Storm overflows

In its draft determination, Ofwat reduced our £1.38bn storm overflow investment by £325m while increasing the service level to be achieved. The combined impact of this position at draft determination would severely harm the delivery of the storm overflow programme, some of which would not be deliverable at all.

We recognise the importance of storm overflow performance to our customers and the environment and have been working with the Environment Agency under the auspices of SOAF and the Storm Overflow Discharge Reduction Plan to improve the industry's performance in this area.

Given Ofwat's firm view in its draft determination, we now propose a programme that will deliver Ofwat's target of 20 average monitored discharges by 2029-30. To do this we need a cost allowance of £1.451bn. In this response, to allow us to meet these targets, we have taken a pragmatic decision to refocus towards inland water courses costs previously allocated to coastal bathing waters, which do not have high discharge rates compared to other areas. We provide additional evidence to Ofwat including additional cost evidence and customer endorsement, to support our position.

While improving coastal storm overflows does not materially contribute to the targets Ofwat has set, coastal bathing waters are incredibly important to our customers in Yorkshire. As such, we remain committed to making the case for investing in coastal bathing waters ahead of the target set in the Storm Overflow Discharge Reduction Plan. This investment is supported by our customers and we propose to allow £165m to enable us to do this at Scarborough and Robins Hood Bay before 2030. We have been working hard through the shortened period for response to the draft determination to assess the appropriate route forward and have therefore not had time to reflect this proposal in the detailed data tables in our response. We will send updated tables within 3 weeks. The proposal does not have a material impact on the customer bill level.

In this response to the draft determination, we challenge the reduction in cost allowances imposed by Ofwat on our storm overflow investment proposals, which render elements of our programme undeliverable. We do not consider Ofwat's approach to cost modelling for storm overflows to be appropriate for the Yorkshire region due to three key modelling flaws (i) the current use of Cook's Distance analysis to remove outliers without analysis of the outliers themselves (ii) the potential for bias due to omitted variables and issues with company forecast data, and (iii) the application of a stringent benchmark without sufficient evidence of a high quality model on which to base this benchmark.

2.1.2 Targeted allowance cost adjustment claims

In our business plan we proposed two targeted allowance cost adjustment claims to support clean water capital maintenance into asset health.

In its draft determination, Ofwat granted only a partial allowance (£106m) of the cost adjustment claim for infra mains replacement of the requested (£251m), creating a gap of £145m. The non-infra cost adjustment claim of £187m was not accepted by Ofwat in the draft determination. Combined, this represents a reduction of over 75% in the investment that is needed to support service and water resilience improvement for customers.

We are concerned that performance improvements cannot any longer be efficiently and sustainably achieved through a continuation of historic asset management approaches from which Ofwat's base cost models are derived. While these approaches were in line with incentives, given the regulatory focus we faced to minimise bills and to improve substantially the day-to-day outcomes experienced by our customers, a transition is now needed in AMP8 to allow us to deliver long-term health of our assets for current and future generations of customers. As it stands, assets in this area are expected under the current regulatory regime to last up to 10 times longer than their design and useful life, placing a significant strain on long-term asset health and short-term performance improvements.

Deferring additional clean water investment funding to future regulatory periods is no longer in the interests of customers and is inconsistent with Ofwat's duties. We provide additional evidence and customer endorsement to Ofwat to support granting the targeted allowances in full and ask Ofwat to carefully reconsider its position.

2.1.3 New Water Treatment Works

Our business plan included an investment case for a new Water Treatment Works (WTW), requested under DPC. While Ofwat accepted the need to improve resilience in the Yorkshire water supply system, it did not support the chosen option, allowing a programme of just £40m out of the £145m requested.

We have undertaken further optioneering since our plan was submitted, which has confirmed that our proposal for the new WTW is the right solution, and why a network solution is not appropriate. We provide updated evidence to confirm the suitability of this scheme for DPC as it meets the scalability, construction, and operational and maintenance requirements. We ask that Ofwat allows this proposal in full given critical risks to the Yorkshire area if it is not addressed now.

2.2 The performance commitments and incentives regime is punitive

A balanced package of performance commitments and outcome delivery incentives should drive companies to deliver for their customers and the environment in ways customers value and are willing to pay for, and reward efficient and innovative activity by companies. To be effective, these must be set at an achievable level which reflects the complexity of external factors faced by companies. The evidence we set out in our representation shows that Ofwat has set an unrealistic and unattainable package of performance commitments and outcome delivery incentives for Yorkshire Water in the draft determination, turning what should be an 'incentive regime' into a guaranteed penalty scheme.

Ofwat's material reduction in our cost allowance significantly impedes our ability to deliver the stretching performance commitment targets we set ourselves in our business plan. Ofwat has also significantly increased the level of stretch in the package of performance commitments and has assumed an unrealistic starting level of performance for many of them. It is inevitable as a result that we will end up in a penalty position.

With the level of funding provided, combined with an incentive scheme heavily skewed towards penalties, a small number of performance commitments, including internal sewer flooding, per capita consumption, wastewater operational greenhouse gases and C-MeX, will most likely incur ODI penalties of above £300m. On some of our performance commitments we would have to improve 40% or 50% from this year to the next.

- For internal sewer flooding, the proposed performance commitment level does not take into account significant regional factors including the number of cellared properties and the percentage of combined sewers.

- The proposed performance commitment level for wastewater operational greenhouse gases does not consider the substantial upwards pressure on emissions arising from our WINEP, which is unique to Yorkshire Water in both scale and timing, leading to significant increases in operational emissions.

- The proposed approach on C-MeX is asymmetrical in practice, with limited chance of reward across the sector.

- On per capita consumption, where we currently lead the industry, and in that context, we would need to see a wholly unrealistic reduction of 6% between this year and next to avoid penalty.

The regulatory regime should be providing an incentive at the margin to improve outcomes for customers and the environment, and hence a 'fair bet'. But this is not the case: instead, it represents an unacceptable level of operational, financial and reputational risk.

We urge Ofwat to revisit its approach to setting the performance commitment levels, to better reflect actual company performance and to incorporate only realistic levels of ambitious stretch.

2.3 Ofwat's draft determination fails to offer a balanced risk and reward package for investors

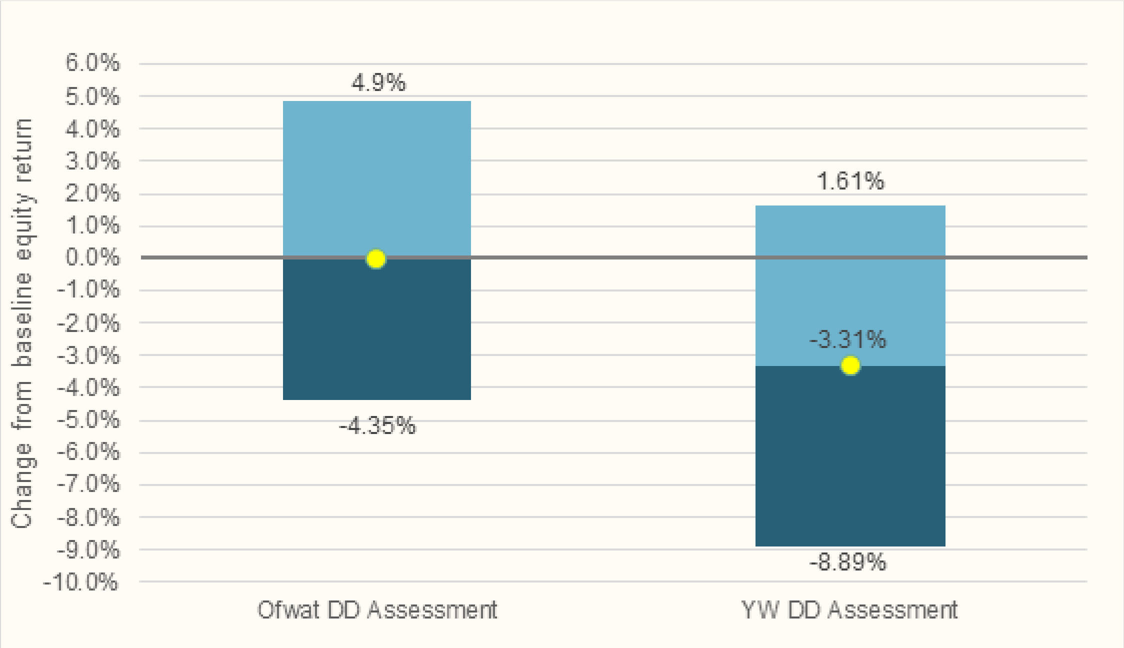
For the success of the UK water sector, we believe that it is important for Ofwat to consider financeability in the context of investors' actual expectations based on observable market information. Despite a welcome movement to introduce an aiming up element on cost of capital, the equity return on offer to investors, at 6.80% is only marginally above other types of asset classes, such as investment grade corporate bonds. Yet, the potential return carries significant downside risk given substantial reductions to totex allowances, the challenging performance commitments and related penalties in the draft determination, together with Ofwat's measures to restrict dividends, and the clear rise in reputational risk for those operating in the sector in the UK. The allowed cost of capital is also below the level available in similar UK utilities like the energy sector where there is less reputational, government and regulatory risk. Accordingly, Ofwat's ostensibly more attractive headline numbers need serious additional consideration in light of these other factors. Our proposed estimate of the cost of capital is 4.15% to 4.85%.

The proposed change to the RCV run-off rate is also of considerable concern as it pushes costs onto future generations, something our customers do not support. This also makes future investment in the longer term more challenging and in the short-term requires companies to fund any gap, putting further pressure on financing. In addition, the proposals to restrict gearing to 70% would place further demand on equity investors.

As such, the draft determination for Yorkshire Water fails to offer a balanced risk and reward package for investors. It requires us to deliver against unrealistically ambitious performance commitments with a reduced cost allowance, and with an expectation of significant potential penalties given the decisions Ofwat has taken within its performance and incentive mechanism.

Taking all these together, Ofwat's draft determination presents an unacceptable level of risk and creates a situation where it may not be possible to deliver our current and future plans, including our commitments to customers and stakeholders, in a resilient manner. This is further demonstrated by the negatively skewed attainable RoRE range set out below. We present it in comparison to Ofwat's assessment, with which we fundamentally disagree.

Figure 1: Attainable RoRE range



2.4 Additional considerations

In addition to the areas of fundamental concern described above, there are other areas included within our representation response where we also ask Ofwat to reconsider its position. This is to support Ofwat to ensure it gets the right balance in the final determination to allow us to deliver for customers and the environment. We set out some of these key areas below.

2.4.1 Interests of future customers are underweighted

The draft determination's focus on short-term decisions without full consideration of the long-term implications, seriously compromises the interests of our future customers. By limiting investment and average bill increases for current customers, the need for investment and costs will be pushed onto future generations. This undermines the interest of future customers in three ways and is inconsistent with Ofwat's consumer duty:

- The investment needed will be pushed to the future, leading to a greater step-change in future bills.
- By not investing on what is needed today, assets will be degraded further, ultimately leading to a higher increase in costs for customers compared to what they would pay if investment was allowed now.
- Asset resilience will reduce, compromising service and increasing risk for customers now and into the future.

In addition, this approach does not fit with the wants and needs of our customers. Throughout all of the studies we conducted over the last two years, including our most recent study exploring the acceptability and affordability of our plan at representation, our customers repeatedly tell us that they would prefer to spread the impact of bills out, or even have an impact sooner, rather than pushing the impact of rises onto future bill payers.

2.4.2 Regional differences are not appropriately taken into account

The draft determination fails to adequately recognise real regional differences in the cost drivers and complexity of operations, with the priorities of our customers and stakeholders also not appropriately reflected. There is not sufficient funding for investment areas that are important to customers and stakeholders in Yorkshire, and where Yorkshire, or regional-specific factors are at play This includes programmes such as the Living with Water, new Water Treatment Works for resilience, improved maintenance of assets, net zero and the storm overflow programme. In addition, Ofwat has challenged significant components of our enhancement programme, and areas of our base programme, where we included cost adjustments to account for regional differences.

Furthermore, our customers heavily endorsed these programmes, even when told in several cases that this investment was 'optional', and they could choose whether or not to include it in their bills. Our customers supported each one – Living with Water, new WTW for resilience, net zero and improving asset maintenance – across a range of our studies as they understood the risks of not delivering this work. Support was granted by customers because most schemes were seen by them to offer strong benefits for a relatively small bill impact.

2.4.3 Uncertainty mechanisms don't adequately reduce exogenous risk

We welcome that Ofwat has introduced several uncertainty mechanisms and note that they provide additional protection for downside risks. However, the suite of interventions still leaves companies open to significant risks outside of management control. Our key concerns include:

- Cost allowances need to be set at a central estimate, rather than assuming a minimum value and sharing mechanism. This is a particular issue for business rates.

- True-ups should be applied as soon as possible after the uncertainty occurs, rather than at the end of the AMP.

- The uncertainty in the regulatory landscape of the bioresources price control is not adequately accounted for. Two mechanisms are required to mitigate this: a landbank loss protection mechanism; and an expansion of the Industrial Emissions Directive (IED) cost sharing to encompass all waste permitting risks in bioresources.

- The storm overflow uncertainty mechanism should be expanded to cover any statutory requirement on storm overflows triggered by the EA or Defra not limited to storm overflow improvements. It should also include the requirements for investigation and any subsequent interventions that are subject to conclusion of Ofwat's investigation into wastewater management across the industry and the impacts this may have on the operating and capital costs for the industry in the future.

2.4.4 The price control deliverables regime is poorly designed

We have a range of concerns with the price control deliverables (PCDs) regime:

- The very tight delivery profiles and definitions, which in some cases limit creativity, are likely to lead to less efficient and more carbon intensive schemes.

- Delay penalties in areas where there are already delivery regimes with other regulators, such as the Environment Agency, create 'double jeopardy'.

- Unnecessarily high delay penalty rates will simply increase the cost of delivering projects in the sector and hence increase costs to customers.

- The new punitive approach requiring return of all funding for non-delivery, even where the majority of a scheme has been delivered; and

- The fact that there is no mechanism for changes to be agreed with quality regulators, meaning that the five-year programme is fixed from December 2024. No capital programme has ever been delivered without alteration over such a period. This is recognised by our quality regulators where we have an established regime to make changes reflecting altered circumstances, while still ensuring projects get delivered. The highest risk PCDs driving financial exposure to the business are metering, mains renewals, storm overflows, phosphorous removal and river water quality monitoring. Together they represent a £2.15bn financial exposure, with a potential additional £170m delivery exposure and £32m delay penalty.

We request Ofwat to modifies its approach to PCDs, reviewing delivery profiles, definitions, delay penalties and only applying them where they do not duplicate existing statutory requirements, to ensure the right outcomes for customers.

3. Our plan at representation provides the right balance for our customers

While we believe the plan we submitted to Ofwat was right for customers and right for the environment, we recognise that there are areas where 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. 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.

Further detail on the changes to our plan is set out in the changes to our plan section of our representation (YKY-PR24-DDR-01A).

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 CSO's deemed not to meet the DPC criteria.

We have not incorporated Ofwat's approach to RCV run-off rates. Our position ensures stronger financial resilience and meets our customers' expectations relating to intergenerational fairness. We think these changes deliver a financially resilient plan that presents an acceptable risk tolerance to our investors.

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; a bill of approximately £1.51 per day.

Our bill remains higher than that set out by Ofwat in its draft determination. This is because:

- there is additional investment included in our plan, which is supported by our customers, and

- we have retained the RCV run-off rate originally included within our plan, as our customers do not support pushing the impact of bill rises onto future generations.

However, together with our customers, we remain acutely aware of the challenges facing some customers when it comes to paying their bills, so we propose improving the support we offer. Further customer research has revealed an increase in willingness to pay to support those who are struggling. Therefore, we are increasing funding for our social tariff from £30m per year to £55m per year, enabling us to support a further 65,000 customers through WaterSupport. This increases the reach of our social tariff to 7% of our customers.

3.1.1 Customer testing

Since we submitted our plan in October 2023, we have carried out various research studies with our customers to gain more insights into their views on different aspects of our plan. We have explored customer opinions on some of our priority enhancement cases and cost adjustment claims. We also conducted additional investigations on our long-term delivery strategy, our water resources management plan, some of our performance commitment targets and customers' willingness to pay for social tariffs.

Our customers showed strong support for our priority enhancement cases and cost adjustment claims, which we tested as part of our research. Customers are of the view that these schemes are the 'right thing to do'.

To evaluate our plan at representation, we commissioned an affordability and acceptability testing study with a representative sample of customers. The results were more favourable than those we received for our October plan. 84% of customers supported our plan and 69% said they would find the bill easy to pay or were neutral about the affordability of the proposed average bill. 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 with 85% of customers supporting not deferring bill increases to beyond the 2025-2030 period.

3.1.2 Our representation approach

Our representation provides evidence to support our concerns above. We represent on areas of greatest materiality and have set out which decisions we believe Ofwat should reconsider, ahead of the final determination.

Ofwat's proposed licence modification to Condition B: Charges in the Instruments of Appointment (licences) would create some flexibility in the PR24 timetable. Should Ofwat consider that it requires additional time beyond the current timetable to thoroughly review company representations and to engage further with companies, it should take that time.

We have taken the opportunity to present further detailed evidence, including updated forecast and actual data, to support the components of the business plan where we cannot accept the draft determination, including insufficient funding allowances, and performance commitment levels.

The constrained time to develop our representation has meant that to best support our customers, we have focused on the most material issues. We have therefore made a choice not to address every point in the draft determination with which we disagree. Yorkshire Water reserves the right to make further representations on all points covered in the draft determination during the remainder of the price review process.

3.1.3 Board assurance

As requested by Ofwat, Yorkshire Water has updated its assessment of financial resilience in the context of the draft determination. After careful consideration, the Board is unable to provide the requested assurance that Yorkshire Water is financially resilient for 2025-30 and beyond based on Ofwat's draft determination.

The draft determination materially understates the level of capital investment needed in AMP8; the incentive regime is not balanced; and Yorkshire Water expects to incur significant financial penalties across the period, with no realistic opportunity prospect of meeting the outcomes required from Ofwat's draft determination. Together with the proposed reductions in cost recovery rates and potential dividend restrictions, Yorkshire Water would require greatly increased levels of equity support at a time of a severely depressed returns. The Board cannot be confident that this additional company funding would be forthcoming at the level of equity returns expected under the draft determination.

We have not seen sufficient evidence to understand how Ofwat has satisfied itself that its draft determination meets its statutory duty to secure that companies are able to finance the proper carrying-out of their statutory functions, particularly in relation to Yorkshire Water.

The Board considers that Yorkshire Water would be financially resilient for 2025-30 and beyond on the basis that all its represented changes are accepted by Ofwat and that there are no major unforeseen changes made to the current regulatory framework. Any assessment of financial resilience remains conditional on Ofwat acting in accordance with its statutory duty to ensure water companies are financeable and investible, and setting cost of capital at a level that is sufficient to attract the new investment required both in AMP8 and beyond.

The Board takes full and collective responsibility and ownership of this representation. Changes in information included within the representation compared to the PR24 business plan (as submitted in October 2023 / January 2024) have been reviewed and challenged, with appropriate governance and assurance in place. Additional assurance would be required to obtain the same level of confidence, should any changes be made at the final determination, or in the event of any material change in circumstances.

Where the representation relies on external consultancy reports or analysis, Yorkshire Water has referenced these throughout the representation. Yorkshire Water considers that these reports provide valuable evidence that is useful for Ofwat's review of the draft determination representation and has indicated throughout the representation where it has relied on the contents and conclusions of these reports in support of its representations to Ofwat. Where applicable, Yorkshire Water has also indicated in the representation any specific areas where it does not agree with any contents or conclusions of any external consultancy report that has been submitted as supporting evidence.

The Board is satisfied that its overall representation meets the expectations of a responsible company with a reasonable balance of customer and company interests.

The Board has reviewed and approved the representation at a meeting on 23 August 2024.