

Forward programme consultation
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For the attention of Dylan Spedding

05 February 2015

By Email only

Dear Dylan,

Ofwat forward programme 2015-16

Yorkshire Water welcomes the opportunity to comment on Ofwat's draft forward programme for 2015-16.

We particularly welcome Ofwat's commitment to seek opportunities for joint working and we would welcome conversations to discuss and plan this further.

In general we would reiterate our comments made on previous programmes with regard to greater transparency; we encourage Ofwat to have clearer milestones and define key dates rather than dates being identified by quarter. We are disappointed that Ofwat has reverted to a one year forward programme. Given the challenges of further regulatory progress and the delivery of the Water Act reforms over the next five years, we would welcome a longer view of Ofwat's programme, such that we can plan our part and contribute accordingly.

For 2015-16 in particular, we would welcome greater clarity about the approach to determination of the Non-household retail control for 2017 onwards, which requires activity in the coming year and has little detail in the programme.

We have a number of additional specific comments which are appended to this letter. The comments follow the structure of the draft programme and its section headings and page numbers.

We trust you find the feedback useful and we look forward to working with you over the coming year.

Yours sincerely

Leonie Mackenzie
Regulatory Strategy Manager

Page 4 Overview 2015-16

The long term challenges identified should include environmental pressures on by the sector as well as the higher environmental standards arising from the Water Framework Directive. One notable environmental pressure is the impact of or extreme weather, such as extreme cold and flooding, on resilience. The extreme weather may be considered as an element of climate change however our assets, standards and services need to be resilient to both long term shifts in climate and extreme weather events since each have different and related impacts.

The long term challenges also need to be considered in cost benefit terms to consider how social and environmental costs and benefits over the long term can inform long term planning.

These points are important in determining strategic risks and setting the vision for the sector and the vision for Ofwat

Page 6 Delivering Value for money

We welcome more transparency on licence fees in two respects. Firstly we would like to see a five year business plan for fees and secondly greater accuracy in determining the Open Water fee rather than giving a £10.5M cap. Overall we challenge Ofwat to consider its ability to reflect and deliver the same efficiency as is being delivered by the sector over the next five years.

Page 7 Regulation principles

The one word statements are welcome, however each would benefit from an explanatory description of what they mean to Ofwat. This would help us anticipate, support, and at times challenge Ofwat.

Page 12 Key dates tables

We wish to impress the need for the proposed programme to be maintained, particularly with regard to Water 2020:

- It is important that the guidance on eligible customers does not slip to enable us to implement the Water Act.
- Non-household price control re-openers (PR17) will require Ofwat guidance to be published in October or November of 2015, (there is an omission as no date identified for this).
- Learning from PR14 would greatly enhanced by publishing a draft for consultation as well as publishing a final document in the spirit of transparency.

Finance and Governance

Page 27 Clear, Uniform Licences - We believe that the licence review also needs to be timely and proportionate.

The reporting guidance for service providers is welcome. The previous transition from June Return to Risk and Compliance Statements and KPI reporting provides a good model for the introduction of new reporting requirements, a process which we would encourage Ofwat to repeat.

Page 28 The descriptors of the suite of modular licences and licence conditions needs also to include sustaining investor confidence and protecting value.

The collection requirements needs to be available in December, January –March is too late for the sector to respond.

Water 2020

Page 30 As referenced above, the framework and determination of the price control for non-household retail services needs to be given a date to aid planning and adoption by the sector.

Business Transformation

Page 35 The descriptors of the type organisation Ofwat wishes to be would helpfully benefit from inclusion of the ability to address future challenges by taking the learning and experience of the past to build on the corporate memory and the development of England and Wales water regulation.