

Secretary of State for Environment, Food & Rural Affairs  
Water Resources Management Plan Consultation  
3rd Floor Nobel House  
17 Smith Square  
London  
SW1P 3JR

28 August 2013

Dear Secretary of State

### **Yorkshire Water – Draft Water Resources Management Plan**

Yorkshire Water published its draft Water Resources Management Plan (dWRMP) on 14 May 2013 and this letter summarises our views of the draft plan. These views are based on a high-level review of the processes described in the plan against the requirements of the Water Resources Planning Guideline. They are without prejudice to any subsequent decisions that we may make in connection with the business plan that the company is scheduled to provide to us later this year as part of the price control review process.

In summary, Yorkshire Water needs to consider further the following areas in finalising its dWRMP:

- clarifying whether it has sought customers' willingness to pay for service or environmental enhancements and/or involved the Customer Challenge Group (CCG) in the development of its dWRMP;
- providing evidence of how it sought options from neighbouring water companies or third parties in developing its feasible options list;
- explaining more clearly why it removed water trading / bulk transfer options between the feasible list and the preferred planning solution;
- including in the final plan the sustainability reductions confirmed since the draft plan was produced; and
- updating the final planning solution and associated scenario testing if required by addressing the other issues identified.

.../...

## **1. Incorporation of customers' views**

Yorkshire Water appears to have consulted its customers on their preferences for the level of service that underpins the dWRMP. However, it is not clear whether the company has sought customers' willingness to pay for service or environmental enhancements. The company should clarify matters relating to willingness to pay in its final plan.

We can find no reference to Yorkshire Water's CCG in the dWRMP and we cannot determine its role in the development of the dWRMP. The company should explain how it has made use of the CCG in its final plan.

The company has not set the plan in context for customers by indicating the potential impact on bills of its dWRMP proposals. The company should present this information in its final plan.

## **2. Baseline Supply-Demand Balance**

The final plan should reflect the sustainability reductions confirmed since the draft plan was produced.

The draft makes reference to technical reports relating to its forecast of available supplies, which were not available at the time of reviewing the dWRMP. The company should provide these with its final plan.

It is unclear whether Yorkshire Water has consulted local authorities on the company's population forecast. The company should explain the methodology used in its final plan, and ensure that it takes account of local authority data where this is available.

Yorkshire Water has used micro-components for the per capita consumption (PCC) forecast, but we cannot find a breakdown of the specific volumes relating to each component. The company should provide this information in its final plan.

### **3. Options appraisal**

While Yorkshire Water has considered new water transfers and bulk supplies, we can find no evidence of the processes for neighbouring companies or third parties to propose such options.

The company should explain its approach to options proposed by neighbouring companies or third parties in the final plan. There are some bulk transfers in the unconstrained list but it is unclear who proposed these transfers. The reasoning behind the removal of the water trading / bulk transfer options between the feasible list and the preferred planning solution is also unclear.

It is not clear how Yorkshire Water has taken account of the potential operating cost savings of new sources of water, when compared to existing sources in its options appraisal. The company should clarify this in its final plan.

### **4. Final planning solution and scenario testing**

As a result of addressing the issues identified in sections 1-3 above, Yorkshire Water should consider updating the final planning solution and associated scenario testing within its final plan.

Yours sincerely

**Andrew Walker**  
**Director – Wholesale Price Control Review**