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4 November 2016

Dear Sir or Madam,

Consultation on the final 2010-15 reconciliation

Thank you for the opportunity to respond to the consultation on the final 2010-15 reconciliation with regards to:

- When we would choose to apply the revenue correction mechanism (RCM) reconciliation adjustment.
- The acceptance of the changes that you have proposed for the PR14 reconciliation rulebook.

2010-15 RCM reconciliation timing of adjustment

Throughout our customer engagement in PR14 our research showed that customers were consistently in favour of bill stability and predictability.

We are already seeing an impact on our bill profile in 2017-18 due to the introduction of the wholesale revenue forecasting incentive mechanism, the recognition of our revenue performance in 2015-16 will in turn have an impact on bill stability in 2018-19.

The consultation states that the adjustment will take into account the timing of an application and therefore our customers would be 'no worse off'. We would therefore request to postpone the true up for the 2010-15 RCM reconciliation until PR19. This will allow the impact on revenue and customer bills to be managed within the PR19 envelope of changes and will enable us to mitigate bill volatility.

An alternative option, which could be explored is allowing companies a flexible approach to the RCM adjustment.

Allowing companies the ability to periodically review their position, and make adjustments that are appropriate for customers would enable companies to manage bill stability in the period. Companies could then partially adjust for the RCM reconciliation within the current pricing period and have a final true up in the PR19 process.

PR14 reconciliation rulebook changes

We have reviewed the proposed changes to the rulebook and would welcome the implementation of these measures.

I hope you find this feedback useful and if you would like any clarification or further detail please do contact me, wendy.kimpton@yorkshirewater.co.uk.

Yours sincerely,

A handwritten signature in blue ink that reads "W Kimpton". The signature is written in a cursive, flowing style.

Wendy Kimpton

Head of Regulation