

Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

By email: NAVpolicy@ofwat.gov.uk

27 August 2021

Dear Ofwat

Re: Consultation on regulatory reporting requirements for new appointees in 2021-22

Thank you for the opportunity to study and provide comments on your final proposals for regulatory reports for new appointees for the 2021-22 period in order to help secure the future success of the new appointee market.

We have reviewed Ofwat's final reporting proposals and append our responses to the consultation questions to this letter below. We note Ofwat's intention to publish responses to the consultation on its website and we give our consent to publish this letter and appended pages.

Should you have any questions in relation to this response please contact me in the first instance.

Yours faithfully,

[Redacted signature]

[Redacted name], Regulatory Strategy Manager

Yorkshire Water response to: Consultation on regulatory reporting requirements for new appointees in 2021-22

We present below our feedback on the issues detailed in the consultation

Q1: Do you have any comments on our proposed documentation approach?

We agree with the proposals as laid, and the aim simplify and streamline how regulatory reporting requirements for new appointees are documented so that it is clearer what is required when preparing their annual submissions.

We support the development of a separate set of documents and data templates including the incorporation of sections of the existing Regulatory Accounting Guidelines (RAGs) that are relevant to new appointees.

Q2: Do you have any comments on the issues raised in our May and June 2021 consultations on the main RAGs?

We have no new comments to make on the issues Ofwat raised in its consultations on the main RAGs in May and June 2021.

Q3: Do you agree with our proposals for which parts of the existing RAGs should apply to new appointees, our proposed adjustments and the drafting in Annex A1?

We agree that the parts of the existing RAGs as present should apply to reporting by new appointees and that the proposed adjustments and drafting in Annex A1 appears appropriate.

We believe the reporting requirements in detail will not remain static but need to evolve and adapt in future both in response to changes to the main RAGs for incumbents, and to meet specific needs for monitoring the new appointees and the NAV market.

Q4: Do you agree with our proposed approach for new appointees to produce an accounting policy and methodology note and the draft text in Annex A2?

We agree with the proposals as presented in Annex 2.

Q5: Do you agree with our proposed approach for allocating regulatory costs?

We agree that a common approach to the allocation of regulatory costs across revenue controls for incumbents has been proposed in earlier consultations for water and sewerage undertakers and water only undertakers. We understand therefore to aid simplicity that such an approach may also be relevant for new appointees.

However, we do not feel we have the requisite knowledge to comment on the proposed split ratios between retail and network activities of any new appointee and whether that new appointee operates in general as a single service company or a dual service company, or how much of its activities is upstream of the 'last mile' networks. We therefore agree it may be appropriate to provide new appointees some flexibility to move from a standard allocation split approach where it can justify a different approach for its unique circumstances.

Q6: Do you have any comments on the format and draft line definitions of the financial reporting tables for new appointees?

We have no specific comments to make on the format and drafted line definitions of the proposed financial reporting tables for new appointees. In general, we consider the financial reporting requirements to be comprehensive and should meet Ofwat's needs and the needs of other stakeholders.

Q7: Do you have any comments on the format and draft line definitions of the performance reporting tables for new appointees?

We believe the information and data required under the performance reporting tables to be comprehensive. We would like to make the following suggestions for consideration:

- **Additional line(s) in proforma P1: Performance – non-financial information.** Reporting of the target number of connections for a site (water and/or wastewater). This may be the number of connections as notified on the appointment application or a number updated based on the development characteristics and plans. We believe this will give a good indication to stakeholders and the regulator of whether a site is in progress of being developed or is near to or has been completed.
- **Correction in proforma P3: Performance – water.** Line 7 definition we believe needs correcting as follows. *Household per capita consumption – Unmeasured – Per capita consumption per day (l/h/d). Calculated as (Column 45 * 1,000,000) / Column 56 / 365*

- **Correction in proforma P3: Performance – water.** Line 10 definition we believe needs correcting as follows. *Household per capita consumption – Measured – Per capita consumption per day (l/h/d). Calculated as (Column 78 * 1,000,000) / Column 89 / 365*
- **Correction in proforma P3: Performance – water.** Line 11 definition we believe may need reviewing and correction subject to corrections in lines 7 and 10.

Q8: Do you agree with our proposed approach to unique identifiers?

We agree that there should be clarity around the appointed site, and hence we raised this issue in our previous consultation response on the subject of reporting requirements for new appointees, and we are pleased Ofwat has included a reporting requirement for a reference to the incumbent undertakers' area for each site. We did not seek a unique site identifier at that time, but we can see the value in such an approach. We have no set view on the format to be used.

Q9: Should we introduce further granularity in reporting against the guaranteed standards scheme in the performance reporting tables?

We have no views at this stage on the need for further granularity on the reporting against the guaranteed standards scheme.