



Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

22 July 2021

PR24 and beyond – creating tomorrow together

Dear Sir / Madam,

Corsair is a global infrastructure equity sponsorship and investment management business. We manage 30.31% of the equity of Kelda, the owner of Yorkshire Water, on behalf of an international group of long term investors including public sector pension funds, insurers and sovereign funds, which has been invested in Kelda since 2007.

We welcome the proposed simplification of the review process. Both in terms of reduced cost but also reduced board and management focus on process, allowing greater focus on delivering for customers. In relation to customer input, we would nonetheless advocate that there still be some mechanism to take account of regional variations in customer and stakeholder priorities.

We also welcome Ofwat's commitment to a longer term outlook and more emphasis on nature based solutions, subject to certain caveats. Ofwat should consider what protections it can offer investors across price controls. The RCV concept works well for capital investments; some analogous concept may be needed for opex, e.g. where a company locks into a higher opex solution that provides broader benefits, but which may benchmark unfavourably if a narrower assessment of benefits is taken at a future price review. We also encourage Ofwat to work with companies on how best to assess these potential broader benefits, such as broader improvement of the natural environment outside of the standard ODI measures.

We note that Ofwat has also published some initial proposals for promoting public value in the sector. We support those principles, subject to the points raised above.

Against these encouraging developments, it is critical that Ofwat accepts the decisions of the Competition & Markets Authority in relation to PR19, so that the sector can move on and we can work collaboratively with Ofwat. There remains no evidence of any need for further intervention on capital structures beyond the existing licence provisions. Financeability tests should not be manipulated to support an artificially low WACC, e.g. through questionable changes to notional gearing or notional proportion of index linked debt. And any step changes in required outcomes will require adequate incremental totex funding.

We look forward to continuing collaboration with UK Government and regulators, and continuing to support Yorkshire Water.

Yours faithfully,



Hari Rajan
Partner and Head of Infrastructure
Corsair