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Yorkshire Water
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Bradford
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By email: PR24@ofwat.gov.uk.

13 October 2023

Dear Ofwat,

RE: Consultation under sections 12A and 13 of the Water Industry Act 1991 on proposed modifications to Condition B: Charges of 16 water companies' licences

Thank you for the opportunity to review and respond to the statutory consultation, published on 24 August 2023 under sections 12A and 13 of the Water Industry Act 1991 (WIA91) on proposals to modify the definition of “Excluded Charges” in Condition B: Charges, in the Instruments of Appointment (licences) of the 16 largest appointed water companies in England and Wales.

In its Final Methodology for the 2024 price review (PR24), Ofwat set out its decisions on the site-specific developer services that will be excluded from the price controls it will set for the 2025–2030 period.

In relation to developer services revenue the Final Methodology for PR24 set out Ofwat’s decisions for the 2025–2030 period:

- Removal of wastewater site-specific developer services from the wastewater network plus price control.
- For English companies, water site-specific developer services will be removed from the water network plus price control, but they will still be subject to Ofwat’s charging rules for new connections services. The exception is section 185 diversions, which will remain in the water network plus price control as they are not currently contested.

- For Welsh companies, water site-specific developer services will remain in the water network plus price control because competition is less widespread, and Ofwat does not have powers to establish charging rules to protect developer services customers.
- Network reinforcement remains in the water and wastewater network plus controls at PR24 as it is not currently contested and is more difficult to separate from other company activities.

At PR19, Ofwat removed diversions that were not requested under section 185 of the WIA91 from price controls. These are diversions requested under the New Roads and Street Works Act 1991 (NRSWA), where legislation restricts the amount companies can charge to the end customer of around 82% of costs; and other non-section 185 diversions, such as those required for HS2. In the PR24 Final Methodology Ofwat decided that non-section 185 diversions (water and wastewater) would be within price controls for the 2025-30 period as part of third-party services. However, this does not require a licence modification, because the relevant Excluded Charge in the definition of 'Excluded Charges' in Condition B (clause 2A) says that it only applies in relation to the period from 1 April 2020 to 31 March 2025. In effect this clause will be redundant after 31 March 2025 for revenues after that date.

Our response to the latest proposals

In April 2023, Ofwat wrote to water companies seeking comments on proposed draft wording for alterations to Condition B in licences. We responded to that consultative exercise on 26 May 2023 confirming our agreement to the wording as drafted, advising that we reserve our position to reconsider our support to this modification if any amendments are made to the wording.

Although Ofwat has made some changes to the drafting of new clauses 2D and 3C from its position in April 2023, we understand these are minor additions that provide greater clarity to those clauses, and therefore does not give Yorkshire Water cause for concern. As was our position earlier in the year, we have no objections to the proposed modifications to Condition B as now drafted.

We look forward to hearing from Ofwat with notice of its decision to make the changes as detailed, with the modifications taking effect some time in 2024.

Should you have any further questions or require more information please let me know.

Yours faithfully,

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Head of Regulation
Yorkshire Water