



The Aire Rivers Trust
Albion Mills Business Centre,
Albion Road,
Greengates,
Bradford BD10 9TQ

19 May 2020

Dear CMA Special Reference Group,

I am writing to support Yorkshire Water's (YWS) proposition that Ofwat has produced an unfair and unsustainable Determination for the AMP7 period.

The Aire Rivers Trust is a charity operating throughout the catchment of the River Aire, with a brief to improve the catchment for the benefit of wildlife and communities. In our role as 'Catchment Host', we bring together a wide range of stakeholders in the catchment to seek collaborative advantage. Finally, I currently chair the 'Yorkshire Hub', a bringing together of Rivers Trusts and Catchment Hosts across Yorkshire, although the comments in this letter primarily relate to the Aire catchment.

Our Rivers Trusts and Catchment Hosts have worked closely with YWS and we are grateful for the support and investment that they have been able to make in their own assets and also in related projects (such as our own DNAire <https://DNAire.org.uk>) designed to release the benefits of their infrastructure and help the public, their customers, recognise the value derived from their water bills. We want this to continue and are concerned that the FD from Ofwat prejudices this possibility.

As the biggest discharger to our watercourses, the biggest abstractor and one of the largest landowners, YWS' performance is critical to sustaining the improvements in catchment quality that we have seen over recent decades and to further improvements in line with government's 25-year plan. We believe that the determination produced by Ofwat threatens both existing quality and future improvements and is therefore not in line with either government policy or the wishes of the communities of Yorkshire as expressed in YWS' extensive customer engagement process, a process which is rated by Ofwat as one of the best in the sector. YWS' submission clearly demonstrates this, with the large majority of customers noting they support the YWS business plan.

In general, we are concerned that the approach being taken by Ofwat will drive short-termism and prejudice the sustainability of the hard-won improvements of recent years. The removal of incentives for out-performance, and the emphasis on penalties for under-performance, represents a shift in policy by Ofwat that can only drive a short-term focus in an industry that is fundamentally a long-term business. The need for clean water to drink and sewage disposal to protect the health of the population will always be here and this regression to penalty-based regulation is to be regretted, especially for companies with a history of out-performance. Why would they want to out-perform when on the first hand they receive no financial benefit from Ofwat for that and secondly and (unrewarded) out-performance might condition Ofwat to the view that their determination has not been tough enough leading to even more onerous determinations in future?

Ofwat are seeking a significant upfront cost efficiency, amounting to an £800m reduction in costs, compared to the previous Asset Management Period. This is against the backdrop of Yorkshire Water having been acknowledged for some time by Ofwat as a highly efficient company. Ofwat are

asking for a step change in efficiency for an already efficient company. I cannot see how this can do anything other than prejudice existing quality whilst inhibiting the company's willingness and ability to invest for the future.

We are furthermore concerned that this financial constraints of this determination could result in YWS being unable to continue their successful efforts to work more collaboratively with communities on flood risk management, water resource efficiency and water quality improvements. Not least is their desire to work more closely with and support Catchment Hosts which, as stated earlier, have a key role in catchment management by 'ringmastering' collaborations between all stakeholders to deliver catchment improvements of benefit not only to YWS but to the many other individuals and organisation having an interest in our environment.

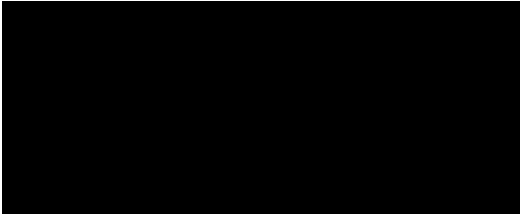
We know that YWS have themselves given examples of how this unsatisfactory and unfair determination will adversely impact the company, their customers and the environment in both the short and long term. I want to highlight just a couple of examples especially relevant in our catchment.

Firstly, the requirements for Phosphorus removal from sewage effluents will, under the proposed regime, lead to an increased use of chemicals with the resultant increased pollution risk from those chemicals and their residues discharged in final effluents, an increase in transport incidence and costs and by promoting investment in hard infrastructure increase the company's embedded carbon requirement. Alternative, approaches, such as integrated catchment management or Biological Nutrient Removal are available that could address this challenge in a potentially more sustainable and financially more effective manner. The short-termism inherent in the determination militates against even investigating this approach.

Secondly, investment in upgrading sewerage systems, and in particular reducing discharges from CSOs, has been seriously under-resourced for a very long time. Whilst to some extent this has been due to the Environment Agency's unwillingness to undertake a rigorous modernising review of CSO discharge consents, the short-termism inherent in this determination can only result in YWS having no incentive to investigate and model future requirements which is likely to lead to short-term deterioration and in the longer-term a lack of evidence to support the much needed investment in this aspect of infrastructure.

Finally, we are concerned that the approach proposed by Ofwat will inhibit innovation, especially by a company recognised as being historically success partly due to taking novel approaches to challenges. Innovation, including the use of more environmentally sustainable 'technologies', inevitable involves risks and the short-termism evident in Ofwat's determination will inhibit innovation in favour of tried and tested, yet potentially more expensive and less sustainable, solutions. There seems to be a certain inconsistency in Ofwat wishing for companies to be more innovative and to reduce bills whilst simultaneously delivering a determination that does neither of those in the long-term.

We urge the Competition and Markets Authority to re-determine this application in such a way as to address the above issues and grant a determination that ensures the sustainability of the company and delivers the recognised needs of the environment and customers.



Geoff Roberts
Chairman

