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Business Plan 2025-2030

Overview of our response to the Draft Determination

South West Water

Bournemouth Water

Isles of Scilly Water

BRISTOL WATER

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Tackling the biggest challenges head on

Water quality and resilience

Storm overflows and pollutions

Net zero and environmental gains

Addressing affordability and delivering for customers

Our Business Plan – an overview

In October 2023, we submitted our business plan for 2025-2030. In many ways, it was a 'no surprises' plan as we build on what we are already doing and in delivering on what matters most to customers and stakeholders today.

It's a balanced plan firmly focused on tackling the biggest challenges in our region, as we invest in water quality and resilience, continue to fix storm overflows and pollutions and protect the environment from climate change. And in achieving all this, we will continue to target affordability for customers. Our £2.8 billion investment will also create 2,000 jobs in our communities and provide much needed security across the wider supply chain.

We thought carefully about the balance of our plan, working closely with Defra, Ofwat, the DWI and the Environment Agency to ensure we meet the legislative and regulatory requirements, balanced evenly across water and waste services, being mindful of the costs to customers – and as such, how we tackle affordability.

It's a plan shaped by customers, with our most extensive customer engagement programme ever. Led by our independent WaterShare+ Customer Advisory Panel, in addition over 30,000 customers, 1,000 wider stakeholder groups and 250,000 customers shared their views. This plan received overwhelming support from customers that we should invest more, where levels of support for tackling the key challenges in our region are upwards of 90%. And it's a plan where we have seen a step change in the willingness to pay, up from £10-15pa in our last plan, to £50 today, and where a third of customers would pay £200 or more extra on their current bill.

Most importantly, when comparing customer acceptability of this plan to our last, we saw a 10-point increase with acceptability rising to 74%, our highest ever acceptance level of any previously submitted plan.

Whilst our plan represented almost a doubling of the investment from our current delivery programme, inevitably leading to bill increases, we challenged ourselves to be efficient, doing more for less, with a significant 13% efficiency challenge of £600 million baked in and therefore keeping monthly bill increases affordable.

We also submitted a financeable plan, having considered Ofwat's early view of the cost of capital and retail net margins, and prepared our plan on that basis. Taking a balanced approach to the sharing of delivery and operational risks, we set ourselves stretching targets, including a robust efficiency challenge.

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Our purpose

Bringing water to life – supporting the lives of people and the places they love for generations to come

Customer support for tackling the key challenges

upwards of 90%

74%
– our highest ever customer acceptance level

Given all this in the round, we remain steadfast with our plan principles and have not wavered from our objectives, grounded in what's most important for our region, steeped in customer feedback. The key principles are:

- Setting ourselves up for success – proposing in our plan challenging but realistic performance targets that will improve environmental and customer outcomes.
- Taking significant cost efficiency in the submitted plan – challenging ourselves to ensure customer bills are kept to a minimum. Part of our ambition was the significant challenge we set ourselves to deliver c.£600 million of efficiency in AMP8.
- Squaring the circle of a step change in investment with the impact on bills mitigated and revolutionised through innovative charging.
- Ensuring an overall risk profile that encourages equity to play a larger role with a clear link between risk exposure and allowed returns.

Update on K7 performance and progress

We have also taken account of progress since submission of our plan in October 2023, with 70% of ODIs ahead or on track. Our priorities for PR24 are the same ones we are delivering today, giving confidence to all stakeholders that we are well positioned, and having spent time out across our regions listening to customer feedback in our customer and community roadshows.

2023/24 and 2024/25 are also peak years for K7 investment, and we have successfully accelerated £80m investment in 2023/24, to improve water resilience and water quality, with £80m additional expenditure on base maintenance and in mitigating the impact on pollution and leakage, whilst expanding our Quality First programme.

Investment against regulatory allowances is cumulatively at required levels and higher than the plan position in October and this will underpin performance into K8. This is reflected in our gearing, 3% higher than submission, and with additional expenditure advanced into K7 for storm overflows, gearing for 2024/25 is forecast to be c.65%.

Additional commitments, above our original plan

We have challenged ourselves to make sure the plan tackles the things that matter most in our region, pushing the boundary of our ambition to deliver a better service for our customers and an enhanced protection for the environment. We believe there are aspects where we have been able to go further;

- Having reviewed our storm overflow programme, we can target lower average spill frequency by the end of K8, moving from an average of 17.5 to an average of 16.5, with the c.£75m accelerated transitional investment programme in 2024/25 to achieve that.
- We will enhance our affordability offering to support even more customers, including two shareholder supported funds, increasing support by £5m to £24m.

Our assessment of Ofwat's Draft Determination

We welcome Ofwat's outstanding assessment of our plan.

We developed the plan with a 'straight bat' – we stretched ourselves on cost and service – and we are pleased that the plan was recognised as being of high quality and ambitious.

We need to deliver across our 4 priorities – improving water quality and resilience, tackling the use of storm overflows and pollutions, delivering net zero and environmental gains and addressing affordability and delivering for customers.

In this context, and using that lens, we have reviewed Ofwat's Draft Determination (DD) and considered feedback from our WaterShare+ Customer Advisory Panel.

We are supportive of a number of key aspects;

- An updated cost of capital – reflecting market movements from submission
- The ability to accelerate expenditure of c.£75m for storm overflows into 2024/25
- The principle of ensuring customers only fund what is delivered
- The target date for achieving 4* EPA status by 2028
- The storm overflow uncertainty mechanism for K8.

We have endeavoured to keep our representations to a minimum, based on having a plan assessed as outstanding – but we have raised areas of representation based on what we believe is fundamental to delivering that plan for our customers.

1. Outcome Delivery Incentives and the balance of risk and return

From an overarching perspective we have considered whether the Ofwat determined cost of capital matches with the overall risk reward plan position. We agree with the principle of a balanced ODI risk profile, proposing in our plan challenging but realistic outcome targets that will improve environmental and customer outcomes, with an incentive mechanism that drives for improved performance and outcomes.

With recent debt issuances (SWW July 2024), the assumed nominal cost of equity of 6.8% is only c.50bps different to the assumed nominal new debt issuance rate, to square the circle of that negatively skewed ODI incentive regime requires recalibration as it is impacting the RORE ranges.

We have considered the Draft Determination return on regulated equity (RORE) ranges for AMP8 which, in our view could result in negative equity and a likely downside risk of 10% (as opposed to Ofwat's assessed 4%). Our analysis shows that the proposed incentive penalty regime will be five times greater which equates to a c.£830 million financial risk (albeit capped at £500m). As such, the principal aspect for consideration is the application of the outcome incentive framework which drives 7% of this 10% downside risk. Through our

Four strategic priorities for the future

- **Water quality and resilience**
- **Storm overflows and pollutions**
- **Net zero and environmental gains**
- **Addressing affordability and delivering for customers**

For more information, see:

Action plans to 2025

representation we believe this can be rectified through a combination of incentive rate changes – for example higher positive incentives for bathing waters and internal sewer flooding, that balance the potential downside outperformance without fundamental change to the outcome regime, coupled with a restatement of pollutions targets that will equate to the revised EPA once the expected EA consultation has concluded.

2. Totex allowances and Price Control Deliverables

Part of our ambitious plan removed £600 million of totex efficiency (13%) ahead of submission. Ofwat's Draft Determination has resulted in a further £525 million challenge, taking the overall challenge to a £1.1 billion reduction (24%).

We have received a £525 million reduction in totex allowances across base (£120m) and enhancement (£405m). The most significant issue is for our water services where we have seen a £270 million reduction, with a particular impact on Bristol and a reduction in allowances for our environmental improvements priority area. We have clear needs for investment, and we will be duly submitting further evidence for our claims.

Having reviewed Ofwat's determination, we appear to be entitled to c.£175 million additional totex. However, our principle is to seek the totex allowance we originally requested (supported by further evidence) and as such we will not require the additional allowances.

We also agree that customers deserve to only pay for what is delivered and support the principle of a Price Control Deliverables (PCD) framework. Indeed, one of the aspects of our original WaterShare mechanism was to 'true up' delivery and specified cost allowances on an annual basis to enable timely sharing with customers of risks and benefits. Through the representations we are seeking recognition for an increase in business rates and energy costs, as the cashflow risk is significant and certain (noting for business rates the method of calculation is clear and the rates increase formulaically with higher revenues).

Similarly, for PCDs it is important that we strike the right balance between scope for deliverability and being held to a delivery schedule which has been recognised in customer bills. Many of our capital interventions will be delivered via programmes, and we need to ensure there is flexibility to support the most efficient delivery. We believe this can work with some simplification including taking a portfolio approach with flexibility to deliver both innovatively and efficiently whilst also removing unnecessary conditions and timing mechanisms. We explain this in our risk and return response.

3. Capital charges recognition and RCV run-off

We believe the RCV run-off should be grounded in the asset lives given the investments made over time that have been recognised in the RCV. This approach appropriately recognises the intergenerational impacts on customer bills and we have submitted a representation to this end. From an affordability perspective, we do however recognise the impact of increasing customer bills which is why it's one of the four priorities in our plan. We believe affordability arises from us having targeted our efficient cost base as well as introducing innovative schemes to tackle affordability – like our innovative tariff schemes and our additional £5 million investor funded support scheme on top of enduring existing schemes which have delivered £100 million of targeted support in AMP7 alone. Our customer acceptance testing showed two thirds of our customers supported a plan with a bill increase commensurate with a 32% rise, with 74% supporting our planned increases of c.25%.

We note Ofwat's approach of adjusting the RCV run-off rates to reduce bills in the short term however an unintended consequence is that it actually costs customers more in the long term whilst also deferring essential revenue, hence why going with the natural rate is fairer to customers.

4. The regional and priority lens

We consulted on a balanced plan which delivers a step change for all our communities that we serve – as well as being focused across our customer's four key priorities. In testing Ofwat's Draft Determination, there is proportionately greater change and challenge to some of our smaller regions where arguably investments are most needed. For example, Bristol has had c.40% challenge, with the Isles of Scilly having had c.65% challenge on enhanced investment. In looking at the four priorities, nearly half of the investment reduction has been applied to our environmental gains priority across the areas of bioresources, catchment and river water quality improvements – critical for our success. We are representing to take the overall plan back into balance.

Summary

Addressing these four elements of the determination, will return the plan to balance, avoiding concerns from rating agencies and investors about the financeability and investability of the sector and also delivers what customers and stakeholders have asked us to do.

Support for business plan key outputs within the draft determination

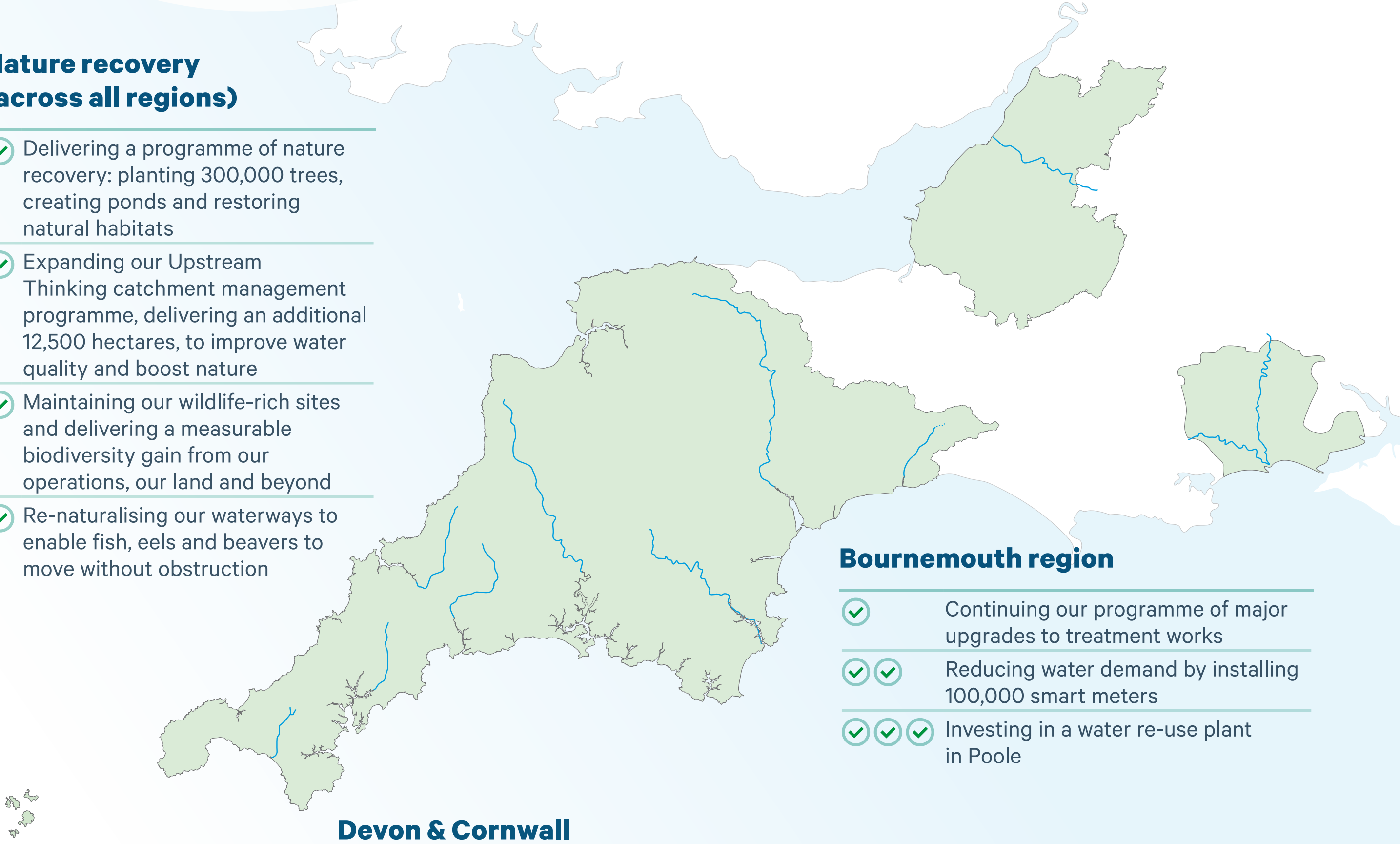
Key outputs to 2030 and levels of support within the DD, ranked from High (✓✓✓) to Low (✓)

Bristol region

✓	Completing major upgrades to two major water treatment works supplying the wider Bristol area (Stowey and Littleton)
✓✓✓	Replacing 34km of cast iron mains
✓✓✓	Replacing 9,000 lead pipes serving properties
✓	Reducing water demand by reducing leakage in a region which already has comparatively low rates of leakage and installing 150,000 smart meters

Nature recovery (across all regions)

✓	Delivering a programme of nature recovery: planting 300,000 trees, creating ponds and restoring natural habitats
✓	Expanding our Upstream Thinking catchment management programme, delivering an additional 12,500 hectares, to improve water quality and boost nature
✓	Maintaining our wildlife-rich sites and delivering a measurable biodiversity gain from our operations, our land and beyond
✓	Re-naturalising our waterways to enable fish, eels and beavers to move without obstruction



Bournemouth region

✓	Continuing our programme of major upgrades to treatment works
✓✓	Reducing water demand by installing 100,000 smart meters
✓✓✓	Investing in a water re-use plant in Poole

Isles of Scilly

✓	31.5km of sewerage pipes
✓	25 new pumping stations
✓	3 new treatment plants

Devon & Cornwall

Water

✓	Completing major upgrades to ten water treatment works supplying East Devon, Exeter and Tiverton, as well as improvements to seven further works supplying mid Devon and East Cornwall
✓	Replacing 88km of cast iron mains that can affect how your water looks
✓	Reducing water demand by reducing leakage by 15%
✓✓	Installing 350,000 smart meters
✓✓	Investing in 8 new sources of water supply
✓✓✓	Replacing 29,000 lead pipes serving properties
✓	Installing 5 new strategic interconnectors schemes and one mains pipe totalling 70km

Wastewater

✓✓✓	Two thirds of all storm overflows spilling less than ten times per year on average
✓✓✓	Introduce a never before seen sampling and monitoring regime to rebuild confidence in water quality at the region's most loved beaches
✓✓	Reduce phosphorous levels at 34 wastewater treatment works
✓✓	Reduce risk of eutrophication in Special Areas of Conservation
✓✓	Maintain our asset base to manage increasing demand associated with population growth
✓✓	Improve and maintain compliance with new legislation
✓	Build two state of the art treatment facilities to reduce our impact on the environment

Our Board pledges

In our Business Plan, we stated very clear pledges which align to the four priorities our customers told us were the most important to them. We have assessed the DD against these pledges which we summarise below:

Our pledge	Ofwat's DD assessment Need	 Cost	Our response
We will tackle the biggest challenges head on			
Tackling storm overflows and pollution through major investment in bathing beaches and our wastewater network			
Complete the storm overflow investment programme in 15 years – a full 10 years ahead of target	✓	£	We welcome Ofwat's position, which aligns to our plan.
Tackle every beach by 2030 – ensuring bathing water quality is maintained all year round	✓	£	We agree with Ofwat's position and recommend a company specific outcome target, consistent with DEFRA's measure, with the opportunity to achieve a reward for excellent performance.
Assess 100% of storm overflow solutions using the principle of 'Green First' – so that nature-based solutions are considered from the outset	✓	£	We agree with Ofwat's position, which aligns to our plan and we suggest flexibility in the PCD framework to support even more green solutions.
Increase the volumes of wastewater treated from 97% to 98.5% by 2030	✓	£	We welcome Ofwat's position, which aligns to our plan.
Deliver the lowest pollution levels in sector, with zero serious pollutions	✓	£	We welcome Ofwat's focus on reducing pollution, however the level of potential fine at over £200m is disproportionate and needs rectifying.
Delivering the most ambitious water resources and water quality plan in decades			
Commence investment to increase supply by over 70 million litres per day – enough water to supply over three cities the size of Exeter	✓	£	We are aligned on the need for these investments and we provide evidence to demonstrate our supply schemes appropriately considered base overlap and that allowances based on WAFU benefits are not appropriate for this type of scheme.
Creating a water grid to ensure all our strategic reservoirs are connected so we can easily move resources across the region	✓	£	We provide evidence to demonstrate the improved service to customers from our resilience interconnectors – focusing on how these schemes help to mitigate climate change risks and allow us to use water more flexibly.
Reduce water taken from environmentally sensitive rivers by 12 million litres per day – enough to fill five Olympic size swimming pools every day	✓	£	The need for our waster supply interconnector was supported however full flexibility of sources is not achieved without our resilience schemes. We provide evidence to support all of our investments.
Upgrading a third of water treatment works and rolling out a programme of cast iron mains replacement to tackle localised issues with how water looks and tastes	✓	£	We provide evidence of efficient costs and best options for customers. Notable new process additions include: Manganese removal at Dutton, new membrane treatment at Woodgreen and new GAC at Lowermoor. Similarly, we further demonstrate the need and cost efficiency of our cast iron mains programme.

Our pledge	Ofwat's DD assessment		Our response
	Need	Cost	
Driving environmental gains and continuing our journey to net zero			
Deliver the next stage of our net zero commitment – as we target net zero 2030	✓	£	**We are committed to delivering this without Ofwat's additional allowances and without extra cost to customers.**
Modernise wastewater treatment on the Isles of Scilly for over 2,000 residents, putting an end to untreated sewage to coastal waters	✓	£	**We provide additional evidence to demonstrate uptake from customers and higher unit rates on the islands than the mainland.**
Upgrade treatment works to reduce excess nutrients to the water environment and unlock the development of 6,500 homes	✓	£	**Ofwat agrees with the need and sites have been agreed with the EA. We provide evidence to support our full allowance, particularly for the use of nature based solutions.**
Transform sludge treatment processes to prevent pollution, whilst boosting the value to the circular economy by recycling more waste and generating enough energy to power up to 10,000 homes	✓	£	**We have revised our strategy for bioresources, with our investment plans targeted at a new state of the art new processing facility.**
Boost nature recovery through planting 300,000 trees, launch our 1000 ponds initiative, and expand Upstream Thinking to 146,500 hectares – to create and restore habitats	✓	£	**We provide additional evidence to support the allowances required for our nature recovery programme.**

We will rebuild trust over time through our actions

Commitment to a sampling and monitoring programme that will rebuild trust and confidence in our bathing water quality	✓	£	**We have increased the number of storm overflow monitors at the request of the Environment Agency and managed the cost within the existing storm overflow programme.**
Establish an independent Environmental panel: the WaterFit Advisory Panel	✓	£	**We are in the process of establishing this panel ready for PR24. We recommend Ofwat consider this as an alternative or to supplement the PCD framework.**
Lead campaigns that will engage customers and communities in co-creating a system that future generations can be proud of	✓	£	**We are continuing our commitment to customer engagement.**

Need		Cost	
✓	Evidenced	£	Fully funded
✓	Further evidence required	£	Further evidence required
✓	Significant evidence required	£	Significant evidence required

Our pledge	Ofwat's DD assessment: Need	Ofwat's DD assessment: Cost	Our response
We will address affordability, be efficient and less wasteful			
Ensure stretching efficiency targets are met saving £1 in every £8 spent	✓	£	We applied stretching efficiencies of £600m in our business plan and we will also challenge ourselves to deliver Ofwat's additional 1% frontier shift challenge.
Near doubling of investment but keeping average household bill increases to a minimum	✓	£	We provide evidence as to why our charges are grounded in asset lives and how Ofwat's change to the RCV run-off to reduce charges in the short-term isn't inline with our customer research and actually costs customers more in the long term.
Reduce waste by reducing leakage by 19% across South West and Bournemouth regions and 14% in the Bristol region Reduce waste by reducing leakage on our network to less than 10%, and to less than 5% on customer pipes	✓	£	We provide additional evidence to demonstrate our leakage investment programme is the best value over the long-term.
Accelerate smart metering roll out, helping household customers use 5% less water	✓	£	We ask that Ofwat considers the relative maturity of the South West Water and Bristol Water SMI network compared to the industry when assessing expenditure.
Roll out of innovative, fairer tariffs that put customers in control of bills and water usage	✓	£	We are already designing and co-creating new tariffs ready to trial in the near future.
Extend our zero water poverty pledge to 2030	✓	£	We are pleased to pledge an additional £5m of shareholder funded support for customers and communities.
We will continue to empower customers, with a stake and a say			
Extend our unique customer share ownership scheme so that 1 in 10 households has a direct share in our success	✓	£	We remain committed to our pledge to enable more customers to benefit from a share in our business.
Expand the remit of the independent WaterShare+ Customer Advisory Panel to scrutinise Executive Pay and Dividend policy	✓	£	Extended role for the WaterShare+ Customer Advisory Panel to review proposed changes to our programme to adapt to changing local circumstances and how benefits are shared with customers.
Continue with the sharing mechanism for customers to benefit from any financial gains made by the business	✓	£	We welcome Ofwat's new customer sharing mechanism for bioresources and the principle of the sharing mechanisms for business rates and energy.
Target excellent customer service performance	✓	£	Ofwat's framework is intended to incentivise excellent customer service however the proposed changes to C-MeX need to reworked.

Our pledge	Ofwat's DD assessment		Our response
	Need	Cost	
We will support the regional economy and our communities			
Invest over £4 billion in the region to enhance the communities and the environment we serve	✓	£	We recommend simplification of the draft PCD framework used to monitor, reward and penalise delivery of this investment.
Deliver 1,300 projects to improve bathing and shellfish waters, protect rivers and support local ecosystems, all year round supporting tourists and businesses who depend on them	✓	£	We provide additional evidence to support the totex value of some of these projects.
Provide over 2,000 new job opportunities through our regional investments	✓	£	Returning our investment programmes to levels more aligned to our business plan is the key enabler to delivering on these pledges.
Develop over 1,000 people through apprenticeship and graduate schemes	✓	£	We remain committed to continuing our recruitment of apprentices and graduates.

Need		Cost	
✓	Evidenced	£	Fully funded
✓	Further evidence required	£	Further evidence required
✓	Significant evidence required	£	Significant evidence required

Tackling the biggest challenges head on

Matthew Robertson-Jones
HSSA Adviser

Update on K7 performance and progress

Since submission of our plan in October 2023, we have focused on delivering across the 4 priorities on what matters most to customers – storm overflows and pollutions, water quality and resilience, net zero and environmental gains and addressing affordability and delivering for customers.

We're listening. Whether from Bristol to Bournemouth, and across Devon, Cornwall and the Isles of Sicily.

Our customer and community roadshows have been a highlight, as we have been able to reconfirm our 4 priorities.

In investing to protect water quality and enhance resilience, we have broken the drought cycle for Devon and Cornwall, well ahead of plan.

Since October, the weather has been both friend and foe.

Water resilience and quality

Fundamentally, we have broken the cycle of drought, achieving 100% strategic reservoir capacity for Devon and Cornwall ahead of target, with 1/3 of the improvement directly because of our interventions, supported by the weather.

This has been a monumental undertaking, from teams across South West Water and our supply chain. At pace, we have opened 2 reservoirs at Blackpool Pit and Hawks Tor, alongside a number of pump recharge schemes and increased treatment capacity at Rialton.

We are also on track to deliver a 2-phase desalination scheme for Cornwall.

This has resulted in us being able to deliver on our 2025 target for Devon a year early with an increase of 30% resource availability, and a 30% increase in resource availability in Cornwall.

It's not just been about fixing the here and now as we have are investing enough today to protect resources over the next 25 years.

There are always two sides to the coin, yes it's about diversifying our portfolio of resources but also reducing demand.

We are delivering on our leakage targets.

Our sector-leading demand reduction schemes, are focused on supporting customers to use less water and save money, with over 500 water saving devices issued every single day. We are also piloting trial tariff schemes to better distribute charges and encourage water efficiency.

And whilst we have protected water resources, water quality continues to deliver upper quartile performance.

In 2023 we have delivered a step change in the Isles of Sicily, with zero failures of water treatment processes for Devon, Cornwall and Bournemouth, and with a robust action plan in place for Bristol to address the legacy issues we inherited.

Tackling storm overflows and pollutions

As a result of the weather we have seen significantly increased wastewater flows which have impacted our headline performance for wastewater pollutions and the use of storm overflows.

With 10 named storms and 12 yellow weather warnings since September and with average rainfall in the second half of 2023 increasing by 50% when compared to long term average, we had the 5th wettest year on record for Devon and Cornwall in 2023, and the wet weather and high groundwater levels continued into 2024.

Rainfall in 2024 continues to be above the long-term average, up 40%, and with elevated groundwater levels resulting in a one-year impact on flows equivalent to the previous c.20 years rate of increase.

Tackling pollutions

For pollutions we need to look beneath the headlines to understand how our plans have been improving outcomes. Historically, 70% of our pollutions have occurred in our networks. And the work we have done here is working, with performance stabilising.

We are seeing 3 things:

We're achieving sector leading internal sewer flooding performance, outperforming regulatory targets for sewer collapses and blockages and maintaining the gains we have made previously in reducing network pollutions.

We've done this by:

Investing in 12,000 sewer depth monitors, supporting both predictive and proactive interventions, as well as continuing to invest in rising main replacements and sewer upgrades alongside super-charging maintenance and targeting cleansing activities.

With the 20% increase in flows into our system we need to remove or divert these flows so are focused on infiltration reduction and sewer separation projects to achieve this.

We've had to rebalance efforts at both our treatment works and pumping stations, where the higher levels of flows have driven spikes in performance.

By reinvigorating action plans, our treatment works performance has recovered from the degradation we saw in 2023, with a combination of inlet and storm tank cleansing, risk-based generator servicing, site-based compliance, reedbed surveys and refurbishments.

Efforts have now turned to our pumping stations, with improved site MOTS and enhanced cleansing as well as tackling power resilience.

Reducing pollutions remains a top priority for the Board, and all our colleagues. We are clear and transparent about where we are and over time we have improved self-reporting of pollutions incidents, are now one of the best in the sector.

We are reassured that we have maintained serious pollution incidents at our lowest levels for 2023, noting we are still aiming for zero. For all other incidents we have a revised trajectory for achieving 4* performance by 2028 as part of the PR24 commitments.

The higher flows in our networks has masked the demonstrable improvements made through our interventions in reducing the impact of storm overflows.

On a like for like basis, the investments we are making today, are delivering underlying performance improvements which we will see in future years.

There are 280 schemes completed or underway.

For example, our work at Hatherleigh STW has reduced spills by 90% and the tank we have installed at Chittlehamholt has reduced spills by 70%.

As we are focused by 2025 on improving 49 of 156 beaches through our water fit programme, WaterFit Live is giving communities and visitors to the region, near real time information about their favourite beach alongside community roadshows, as we place communities at the heart of our future plans.

And whilst beaches are a priority, we are equally focused on improving river water quality with reasons for not achieving good ecological status reduced from 19% to 12.4%.

Driving environmental gains

We have a 'nature first' approach to investment. Our award-winning catchment management programme is leading the way for biodiversity gains as well as continuing to help the way others manage their land, improve water quality, biodiversity and climate resilience.

Activities range from building ponds, improving farm tracks, slurry storage as well as planting trees and buffer strips to catch and filter water.

We have restored 127,000 hectares cumulatively as well as exceeding our tree planting target of over 250,000.

Having worked on our catchments for the last 15 years, we have the science to back up the improvements and we officially opened our partnership with the University of Exeter in March 2024 providing research through a state-of-the-art laboratory into the key challenges and issues facing water wastewater and the environment globally.

Addressing affordability, delivering for customers

In tackling affordability, it is about two things, keeping bills as low as they can be for all customers and secondly supporting those who are struggling. We have always been focused on being as efficient as we can be in delivering services, and in keeping bill increases to 2025 well below inflation.

That's why we continue to support customers and communities having provided over £100m of customer support with 132,000 customers benefiting from one of our social tariffs, building awareness of our customer out-reach engagement programmes. As a result, over 98% of customers across all our regions find their bills affordable. And against our customer commitments, 70% of our ODIs are ahead or on track.

Underpinned by investment building blocks

2023/24 and 2024/25 are peak years for the K7 investment programme.

The K7 investment programme and reinvestment of RORE outperformance were weighted to years 4 and 5. We have successfully accelerated £80m investment in 2023/24, to improve resilience to drought and water quality, with £80m additional expenditure on base maintenance in order to mitigate the impact of the severe weather on pollutions and leakage, while expanding our Quality First programme.

Investment against regulatory allowances is cumulatively at required levels – higher than the position when we submitted the plan in October. This will underpin performance into K8.

Gearing for 2023/24 was c.2% higher than submission, reflecting the accelerated investment, and with the additional expenditure advanced into K7 for storm overflows, gearing for 2024/25 is forecast to be c.65% – 3% higher than the business plan submission.

Impact of the DD on our priorities

Water quality and resilience

Delivering the most ambitious water resources and water quality plan in decades

Enhancement totex	
Business plan pre efficiency	811
Business plan post efficiency	674
Draft Determination	420
DD representation	662

Customers agree with our plans to:

- **Reduce leakage** 96%
- **Use smart meters** 87%
- **Develop new and flexible water suppliers** 92%
- **Improve tap water** 86%

Key outputs

- **Investment in R&D to improve our knowledge and understanding emerging contaminants**
- **Replacing 38,000 lead supply pipes. Managing the risk of raw water deterioration through adaptive treatment at seven works. Replacing 122 km of cast iron mains as we move into phase five of our discolouration management strategy**
- **Reducing customer complaints about water quality by 39%**
- **Completing major upgrades at two of our larger treatment works in Bristol, upgrading five treatment works in Devon and Cornwall and increasing treatment capacity at our strategic treatment works in Cornwall (Restormel)**
- **Developing new water supply schemes equivalent to over 100 million litres per day – including Mendips Quarry, Poole Harbour and Cheddar 2 SROs. Installing 70km of new strategic interconnector schemes to deliver a regional water grid**
- **Reducing leakage by a further 19% for SWB and 21% for BRL and reducing licenced abstraction volumes from environmentally sensitive rivers by 50 Ml/d**

Areas of alignment in the DD

- Support for our lead pipe replacement programme
- Agreeing the need for our water quality improvement programme at our WTWs, particularly our larger schemes in Bristol, which will improve CRI performance by providing protection against further raw water deterioration
- Support for the further development of our Strategic Resource Options
- Additional allowances for water efficiency investment in Devon and Cornwall
- Agreement for majority of Performance Commitment Levels (PCLs), which are stretching but achievable
- Broad alignment of base allowances so that we can continue to deliver our maintenance programmes across our regions.

Areas which require further consideration

- £247m (38%) of enhancement allowances removed, principally across water treatment works, leakage reduction and water supply schemes. The need for these schemes has been agreed with either the DWI or the Environment Agency and we are providing the additional evidence requested.
- Ofwat's expectation that 0.3% of mains should be renewed each year and funded from base expenditure is higher than our deterioration models indicate and higher than we have historically delivered from base (SWB) we are providing the evidence to support this.
- Performance commitment levels for water quality contacts and mains repairs – we disagree that the level of stretch is achievable.
- Ofwat's current incentive rates create an unbalanced ODI framework with disproportionately high penalties for leakage, PCC and WQ Contacts.
- The Smart Metering PCD creates a disproportionately punitive position.

Key outputs

- → **Delivering the next phase of the WaterFit programme for healthy seas and rivers – WaterFit 30**
- → **291 storm overflows and delivering those associated with bathing waters by 2030, 5 years early**
- → **Upgrading over 200km of our sewer network**
- → **Targeting treatment volumes of 98.5% (currently 97%)**
- → **Introduce a never seen before sampling and monitoring regime to rebuild confidence in the water at customers' favourite beaches**
- → **Reducing the rainwater draining into our sewerage network by a volume equivalent to over 350 hectares worth of land**
- → **Adding 150,000m^3 of storage to capture rainfall and reduce overflows – the size of 60 Olympic sized swimming pools**
- → **Working with communities, recognising every catchment and storm overflow is different, and we need to take a highly tailored approach**

Areas of alignment in the DD

- ✓ Support and full funding at draft determination for our storm overflow Improvements to 290 overflows. Whilst we are aware that additional cost allowances could be achieved through the modelling, we have not asked for these in our response.
- ✓ Prioritisation of Storm overflow programme to bathing waters and shellfish areas by 2030
- ✓ Re-prioritisation of SOAF and new inland bathing water sites
- ✓ Inclusion of additional river water quality monitors and 50% of the Emergency Overflow programme
- ✓ We welcome the introduction of the PCD framework, which we believe will work with some simplification
- ✓ We support the intention of the storm overflow uncertainty mechanism
- ✓ We welcome the £75m of transition spend in 2024/25 for storm overflows.

Areas which require further consideration

- We have re-prioritised our programme to deliver 291 overflows including all SOAF and newly designated bathing water sites.
- Complexity of Storm Overflow PCD conditions – there is a need to simplify the 44 conditions to ensure efficient programme delivery and support green solution innovation.
- Review impact of recent enforcement orders on compliance triggers and balance of Storm Overflow investment and determinations.
- The design and basis of the pollution target and ODI to ensure a stretching but achievable 4 star EPA status by 2028.

Storm overflows and pollutions

Tackling storm overflows and pollution through major investment in bathing beaches and our wastewater network

Enhancement totex

Business plan pre efficiency	1,056
Business plan post efficiency	793
Draft Determination	783
DD representation	783

Customers agree with our plans to:

- **Reduce pollutions** 97%
- **Reduce the number of spills from storm overflows** 93%

Net zero and environmental gains

Driving environmental gains and continuing our journey to net zero

Enhancement totex

Business plan pre efficiency	**651**
Business plan post efficiency	**540**
Draft Determination	**386**
DD representation	**515**

Customers agree with our plans to:

- **Increase wastewater treatment standards** **93%**
- **Create new habitats** **85%**

Key outputs

→ **Upgrade wastewater treatment works to remove even more harmful contaminants and nutrients from treated discharges, reducing phosphorus by almost 30% at seven key sites and reducing algae risk in the river Camel and Axe catchments**

→ **Introduce wastewater treatment to the Isles of Scilly for the first time, for over 2,000 residents**

→ **Invest in state of the art new bioresources facilities to prevent pollution and to generate 58Gwh, enough energy to power up to 10,000 homes**

→ **Plant 300,000 trees, launch our 1,000 ponds initiative, and expand Upstream Thinking to 146,500 hectares**

→ **Re-naturalise our waterways to enable fish, eels and beavers to move without obstruction**

→ **Establish a new independent Environmental Advisory Panel to ensure we are focused on putting the environment first**

→ **Deliver the next stage of our net zero commitment – lowering the carbon impact of our operations and increasing renewable energy.**

Areas of alignment in the DD

✓ Acknowledgement and support of our long-term plans to transition to Advanced Anaerobic Digestion to increase energy efficiency and recovery from bioresources, but with totex heavily challenged

✓ Recognition of the need for varying cost sharing rates for the different elements of bioresources, including between enhancement and base expenditure

✓ Recognition that the bioresources land bank is a notified item to deal with uncertainty

✓ Support for our bespoke performance commitment for embodied greenhouse gas emissions

✓ Support for the need for our programme of nature recovery, but with totex heavily challenged

✓ Acknowledgement of the need for new first time sewerage infrastructure to be installed at key sites on the Isles of Scilly, but with totex heavily challenged.

Areas which require further consideration

- We note the additional allowances available in the DD for net zero, however in line with customer preferences we have not included these in our response.
- As requested, we have provided further evidence on the need, optioneering and efficiency for the first time sewerage connections on the Isles of Scilly, expenditure on nutrient reduction and river water quality as well as bioresources.
- Reversing the decline in biodiversity is important to customers and the nature recovery programme required by environmental regulators must be fully funded.
- Performance commitment levels for greenhouse gas emissions and embodied carbon PCs are overly stretching, we forego the additional allowance for carbon reduction.
- We have provided further evidence to support our catchment management bespoke performance commitment which we believe should be accepted.

Key outputs

- → **Continue to support water efficiency and metering across the region, putting customers in control of their bills**
- → **Doubling down on our commitments to ensure that no customers are in water poverty in our region**
- → **Improve our digital and self-service offering to make it easier to interact with us**
- → **Further shift control, from water company to customer, with an ambition to have 1 in every 10 households having a stake and a say in their local water company through WaterShare+**
- → **Introduce new tariffs and charging, enabling customer to choose the right plan for them, to encourage responsible water usage and recognising the unique demographic of our region.**

Areas of alignment in the DD

- ✓ Ofwat found that there was sufficient evidence that customer views were taken into consideration and reflected in our business plan. This included evidence that customers support cross subsidising customers who are struggling to pay. There was consideration of affordability for the generality of customers and the affordability challenges faced by customers struggling to pay
- ✓ Ofwat found that our long-term delivery strategy was appropriately informed by customer priorities and views on affordability and acceptability
- ✓ Ofwat supports the need for the majority of investments in our plan. 90% of these investments are required to meet statutory requirements and our plan receives high levels of customer support
- ✓ Our plans for affordability support meet Ofwat's minimum expectations, with a support package of over £200m identified
- ✓ Additional £5m shareholder funded customer support fund to be established
- ✓ We are supportive of Ofwat's proposals for D-Mex and BR-Mex and we welcome the symmetrical incentive design.

Areas which require further consideration

- Bill increases in the DD are materially lower than in our plan. This creates a revenue gap of c.£200m which removes all financial headroom from our plan.
- RCV run off rates reduced from 4.6% to 4.1% in order to reduce customer bills in the short term. This is contrary to customer views on longer term bill profiling as customer prefer smooth or front end loaded bills.
- C-MeX design – we provide feedback on the design of the metric, supported by detailed analysis.

Addressing affordability and delivering for customers

Tacking water poverty, being efficient and less wasteful

Customers agree with our plans to:

- **Invest in customer services** **83%**

Our response to the Draft Determination

There are many areas of the Draft Determination which we support. In addition, there are a number of areas where there is further work to do.

We have provided further evidence, consultants reports and updated tables throughout our representations which we trust will help Ofwat to conclude on a Final Determination which enables us to deliver our plan. A summary of our response is provided in the following sections:

- **ODIs and the balance of risk and return**
- **Total Expenditure and PCDs**
- **Capital charges recognition and RCV run-off**

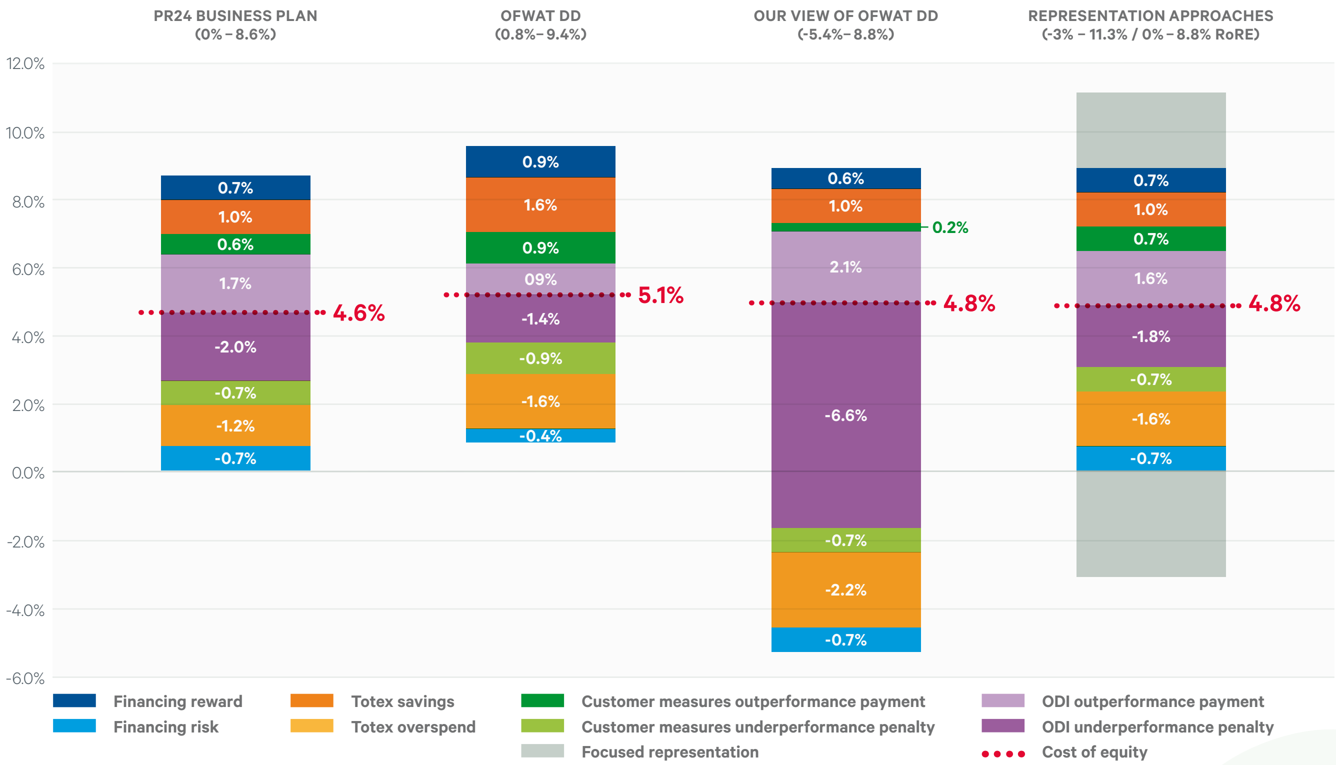
ODIs and the balance of risk and return

We welcome:

- The overall approach to the WACC and the updated allowance representing the market changes
- Ofwat considering further market rate updates and details of WACC methodology before the final determination
- The principle of a balanced risk and return framework that is essential to retain and attract equity investment
- The range of new backstop protection mechanisms that fairly balance risk and return and emphasise the importance of delivering investment, such as the Aggregate Sharing Mechanisms and Delayed Delivery Cashflow Mechanism.

Ofwat's Draft Determination presented a balanced risk to investor returns, with broadly symmetrical operational (cost and outcome) and financing risks. For us, this was a range of 0.8% to 9.4%, +/- 4.3% against the cost of equity. Our view of the DD is different and is heavily skewed by ODIs, which form 6.6% of our total downside risk of 10.2%. Our response proposes two representations – a 'focused' representation and a 'full framework' position.

RORE



ODIs and the balance of risk and return continued

Our biggest issue on risk and return is on ODIs where, in our response, we propose two representations – our focused representation and our full framework representation.

In our focused representation we aimed to accept as many of the Draft Determination ODI interventions as possible, including the adoption of the Draft Determination incentive rates.

However, this framework still presented us with a significantly high level of downside risk, which is primarily driven by the strong Draft Determination incentive rates.

We recognise that there are a number of ways this could be achieved. With a key approach being to reflect higher positive incentives for top quality bathing water and internal sewer flooding to balance areas that are harder to avoid the impact of poor weather, such as leakage and pollutions.

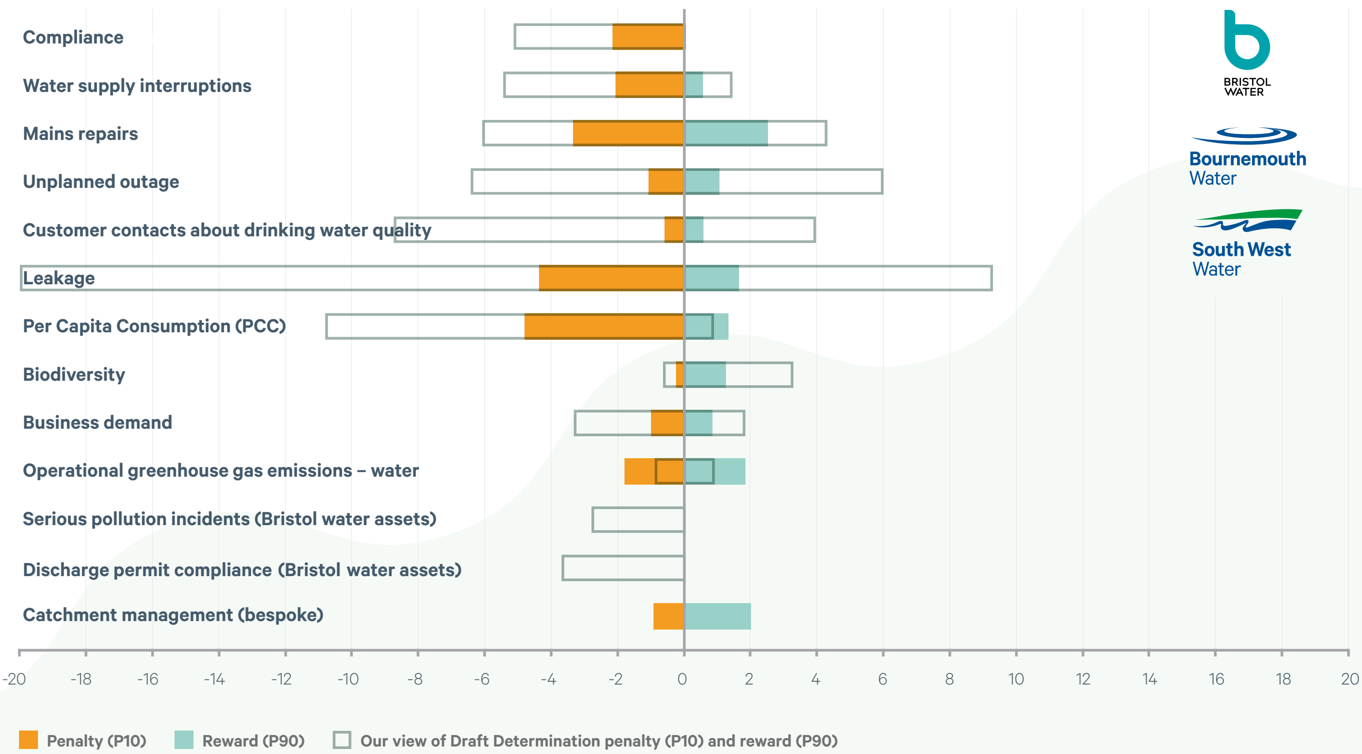
Whilst our focused representation better balances the downside risk, the range remains higher than Ofwat's indicative +/-3% range. In order to provide a position which is more aligned to the risk and return expectation, our full framework representation reflects our assessment of incentive rates, which were directly linked to our customer research on the topic. Incentive rates are important, but are not enough alone to get balanced ODIs – we suggest a range of detailed service level and incentive design options are also necessary, in addition to those within the focus representation. We recognise that there are a number of different ways this could be achieved, for instance for our region, higher positive incentives for top quality bathing water and internal sewer flooding to balance areas that are harder to avoid the impact of poor weather, such as leakage and pollution.

This is not just a matter of risk and return, but the trust of customers in the delivery of our plan. It is difficult to explain the £6,800 penalty for every customer contact about water quality concerns from an economic or customer perspective. It is difficult to plan ahead for unexpected and third party events that sometimes affect our services, when events outside of management control trigger such financial consequences.

Our response suggests a way of delivering a good balance or performance incentives, and we would welcome the opportunity to discuss some of the alternatives we illustrate in our technical response documents.

Another option is to revisit whether the ODI definitions align to measures other regulators and government report on and customers recognise. This move would really help to support trust in our delivery, as well as improve risk and return balance.

Water (our full framework representation)



ODIs and the balance of risk and return continued

Bathing water is a good example where customers and local communities will be confused by the difference between bathing water compliance and the current ODI definition. C-MeX is another area where a simpler definition will help transparency, reduce complexity and help to achieve a better risk and return balance than in the DD. Pollution incidents is also an area where the ODI definition is not showing customers a true presentation of performance.

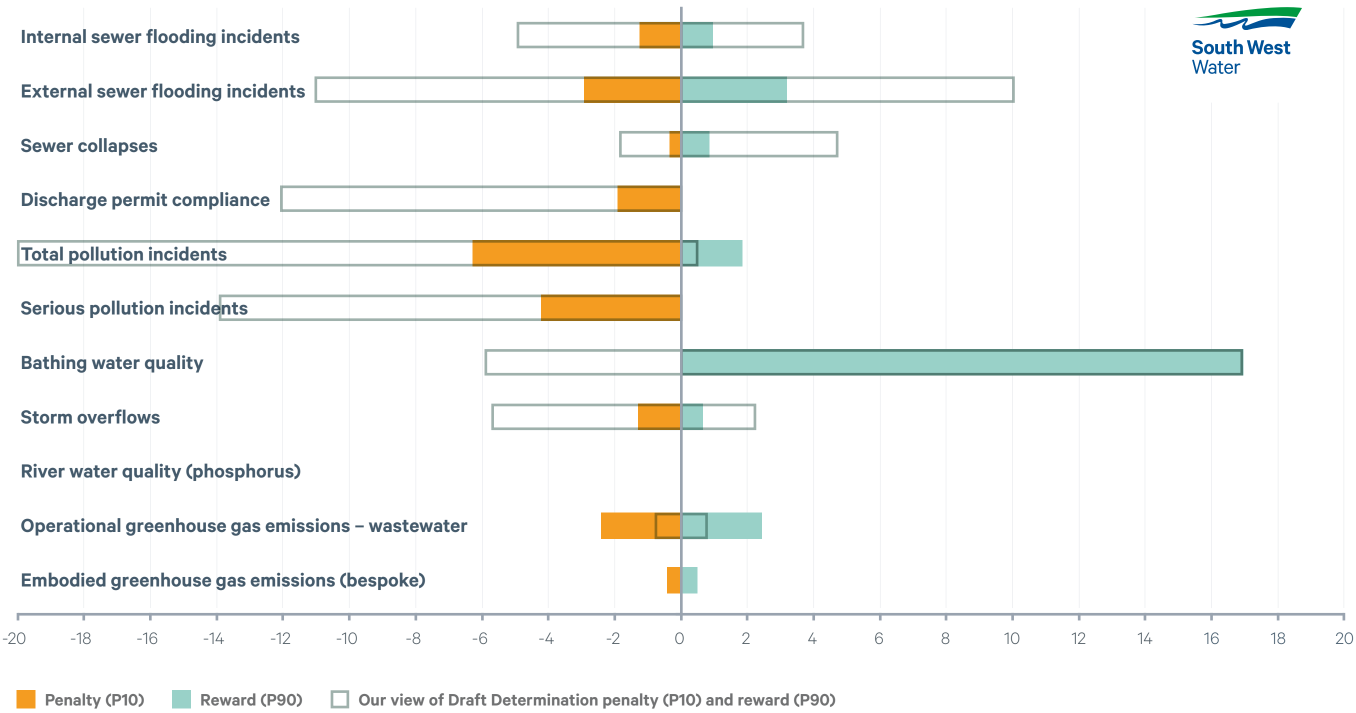
As the illustration shows, the downside skew in our view of the Draft Determination is heavily impacted by pollution incidents. Of our £830m maximum P10 ODI penalty for AMP8 based on the DD, £236m of this relates to pollution incidents alone. The big difference between Ofwat's view of ODI RoRE in the DD and our view is the view of risk. For pollutions there is no risk assumed by Ofwat at all by 2030 in the DD RoRE range, and only 7 incidents extra in a bad year compared to the target at the start of the period. All the performance metrics have similar assumptions, most of which we find difficult to justify. Risk can increase and outperformance opportunities reduce at better levels of service.

ODIs create a risk and return gap in the DD, one that puts notional company financeability, equity investability and dividends at risk. We have around £200m of notional gearing headroom and £600m of equity return in the DD, and ODI risk amounts to £500m of risk even when mitigated by the Aggregate Sharing Mechanism.

From a customer perspective, there is a risk that the cost of equity and debt are driven up in the long-term, and bills are higher than they otherwise would be.

Moody's recent sector note, echoes the concerns that our in-depth analysis of the DD has identified. It warns of the need to downgrade its rating for the sector if the DD framework was confirmed as it currently stands. This action would increase the revenue / risk and return headroom required to maintain financeability. At that point the deliverability for customers and the environment becomes yet more challenging when our focus needs to be on delivering the investment we are asking customers to pay for.

Wastewater (our full framework representation)



Total Expenditure and PCDs

Totex Costs

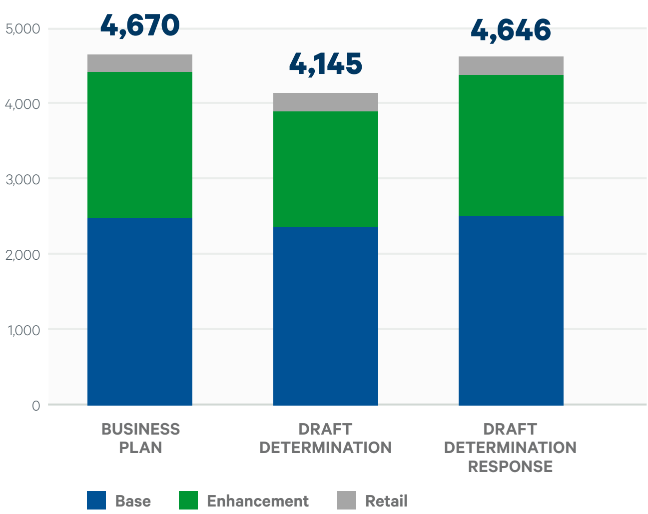
As part of our commitment to keep bills low and deliver efficiently, our ambitious plan removed £600m (13%) of expenditure in efficiency ahead of submission. However, Ofwat's DD has removed a further £525m which takes the overall challenge to a £1.1bn reduction (24%).

We welcome several areas of the DD including:

- The 1% frontier shift challenge which we are committed to delivering
- Storm overflows expenditure which was allowed in full at £770m
- Agreement to support £75m of transition spend on storm overflows in Year 5 AMP7
- The storm overflows uncertainty mechanism which builds on proposals in our plan
- The cost sharing proposal on bioresources as well as the new uncertainty mechanism that deals with loss of the land bank
- Ofwat's econometric modelling, which broadly demonstrates that we were efficient
- The true-up mechanism for energy which responds to the recent volatility in energy charges
- Indexation of labour costs to reflect the real cost pressures we experience.

Ofwat's DD has reduced allowances by £120m of base costs and £405m of enhancement costs. Our representations provide the evidence requested to allow Ofwat to reinstate these allowances in the FD to enable us to deliver our plan.

Totex overview (£m)



Base Expenditure

We are pleased that Ofwat's models demonstrated our plan was broadly efficient across base expenditure.

Whilst we welcome the true up of business rates at the end of the period, our representations include the need to provide the additional allowances (£78m) up front to avoid the cashflow implications, in an area we know rates increase formulaically with higher revenues.

Additional evidence to support our cost adjustment claims which are not reflected in Ofwat's models (£56m).

Adding £22m of EA charges which has been identified as new obligations since the business plan.

Additional allowances

Ofwat's determination increased costs for certain company wide claims (with corresponding outputs), however, our principle on the basis we revert back to the totex in our plan, is to seek the totex allowance we originally requested (supported by further evidence) and as such we have not recognised the additional allowances (£58m in base and £5m in enhancement). We will also not be pursuing £60m resulting from our proposed changes to Ofwat's base models, £35m of additional storm overflow expenditure awarded through Ofwat's econometric models, and £15m resilience, which could have been claimed with supporting evidence.

Instead we are committed to funding a number of these areas ourselves including improvements to deliver net zero.

Enhancement totex – Water

We have had a reduction of £275m totex from our water services. This is a particular issue for Bristol and one example is the £32m reduction (64%) on a £50m water treatment works (WTW) rebuild at Littleton. This scheme is supported by the DWI and spans AMP8 and AMP9 and we have submitted this evidence in our representations. Reduced allowances have also been applied to important WTW projects like the new capacity at Restormel where there is a £21m reduction (65%), this project is critical to shoring up supplies for AMP8. Worryingly we also have a £60m (>60%) reduction in enhancement cost allowances for leakage as a result of the selective nature of the modelling. This is an area in AMP7 where we have seen a fourfold increase in our leakage costs, and we have been extremely challenging on ourselves to minimise the costs passed through to customers in this area.

We will also provide additional evidence to close the £67m gap in funding to deliver a step-change in reductions to water demand, helping us build resilience to climate change in the Southwest.

Enhancement totex – Wastewater

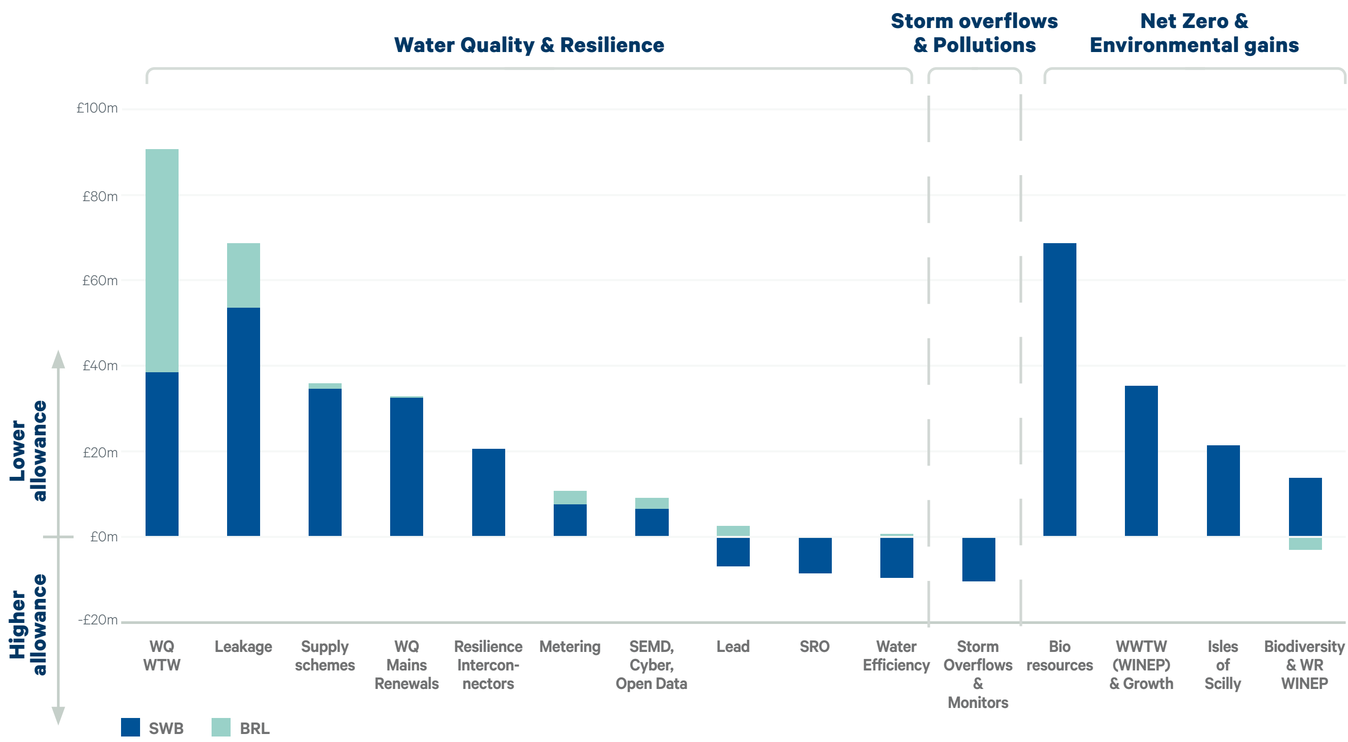
Whilst the impact of the DD is less on wastewater, we are representing on a £35m reduction in allowances for improvements to wastewater treatment which help us improve river water quality by removing nutrients from the environment. Additionally, we saw a reduction of £22m of our £34m (65%) to deliver sewerage services to the Isles of Scilly for the first time, cleaning up beaches, marine environments and groundwater on the islands; we will be representing on why the location of the islands presents delivery and cost challenges when compared to the mainland.

We have re-profiled £90m of our storm overflow investment to deliver new improvements at bathing waters, deliver against the urban wastewater treatment directive, and to install more river quality and emergency overflow monitors. These changes have been agreed with the Environment Agency and will not lead to a net increase in costs for the storm overflow programme.

Enhancement totex key areas of challenge

The chart below sets out by priority the key enhancement totex movements in the Draft Determination.

Enhancement totex reductions in the Draft Determination



Price control deliverables

We support the principle of a PCD framework and agree with Ofwat's objectives of bringing more certainty to customers on the delivery of outputs, making sure customers only pay for what is delivered. With the size of the investment programme for PR24, customers need protections to ensure companies deliver against their commitments. We are pleased to see Ofwat has invited representations on the draft PCD framework. Our view is that simplification and flexibility is needed to enable companies to deliver efficiently and innovatively. As it currently stands the administrative burden would be unnecessarily excessive and we recommend Ofwat take a simpler portfolio approach whilst also removing unnecessary conditions and timing mechanisms which could lead to excessive and inappropriate penalties and increase risk further.

In our plan we shared a proposal to use our WaterShare+ Customer Advisory Panel to assess changes to our delivery performance and our investment programme with a mechanism to keep track of new and changed obligations with an annual scorecard. This would result in a recommendation from the panel on a net 'true up' at the end of the AMP which would form our case for our PR24 reconciliation adjustment in 2030. This proposal has the benefit of supporting the July 2024 ministerial announcement on the need to make the interests of customers a primary objective of companies Articles of Association as well as delivering on the commitment to ringfence unspent allowances and return these to customers.

Intergenerational equity and deferred revenue

We need to restore c.£200m of revenue allowances removed in the DD so that we can deliver our plan for customers, c.£75m of this comes from totex allowances and reconciliation adjustments covered in our technical responses. The largest shortfall in our revenue of c.£125m came from Ofwat reducing our RCV run off rates from 4.6% to 4.1% in order to reduce customer bills in the short term. This removes financial headroom needed for the investment programme, and makes it uninvestable.

Ofwat only reduced RCV run off to defer revenue for 8 companies, and the impact on our revenue was one of the largest. Making an adjustment because of notional company financial ratios that reduces the headroom available for equity returns for a few companies is in itself a challenging assumption when investors have a choice of companies to invest in.

The RCV run off simply reflects capital charges – an allowance in revenues to finance replacement of existing assets. This rate comes down naturally as assets reach the end of their lives and are replaced, in our plan a reduction from 4.9% at PR19 to 4.6%. We welcome Ofwat's recognition in the DD that we had set out RCV run off rates appropriately in line with this principle.

We share with Ofwat the desire to minimise the impact on customer bills of the investment programme. Our plan had already taken steps to manage affordability and ensure that we could retain our commitment to no customers in water poverty out to 2030. We considered intergenerational equity in our plan, and offered to do this by spreading the customer share of additional costs during AMP7 over a longer period. We welcome Ofwat including this in our draft determination and were pleased to see consultation with other companies to give them the opportunity to take up the same option.

However the option Ofwat has chosen to defer revenue from AMP8 to 2030-2050 has the unintended consequence of costing customers £60m over the period, an additional £7 per annum from 2030.

Our customer research (AAT – Blue Marble Quantitative Report) shows that customers of all generations, both current and future bill payers, supported intergenerational equity – each generation of customers paying their own fair share over the life of the asset. Only around 20% supported back-end loaded bill impacts that put pressure on younger and future bill payers.

We think this is compelling evidence that Ofwat should not defer the revenue needed to finance the investment programme from AMP8 into the future – that is not a financeable, investable or sustainable proposition and comes at an additional cost to customers they do not support.

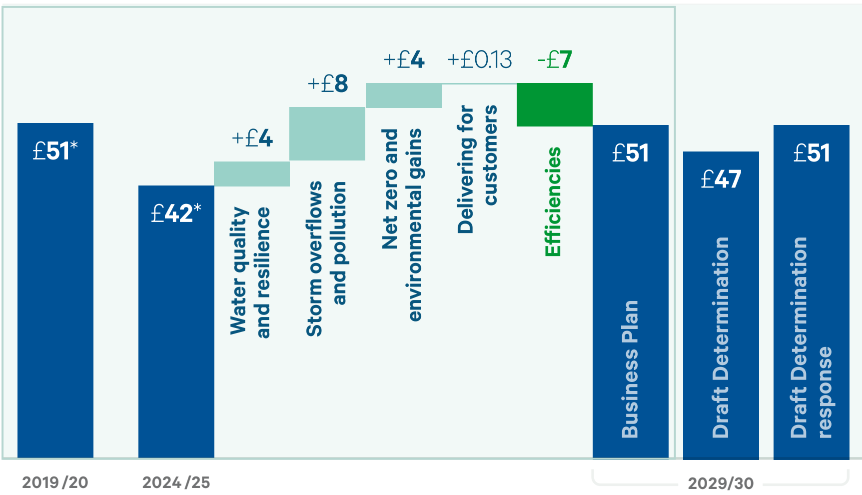
Customer bill levels

In our response to the Draft Determination, we revert to our plan and the bill numbers included within our October submission. These were tested with customers through Affordability and Acceptability Testing, which saw 74% acceptability and 57% affordability. We continue our commitment to zero customers in water poverty through our £200m affordability package and our innovative new tariffs. We have enhanced affordability to support even more customers, including two shareholder supported funds, increasing support to £24m.

The percentage increase for SWB is slightly higher as the 2024/25 starting point is now lower. The opposite is the case for Bristol, which now has a higher starting position for 2024/25 and therefore the bill increase is lower (11% in our DD response, versus 18% in our October submission).

We have corrected the Draft Determination bill profile for BRL in our response. For SWB, the profile matches that of the DD. We have extensive affordability support in place to look after those who struggle to pay their bill.

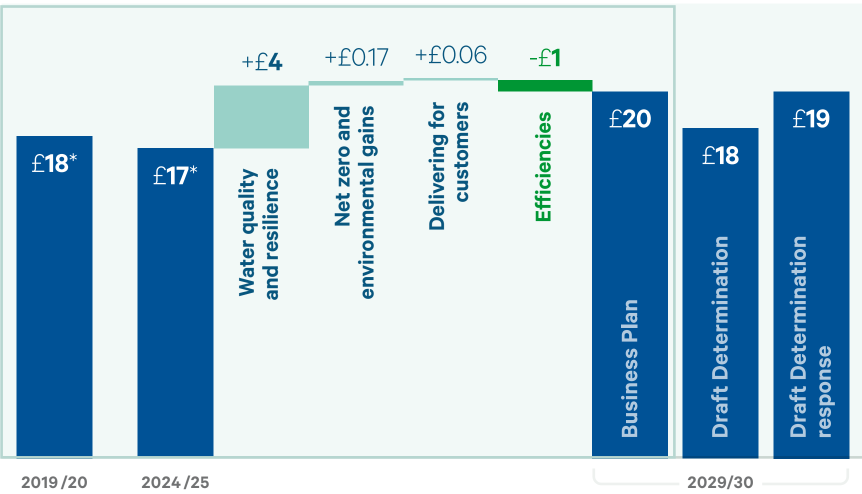
2029/30 average household bill per month
South West Water



** Actual billing £41 per month*

74%
– our highest ever acceptance level

2029/30 average household bill per month
Bristol Water



** Actual billing £17 per month*

Striking the right balance

Sharon Puttergill
Regulatory Finance Manager

A responsible business

Being a socially and environmentally responsible business, led by our purpose and our passion for our region is what drives us our thousands of highly committed employees every day. We have a responsibility to support those who live, work and visit our region and protect the places they love, today and for the longer term.

Reflecting on Ofwat's quality assessment, we have considered feedback that goes to the heart of being a responsible business. We provide a response below.

Deliverability

Since the submission of our PR24 Business Plan significant progress has been maintained in mobilising our delivery model for AMP8.

At the time of submission of our plan we had already appointed our eight Professional Services Consultants delivering services across: project and programme management, cost management and multi-disciplinary design. As the business plan went in, we were appointing our Tier 1 Delivery Partners, announced in October 2023: six new suppliers across 4 lots covering water and wastewater across the whole region.

With AMP8 early start delivery getting underway across all work streams, in February 2024 we opened our new co-located office adjacent to South West Water and launched the new amplify alliance.

In June 2024 amplify was completed with the refresh of our Tier 2 supply chain partners, bringing nine more leading British companies into the alliance. These nine organisations complement amplify providing mechanical, electrical and instrumentation control and automation services, infrastructure services and CCTV and survey activities.

Delivery work both in the co-located design office and on the ground is already underway, springboarding off the record breaking AMP7 Year 4 investment of over £580m in the period and the mobilised resources in place. Thus the pace of delivery is already at the desired rate for AMP8, demonstrating the available and mobilised delivery capability.

A monthly mobilisation Board has been established since December 2023 which will transition to an enduring Delivery Board with full participation of South West Water Executive Directors and senior representatives of our partners. The focus of the Board is to enable the partnership and mitigate risks to delivery. In addition, wider water, utilities and construction industry engagement continues through active participation with British Water, Future Water and the Civil Engineering Contractors Association events and directly with members to share forward plans enabling innovation and production planning.

For more information, see:

Deliverability and supply chain

A key component of our new model is our refreshed Asset Change Pathway incorporating our nature first approach ahead of hard engineering solutions. Well established catchment partners are being drawn in and championed by our own experts, accelerating the development of low carbon, nature based solutions. Wider delivery partners include: Cornwall Wildlife Trust, Devon Wildlife Trust, FWAG, South West Lakes Trust and West County Rivers Trust building on our award winning Upstream Thinking Catchment Management programme.

Finally, at every key stage of the promotion and establishment of amplify South West Water Board have scrutinised the model, transition programme, sufficiency and selected partners to ensure the PR24 plans and expenditure proposals are deliverable and risks have been managed.

Executive pay

Our executive remuneration strategy has always aimed to be transparent, aligned with the delivery of our business plan, with stretching goals to deliver for customers, communities and the environment, and to encourage long term stewardship. Our values are reflected in the decisions we make, with best practise features of malus and clawback included, as well as a performance assessment framework to over-ride formulaic outcomes and to show we are listening.

We have demonstrated that we listen to our stakeholders in this regard, whatever the framework in place – which is why for the last two years running, in recognition of the current external environment, the CEO has not taken an annual bonus.

Furthermore, over the course of the year, we engaged with Ofwat and wider stakeholders to understand how best to evolve our remuneration policy, including the long-term incentive arrangements. Following feedback and guidance from Ofwat, we have taken steps to ensure that bonus outcomes will not be funded by customers and opted not to introduce the Restricted Stock Model, which would have significantly reduced bonus levels, but relied upon underpins rather than direct performance metrics. The expected approach for long term incentives currently focuses on performance against RORE (50%), environmental impact and customer measures (50%). We are considering what further changes may best align with stakeholder expectations in this area.

We will continue to reflect and evolve arrangements in line with best practise, and Ofwat's Board leadership, transparency and governance principles, and will continue to share remuneration outturns with the Watershare + advisory panel ensuring our customers have a stake and a say in approach. We will also plan to evolve the annual bonus arrangements for all employees in South West Water, to the same four priority areas of our plan and in ensuring everyone is focused on delivering for customers and communities. Finally, we will continue to offer employees HMRC approved share schemes to enable them to become shareholders in our company and to have a stake and a say in the company and building alignment with our approach to customer engagement through WaterShare+.

Our dividend policy

Our Plan set out our dividend policy and we welcome Ofwat's recognition that our proposed dividend policy was in line with the licence conditions.

Taking a responsible, long term view is at the heart of the way we operate. We have demonstrated that over the past few years by reinvesting outperformance to invest in water resilience and the environment. We have also restricted dividends in the water company to ensure dividends are reflective of performance challenges.

We will continue to take a long term view to ensure we focus on being guardians of the long term health of the organisation as well as the customers and environment we serve.

We know that customers are as passionate as we are about ensuring we invest in our assets and continue to deliver improving services throughout our region. That is why our dividend policy ensures we link any payments both to the financial strength of the business as well as our performance against service for customers and the environment. As such, if we do not deliver on our performance commitments – whether that is in respect of environmental performance or when we deliver for the environment – this is taken into account in our dividend payments.

We have amended the wording of our policy to include customers and the environment, which previously was implicit rather than explicit. We also highlight that our approach focusses on the financial viability of the appointed business. Our approach to dividends will be aligned with Ofwat's Final Determination, with a yield reflective of the final position. Performance dividends will be paid annually in arrears, with a true up of performance on an ongoing basis.

As such, and as previously stated, the outturn dividend yield can be greater or less than the base dividend and depends on the following:

- Whether the company has delivered in the round on its commitments to customers and the environment
- The level of out and underperformance against the regulatory allowances including ODIs, totex and financing
- Whether obligations to pension schemes have been met
- The level of financial resilience to ensure the long term viability of the appointed business. Based on the factors already considered within the financial viability testing.

Taking these factors into account should ensure both that returns to shareholders are directly linked to service delivery and environmental performance; whilst the financial resilience of the appointed business – allowing it to service and fund the needs of customers, stakeholders and both past and present employees – is at the core of our approach.

Financing the plan

The cost of capital and RoRE

The plan we are looking to deliver out to 2030 will see a doubling of capital investment. We welcome Ofwat's recognition that our operations are efficient and outcome proposals stretching – an outstanding plan. We have plans in place to ensure we have the resources and supply chain to deliver on our commitments. However, we also need to be able to finance our plan and ensure our business remains financially resilient into the future.

To do this, requires the cost of capital to be set at a level sufficient to retain existing and attract new investment – whether from equity or debt investors, and to fund new investment as well as to replace maturing debt. In order to raise finance in a cost-effective manner there must be confidence that the returns our funders receive, either through interest charges or dividends, are fair and reflect an appropriate balance of risk and return – which in turn keeps costs of financing low for customers.

We welcome the overall approach to the cost of capital in the draft determination, particularly the principle of aiming up the cost of capital in order to support equity investment as well as the updated allowance representing market changes.

We also welcome Ofwat considering further market rate updates and agree it is appropriate that the cost of capital methodology is further updated before the final determination. Recent issuances of debt in the water sector have been at a premium to the new debt benchmark index and this is an area Ofwat will wish to consider carefully. We also suggest that Ofwat considers "aiming up" on the ratio of new to embedded debt, to reflect that a range of companies have a higher new to embedded debt ratio than in the past and with the scale of investment required across the sector, ensuring strong financial metrics will be key to a sustainable, resilient industry for the future.

With this in mind, Return on Regulated Equity (RoRE) is an important measure of fair returns to investors. The principle of a balanced risk and return framework is essential to retain and attract equity investment, and to maintain efficient financing costs at a time when the industry needs it most.

We are concerned that with significant investment requirements, a fair balance of risk and return and strong financeability is critical to both our business and the sector as a whole. Having reviewed the Determination, it reflects an increase in the downside risk through tightening our already ambitious services levels, whilst reducing the potential for reward. Whilst the cost of capital has increased, the lower RCV run off and the incentives framework together put a strain on the investability of the company. We have set out above the measures we propose to remediate these issues, whilst maintaining bills at an affordability level, supported by customers.

We make detailed proposals in our technical response documents of how we want to work with Ofwat to mitigate these risks to financial resilience. In the draft determination Ofwat showed ODI downside 0.5% greater than the upside, which we demonstrate is a significant underestimate of the risks from the Determination.

We have proposed a revised incentive framework, a return to the natural rate of RCV run off as well as to our efficient costs of delivery to allow the RoRE to be set at an appropriate level that will be supported by investors – be they debt or equity.

As a listed business, we engage widely with financial stakeholders. We have heard directly from investors – whether equity or debt – about their concerns and the risks they feel are posed by the Determination for funding and returns. Moody's have highlighted the potential for a sector wide downgrade based on the risks it sees for companies – increasing costs for customers over the long term if this downgrade is crystallised.

We have supported Ofwat's approach to cost of capital but note that the balance of risk and return must be commensurate with the returns offered to investors. Investors have a choice of where capital is placed; with billions of pounds of investment needed to improve the performance and resilience of the sector over the next decade, retaining the confidence of investors and ensuring a balanced approach to risk and returns remains vital.

We have responded to Ofwat's comments in their assessment of our business plan:

- **We welcome Ofwat's assessment that PAYG and RCV run off rates were supported by evidence that they reflected the natural rate of our expenditure and capital maintenance.**
- **We have updated our executive remuneration and dividend policies.**
- **We have revisited our own assumptions on the balance of risk and return e.g. running our evidence and ODI designs through Ofwat's assessment tools. We are confident that our assessment is well evidenced.**
- **We have reviewed Ofwat's proposed uncertainty mechanisms and provide options for consideration as they cover the same areas of uncertainty as our original proposal.**
- **We provide further information to explain our incentives research, but also show other ways that risk and return could be balanced. We welcome the opportunity our DD response gives to discuss the options.**

Revenue building blocks (£m – outturn prices)	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2025-2030**
PAYG (operating costs and IRE)	373.4	393.0	417.2	438.1	458.2	2,077.3
RCV run-off (including post 2020 additions)	278.0	291.5	304.9	318.3	330.0	1,521.3
Return on RCV	204.9	219.5	234.1	248.7	261.9	1,167.2
PR19 reconciliations	- 9.7	- 6.9	- 7.6	- 8.0	- 8.4	- 40.7
Tax	-	-	-	-	-	-
Grants and contributions recognised in revenue	5.1	5.1	6.4	7.3	8.0	31.8
Other income (non price control)	- 2.5	- 2.5	- 2.6	- 2.6	- 2.7	- 12.9
Innovation fund	5.3	5.4	5.5	5.6	5.8	27.7
Residential retail	58.4	61.6	64.8	67.0	69.0	320.6
Total appointee revenue	912.8	966.7	1,022.7	1,074.6	1,121.8	5,092.1
Key financial metrics						
Capital expenditure	613.0	632.3	620.4	654.4	546.2	3,070.9
Water	282.1	267.1	271.7	294.3	276.4	1,392.3
Wastewater	330.9	365.2	348.8	360.1	269.9	1,678.6
PAYG ratio	40%	40%	42%	42%	48%	42%
Regulated Capital Value (RCV)	5,839.6	6,248.7	6,638.6	7,054.9	7,360.3	
Allowed revenue by control (£ – outturn prices)						
Water Resources – South West	44.5	46.5	48.9	52.5	56.4	248.5
Water Resources – Bristol	24.3	26.1	27.6	29.1	30.0	136.8
Water Network Plus – South West	302.4	317.8	335.3	354.4	366.1	1,674.1
Water Network Plus – Bristol	110.3	119.2	128.4	136.3	141.9	635.0
Water – total	481.6	509.5	540.2	572.3	594.4	2,694.4
Wastewater Network Plus	326.2	346.3	359.4	376.4	396.9	1,803.3
Bioresources	46.6	49.2	58.3	58.8	61.4	273.9
Wastewater – total	372.8	395.5	417.7	435.3	458.3	2,077.1
Residential Retail	58.4	61.6	64.8	67.0	69.0	320.6
Total allowed revenue	912.8	966.7	1,022.7	1,074.6	1,121.8	5,092.1

- PAYG and RCV run-off rates reflective of underlying cost profiles and asset lives
- No requirement for pension deficit repair costs following recent injection into the plan
- Returns consistent with Ofwat's draft determination cost of capital
- Taxation reflective of headline rate of 25%, expected capital allowances and deductions
- Interest cost reflective of cost of capital and rising in line with debt requirements
- Dividends rebased reflecting 2% yield on equity RCV to 2030

Assurance and Governance

Pawan Kamath
Data Engineer

Representation assurance

We have applied the same principles of governance and assurance to our governance and assurance procedures as outlined in the 'Data Information and Assurance' document published in October 2023 alongside our initial business plan submission.

The representation, encompassing responses to Ofwat's proforma updated data tables and compilation of supporting information, has been developed following well established Company systems and processes with associated internal assurance checks and the application of external assurance where required. All significant distinct areas of the response have been developed within the teams and received 'in the line' reviews by the nominated senior manager reviewer and accountable Director.

As we have compiled our representations, including data tables, South West Water has undertaken a risk assessment process to the complexity of the area, degree of change from the initial submission and alignment to strategy.

On the basis of this risk assessment process, assurance activities have been applied in line with our three line of defence approach. This has included external assurance undertaken by KPMG or Jacobs where there has been a significant/complex change to the plan in line with our approach to external third party assurance laid out on page 17 of the 'Data Information and Assurance' document. No material issues have been found during the assurance process.

The WaterShare+ Advisory Panel have been actively supporting the development of our representations.

Board statement

The Board has provided direction and challenge through the process of reviewing the draft determination and considered areas for representation.

The PR24 programme team alongside, subject matter experts have provided to the Board recommendations and assurance that

- The data and information that underpins our representation is both accurate and consistent
- The representation supports a high quality, stretching and ambitious plan with appropriate evidence where required
- The representation continues to support a plan that underpins our four strategic priorities
- The plan for 2025-30 is deliverable with the resources proposed, and will support the Company's long-term vision

The Board confirms that it continues to have sufficient systems of internal control, governance, and assurance processes in place to deliver a quality and ambitious plan in line with our representations.

The South West Water (SBB) Board of Directors confirm that at a meeting on 23 August 2024, the full Board reviewed the Company's PR24 draft determination representation and approved its submission to Ofwat. We are confident that the representation is needed to reaffirm the approach and funding needed in support of the delivery of a plan that reflects our customers' priorities and our long-term delivery strategy.

Name	**David Sproul**	**Iain Evans CBE**	**Claire Ighodaro CBE**	**Jon Butterworth MBE**	**Dorothy Burwell**	**Loraine Woodhouse**	**Susan Davy**	**Laura Flowerdew**
Position	**Chair**	**Independent Non-Executive Directors**					**Chief Executive Officer**	**Chief Financial Officer**
Signed								

Quality and Ambition Assessment response

Our overall rating for the QAA was 'outstanding'. There were a small number of challenges, which we respond to below.

Quality & Ambition Assessment criteria	Ofwat comment	Our response
The company's full Board provides an assurance statement that meets Board assurance requirements (supply chain risk)	The company set out the steps taken by its Board to satisfy itself that supply chain risk is manageable, and delivery plans account for various factors to support its statement that PR24 plans and the expenditure proposals within them are deliverable. However, there was a lack of detail in this area.	We provided a separate document with this information. We have updated this document and included further information on how delivery risks are being managed.
Plan provides sufficient and convincing evidence that customer engagement activities met standards	However, its research was not shared on its website, so we carried out a query process for supporting materials to conduct our assessment.	In our query response we directed Ofwat to where the research was saved on our website. We also improved the referencing so that it could be found more readily.
The proposals in the plan are likely to be fair and affordable for both current and future customers	RCV run-off rates for water network and wastewater for the South West area, and for water network for the Bristol area for existing assets, are above our guidance for upper limits. However, when averaged across all controls including run-off rates for new investment, rates are around our upper limits. We may intervene on rates that are above our upper limits.	We welcome Ofwat's assessment that PAYG and RCV run off rates were supported by evidence that they reflected the natural rate of our expenditure and capital maintenance. See Risk and Return response document.
Plan and long-term strategy are consistent with achievement of statutory targets	We have concerns about the presented performance trends in the business plan and long term delivery strategy not achieving the business demand target (15% reduction by 2050) for the company's South West area and meeting the leakage target (50% reduction by 2050) in its Bristol area. We also have concerns with delivery of the distribution input per population target (20% reduction by 2037-38) for the company's Bristol area.	The final version of our WRMP shows that we plan to meet the 50% leakage reduction target, and 20% DI per population targets in the Bristol zone and gives details of how we plan to do this. We have received permission to publish this document and will be doing so shortly. In the South West Water region our current list of feasible options does not achieve the government's targets for business consumption reduction. We will continue to investigate the development of further feasible options as we work towards WRMP29.
The plan and long-term strategy is consistent with other plans and programmes	The business plan was not consistent with the latest WRMP for several component parts. Also, a significant proportion of our draft WRMP consultation points have not been adequately addressed in the latest version of the WRMP and business plan. The business plan was partially consistent with the DWMP, with the cost varying by -15%. The differences were not well signposted and there was little explanation regarding differences between the DWMP and long-term delivery strategy.	Our Business Plan is consistent with the latest version of our WRMPs. The status of these versions is described below: Bristol – we have received permission to publish our final WRMP, and will be doing so soon. South West – we have submitted our revised draft plan to DEFRA for security checking, and on receipt of permission to publish we will upload it to our website.
Company use of Direct Procurement for Customers to deliver eligible schemes	We have concerns with all aspects of the company's assessment.	We agree with Ofwat that only the three strategic resource schemes were suitable for DPC. See Risk and Return response document.

Quality & Ambition Assessment criteria	Ofwat comment	Our response
The company provides sufficient evidence that the proposals within its plan are deliverable	While the company has taken measures to improve deliverability, meaning that our concerns are no longer material, we continue to have minor concerns that while the company has provided some evidence of risk assessment, this is not clearly shown alongside mitigation options.	We have a comprehensive risk mitigation process to support deliverability.
Setting of ODI rates for common PCs and the evidence supporting these rates	The company has not provided compelling evidence to support its proposals for lower incentive rates due to overexposure on risk of return.	We have provided further information to explain our business plan incentive rates research. We have also considered how the draft determination incentive rates could be applied as part of a balanced risk and return framework. Please see our Outcomes and Finance, Risk and Return representations for further details.
Demonstration of feedback response and the provision of evidence for bespoke PCs	The company has not sufficiently responded to our feedback on its river catchment management proposal. The company has not sufficiently demonstrated that it has responded to our feedback on its proposed bespoke performance commitment to reduce embedded GHG emissions.	We have provided further reflections on why the catchment management bespoke proposal should be included in our outcomes framework. To respond to Ofwat's feedback, we have included a revised definition for the bespoke performance commitment to reduce embedded GHG emissions.
The plan provides evidence of an appropriate balance of risk and return	The company provided a plan (RoRE range +4.0% to -4.5%) that it considered is not balanced. It did not provide sufficient and convincing evidence that its assumptions reflect a reasonable range for an efficient company.	We have revisited our own assumptions on the balance of risk and return e.g. running our evidence and ODI designs through Ofwat's assessment tools. We are confident that our assessment is well evidenced. See Risk and Return response document.
Bespoke uncertainty mechanisms meet the methodology expectations	The company's proposal for addressing uncertainty relating to statutory programmes contained insufficient information compared to our minimum expectations, even following the provision of a response to our queries.	We have reviewed Ofwat's proposed uncertainty mechanisms and provide options for consideration as they cover the same areas of uncertainty as our original proposal.
The plan sets out a dividend policy that is in line with expectations	Further detail required in dividend policy.	We have updated our dividend policy. See Risk and Return response document.
The plan sets out a policy for performance related executive pay that is in line with expectations	The long-term term element of performance related executive pay does not meet our expectation that it demonstrates a substantial link to delivery for customers and the environment.	We have responded and will be considering further changes in this area. See Risk and return response document.
Areas of ambition	For the Bristol area, its plan was less ambitious, particularly in its proposed performance targets for water quality contacts and per capita consumption. Its plan was also unambitious for the South West area in its proposed performance target for greenhouse gas emissions from its wastewater activities. Its proposals for phosphorous removal, per capita consumption and achieving net zero carbon emissions on its water activities were unambitious. For the South West area, its plan was unambitious in its use of green solutions for storm overflows and phosphorus removal.	On water quality contacts, our proposals would deliver, comparatively, median levels of service and these service levels also took into account the change in reporting definition. Our PCC ambitions align to our WRMP and regional WRMP, which has been set outside of the price review process. We have proposed a new delivery profile for phosphorous removal. On greenhouse gas emissions, our business plan set out a novel approach for measuring and reducing embodied greenhouse gas emissions, which is in addition to our operational greenhouse gas emissions.

Response to key questions in the Draft Determination

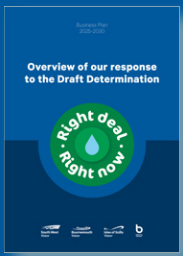
Below we set out a summary of our response to key questions Ofwat poses in the DD. Further information can be found in our Level 3 technical representations.

DD action description	Our summary response
Do you agree with the proposal to apply a financial adjustment to payments where companies fail to submit required reporting and assurance information on time?	We would like to understand why this is seen to be necessary. If retained we believe that this should not apply automatically and will require an assessment process as well as an appeals mechanism against regulatory judgement. It should not be applied if there is any uncertainty or interpretation required.
We welcome stakeholder views on the application of lower cost sharing rates to enhancement expenditure in response to our draft determinations.	We agree with this proposal and the logic behind it. It reflects the particular difficulties in assessing the cost of modelled storm overflow outcomes. We consider therefore Ofwat have demonstrated this is a balanced proposal that protects both companies and customers appropriately.
We considered whether a higher rate based on WACC plus run-off rate (Option 2) would be more appropriate. Run-off rates vary by company and controls. However, we could use a simplified approach that applies a standard uplift to the WACC to reflect the run-off rate.	We disagree with the approach to PCD time incentives as a whole. As a minimum they should be based on the delivery profile of company plans, rather than penalising delivery before schemes have been financed. We consider there is specific incentives for delivery in the round in the Delayed Delivery Cashflow Mechanism.
Do you agree with our overall approach to the assessment of the balance of risk and return? If not please indicate where you provide evidence in support of your response.	We agree with the approach, but not the application. The balance of risk and return must convince investors that they can expect to earn the cost of equity. This is not the case for the draft determination.
Do you agree with the introduction of a cost aggregate sharing mechanism? If not please indicate where you provide evidence in support of your response.	We agree with a 2% RoRE aggregate cost sharing mechanism. We have taken this into account in our view on totex risk in risk and return.
Do you agree with the proposed cost of equity? If not please indicate where you provide evidence in support of your response.	We do not agree with all the elements of the proposed cost of equity. We think these points can be considered as part of the market data update planned for September 2024. We think Pennon as a pure play water company shall be included in the calculation of Beta.
Do you agree with the proposed cost of debt? If not please indicate where you provide evidence in support of your response.	We do not agree with all the elements. We suggest that Ofwat consider "aiming up" on the new to embedded debt ratio to reflect that many companies have a higher new to embedded debt ratio linked to statutory investment.
Do you agree with the proposed notional gearing? If not please indicate where you provide evidence in support of your response.	We agree with 55% notional gearing if the approach to reduce RCV run off is reversed, and if cost and outcome incentives are properly calibrated and do not result in actual company gearing diverting further from this notional assumption.
Do you agree with the approach taken to PAYG and RCV run-off? If not please indicate where you provide evidence in support of your response.	We agree with the approach to PAYG rates. We disagree with the approach to RCV run off rates. It is not in customer interests and does not reflect their views on intergenerational equity. It will cost customers £60m extra by 2050.
Do you agree with the overall approach taken in our assessment of financeability? If not please indicate where you provide evidence in support of your response.	We disagree because of the impact of the decision on RCV run off. The testing shows the correct amount of operational and ODI risk headroom, but this headroom will be narrower in practice because of a) Ofwat dividend restrictions at Baa2- and b) the likely increase in rating expectations due to a deterioration in the quality of the regulatory framework post the PR24 DDs.
Do you consider further steps should be taken to mitigate the impacts on customer bills (for example through further intervention on RCV run-off or the allocation of revenue reconciliation adjustments to RCV)? If you have a proposal, please set this out.	We disagree with the approach Ofwat have taken to mitigate the impacts on bills. RCV run-off should be based on capital charges and investment needs. We propose that Ofwat reverse this methodology

DD action description	Our summary response
Do you agree that we need to consider further actions to mitigate the impacts on customers of poor financial resilience, for example the proposals on gearing? If not please indicate where you provide evidence in support of your response.	The impacts on customers of poor financial resilience needs to be mitigated through a PR24 incentives framework that does not result in poor financial resilience for a substantial part of the industry. Failure to do so increases the cost of finance in order to restore financial resilience.
Do you agree with the proposed 'Delayed Delivery Cashflow Mechanism'? If not please indicate where you provide evidence in support of your response.	We recognise that it is of legitimate concern should enhancement expenditure be significantly delayed. The proposal is proportionate therefore, but not in combination with PCD time incentives.
Do you agree with the proposed approach to profiling revenue? If not please provide evidence in support of your response.	We disagree with the approach to profiling revenue, particularly the profiling for the Bristol area in the draft determination
In relation to the proposed notified item for bioresources. We propose that this notified item does not cover costs in relation to compliance with the existing legal requirements in the Farming Rules for Water (FRfW). It is our understanding that the resilience of the biosolids supply chain to agriculture is included in the PR24 WINEP for the 2025-30 period (intending to address FRfW compliance).	We have provided alternative proposals on the notified item. This would include the legal requirements related to Farming Rules for Water as this links to the biosolids land disposal route.
Do you agree that, where companies have improved their reporting methodology, we will reconcile any changes together at the end of the price review period?	We would support the approach which provides companies with an incentive to improve the accuracy of data and reporting approaches, reflecting new policies and innovations across the industry. If Ofwat an end of period approach, exceptions for PCLs should apply where changes to third-party materials could impact upon methodologies. This exception should then at least apply to the total pollution incidents PCL, which will be impacted by decisions taken by the Environment Agency. For total pollutions, the sewer length will change in-period, after the PR24 final determinations. Fundamentally, companies should be allowed to update this annually, as measuring a PCL on the most up-to-date information would be beneficial to customers and stakeholders. In our business plan we proposed dynamic incentives for a number of performance commitments. This was an alternative approach to absolute/static performance for target-setting, when there is uncertainty on data or external factors that can affect industry performance. Dynamic incentives may therefore be a potential solution for pollution incidents, to solve the issue over sewer length revisions.

Further information

The documents below form part of our Draft Determination response and can be accessed by clicking on the images below.



Level 1
Overview of our response to the Draft Determination

Level 2 • Our strategic priorities

Water quality and resilience

Storm overflows and pollutions

Net zero and environmental gains

Addressing affordability and delivering for customers

Level 3 • Technical representation

Financing, risk and return

Outcomes

Cost and efficiency

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