



Our strategic priorities

Storm overflows and pollutions



Executive Summary

Our business plan sets out an ambitious approach in K8, with a longer term strategy to deliver all regulatory requirements for spill reductions by 2040.

Significant focus during K7 has been on ensuring all our monitoring is in place, and we are sharing information transparently and on a timely basis. We have 100% EDM monitors in place across all our storm overflows and emergency overflows, with self reporting for pollution incidents increased to the highest level – in excess of 90% for treatment works and pumping stations, with the > 80% overall position ‘green’ from an EPA perspective for the first time – a good position to be in as we head into K8.

Following a period of significant reduction since 2020 in overall pollutions and storm overflow activations to water courses, headline numbers for 2023 and 2024 have seen a tick up in occurrence.

Rainfall and ground water levels have been exceptionally high in 2023 and into 2024, up 40% with elevated ground water levels and much higher treated flow volumes.

Looking beneath the headline increase, following significant intervention and investment ahead of the K8 delivery period, we are demonstrating greater resilience in our networks, with our focus on resilience for pumping stations.

Overall, we believe that despite the rainfall impacts in 2023/24 for headline storm overflows and pollutions, we are in a good position to deliver in K8 and our plans are robust. Indeed, emissions from our waste network whether to a water course or land are the lowest across the sector, we remain sector leading for internal sewer floodings and a relatively good performer for external sewer floodings.

We welcome the Draft Determination for our storm overflow priority in terms of;

- Our sector leading efficiency totex position in this area.
- Acceleration of investment into 2024/25 of c£75m to enable an enhanced delivery of an average of 16.5 per overflow.
- Recognition of our stretching external flooding targets.

We are representing on:

- The complexity of the associated price control deliverables – to ensure we are set up for success.
- The design and basis of the pollution target and ODI – ensuring we deliver a stretching but achievable deliverable of 4 star EPA status by 2028.

- The complexity of PCDs which appears to disincentivise efficient programme delivery and may hinder green solution innovation.
- We note the comment in the DD that Ofwat perceive that we are unambitious in our use of green solutions for storm overflows and phosphorus removal.
- We have set out an ambitious Green First framework to ensure Green and Blue solutions are at the heart of our delivery process. Prioritising the removal of surface water from our sewers in 50% of solutions.
- Through the application of the Green First framework we expect to increase the level of Green and Blue solutions and to increase the contribution from third parties as we progress further through the scheme development and detailed design.

The Draft Determination

In the Draft Determination Ofwat has assessed our storm overflows programme to be sector-leading in terms of efficiency, providing an uplift of £13m against our submitted plan (£783m).

Additionally, Ofwat’s modelling suggests the allowance could be increased by a further £35m based upon further information provided during query responses. We are not making a specific representation, noting our position in the round on totex.

The storm overflow programme includes 44 conditions attached to the Price Control Deliverables for storm overflows which is overly complex and granular and doesn’t allow for efficient programme delivery.

The pollutions performance commitment reduces the target number of pollutions to 31 by 2030 and our analysis of the risk based on Ofwat’s design is a P10¹ penalty of £145m over the AMP. Based on K7 performance the penalty could be as high as £236m over the AMP. In our business plan we included a P10 penalty of £31.5m.

Our response

We agree with Ofwat’s assessment of our efficient storm overflow programme, and we are therefore not representing on this.

To respond to changes in new statutory requirements we have re-balanced the plan to accommodate new storm overflows, an increase in the number of River Water Quality monitors and an increase in the Emergency

¹ The PC performance threshold at which there is only a 10% chance of outturn performance being worse

Overflow flow monitors. The reprofiling has been agreed with the EA and we have moved a number of lower priority projects into K9. We've taken this approach to ensure that we avoid adding any additional costs to customer bills whilst still delivering our targets.

Our re-prioritisation also enables us to meet the accelerated delivery profile requirements set out in the Draft Determination, including achieving a more challenging 16.5 average spill frequency target by 2030, and delivering equivalent storage across a range of schemes more rapidly than originally planned.

On PCDs, whilst we recognise that it is important for the Regulator to hold the company to account for the delivery of such a significant investment programme, we consider that the scale and magnitude of the PCDs in this case is overly complex leading to unintended consequences. The risk of clawback in PR29 is concerning and instead we propose an annual true-up to be more appropriate to avoid this potentially significant ex-post risk. This should ensure that both Company and Regulator understand the application of the PCD framework and how this will be reflected in price control adjustments.

The Draft Determination sets a significantly tighter target for pollution reduction than we set out in our Business Plan which would result in a penalty of £236m unless we

achieve 31 pollutions (noting our current performance is 194) – this is equivalent to 20% of the waste water network plus revenue; a level of penalty risk that does not reconcile with the cost of equity and overall risk and return assumed.

We note that EA EPA consultation has been delayed, however in our response we are recommending an alternative approach to measuring pollutions to the EA, which uses a similar EPA methodology to serious pollutions. In considering our overall position in respect of wastewater emissions from our asset base, we have concluded that relatively our performance overall going into K9 is not an outlier - which implies that our asset base and serviceability is not in question. As such we are proposing an alternative target for pollutions that is stretching but achievable.

We recognise that there are aspects of the of the ongoing investigations into FFT that might result in changed requirements and approaches. As with any relevant change in circumstance, we would seek for any new obligations to form part of any wastewater uncertainty mechanism.

Areas of alignment

- 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% 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 for further consideration

Ofwat intervention

Representation

1. Full funding of storm overflow programme	We have re-prioritised our programme to deliver 291 overflows including all SOAF and newly designated bathing water sites. Funding for additional river water quality monitors and Emergency Overflow monitoring managed with existing programme. Further info: Cost and Efficiency
2. Review the PCD which may hinder efficient programme delivery	Simplify current 44 PCD conditions for storm overflows. Further info: Cost and Efficiency
3. Review the recent draft Enforcement Orders and consider whether there is an explicit uncertainty mechanism for new obligations	Proposed changes to operational criteria for Enforcement Orders could have significant outcome changes to the Draft Determinations and price review outcomes. Further info: Cost and Efficiency
4. Review basis of Pollution ODI design and process	Review our proposal around how the Pollutions measure is developed and reported through the EPA. Review of incentive rates and targets – current scale of Pollutions penalty represent over 20% of wastewater price control – unacceptable level of penalty. Further info: Outcomes

Overview

To develop our business plan for 2025-2030, we worked with c.30,000 customers to create and test our plans, as well as a diverse range of stakeholders through our stakeholder forum. Our customers have told us that preventing pollution and protecting bathing water are high priorities.

We have historically relied on storm overflows which are designed to prevent sewage filling our streets and flooding homes and businesses. With 100% monitoring on our storm overflows, a year ahead of plan, we understand why the public are upset about sewage in the seas and rivers – they are right to be. They are right to demand this gets sorted out. Like others in the sector, we acknowledge that we need to regain the trust of our customers. It's our job to fix that and we will, recognising that this is a multigenerational challenge.

Given the topography of the Greater South West, our challenge is a unique one, not least because of the size and scale of our coastline, all 860 miles of it. The majority of our customers live and work on the coastal fringes of our region, as do our businesses, and the health of our economy is heavily dependent on tourism and the 151 bathing beaches which increases now to 157 with the newly designated Inland Bathing Waters in 2024.

Our Storm overflow programme is composed of improvements at storm overflows to reduce spills, providing screen requirements to meet the requirements of the Environment Act, the Storm Overflow Discharge Reduction Plan (SODRP) and Bathing Water and Shellfish Water regulations.

In addition, there is a programme of continuous water quality monitors, MCert certification and permitting of event and duration monitoring at intermittent discharges and investigations associated with storm overflows.

The majority of the investment in our K8 plan is focussed on reducing discharges from storm overflows because, whilst they are licensed discharges, they still may affect water quality. However, in addition to the impact of storm overflows there is also an underlying risk of Environment Agency classified pollution incidents.

Strategic priorities	Customer top 10 priorities
 Storm overflows and pollutions	2 Prevent pollution
	3 Protect bathing waters
	4 Prevent sewer flooding
	9 Less reliance on storm overflows
 Net zero and environmental gains	5 Boost nature & wildlife
	8 Protect rivers
 Addressing affordability and delivering for customers	10 Excellent customer service & responsiveness
 Water quality and resilience	1 Clean, safe water supply
	6 Reduce leakage
	7 Resilience to extreme weather

Customers think storm overflows are being used too often – although they see the target of 10 spills as arbitrary. Storm overflows that impact bathing waters are considered to be the highest priority and highest value to address as they have public health impacts. This is an area that stakeholders also support investment, with the clear desire to see storm overflow issues addressed, but where storm overflows are not impacting human or environmental health, these are a lower priority than our other statutory duties.

The prevailing view among customers is that reducing sewage to the environment – whether through reductions in pollution or discharges from overflows – is an area where we need to improve and work on urgency as there is a perception that the problem will get worse if not addressed with the onset of climate change and population growth.

Many of our customers' top priorities centre around overflows, pollution and the water environment – we know how important this is for our region and our communities. With customer views and legal requirements aligned, we have a plan that prioritises investment where it matters most. We are targeting public health – with a focus on bathing beaches – that customers want to see quickly and reducing discharges at our high priority sites that can cause ecological or recreational impacts.

Pollution incidents occur when things go wrong across our asset base, and when this happens it may impact water quality in rivers and on our beaches. They can occur due to failures on our network, from pumping stations, treatment works and storm overflows. Half of our water pollution incidents are caused by blockages, with wet wipes being a leading cause. We have increased our jetting and cleansing programme and are also working hard to remove the source of blockages, including working with communities to reduce the number of wet wipes entering our sewer network. So, at the same time as we address discharges from storm overflows, we will put even more focus on getting the basics right by maintaining, operating, working with communities and investing in our underlying infrastructure.

K7 performance

Rainfall in 2023 and early 2024 was exceptionally high.

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

2023 was the fifth wettest year on record across the South West region, with a step change increase in rainfall from 2022. We experienced 50% more rainfall than the long-term average in the second half-of the year, peaking at 130% in July. This also reflected the impact of ten named storms, and the South West Region experienced further days of precipitation-related yellow weather warnings.

Rainfall for the first part of 2024 was also above the long-term average, up 40%, which combined with elevated groundwater levels, resulting in high levels of inflows into our sewers.

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 three 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.

Going back to the 20% increase in flows into our system, we need to remove or divert these flows, so we 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, stabilising performance into 2024, 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 my colleagues. We are clear and transparent about where we are and over time we have improved self-reporting of pollutions incidents and 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.

The higher flows in our networks have 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 151 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%.

Part 1: Storm Overflows

We get why the public are upset about sewage in the seas and rivers – they are right to be. They are right to demand this gets sorted out.

Our Business Plan

We proposed £770m investment to improve 291 storm overflows to meet the requirements of the Environment Act, Bathing and Shellfish Water regulations and the Storm Overflow Discharge Reduction Plan. With a commitment to deliver all of the storm overflows associated with Bathing Waters by 2030, five years early. Our primary focus is to reduce pollutions – the wet weather in 2023 and continuation into 2024 masked the significant improvements we'd made since 2020.

We developed an evidence-led plan, supported by customer views and using the latest data and insights to assess where we are today, and what is the best way to address the risks we face today and in the future. This was made possible due to the complete roll out of storm overflow monitoring, and with the experience that we have gained from our £2billion Clean Sweep programme and our WaterFit programmes. We have worked with experts including the Met Office and the University of Exeter, who have helped us to understand the current and future risks that we face – especially from climate change.

Tackling and minimising the use of storm overflows is a multigenerational challenge. We will work at pace, but it will still take another 15 years to complete. We are targeting completing all of the Government requirements by 2040, 10 years ahead of governments required target of 2050, and with a focus on our 151 bathing and 30 shellfish waters.

We are putting the environment first, using nature-based (green and blue) solutions to help us reduce the volume of surface water entering our sewers and helping us to hold back the peaks of flow. We know taking a nature-based approach is important to our customers and half of our flow reductions in K8 will be delivered through these types of solutions. We'll be working alongside many of our stakeholders to use their expertise to help us deliver these solutions.

Our business plan focused on 283 storm overflows (290 including a further 7 bathing water treatment sites) in 84 catchments by 2030, building on the 509 sites that are already compliant with targets and operating effectively. This will allow us to tackle overflows at all bathing beaches whilst also enhancing the environment as we address the highest priority sites where the environment is at risk of potential harm from overflows.

Our business plan delivers by 2030 improvements to over 60% of storm overflows – including 100% at bathing waters and shellfish waters – will meet new stringent standards of no more than 10 spills per annum by 2030. Our plan will bring the average discharges per overflow each year down from 20 in 2024/25 to 17.5 in 2029/30. We're investing right across Devon and Cornwall.

The Draft Determination

Overview

Ofwat's view of totex is aligned to our plan and supports the delivery of the outputs we assumed. We have adjusted our programme in agreement with the EA to respond to new requirements without increasing customer bills by remaining within business plan totex level. We make suggestions on ways to simplify the storm overflow PCD.

Areas of alignment

- ✓ 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% 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

Impact of the DD on our plan

Key outputs to 2030 and alignment with the totex allowances in the DD are shown below. (✓✓✓) indicates a high level of alignment, (✓) indicates a low level of alignment.

- ✓✓✓ Improve our sewerage network and 291 storm overflows to reduce spills to meet Government targets and ensure 6 out of 10 storm overflows will not spill more than 10 times each year including all of our beaches by 2030
- ✓✓✓ All our bathing waters and shellfish waters overflows will meet new stringent standards of no more than 10 spills per year by 2030
- ✓✓✓ Install 409 river water quality monitors in rivers in our region to collect information on the potential impact of our storm overflow discharges to the receiving water
- ✓✓✓ Put in place UV Treatment at defined Bathing Water and Shellfish sites
- ✓✓✓ Deliver monitoring improvements at 50% of Emergency overflows by 2030 as defined by Defra/EA

Areas for further consideration

Our concerns relate to the design of the framework surrounding storm overflow delivery.

- The complexity of the associated deliverables – to ensure we are set up for success.
- Increased complexity of PCDs which appears to disincentivise efficient programme delivery and may hinder green solution innovation.
- We note the comment in the DD that Ofwat perceive that we are unambitious in our use of green solutions for storm overflows and phosphorus removal.
- We have set out an ambitious Green First framework to ensure Green and Blue solutions are at the heart of our delivery process. Prioritising the removal of surface water from our sewers in 50% of solutions.
- Through the application of the Green First framework we expect to increase the level of Green and blue solutions and to increase the contribution from third parties as we progress further through the scheme development and detailed design.

Base Totex

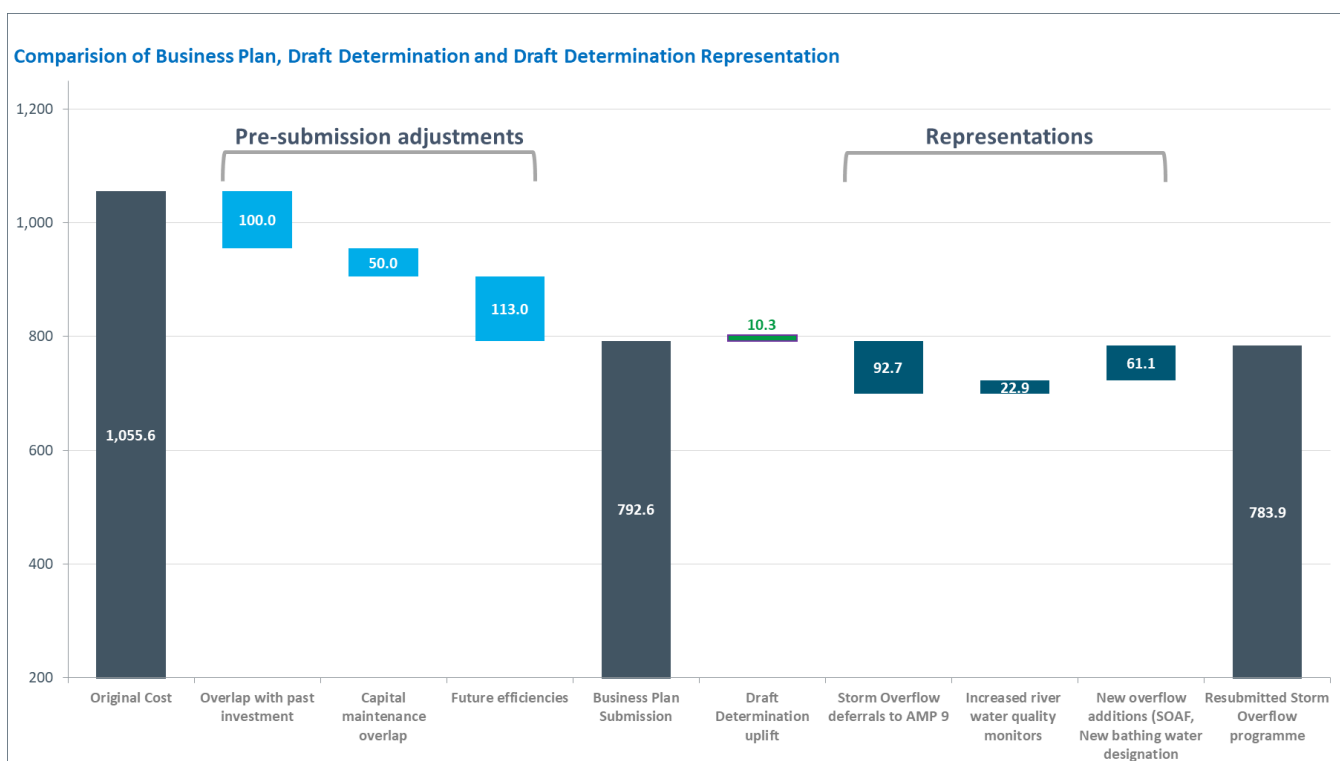
We cover base totex for the wastewater network as a whole under Part 2: Pollutions.

Enhancement Totex

In the Draft Determination Ofwat have assessed our storm overflows programme to be sector-leading in terms of efficiency. An overview DD enhancement totex and our response is provided below.

Output	Bp Totex pre eff	BP Totex post eff (submitted)	Totex DD	% change vs BP post eff
Storm overflows <ul style="list-style-type: none"> • 291 overflows 	1,024.0	760.8	750	-26%
River water quality monitors <ul style="list-style-type: none"> • 409 monitors, including 50% of Emergency Overflow programme 	31.6	32	33	0%
Total	1,055.6*	792.6	802.9	-75%

*the total programme includes Bathing Waters, Shellfish Waters, Storms overflows (Env Act), River WQ Monitors, Storm Overflow Investigations, and Micro-biological treatment



Additionally, Ofwat’s modelling suggests the allowance could be increased further by £35m based upon additional information provided during a query response. In our models we have estimated this could add a further £35m to the DD totex value but have not included this in our representation as we would expect this to be re-calculated at the final determination taking into account the full range of data and information available in the ADD20 table.

Storm overflows

Our re-balanced storm overflow totex plan totals £784m enhancement expenditure for storm overflows, which is now below our original business plan by £5m.

At the same time, we have been asked by Defra to increase the percentage improvements to Emergency Overflows from 25% to 50% by 2030. This increases the costs of for this programme (U_MON6) from £5m to £10m. As such, we have re-balanced the plan accommodating the new storm overflows, an increase in the number of River Water Quality monitors and an increase in the Emergency Overflow monitors.

There is also a further £19.6m spend associated with Storm overflow investigations and Microbiological treatment.

Our plan sets out an ambitious approach in K8, with a longer strategy to deliver all regulatory requirements for spill reductions by 2040. We have listened to our customers and stakeholders and our plan focussing on bathing beaches and shellfish waters as well as reducing discharges at our high priority sites that can cause ecological or recreational impacts. In the Draft Determination Ofwat have assessed our storm overflows

programme to be sector-leading in terms of efficiency, providing an uplift of £10.3m against our submitted plan.

Our re-prioritisation also enables us to meet the accelerated delivery profile requirements set out in the Draft Determination, including achieving a more challenging 16.5 average spill frequency target by 2030 and delivering equivalent storage across a range of schemes more rapidly than originally planned.

We’ve also provided more information on costings where Ofwat has requested additional detail including information on schemes that require additional treatment capacity for pass forward flow / flow to full treatment.

By rebalancing our plan within both our original business plan expenditure and within the Draft Determination allowances made by Ofwat, we are not making any representations with regards to the enhancement cost allowances for the storm overflow programme.

We note the comment in the DD that Ofwat perceive that we are unambitious in our use of green solutions for storm overflows and phosphorus removal.

We have set out an ambitious Green First framework to ensure Green and Blue solutions are at the heart of our delivery process. Prioritising the removal of surface water from our sewers in 50% of solutions.

Through the application of the Green First framework, we expect to increase the level of Green and Blue solutions, and to increase the contribution from third parties as we progress further through the scheme development and detailed design.

Continuous Water Quality Monitoring

We have increased the scale of our continuous water quality monitor programme from 245 river quality monitors to 409 river quality monitors. Our unit rate is unchanged. We have also reprofiled £1.7m of K9 expenditure into K8 to deliver 60 of the 409 monitors in the early part of K8 to allow for pilot studies at estuaries to determine the viability of monitoring within estuaries.

This revised programme increases our continuous water quality programme from £31.6m to £54.4m.

Changes in regulatory requirements

The Environment Agency (EA) introduced new Urban Wastewater Treatment Regulations (UWWTR U_IMP4) WINEP driver in February 2024. The new driver covers overflows that have been assessed as cost beneficial under the Storm Overflow Assessment Framework (SOAF) process, resulting in a requirement for seven additional overflows to be improved within the K8 programme.

Spatial analysis of overflows affected by Bathing Waters newly designated in 2023 and 2024 has resulted in the re-profiling of 17 additional overflow improvements into the K8 programme, to meet both customer priorities and regulatory requirements.

Assessment of the 2023 calendar year event and duration analysis (Feb 2024) against priority K8 WINEP drivers (Shellfish Waters and Bathing Waters) has resulted in the inclusion of a further six additional overflows.

The 30 storm overflow improvements identified are assessed to require total enhancement expenditure of £59.5m. We have re-profiled our K8 programme in response to these new regulatory requirements to ensure our business plan remains affordable for customers whilst meeting statutory requirements. This has resulted in the deferral of 29 lower priority overflows across our programme into K9. The reduction in enhancement expenditure associated with the deferred overflows totals £88m. This has resulted in a net reduction of £-41.23m.

We have also brought forward a transition investment programme of £75m in 2024/25.

Econometric modelling

Ofwat identified three overflows as inefficient cost outliers according to the modelled allowance, resulting in a cost challenge of -£35m totex. We had provided additional information to update a missing element of equivalent storage via the query process, though the timing was too late for inclusion in the Draft Determination itself. Ofwat recognised that the Company would update the information in its next submission of data.

Following the rebalancing of the programme, the Company has deferred one of the schemes into K9 and

the remaining two overflows have had their total storage equivalent volume updated. These changes have resulted in a reduction in totex from £40.53m in the Business Plan to £17.34m in our revised plan.

Pass Forward Flow information request

In our business plan we had included 11 overflows at ten wastewater treatment works which required increases in pass forward flow (PFF) and flow to full treatment (FFT) to reduce storm discharges. In the Draft Determination, Ofwat requested that Companies provide additional information on these schemes as part of their representations. Ofwat subsequently provided detailed guidance on the information required via outbound query SBB-001.

Of the original 11 overflows, two have been deferred to K9 as part of the re-profiling of our programme to accommodate new regulatory requirements. A further two have been reallocated to storage or hybrid solutions following a review of the proposed solutions and model confidence. The required information on the remaining seven overflows has been provided to Ofwat.

This results in a revised programme of £124m totex, compared to £144m in the original business plan.

Price Control Deliverables

The storm overflow programme includes a significant number of Price Control Deliverables for storm overflows. Accounting for the number of PCDs for each costing model we assess that there are 44 separate conditions associated with the PCDs for the storm overflow programme.

Whilst we recognise that it is important for the Regulator to hold the company to account for the delivery of such a significant investment programme, we consider that the scale and magnitude of the conditions and PCDs in this case is overly complex and will lead to unintended consequences.

The PCDs appear to have a bias towards grey and hybrid solutions and make the transfer and development of green solutions more complex. We consider that this creates an economic distortion to our decision-making processes which would dis-incentivise green solutions. This is contrary to the stated aims of Defra, the Environment Agency and through prior WINEP development, representatives of Ofwat.

The described storm overflow process also involves a pre-qualification phase with the expectation that companies demonstrate the need for the investment, by reviewing past performance against a number of triggers and determining whether elements of today's performance should have been invested in the past or delivered through prior programmes.

The approach proposed by Ofwat appears to be quite binary in nature (i.e. a scheme is either in or out) with schemes removed from the programme being delivered through base maintenance. Whilst the approach, quite rightly, focusses to ensure customers do not pay for improvements twice, the application lacks an understanding of the complexity and practicalities of the management of storm overflows and may result in a distortion of effective economic decisions.

We have concerns that the triggers for historic compliance activity are not well defined in the Draft Determination and that these may change if new obligations come from the recent Enforcement Orders set out for Thames Water, Yorkshire Water and Northumbrian Water. We would welcome an uncertainty mechanism to cover this. We acknowledge there is a base compliance requirement and any uncertainty mechanism would only be applied against new obligations.

In particular, the draft enforcement orders set out new criteria for;

- Flow to full treatment
- Dry weather flows
- Storm tank sizing
- Overflows spilling more than 20 times
- Emergency Overflow spill frequencies
- Prior WINEP assessments
- Dry day spills
- Pollution reporting.

These criteria are at the heart of both the storm overflow investment programme as reviewed and amended within the Draft Determination and could affect both the scale and quantum of the storm overflow programme and the associated base maintenance investment and allocations for the wastewater network+ price control. Due to the late nature by which these Enforcement Orders were issued in

the price control process we have not been able to assess the cost impact for either the enhancement programme nor the base maintenance programme. These may well have a significant impact on the final determination process.

The proposed approach in the Draft Determination will involve close tracking on a scheme by scheme basis with companies making judgements between enhancement and base maintenance throughout the five year delivery period. This has the risk of cutting across our efficient supply chain delivery.

As part of our PR24 business plan development, we recognised this overlap with past expenditure, the costed Storm Overflow programme was assessed as £1,056m over the period, we removed £100m for elements of the programme which were delivered in the past and a further £50m for overlaps with capital maintenance. Finally we challenged our plans with an efficiency challenge resulting in a programme which, at £770m, was 26% below our original programme cost.

This K8 and PR29 programme review process requires a more detailed appraisal of the process, roles and to look at how previous company assumptions are reflected in the decision process. We would recommend that a joint Ofwat and industry working group is put in place to develop the business process, set out clear documents and products which would be put in place by companies and provide a level of regulatory certainty for both companies and regulators. This would include an end to end Governance approach to provide confidence to company Boards and Regulators that the outcomes are jointly agreed and audited.

We see a role for our WS+ Customer Panel in scrutinising changes to our storm overflow plan to continue to adapt to local circumstances in an agile way.

Performance commitment levels

We had set a target of 17.5 spills/overflow by 2030 as part of our business plan submission. The Draft Determination has established a reduction in the overall average spills to 16.5 spills/ overflow. Ofwat assumes companies will make further improvements through the prioritisation of the programme, operational and capital maintenance improvements. Whilst this target has a high level of stretch, we agreed to amend our plan. We have needed to reprofile expenditure to support earlier delivery.

The net programme of 291 overflows has also increased the total equivalent storage delivered in K8 from 250,791m³ to 260,123m³.

Performance commitment (SWB)	2029/30 Target (BP)	2029/30 Target (DD)	2029/30 Target (DD response)
Storm overflows	17.50	16.50	16.50

Adjustments required in the final determination

Our revised plan sets out improvements at 291 storm overflows to meet the requirements of the Environment Act, Bathing and Shellfish Water regulations and the Storm Overflow Discharge Reduction Plan.

We have re-prioritised our storm overflow plan to include 30 higher priority storm overflows - 14 storm overflows associated with the UWWTR SOAF investigations and 16 overflows associated with the new recently designated Bathing Waters by Defra. We have done this by the rebalancing of the programme and deferring lower priority overflows into the K9 price control period.

The regulatory driver which covers overflows at Shellfish Waters by 2030 is still being met by the programme. We have also maintained our commitment to customers to deliver all of the storm overflows associated with Bathing Waters by 2030 ahead of the 2035 regulatory deadline. The 38% target within the SODRP of high priority locations in K8 continues to be met.

We have shared these updates with the Environment Agency and these changes have been agreed and updated into our K8 WINEP programme. We will update these changes as part of the update of the company Storm Overflow Action Plan in September 2024.

In rebalancing the storm overflow programme, we have also taken into account increases in the number of River Water Quality Monitors required and to increase the level of EO monitoring from 25% to 50% by 2030 in alignment with the Defra guidance provided in August 2024.

In re-balancing the plan, we have accommodated these changes within our original business plan investment costs. We've taken this approach to ensure that we avoid adding any additional costs to customer bills whilst still delivering our targets.

Our original business plan costs for the storm overflow totex programme was £770m, as part of the Draft Determination Ofwat assessed this totex plan at £783m, £13m higher than our business plan.

Storm Overflow model Draft Determination allowance and revised plan for Storm Overflows - Spill reduction and screen provision, Continuous Water Quality Modelling and EDM

Component	BP Totex	DD Totex	Difference	Revised Plan	DD Representation comment
	£m	£m	£m	£m	
Storm overflows model total	737.05	749.59	12.54	708.36	30 overflows swapped in due to regulatory requirements arising since Business plan, offset by 29 lower priority overflows deferred until K9.
Continuous Water Quality Monitors	31.58	32.63	1.05	54.43	Increase programme from 245 to 409 monitors plus £1.7m for temporary pilots at estuary sites.
Event and duration monitoring at intermittent discharges	1.14	1.14	0.00	1.14	No change; no representation or revised plan
Total £m	769.77	783.36	13.59	763.93	

Adjustments required in the final determination

We ask Ofwat to consider the following adjustments:

Area	Adjustment / why
Totex allowance	Relocation of totex allowances as shown in the table above
Revised storm overflow programme	Our re-prioritisation of the storm overflow programme to include SOAF and newly designation bathing waters
Revised monitor programme	Our revised programme for river water quality monitors and emergency overflows
Storm overflow PCD	Reviewing the PCD which may hinder efficient programme delivery
Enforcement Order compliance triggers	Reviewing the recent draft Enforcement Orders and consider whether there is an explicit uncertainty mechanism for new obligations

Part 2 Pollutions

Our Business Plan

Improving pollution performance is about more than just building new assets; over the next five years we'll be improving the way we operate and maintain our sewer network to drive reductions in the risk of pollution incidents occurring. Our work will include using our asset performance data to target interventions, sewer cleansing to remove and prevent blockages and working with communities and businesses to reduce unsuitable products entering our sewerage network.

We're also continuing to maintain our sewage pumping stations to reduce the risk of our assets failing and causing issues and we're also increasing capacities at our wastewater treatment works to handle larger flows. We know that 70% of incidents are caused by network blockages, structural failures, plant and control failures and our network being overloaded by high flows. Our Pollution Improvement Plan is based on addressing these root causes on the assets that cause them.

Alongside our own assets, third parties also have an impact on how our network operates and so it's critical that we also work with our communities and business customers to eliminate these causes of pollution such as wet wipes, fats, oils and greases in the sewers. When incidents such as blockages or failures in our asset base occur, we undertake rigorous root cause analysis of each event, tracking both incidents and near misses.

Our K8 plan builds on our K7 activity as we undertake renewal and rehabilitation of our network to increase the reliability and resilience of our sewerage assets to deliver an improvement in our pollution performance.

Our pollution plan from 2025-2030 is focussed on our storm overflow programme but in addition we will be funding £305m of capital maintenance investment.

This investment is vital to make sure that improvement delivered over this Asset Management Period is sustained for the future and that emerging risks are dealt with rapidly through Base Maintenance investment to deliver pollution and spill reduction benefits whilst maintaining our assets in a steady state for future generations.

Investment costs	Outcome
£154m	Maintain our wastewater treatment works and bioresources assets and meet the challenges of supply-demand.
£104m	Rehabilitate and replace our gravity and pumped sewerage network assets.
£37m	Increase the resilience and reliability of our sewage pumping stations.
£10m	Address localised sewer flooding issues through increasing capacity or separating surface water.

The Draft Determination

Our pollution incident reduction is partially delivered through our storm overflow programme, but predominantly through base maintenance activities. There is no additional enhancement expenditure for pollution incidents in our plan.

Base Totex

Storm Overflows and Pollutions (WWN+):

Base expenditure' is the funding we use to deliver our day-to-day services, including maintaining and renewing our existing assets. Our wastewater network base expenditure covers all works required to maintain and operate our sewage treatment works and sewer networks.

For base wastewater funding, Ofwat has adjusted our expenditure allowances from £745m (Business Plan) to £732.5m. Our representations return our base wastewater funding allowances to £745m, as submitted in our business plan.

We have made the decision to forego Ofwat's inclusion of special cost adjustments for phosphorous removal (£6 M) and net zero (£9 M). And in turn, we have made some adjustments to the price control deliverable outputs and performance commitments attached to this funding.

The Draft Determination increased the level of stretch in our pollution incident target and set, in our view, disproportionate and unworkable levels of ODI penalties.

Impact of the DD on our plan

Key outputs to 2030 and alignment with the totex allowances in the DD are shown below. (✓✓✓) indicates a high level of alignment, (✓) indicates a low level of alignment.

- ✓✓✓ Deliver low levels of serious pollutions incidents whilst continuing to target zero events each year.

- ✓✓✓ We consider that Pollution numbers should be expressed in absolute terms in the same way that Serious Pollutions are described.

- ✓✓✓ Targets for pollution should be categorised as large companies and small companies in the same way that Serious Pollution events are described.

- ✓✓✓ We consider that the EPA methodology should be reconfigured to report pollutions in this manner as it is more transparent than the current normalised approach.

- ✓✓✓ We will continue to target industry leading performance on internal sewer flooding.

- ✓✓✓ Continuing to install Sewer Level monitors increasing to 20,000 monitors by 2030 as part of continuing near real time strategy for Sewer Networks. Continuing to support the reduction in network pollution events.

- ✓✓✓ Continuing to deliver upper quartile self-reporting of pollution incidents.

- ✓✓✓ Aiming to achieve EPA 4* rating by 2028.

In our Business Plan we set ourselves a target of 19.56/ 10,000 km of sewer which is the equivalent of 45 pollution events each year. In the Draft Determination Ofwat believe that this should be set to the 30% WISER reduction target, which results in a PCL of 13.65/ 10,000km of sewer by 2029/30. In a change to the methodology, Ofwat say that the performance levels would now be based on the 2017-18 sewer length, however Ofwat’s pollutions PCL model refers to a different sewer length.

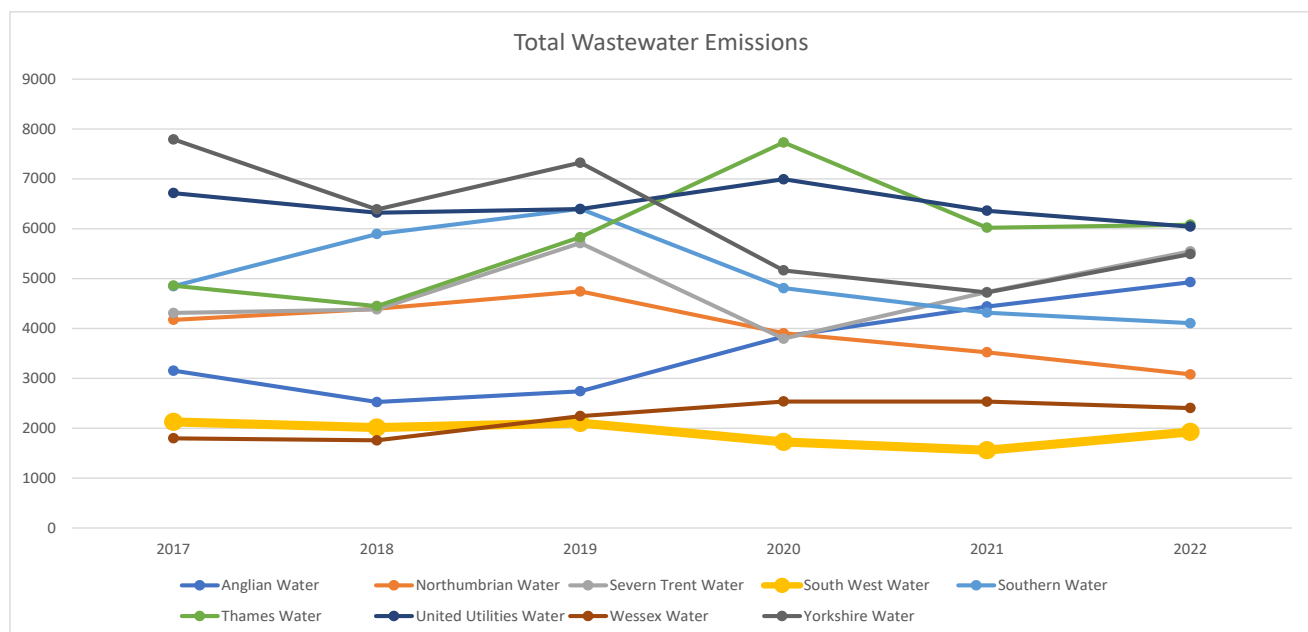
Performance Commitment Levels

The Draft Determination sets a significantly tighter target for pollution reduction than we set out in our Business Plan. We remain concerned that, when compared to outturn performance or company performance forecasts, no company is going to achieve the WISER targets set out for 20-25 and therefore a further stretch target for 2030 may also not be achieved.

	Baseline 2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Number of pollution incidents per 10,000 km of the wastewater network	19.50	18.33	17.16	15.99	14.82	13.65

As part of our business plan submission we set out challenging but meaningful targets for pollution events based upon the current paradigm of reporting and historical performance.

Based upon the historic reporting methodology and the proposed incentive rates in the Draft Determination, there is a material impact now of a £236 million penalty over the five year period. This is a very significant Performance Penalty of circa £47m per annum. Equating to 20% of turnover for the wastewater service. This level is punitive and disproportionate.



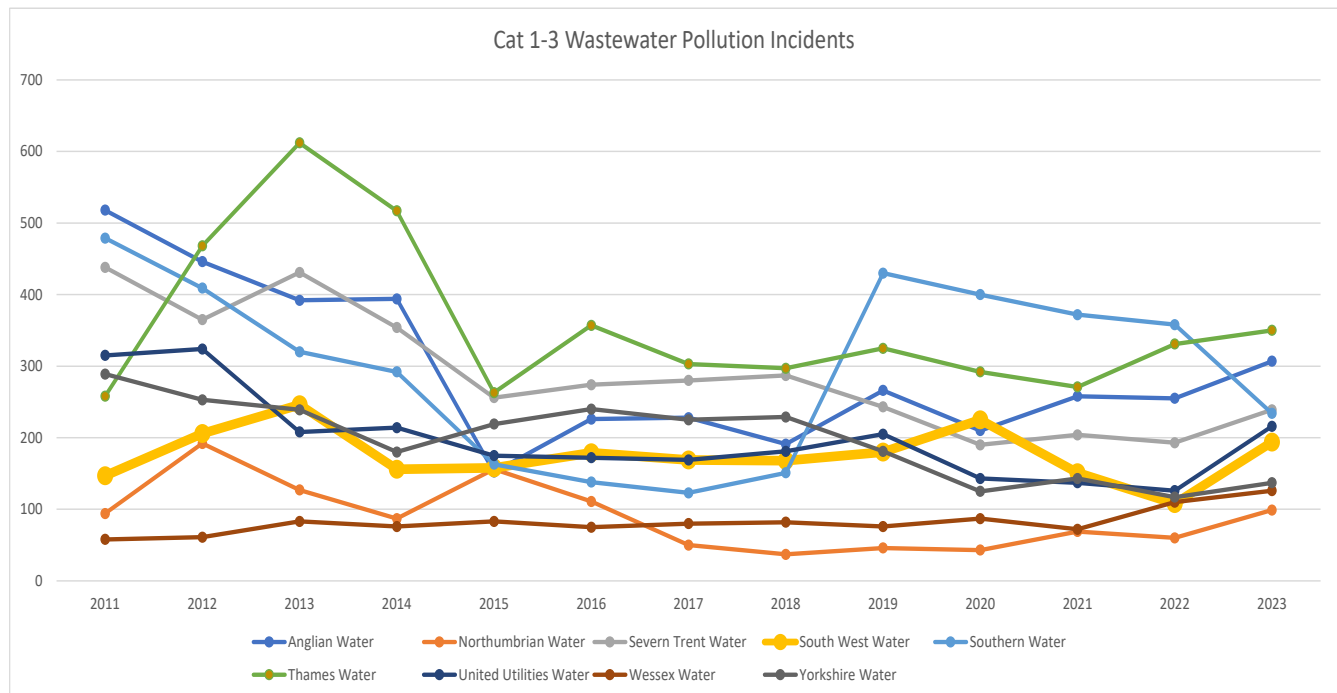
Our primary focus is to reduce pollutions – the weather in 2023 and continuation into 2024 stalled the significant improvements we’d made since 2020.

Pollution performance is having a disproportionate impact – keeping us 2* – and this does not reflect the nature of our region or infrastructure. It is clear we are striving to improve performance, but currently the view of performance is dependent upon the method applied for normalisation. The following charts demonstrate how changing the method returns a materially different view of performance.

Whilst we are disappointed that the Environment Agency EPA consultation has been further delayed, we consider that the current EPA framework does atypically have an adverse effect on SWW in a specific way – more so than other companies.

In 2022, SWW had the second lowest absolute pollution levels in the sector. But the second highest normalised levels of pollutions. We have had zero Cat-1 events for 5 years.

SWW's topography means we are unfairly impacted.



The nature of our region means that our network assets are closer to water courses than the rest of the industry – around 200m compared to the industry average and 50m closer than the nearest company – any emission from our assets is likely to be a pollution – whilst other companies this may be an external sewer flooding to the land environment and not reflected in the EPA.

We consistently have the highest number of amenity pollutions based on having the most amenity sites (1/3 of the country's bathing waters).

Urban companies seem to do better under the pollution measure – Thames is regularly the best performer despite its high number of absolute pollutions and track record around serious pollutions.

Some companies should have similar targets to us, but they don't, Wessex Water's target is 100% more pollutions than SWW, despite having similar numbers of overflows and above ground assets, and a similar sized investment plan.

We consider that Pollution normalisation by sewer length is flawed.

Sewer lengths are not fully observable. It consists of legally transferred assets which have been assessed by companies using different and inconsistent methods. It is only SWW that has a significant difference from the EPA kilometre to the current position – around 32%.

When private sewers transferred in 2011, Companies estimated the length of transferred sewer using a model developed by WRc. These were high level estimates which in many cases were inaccurate due to a lack of sewer records.

In 2011, Ofwat wrote to all companies setting out the need for companies to improve the quality of their records and estimates over a 10-15 year timeline. Despite this, SWW has been the only company to significantly review and improve the accuracy of our records.

We continue to seek innovative ways to improve accuracy having established (with a third party) a sector leading spatial modelling tool which visualises the sewers through existing assets, properties being charged wastewater bills and respecting the curtilage of the property. Based on this review the sewer length has increased to 25,368m (including identifying new developer sites assets to). This stands to increase this variance further to 45%. We believe companies should not be penalised for continuously improving the quality and accuracy of their data.

The use of networks is not representative as it reflects only c.50% of the cause of pollutions. Less than half of SWW's pollutions have anything to do with the network. For 2023, only 35% of pollution incidents came from networks.

If the normalisation factor were changed from networks to treatment works South West Water would no longer be an outlier but would be within the relative industry performance. The relative performance for other companies (excluding Thames where the number of STW is disproportionately low for the km sewers) remains broadly consistent.

Tackling the pollutions issue

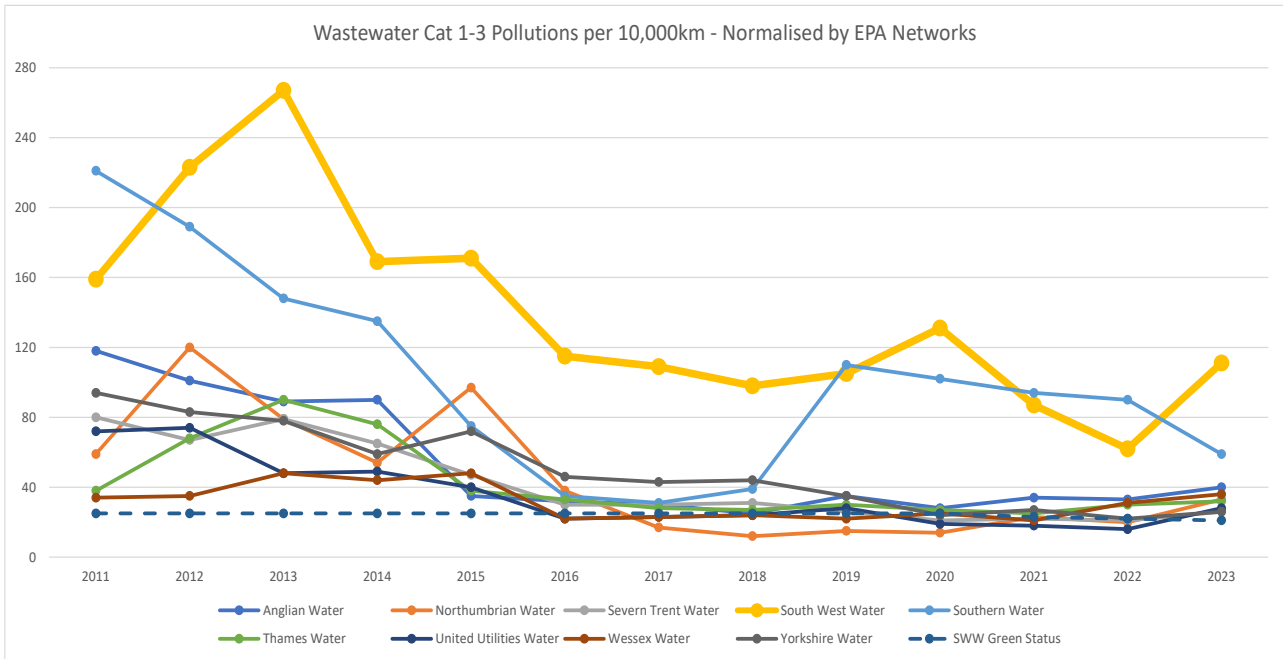
SWW's performance had been consistently impacted by one measure – Cat 1-3 Pollutions and are 3 years historically where 3* performance would have been achieved without the Cat 1-3 position.

SWW's absolute number of pollution incidents have not been outliers – in 2022 we had the 2nd lowest number of overall pollution incidents.

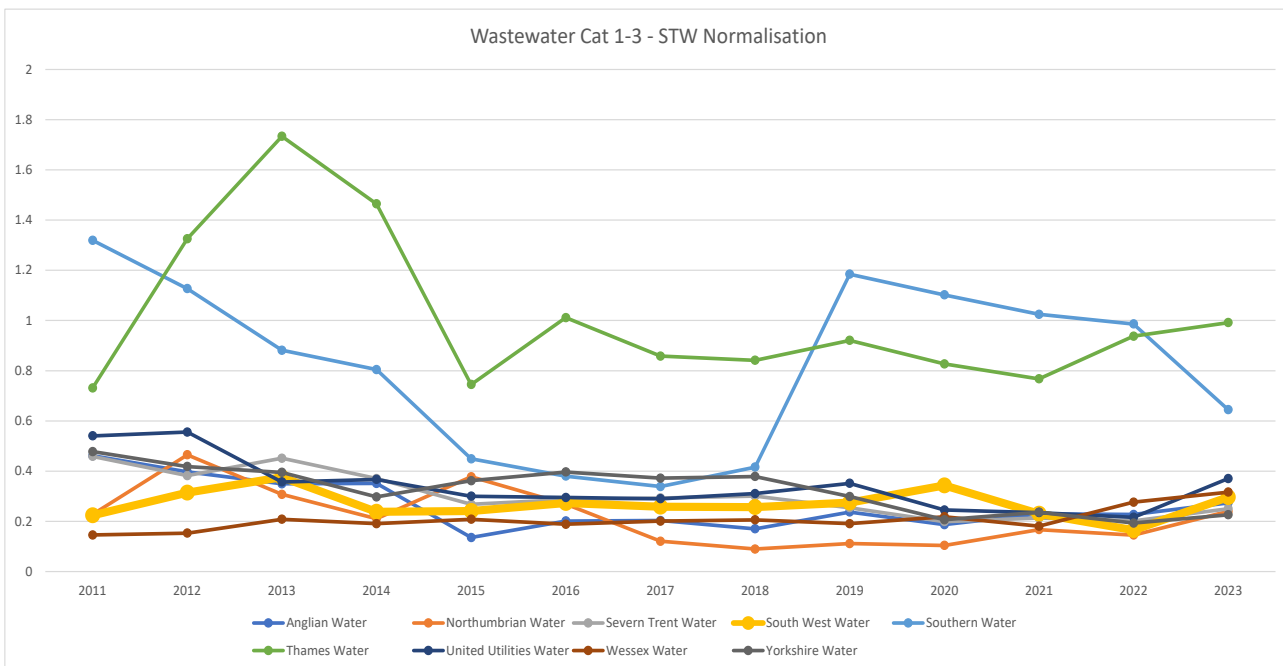
It is the normalisation which impacts the perceived view of performance:

- The use of networks is not representative as it reflects only c.50% of the cause of pollutions
- For 2023 only 35% of pollution incidents came from networks in SWW
- If a different normalisation factor is used the picture changes markedly– so is this really a reflection of performance – given the potential differences in the company regions and normalisation factors?

Network Normalisation



Treatment Works Normalisation



Perversely, the current EPA makes it harder to protect the environment.

There is a risk that what can be measured is favoured over what is important.

All the areas where the Government's Environmental Improvement Plan (EIP) states we should invest in are not part of the EPA, such as overflows, river and coastal quality, net zero, nutrient reduction and natural capital.

The EPA does not provide the flexibility in delivery to deliver early in response to external factors. For example, the change in scope of our Exmouth scheme alongside the acceleration of Kenn & Kennford and Wilmington – which are overall beneficial to the environment - still led to a failure in the current WINEP EPA reporting.

The current approach does not encourage nature-based solutions. A more rigid framework dampens the ability to use nature-based solutions further – given these solutions can take longer to implement and may not be consistent with fixed delivery timescales.

Our pollutions proposal

Our proposal is similar in nature to the current EPA methodology for serious pollutions which is:

- a. based on absolute numbers
- b. provides a target of 1 serious pollution for the smaller companies which is half that for the larger companies who have a target of 2 serious pollutions in 2024

We recommend the same methodology is applied for Cat1-3 Pollutions which will ensure consistency across the measures without affecting the RAG status of most of the other companies

The Cat1-3 pollutions measure should therefore be based on an absolute number. Looking at the top four largest water companies to achieve the EPA green status in 2023, they need to target an average of 188 Cat1-3 pollutions based on the current methodology.

So, we recommend that the smaller water companies target should be half of this at 94 Cat 1-3 Pollutions for a 'green status'. Therefore, anything over this level would be an 'amber status' and then red based on a target level determined by the EA (it would be 169 based on 2023 equivalent position).

For the EA this is beneficial because:

- This remains anchored in the current EPA methodology
- Aligns the two pollution measures for consistency
- It broadly maintains the current star ratings (it is only Yorkshire where the stars would be negatively impacted)
- This is more understandable and transparent to customers
- By moving the measure to absolute, the length /number of assets is no longer relevant to the calculation. In turn this encourage companies to continue to improve their infrastructure records

We are committed to improving our performance and this new approach to measurement would be challenging for us. In 2023 we had 194 Cat1-3 pollutions and our lowest ever in 2022 was 108. So, this new target of 94 is extremely challenging; a challenge we are willing to accept.

Adjustments required in the final determination

We ask Ofwat to consider the following:

Area	Adjustment / why
Pollution Reporting	Consider our proposal to review the method for pollution incident reporting
Revised incentives	Reduce the magnitude of the pollutions incentives as these would currently breach a 20% materiality position for the wastewater network+ price control.

Conclusion

We welcome the Draft Determination for our storm overflow priority in terms of;

- Our sector leading efficiency totex position in this area
- Acceleration of investment into 2024/25 of c£75m to enable an enhanced delivery of an average of 16.5 per overflow
- Recognition of our stretching external flooding targets

We are representing on:

- The complexity of the associated price control deliverables – to ensure we are set up for success.
- The design and basis of the pollution target and ODI – ensuring we deliver a stretching but achievable deliverable of 4 star EPA status by 2028.
- The complexity of PCDs which appears to disincentivise efficient programme delivery and may hinder green solution innovation.
- We note the comment in the DD that Ofwat perceive that we are unambitious in our use of green solutions for storm overflows and phosphorus removal.
- We have set out an ambitious Green First framework to ensure Green and Blue solutions are at the heart of our delivery process. Prioritising the removal of surface water from our sewers in 50% of solutions.
- Through the application of the Green First framework we expect to increase the level of Green and Blue solutions and to increase the contribution from third parties as we progress further through the scheme development and detailed design.

Adjustments required in the final determination

We ask Ofwat to consider the following:

Area	Adjustment / why
Totex allowance	Relocation of totex allowances as shown in the table above
Revised storm overflow programme	Our re-prioritisation of the Storm overflow programme to include SOAF and newly designation bathing waters
Revised monitor programme	Our revised programme for river water quality monitors and emergency overflows
Storm overflow PCD	Reviewing the PCD which may hinder efficient programme delivery
Enforcement Order compliance triggers	Reviewing the recent draft Enforcement Orders and consider whether there is an explicit uncertainty mechanism for new obligations
Pollution Reporting	Consider our proposal to review the method for pollution incident reporting
Revised incentives	Reduce the magnitude of the pollutions incentives as these would currently breach a 20% materiality position for the wastewater network+ price control.